

VII. STANDING COMMITTEES

B. Finance, Audit, and Facilities Committee

Finance & Facilities Management

This will be an oral presentation on how Finance & Facilities is strategically managing funding reductions as an example of work going on throughout the University of Washington.



Strategic Downsizing: Finance & Facilities

Finance, Audit and Facilities
July 2010

V'Ella Warren
Senior Vice President
vwarren@uw.edu

Strategic Downsizing: Finance & Facilities

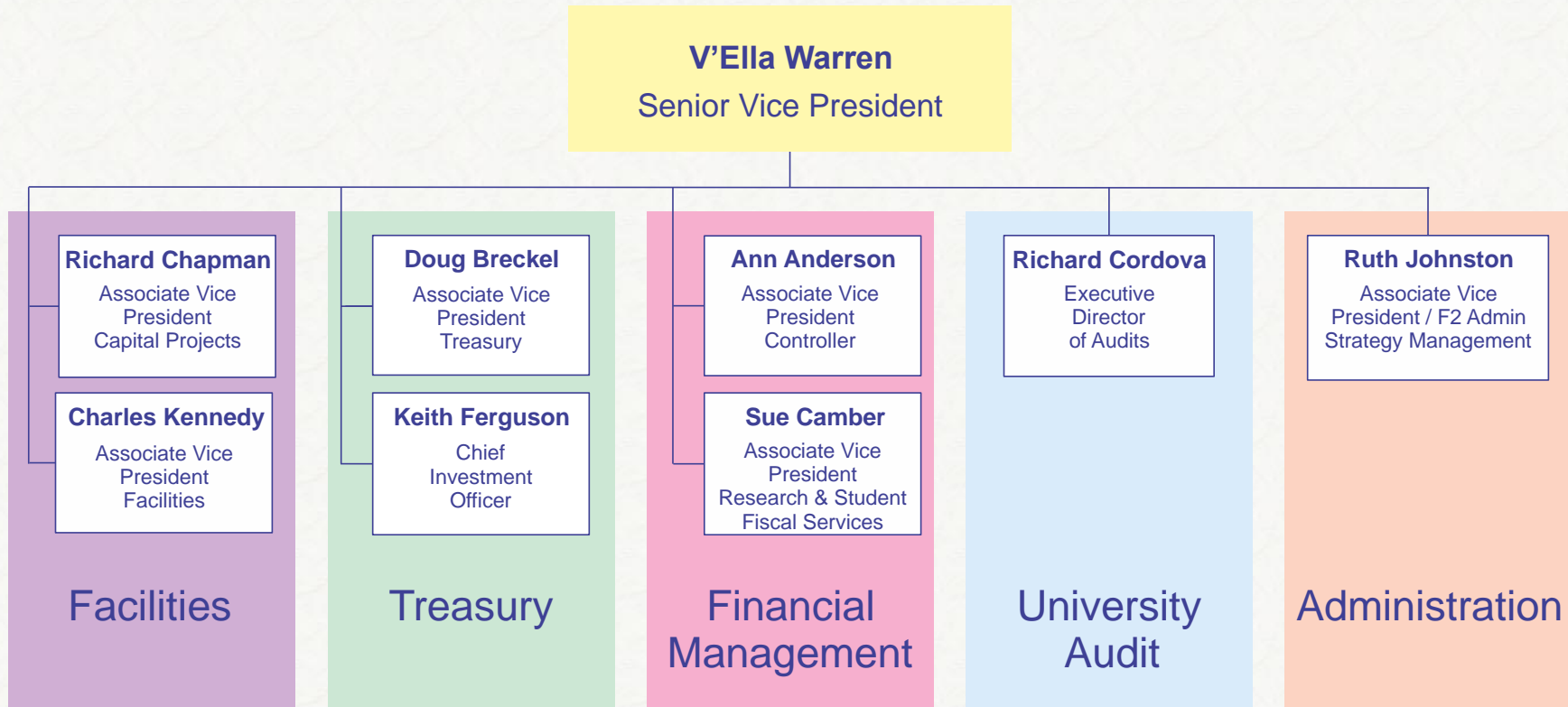
Table of Contents

Who Are We?	1
How Have Budget Cuts Affected Us?	2
How Are We Managing The Reductions?	3
How Do We Use Our Strategy Map?.....	4
What Targets Of Opportunity Have Been Identified By Bain?	5
How Does Our Procurement Strategy Compare To Bain's Recommendations?.....	6
Where Will Strategic Sourcing Be By December, 2011?.....	7
What Is The Yearly Process Savings From eProcurement?	8
What Is The Total Impact Of These Changes?	9

Addendum: F2 In Action—Implementing the Strategy Map

Who Are We?

July, 2010



Total FTE's: 1,397
Total Budget: \$142.4 million

GOF/DOF: \$41.2 million
Other: \$101.2 million

How Have Budget Cuts Affected Us?

- **22.8% cut from May, 2009 through July, 2010**
 - \$10 million
 - 210 positions eliminated
 - 64 layoffs (including 23 professional staff)
 - Reductions taken at all levels
 - 17% of reductions were manager positions
 - Ratio of managers to staff: 15% / 85%

