

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee****UW Information Technology Working Group Update**

In July 2008, President Emmert established the UW Technology Working Group to assess underlying financial and organization issues within UW Technology. The Working Group presented its report to the President in September 2008. You will find the executive summary of that report attached.

This report is provided as background for the presentation to be made in the FA&F Committee meeting. During that presentation, we will update you on implementation of the Working Group's recommendations.

Attachment

Working Group Report Executive Summary

Executive Summary

UW Technology Working Group Report to President Mark A. Emmert

Root Causes and Recommendations

September 10, 2008

Revised October 14, 2008

Members of the Working Group:

V'Ella Warren	Senior Vice President, Finance and Facilities (Chair) Treasurer, Board of Regents
John Coulter	Former Associate Vice President of Medical Affairs and Executive Director for Health Sciences Administration
Paul Jenny	Vice Provost, Planning and Budgeting
Edward Lazowska	Bill & Melinda Gates Chair, Computer Science & Engineering
Mary Lidstrom	Vice Provost for Research
David Szatmary	Vice Provost for Educational Outreach

Ex-Officio Members:

Ann Anderson	Associate Vice President and Controller, Financial Management
Mary Beth Baker	Consultant
Sue Camber	Associate Vice President, Financial Management
Bill Ferris	Interim Chief Financial Officer, UW Technology

I. EXECUTIVE SUMMARY

CONTEXT

The Office of UW Technology has a long record of achievement that has positioned the UW as a recognized leader in the use of technology for learning, discovery and engagement. As a result of serious financial difficulties, the UW Technology has recently undergone a significant reduction in staff. In response, President Mark Emmert established a Working Group to identify and understand the underlying financial and organizational issues. Leading the Working Group was Senior Vice President for Finance and Facilities, V'ella Warren. Ms. Warren was joined in this effort by:

- John Coulter, Former Associate Vice President of Medical Affairs and Executive Director for Health Sciences Administration
- Paul Jenny, Vice Provost for Planning & Budgeting
- Edward Lazowska, Bill and Melinda Gates Chair, Computer Science & Engineering
- Mary Lidstrom, Vice Provost for Research
- David Sztatmary, Vice Provost for Educational Outreach

The Working Group was charged with four goals:

- 1) Identify the magnitude and root causes of and solutions for the current financial situation, eliminate any ongoing deficit and address the impact of the cumulative deficit;
- 2) Stabilize UW Technology by clarifying current capabilities, developing strategies to stabilize operations, engaging staff to recommit their efforts, and communicating with the University of Washington (UW) community on service implications;
- 3) Develop a long-term operational and financial model for the operation; and
- 4) Assess the University's oversight structure for fiscal management, especially for self-sustaining units.

Three sub-teams were organized to address these goals and develop recommendations for the Working Group to submit to President Emmert.

To immediately stabilize the UW Technology organization, President Emmert appointed Kelli Trosvig as Interim Chief Operating Officer and Bill Ferris as Interim Chief Financial Officer, reporting to V'ella Warren.

The former Vice President for UW Technology, Ron Johnson, no longer has oversight or management responsibility for the UW Technology organization and has transitioned to the role of Chief Technology Officer, reporting to President Emmert.

SCOPE AND APPROACH

Two central units provide support for information technology at the University of Washington: the Office of Information Management (OIM) and UW Technology. UW Technology provides communications, information technology and infrastructure solutions and services to the campus. It is organized into five units: UW Technology Services, Network Systems, UWTV, Learning & Scholarly Technologies, and Staff Services. The scope of this report is focused on the operations and information technology services as delivered by the UW Technology. OIM was not included in the Working Group's charge, nor is it reviewed within the scope of this report.

Through a combination of internal and external interviews, literature reviews, and data analysis, the sub-teams developed an understanding of UW Technology organization and financials. The resultant synthesis is summarized in this report with recommendations for improvement.

FINANCIAL STATUS

As of June 30, 2008 the accumulated deficit attributed to UW Technology is \$38.6 million, net of accrued expenses and receivables and excluding restricted funds¹. The estimated deficit spending rate after staff reductions is \$600,000 a month or \$7.2 million annually. The projected deficit for fiscal year 2009, including expenditures resulting from the recent staff reductions (e.g. annual leave payouts), will be largely offset by an accumulated surplus in royalty accounts.

¹ Restricted funds include: grants, contracts, Office of the Chief Information Security Officer, and state appropriations for Gigapop.