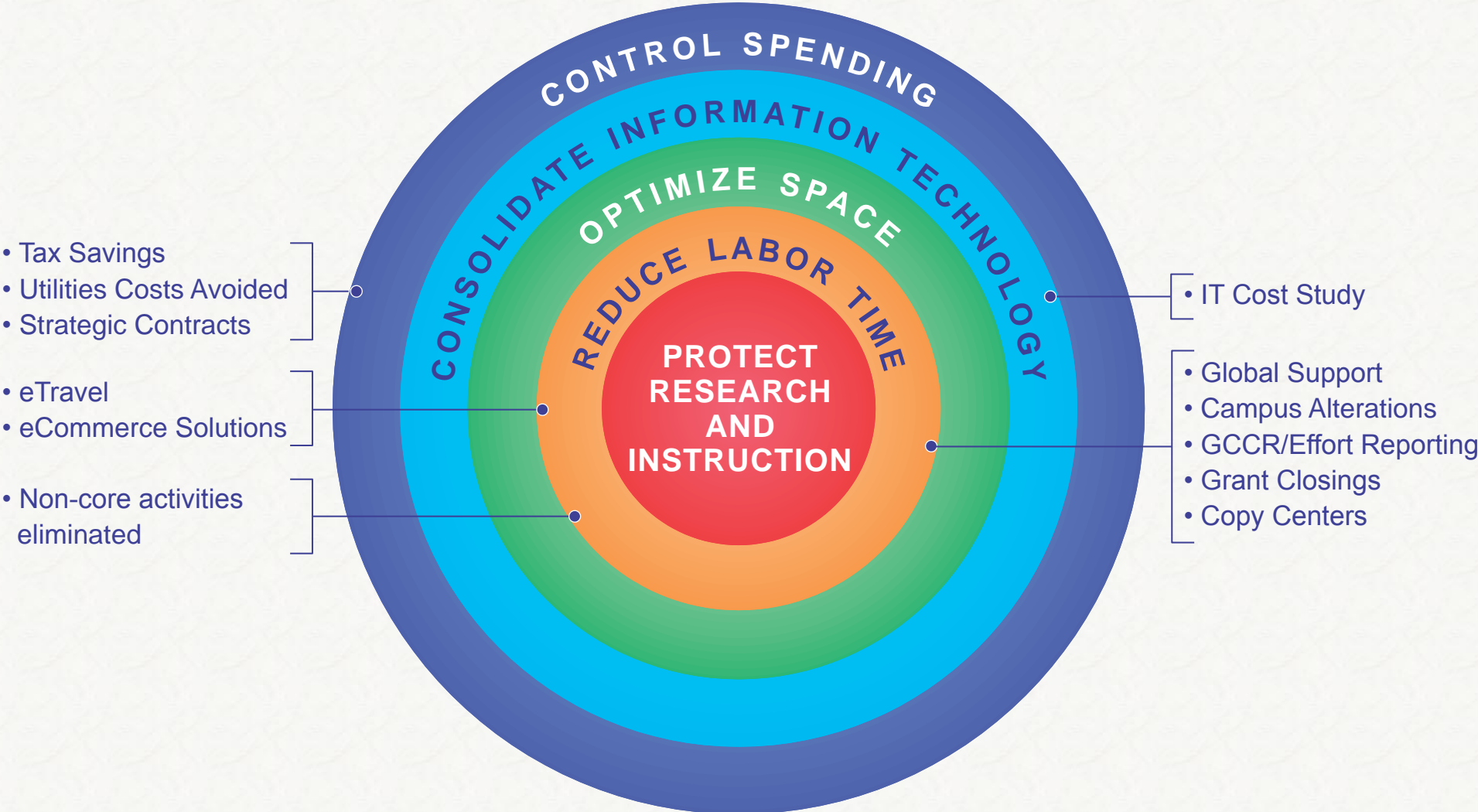
How Are We Managing The Reductions?

- **Not across the board**
 - Use strategy maps and metrics to focus decisions
 - Partner with Provost to protect research administration
 - Initiate LEAN actions to wring out waste
 - Mine Bain research for targets of opportunities
 - Strategic pricing
 - Electronic delivery methods
 - Elimination of non-core activities

How Do We Use Our Strategy Map?



What Targets Of Opportunity Have Been Identified By Bain?



How Does Our Procurement Strategy Compare To Bain's Recommendations?

Focus procurement contracting efforts on strategic analysis of key commodities

Reduce manual processing and improve data capture by utilizing existing data/ eCommerce systems while waiting for ERP

Shed non-core logistical capabilities

Establish university-wide contracts resulting in lower cost and better service to the campus

- Establish strategic contracts in additional commodity areas
- Reallocate existing staff to bolster Strategic Sourcing unit
- Develop in-house contract management

Leverage existing technology to improve processing efficiencies

- Shifted 60,000 transactions from "legacy" processing method to eProcurement
- Cut Procurement Services by 30%
- Developed reporting system for improved visibility of procurement data
- Leveraged eProcurement tool to accommodate ad hoc or lower volume purchases
- Implemented electronic payment system with Bank of America resulting in administrative efficiencies including labor and check mailing costs

Closed University Stores in 2008

 Bain

 University of Washington

Consult with customers so they can consider spending options, maximize contract pricing and realize process efficiencies

- Transaction outreach efforts to focus on assisting units to maximize contract and administrative process efficiencies

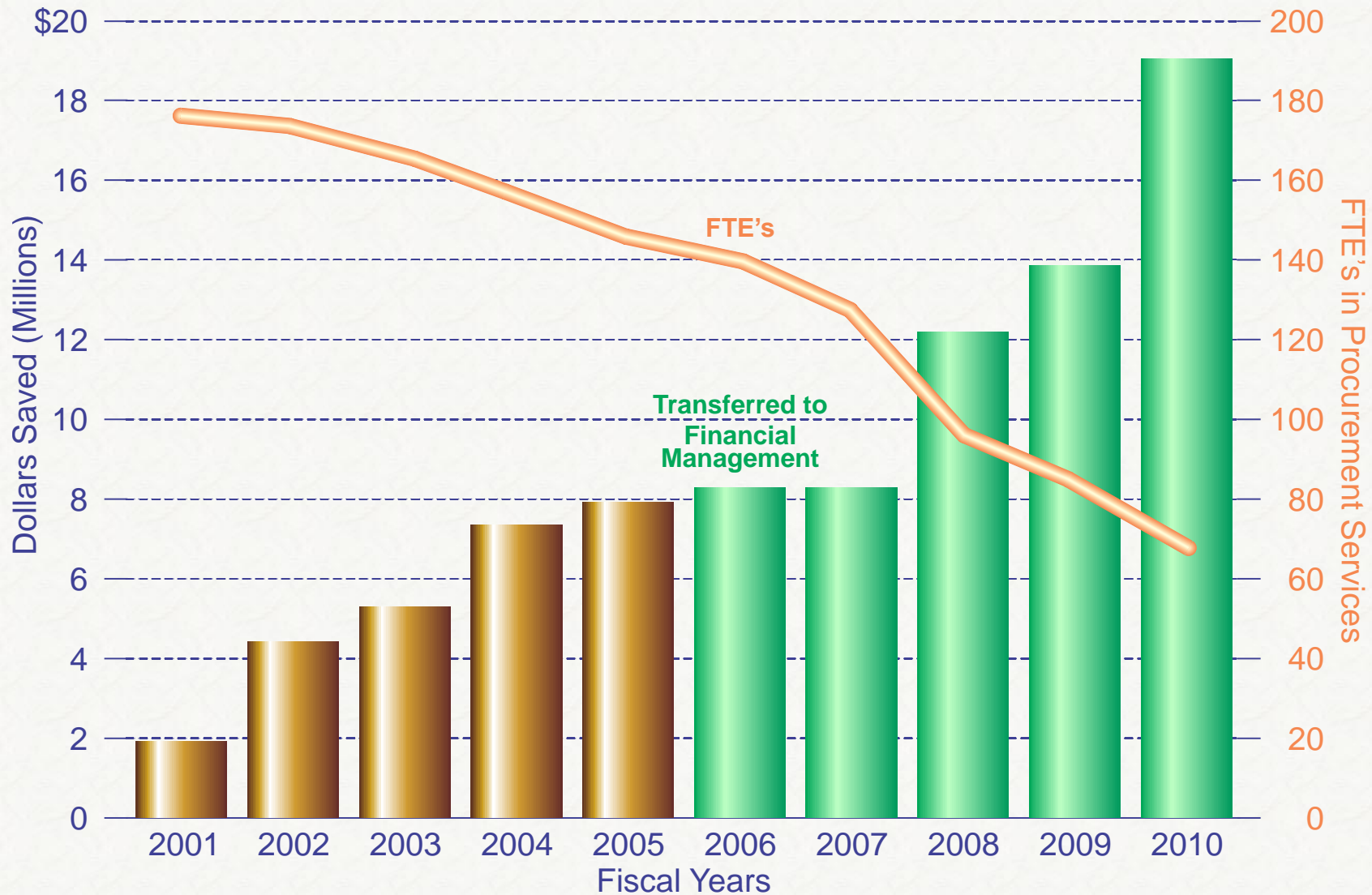
Source:

Bain Reports to University of North Carolina-Chapel Hill and University of California-Berkeley

Where Is The Status Of Strategy Sourcing?