The total annual budget for UW Technology is \$56.5 million, with \$24 million (42%) from GOF/DOF², \$28.7 million (51%) from self-sustaining revenue, and \$3.8 million (7%) in restricted funds.

The accumulated deficit attributed to UW Technology consists of five categories:

- 1) Recharge Centers (\$24.0M) deficits are attributable to past reporting periods and may not be recoverable, and includes infrastructure costs that are transferred monthly from UWTV and Network Services to the Technology Recharge Center.
- 2) Unit Operations (\$4.0M) deficits represents both GOF/DOF and self-sustaining budget expenditures that were not attributable to recharge activities.
- 3) Investments into campus strategies (\$6.0M), includes deficits related to investments, in E-commerce and streaming media, that were not appropriate to allocate to a recharge center.
- 4) Accumulation of expenses in central Business & Finance (\$4.6M) includes amounts attributable to the whole UW Technology organization and includes items such as Nebula support, institutional memberships and an aggregation of GOF/DOF deficit balances at the close of the 2005-07 biennium.
- 5) There are three royalty accounts that accumulate revenue of \$200-300K/year due to licensing agreements for software developed by UW for Unisys (mainframe software). The accumulated balance may be used to offset projected current year over-expenditures.

SUMMARY OF ROOT CAUSES

UW Technology has provided, and continues to provide, the University with reliable, high quality information and communications technology and infrastructure. The staff consists of dedicated professionals with strong technical expertise who have helped to position the UW to be a premier research university. Even with a strong organization, there are a number of root causes attributable to both campus-wide events and practices, and to practices in UW Technology that have led to the current financial crisis.

² GOF stands for General Operating Funds and DOF is Designated Operating Funds.

A. Institution-wide events and practices

- **Clear roles and responsibilities for financial oversight are not defined at the institutional level for self-sustaining activities.** Several hundred unique self-sustaining activities, including auxiliary operations, cost centers, and recharge centers, generate approximately \$500 million in revenue annually for UW. Units report activity to various individuals for various purposes (i.e., rate proposal purposes, external debt, etc.) without a comprehensive top down review of the unit and without a clear escalation process to report issues. While most units accept the implied responsibility for effective financial management, the University has not created explicit language to define the roles and responsibilities for financial oversight nor has it developed an explicit policy for resolving deficit issues.
- **Vice Provosts, Vice Presidents, Deans and Chancellors with responsibility for the financial management of a unit are not provided adequate and ongoing training and awareness to support this role.** When Vice Provosts, Vice Presidents, Deans and Chancellors assume their leadership roles at the University, it is implied that they have financial responsibility for their units. University and unit finances are addressed in only one of a series of brief orientation sessions. In-depth training is not provided on how to effectively manage complex institutional funding models or how to identify potential operating or financial risks.
- **Campus administrative financial systems do not provide adequate management and financial reporting capabilities for the multiple revenue sources of most units, including their self-sustaining activities.** Current institutional financial systems (i.e., Financial Accounting System (FAS), and Budget System) are not designed to support and integrate the multiple revenue sources of most units, including activities funded with self-sustaining, grant-based and donor revenues. A complex coding system in FAS fails to sufficiently define self-sustaining activities and FAS does not provide standard reports to effectively monitor and manage self-sustaining financial operations.

- **Financial problems were communicated but not elevated to the appropriate levels of management.** Staff in the Office of Planning and Budgeting (OPB) and UW Technology recognized that significant financial problems were emerging within UW Technology. However, the issues were not elevated to campus executive leadership including the Provost and President. As a result, the financial issues continued to develop without any executive oversight or development of a resolution process. Additionally, significant turnover in senior University personnel during the relevant period (President, Provost, Vice Provost for Planning and Budgeting, and Executive Vice President), contributed to the communication challenges.
- **Investment decisions are sometimes based on informal and/or vague commitments between institutional leadership and individual campus units.** The University allocates its resources through the OPB. The annual resource allocation process results in documented allocations to each unit. During the year there may be additional commitments made to Deans and Vice Presidents that are in response to emerging initiatives or other opportunities. Although OPB attempts to document and follow through on these ad hoc institutional decisions, there are instances where meetings and informal discussions imply that funding may be forthcoming. Failure to document ad hoc agreements may result in disputes over funding as well as inappropriate investment decisions by campus units.