	<u>2010</u>	<u>Est. 2011</u>
Total Commodity Spending	\$600M	\$600M
Under Contract	41%	63%
Utilization	80%	80%
Dollars Saved	\$20M	\$40M

What Is The Yearly Process Savings From eProcurement?



What Is The Total Annual Impact Of These Changes?

- **Total Savings: \$39,800,000 in 2010**
 - Negotiated discounts with “locked in” pricing:
\$20,000,000
 - Administrative processing cost savings:
\$19,800,000

Addendum:

F2 In Action—Implementing the Strategy Map

GOAL

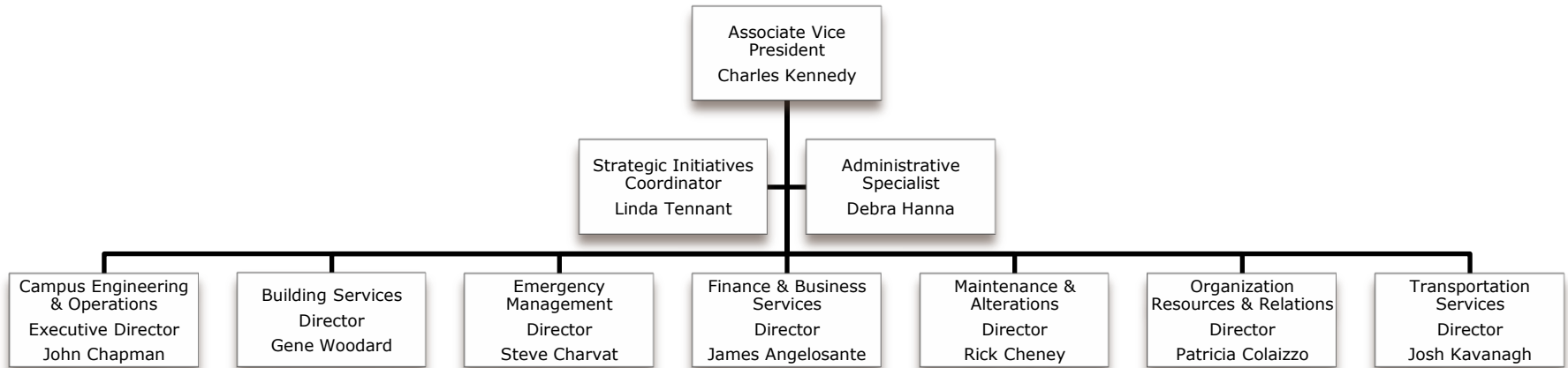
RESULT

- | | |
|---|---|
| 1. We will focus on unique value-added work , transferring everything else to those who can do it better. | Transaction work by central administration is reduced or eliminated; remaining value-added work is knowledge-based; size of central administration shrinks. |
| 2. We will develop a customer value proposition to guide resource allocation decisions. | Service levels will be maintained in key areas, while the cost of doing business is reduced. |
| 3. We will systematically eliminate waste and redundancy to reduce the cost of doing business. | More resources are available to support faculty and students. |
| 4. We will aggressively pursue opportunities to generate revenue or capture refunds. | More resources are available to support faculty and students. |
| 5. We will manage by fact based in data, analysis and benchmarks, striving to improve trends over time. | The quality, cost and timeliness of our services are available to the campus community; better information is incorporated into ABB and resource allocation discussions. |
| 6. We will partner with business and government to improve our carbon footprint. | Management of resource usage by building is possible; computing resources are sustainable, secure and efficiently managed. |
| 7. We will leverage existing resources and expertise in pursuit of global challenges. | Horizontal leadership reaches across stovepipes to address emerging support needs of faculty, students and staff. |
| 8. We will introduce best practices to manage assets/debt, and reduce costs. | F2 manages its portfolios of business as skillfully as a “best of class” private corporation or university. |
| 9. We will make it easy to do business with the UW and within the UW. | Those who do business with F2 (parents, small business, state government, other universities, faculty, students, other staff) find us approachable, knowledgeable, ethical, flexible, and professional. |
| 10. We will empower and involve our leaders and staff in changing the way we do business, while preparing them to take the jobs of the future. | The F2 organization will maintain services levels for customers while moving toward the future vision (2 decades); individuals will be ready to leave and willing to stay. |

FACILITIES SERVICES

Who we are

FACILITIES SERVICES



FACILITIES SERVICES

934
FTE

106 job classifications

720 GOF/DOF

214 self-sustaining

812 of our employees
are represented by
Unions



What we do

Maintain and operate

- 15.6 million sq ft of facilities (289 buildings) on 643 acres of campus
- Current replacement value \$6.9 billion
- Average age of Seattle campus buildings 45 yrs
- 7 miles of utility tunnels
- Provides 10,000 kilowatt Emergency Power Generation for UWMC and campus
- Central chilled water plant has a capacity of 12,000 tons of cooling

Grounds & Landscape

- 250 acres of landscaped gardens and lawns
- 8 miles of roads
- 16 miles of pathways and sidewalks
- 2,000 street and pathway lights
- More than 8,700 trees (conservatively valued at \$40,000,000)

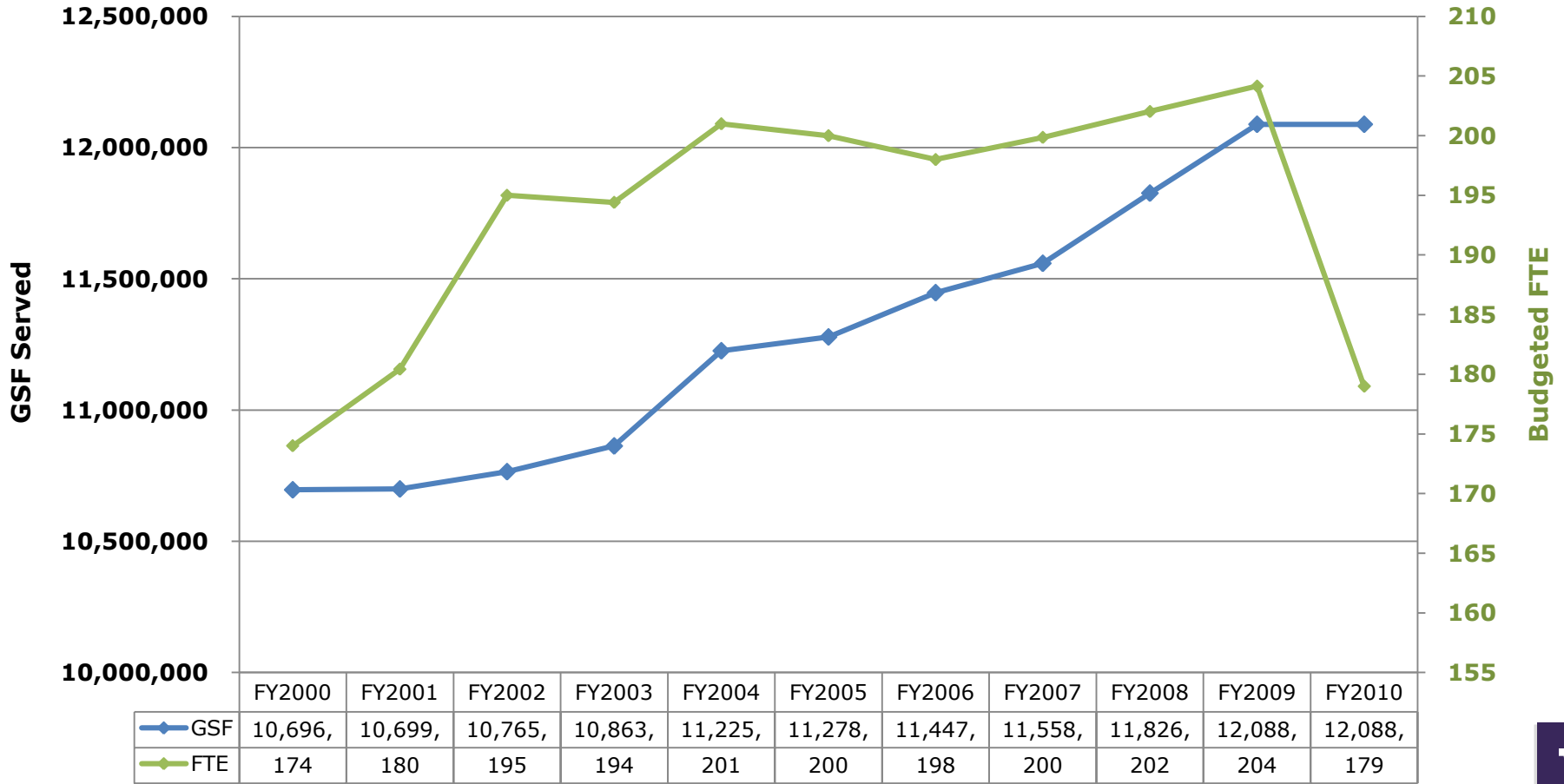
Impact of Budget Cuts

FY09-11 GOF/DOF Reductions

- \$6.3 million in operating funds
- 22% reduction
- Includes 83 FTE reduction – 22 layoffs
- Loss of 28,564 maintenance hours compared to FY08

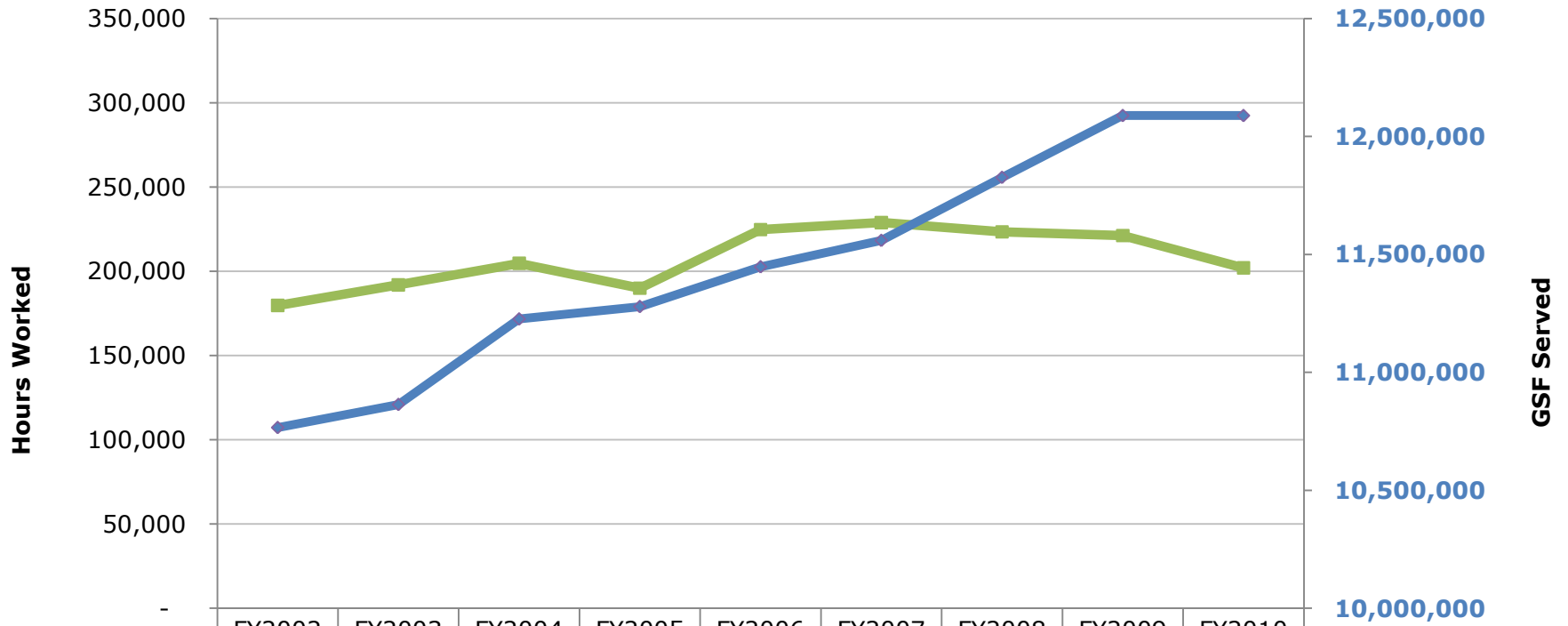
FACILITIES SERVICES

Maintenance Gross Square Footage Served vs. Budgeted FTE



FACILITIES SERVICES

GOF/DOF-Funded Maintenance Hours vs. Gross Square Feet Maintained



	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
GOF/DOF Hours	179,657	191,867	204,670	189,932	224,707	228,886	223,334	221,157	201,950
GSF Served	10,765,	10,863,	11,225,	11,278,	11,447,	11,558,	11,826,	12,088,	12,088,

How we're doing it

Our strategy for excellence

Balanced Scorecard

A Planning Model

CUSTOMER SERVICE



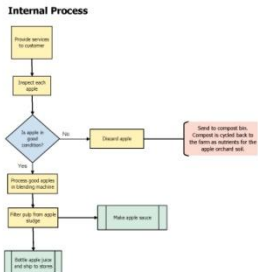
Commitment to service excellence leads to satisfied customers