B. UW Technology Events and Practices

- **Failing to recover the full cost of needed campus technology services accounts for a significant portion of the deficit attributed to UW Technology.** The deficit in UW Technology increased rapidly as the organization moved to make strategic investments in campus infrastructure and worked to meet customer requests. At times, strategies were implemented without reviewing major investment decisions at the institutional level through a transparent governing structure. At the same time, the recharge model and corresponding rate structure did not keep pace with the increasing complexity of technology developments, technology strategy and

deployment. This is best evidenced by the fact that recharge rate proposals were not submitted on a consistent or timely basis. Existing proposals did not fully recover actual costs or past deficits nor were rate proposals fully developed for recharge activities such as Nebula/Exchange and Video Production. This has resulted in an under recovery of legitimate recharge expenses and no funding to subsidize clearly understood gaps in recharge revenue.

- **The Vice President for UW Technology did not take responsibility for UW Technology's fiscal affairs.** The Vice President did not view financial oversight as a responsibility of the position and therefore did not request or receive any financial or managerial reports.
- **Control of UW Technology financial activities and data was limited to the Executive Director for Business and Finance.** During the 2001-03 biennium, control and responsibility for all major funding decisions on personnel, procurements, and expenditures was centralized with the UW Technology Executive Director for Business and Finance. Despite repeated requests, UW Technology unit managers, directors and associate vice presidents did not receive management or financial reports and were not delegated authority to manage their own budgets. Consequently, these individuals made decisions for new hires, procurements, and other expenditures without information about the potential financial impact on the organization.
- **The completion of the organizational development strategy for UW Technology was not aligned with available funding.** Organizational development strategies were advanced without thorough financial analysis, and discussion with relevant stakeholders outside UW Technology. Financial and business plans to support strategies were requested but not consistently submitted to the OPB. Yet, strategies were implemented, including the hiring of personnel.
- **The appropriate levels of management did not respond to financial problems.** Staff and managers within UW Technology recognized that significant financial problems were emerging in the unit. Concerns were communicated to the executive financial

leadership within UW Technology however no action was taken to address and/or resolve the growing crisis. As a result, the financial issues continued to develop and significantly grow without executive oversight or development of a resolution process.

- **Investment decisions were sometimes made with informal and/or vague commitments with institutional leadership.** In addition to the formal resource allocation process, UW Technology occasionally receives requests or is asked by constituents or campus leadership to respond to emerging technology opportunities or to add new services. There are instances where a meeting or informal discussion provided UW Technology with the understanding that central funding would be forthcoming. UW Technology failed to request or submit clarification, confirmation or documentation to support these ad hoc request or opportunities, resulting in significant expenditures on initiatives without funding. Examples include the wireless deployment, civil service reform and DRS projects, and the development of the campus-wide Microsoft Exchange initiative.

Other Considerations:

For complete understanding of the issues specific to the UW Technology organization, it is important to consider two additional issues: 1) The impact related to separating OIM and UW Technology; and 2) Accounting for Benefits in GOF/DOF.

- 1) When the OIM transitioned out of UW Technology, it transferred \$13M in GOF/DOF funding, which represented one third of UW Technology's GOF/DOF base. This resulted in UW Technology no longer having the flexibility to reallocate, as it had done in the past, unspent salary and operational funding in budgets that transitioned to OIM.
- 2) UW Technology added new staff to their GOF/DOF budgets by offsetting against recharge revenue, which resulted in significant unfunded liabilities related to central benefits and centrally funded merit increase allocations. At the end of fiscal year 2007, the OPB determined that the outstanding liability for the 2003-05 and 2005-07 biennia for UW Technology was \$3.2M. Although UW Technology concurred with the 2005-07 biennium resolution, there

was a dispute over the retroactivity for the 2003-05 biennium.