FINANCIAL PERFORMANCE



Strengthened processes to improve financial performance

INTERNAL PROCESSES



Strong operating & business processes

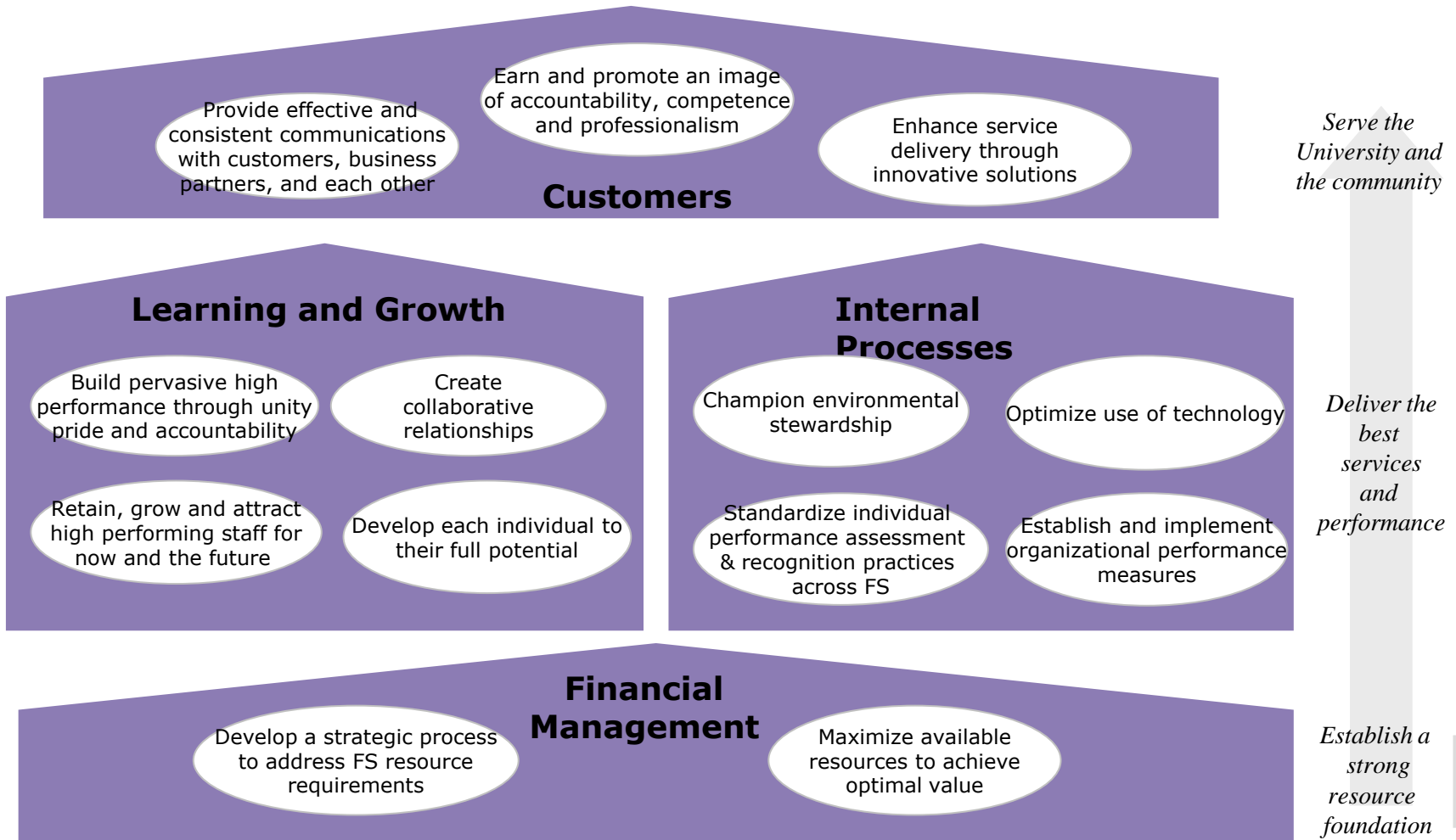
LEARNING & GROWTH



Skilled, motivated and aligned workforce

Strategy 2007-2010

Vision: Facilities Services is a world-class organization providing exceptional service anywhere, anytime to enable discovery and excellence at the University of Washington

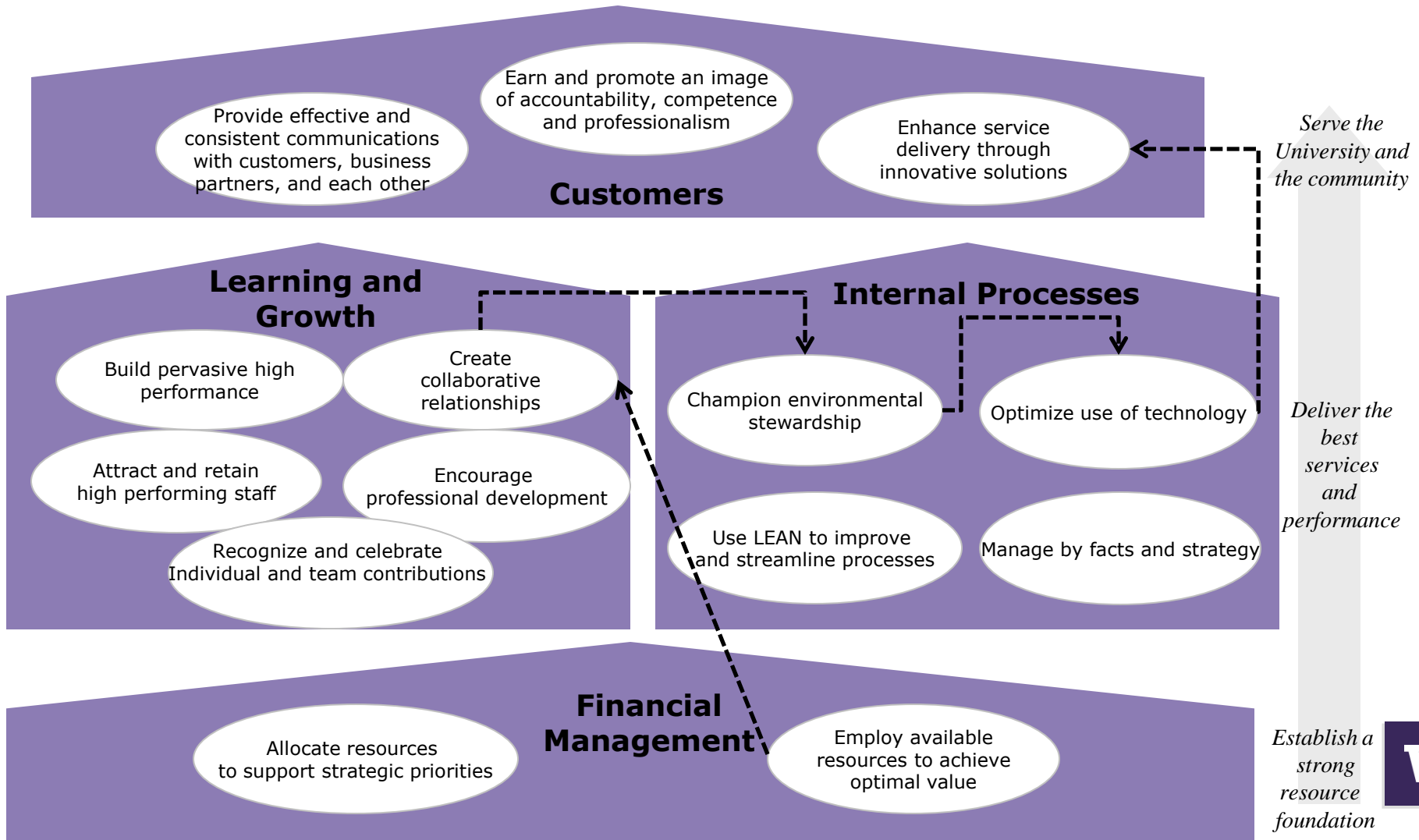


Mission: We learn, adapt and innovate to preserve physical assets and deliver best services to enable the university's pursuit of excellence and discovery.

Adopted 2/07
(rev 1/08)v1

Strategy 2010-2013

Vision: A world-class organization providing exceptional service anywhere, anytime to enable discovery and excellence at the University of Washington



Mission: We learn, adapt and innovate to preserve physical assets and deliver best services to enable the university's pursuit of excellence and discovery.

FACILITIES SERVICES



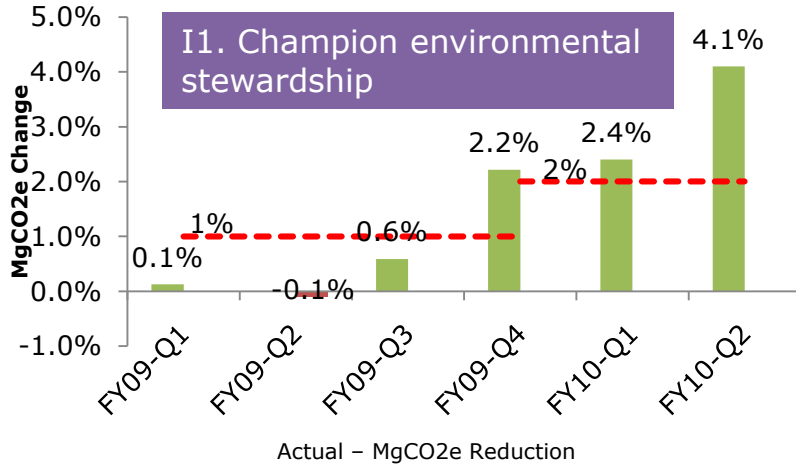
Balanced Scorecard - March 31, 2010

Perspective	Objective	Measure Number	Measure	Measure owner	Baseline 7/1/08	12/31/08		3/31/09		6/30/09		9/30/09		12/31/09		3/31/10		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Financial Management	F1	Develop a strategic process to address FS resource requirements	Financial communications plan	Peter Dewey	N/A	100%	new target set for 5/09		behind schedule	100%	behind schedule	100%	behind schedule	100%	measure under review	100%	measure under review	
	F2	Maximize available resources to achieve optimal value	Optimal resource utilization	Peter Dewey	none yet	TBD based on baseline	measure under development		measure under development	TBD	measure under development	TBD	measure under development	TBD	measure under development	TBD	measure under development	
Internal Processes	I1	Champion environmental stewardship	I1.1	Water conservation	Dave Fields	1,200,000 gpd		1,067,000 gpd		1,053,000 gpd	1,188,000 gpd	1,037,000 gpd	1,188,000 gpd	1,095,000 gpd	1,188,000 gpd	1,123,000 gpd	1,188,000 gpd	1,125,000 gpd
			I1.2-1	Carbon footprint reduction Scope 1 & 2	Guarrin Sakagawa	1%		0.1%		-0.1%	1%	0.6%	1%	2.2%	2%	2.4%	2%	4.1%
			I1.2-2	Carbon footprint reduction Scope 3	Guarrin Sakagawa	1%		-1.4%		1.0%	1%	2.7%	1%	5.3%	2%	11.9%	2%	13.1%
			I1.3	Energy conservation	Dave Fields	544 Btu/gsf/day		530 Btu/gsf/day		533 Btu/gsf/day	538.5 Btu/gsf/day	532 Btu/gsf/day	538.5 Btu/gsf/day	524 Btu/gsf/day	538.5 Btu/gsf/day	510 Btu/gsf/day	538.5 Btu/gsf/day	487 Btu/gsf/day
	I2	Optimize use of technology		on hold pending 2010 strategy review									on hold pending 2010 strategy review	on hold pending 2010 strategy review			on hold pending 2010 strategy review	
I3	Standardize individual performance assessment and recognition practices across FS	I3.1	Evaluation and recognition org wide	Donna Schmidt	0%	50%	59%	75%	76%	100%	100%	revised measure under construction	revised measure under construction			revised measure under construction		
I4	Establish & implement organizational performance measures	I4.1	BSC implementation	Linda Tennant	45%	75%	70%	75%	70%	80%	75%	85%	80%	95%	90%	95%	92%	
Customers	C1	Provide effective and consistent communications with customers, business partners, and each other	C1.1	Response times	Bill Armstrong	0	50% (8)	88% (15)	75% (12)	88% (15)	100% (17)	100% (17)	baseline measurement under way		baseline measurement under way		measure baselines	behind schedule
			C1.2	Customer perception: effective communication	Jon Hooper	none yet		--		--	complete customer survey	70% baseline	72% (2011)	70%	72% (2011)	70%	72% (2011)	70%
			C1.3	Internal communication	Sattia Sear	40%		--		--	46% (2011)	45%	46% (2011)	45%	46% (2011)	45%	46% (2011)	45%
	C2	Earn and promote an image of accountability, competence and professionalism	C2.1	Deadlines met	Teresa Seyfried	none yet		in process	measure for baseline	schedule revision needed	begin measuring	on schedule	measuring baseline	on schedule	measuring baseline	on schedule	measuring baseline	on schedule
			C2.2	Customer perception: professionalism, courtesy	Scott Spencer	none yet		--		--	complete customer survey	86% baseline	87% (2011)	86%	87% (2011)	86%	87% (2011)	86%
	C3	Enhance service delivery through innovative solutions	C3.1	Customer perception: effective solutions	Robbie Avila	none yet		--		--	complete customer survey	69% baseline	72% (2011)	69%	72% (2011)	69%	72% (2011)	69%
C3.2			Customer rating -- FS service technologies	Dustin Brewer	none yet		--		--	complete customer survey	74% baseline	76% (2011)	74%	76% (2011)	74%	76% (2011)	74%	
Learning & Growth	L1	Build pervasive high performance through unity, pride and accountability	L1.1	Customer experience of FS performance	Anne Eskridge	none yet		--		--	complete customer survey	82% baseline	84% (2011)	82%	84% (2011)	82%	84% (2011)	82%
			L1.2	FS staff perception of unity and pride	Allegra Reynolds	64%		--		--	68% (2011)	68%	68% (2011)	68%	68% (2011)	68%	68% (2011)	68%
			L1.3	Performance management training	Anne Marie Marshall	1.4	3	2.83	3.75	4.7	4.5	3.59	5.25	2.15	5.25	3.71	6.75	5.21
	L2	Create collaborative relationships.	L2.1	Collaborative teams		1 (9/30/08)	3	1	3	3	3	3	3	3	2	3	3	
			L2.2	Employee perception of collaborative workplace		50%		--		--	55% (2011)	52%	55% (2011)	52%	55% (2011)	52%	55% (2011)	52%
	L3	Retain, grow and attract high-performing staff for now and the future	L3.1	Employee satisfaction index	Rachel Vane	48%		--		--	53% (2011)	53%	53% (2011)	54%	53% (2011)	54%	53% (2011)	54%
			L3.2	Turnover	Rachel Vane	none yet		on schedule		on schedule	TBD based on baseline	measure to be revised	measure under revision	measure under revision	measure under revision	measure under revision	measure under revision	
			L3.3	Recruiting success	Donna Schmidt	75%	measure for baseline	72%		N/A (hiring freeze)	88%	measure on hold		91%	100%	93%	100%	
L4	Develop each individual to their full potential	L4.1	Development opportunities	Anne Marie Marshall	55%		--		--	59% (2011)	55%	59% (2011)	55%	59% (2011)	55%	59% (2011)	55%	

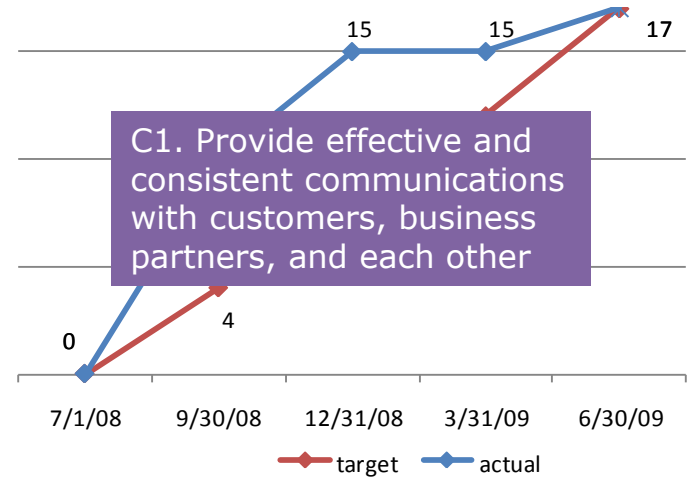


FACILITIES SERVICES

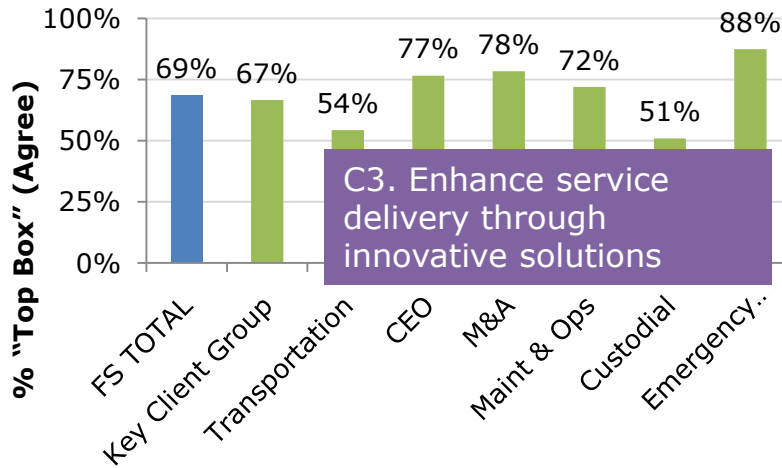
I1.2 Carbon Footprint Reduction



C1.1 Response Time Standards



C3.1 Customer Perception - Effective Solutions



C2.1 Deadlines Met



Valuing and Utilizing Our Resources

Learning and Growth

Build pervasive high performance

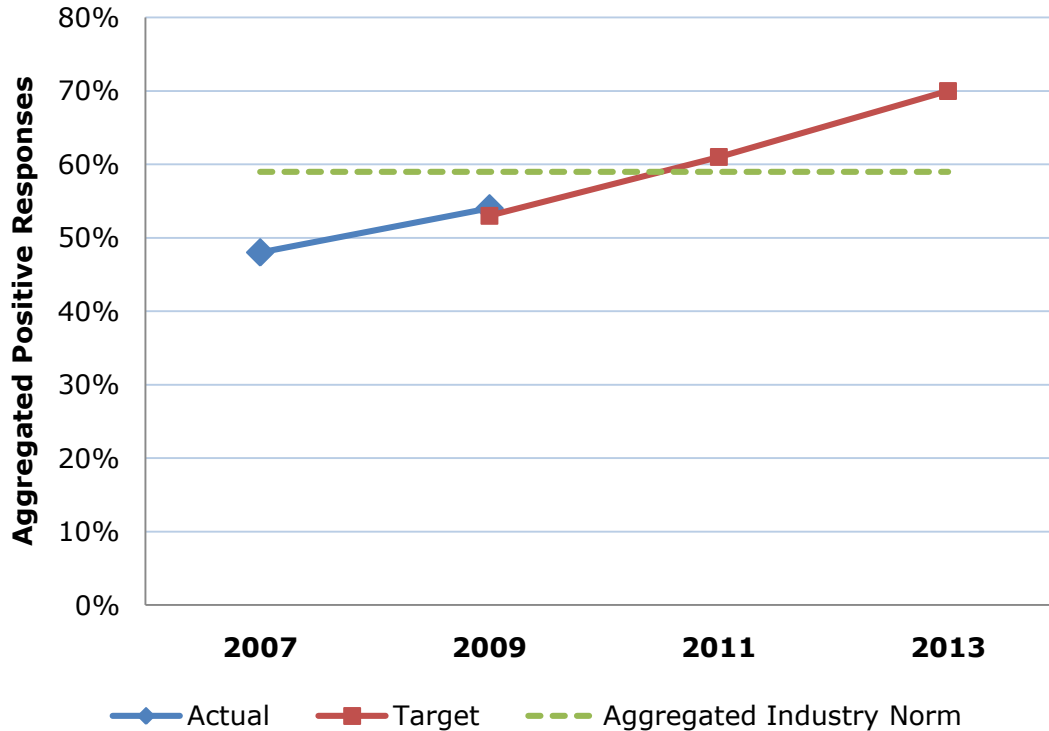
Create collaborative relationships

Attract and retain high performing staff

Encourage professional development

Recognize and celebrate individual and team contributions

Employee Satisfaction Index



Aggregated positive responses (“agree” and “strongly agree” or “satisfied” and “very satisfied”) to eight employee opinion survey questions:

- (1) Overall satisfaction
- (2) This is an enjoyable place to work
- (3) Willingness to recommend Facilities Services to a friend
- (4) I am satisfied with my overall compensation package (pay and benefits)
- (5) All employees here are treated fairly
- (6) In this last year, I have had the opportunity to learn and grow
- (7) I plan to stay with Facilities Services for more than 5 years
- (8) Facilities Services is headed in the right direction

	<u>Actual</u>	<u>Target</u>	<u>Aggregated Industry Norm</u>
2007	48%		59%
2009	54%	53%	
2011		61%	
2013		70%	

FACILITIES SERVICES

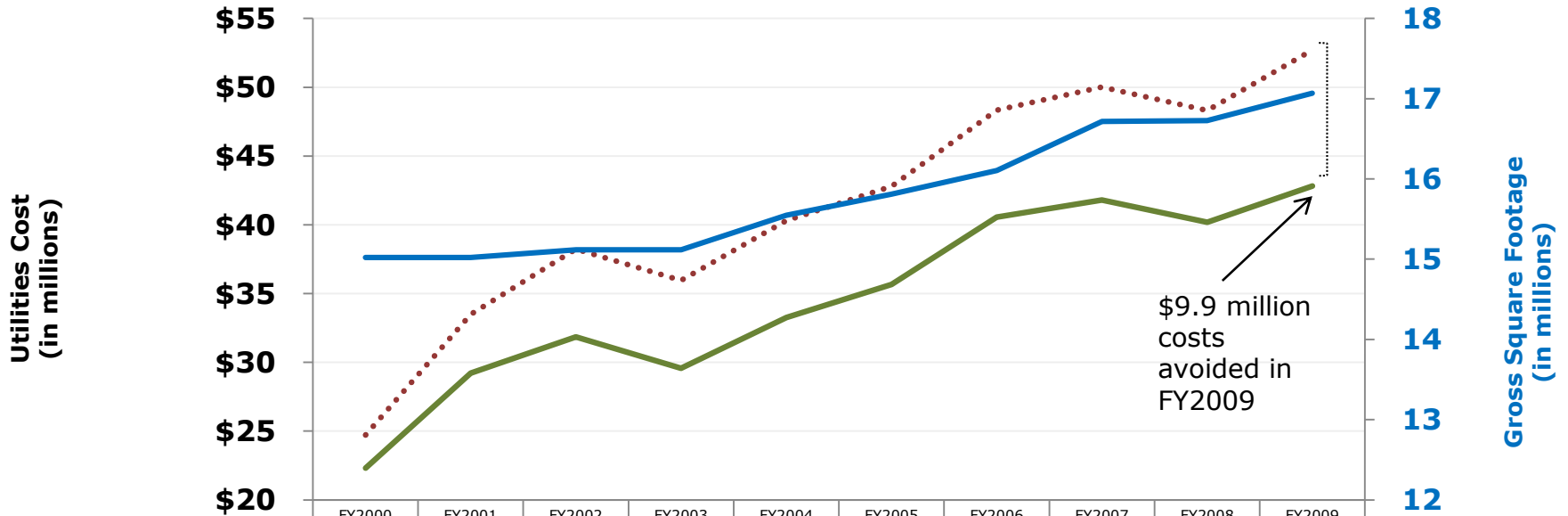
Facilities Services Revenue to Expenditure % Variance - May 2010

Department	GOF/DOF	Fixed Cost	Self-Sustaining	Commuter Services	Grants
AVP	+1%				
Organization Resources and Relations	0%				
Emergency Management	+27%				+27%
Custodial Services	0%				
Maintenance and Alterations	+1%		-1%		
Campus Engineering and Operations	+6%				
UW Tower	+6%				
Transportation Services	+9%		+5%	-2%	
Finance and Business Services	+11%				
Utilities		+7%			
Other Fixed Cost		+33%			
Facilities Services	+6%	+8%	+2%	-2%	+27%

Revenue to Expenditure % Comparison

- 0% or greater variance
- 1% to -3% variance
- greater than -3% variance

University of Washington Seattle Campus Avoided Utilities Costs



	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
..... Utilities Cost Without Conservation Efforts	\$24,718,079	\$33,496,324	\$38,235,271	\$35,957,555	\$40,310,257	\$42,799,177	\$48,338,713	\$50,004,717	\$48,312,591	\$52,701,814
— Actual Utilities Cost	\$22,303,079	\$29,214,324	\$31,857,271	\$29,568,555	\$33,252,257	\$35,664,177	\$40,556,713	\$41,793,717	\$40,190,591	\$42,813,814
Avoided Utilities Costs	\$2,415,000	\$4,282,000	\$6,378,000	\$6,389,000	\$7,058,000	\$7,135,000	\$7,782,000	\$8,211,000	\$8,122,000	\$9,888,000
— Seattle Campus Gross Square Footage	15,021,403	15,021,403	15,117,939	15,117,939	15,548,742	15,811,281	16,104,379	16,715,928	16,726,888	17,067,397

FACILITIES SERVICES

Maintenance & Alterations reduced its fleet by 55 vehicles (27%)



Where we're going

Facilities Academy

Workforce

Aging demographic

- Average age of FS staff is 52; approximately 27% of our workforce is age 60 or older
- Recruitment and retention
- Career path
- Technical proficiency
- Grow & develop leaders

Compliance

Regulatory and Safety

- Systematic update process
- Current requirements
- UW & FS policies

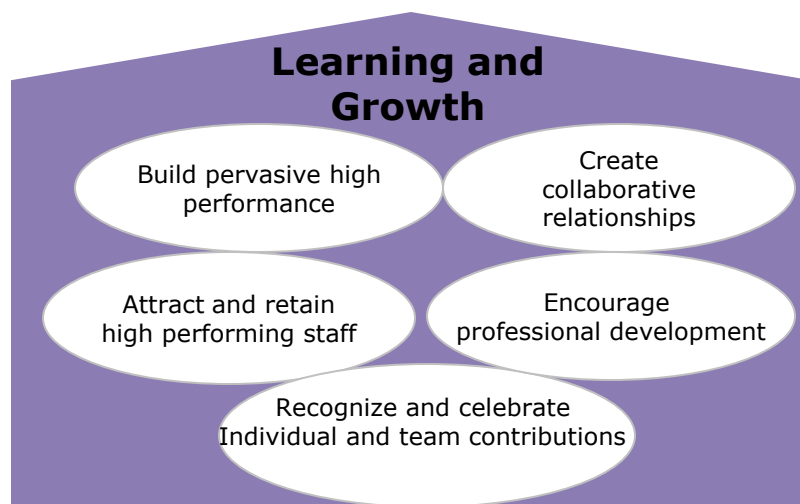
Opportunity

Enable innovative solutions

- Internal and external participation

Increase job satisfaction

- Skilled trades salaries lag significantly behind market, job satisfaction is key to retention



FACILITIES SERVICES

Serving today...preserving tomorrow