IMPLICATIONS AND RISKS FOR THE FUTURE

Given the financial situation in UW Technology, the elimination of 82 UW Technology positions, including the layoff of 66 employees, and the current uncertainty about the future, the organization is facing a number of serious operational issues in the following inter-related areas:

- **There is potential for degradation of current service levels due to reduced staff, low morale and limited financial resources.** The recent layoffs have left key service areas understaffed while the resignations and retirements of an additional ten³ employees have put increased pressure on remaining staff and managers. The reduced staffing levels have the potential to negatively impact the campus in the following ways:
 - Increased number and length of service outages;
 - Slowdown in projects to maintain and upgrade systems, networks and applications may compromise the reliability of UW Technology services;
 - Negative impact on contractual and Memorandum of Understanding (MOU) activities and relationships with campus and external partners.
- **The inability to make sound investment and organizational decisions will continue until adequate financial and management information is available.** Decisions may be further delayed until the organization completes the design and implementation of consistent effort reporting and cost allocation methodologies and establishes a new funding model.
- **It will be difficult to stabilize UW Technology while simultaneously establishing new service, financial, and governance models.** As UW Technology leadership and staff will be deeply and significantly involved in the evaluation, development and implementation of new

³ As of September 5, 2008. Layoff numbers and recent resignations do not include the 16 FTE of open positions that were eliminated as part of the staff reductions.

service, financial, and governance models, careful consideration to balancing these efforts with day to day operations and service continuity will be critical. In the short-term additional resources to support these efforts may be necessary.

- **Significant potential exists for a technology “brain drain” from UW Technology.** If loss of confidence in the organization causes resignations of the “best and brightest” staff, the University may lose its ability to undertake leading edge, cost-effective technology initiatives that, in the past, have helped to strategically position the UW to be a premier research university. Additional staff resignations will further contribute to the challenge of stabilizing the organization.
- **Potential to lose sight of the longer-range vision that positions the UW for the future.** The immediate financial and organizational challenges facing UW Technology may distract the organization from focusing on a longer-range vision that positions the UW to be highly competitive research university and positioned for the future.

SUMMARY OF PEER INSTITUTION PRACTICES

The objective of the peer interviews was to understand the overall scope of information technology at the institution, the supporting organization and governance structure and the financial framework for funding information technology centrally. In most cases, the Chief Information Officer, primary business officer for information technology and the University official(s) responsible for recharge center review were interviewed at each institution. Peer institutions⁴ included: Duke University, Georgetown University, Massachusetts Institute of Technology, Pennsylvania State University, Stanford University, University of California, Los Angeles, University of California, San Diego, University of Chicago, University of Michigan, University of Minnesota, University of North Carolina, Chapel Hill, University of Virginia, University of Wisconsin, and Yale University.

The following are highlights of these interviews and should be considered when implementing the recommendations outlined in the next section. It is

critical to understand that while these institutions are considered “peers” of UW, the environment at each institution differs in ways that may affect the suitability of particular organizational and funding structures for information technology.

- Several models exist to organize information technology resources in a University setting. The “standard” model includes centralized reporting to the Provost, followed second by split reporting to the Administrative Executive and the Provost. Additionally, all institutions report that local support is hosted in large schools and departments.
- The decision-making processes governing information technology priorities and investments should be integrated into the overall University planning, budgeting and decision-making processes.
- To be most effective, the role of technology strategy should be integrated with information technology operations.
- Information technology is a key driver of institutional success and an integral part of institutional strategic planning.
- Dialog on information technology service delivery and funding models is necessarily continual, broad and must be transparent.
- Creating a framework that easily anticipates technology changes and incorporates the breadth of services is complex.
- Peer institutions are revising their approach to cost recovery.
- Recharge rates should be based on real cost drivers combined where appropriate.

⁴ Some peer interviews are still in process.

RECOMMENDATIONS

Recommendations are provided in three categories:

A) Stabilize and Sustain UW Technology; B) Develop a Financial Model for UW Technology; and C) Strengthen Institutional Oversight.

A. Stabilize and Sustain UW Technology

A1. Implement actions to minimize current expenditures and identify appropriate increases in revenue. Several tactical steps have already been taken to control the current financial position of UW Technology including:

- Limiting procurement of equipment, supply and services to only those that are deemed essential to supporting core services;
- Reducing travel; and
- Examining staffing levels required supporting essential services and long-term strategies.

Additional ongoing actions include:

- Assessing all projects to validate priority and funding;
- Assessing all cost recovery activities and rates, eliminating services that are not proving to be economically viable, improving cost effectiveness and seeking targeted revenue sources where possible; and
- Identifying new sources of revenue.

A2. Implement actions to facilitate oversight and management of the UW Technology budget. The availability of accurate and current financial management data is critical to positioning UW Technology on a solid financial foundation. Specific actions include:

- Development of a forward-looking budget;
- Coordination of efforts to address near-term deficit reduction/resolution;
- Development of a series of organizational-level financial and management reports; and
- Education of unit leaders on good financial management practices and how to best leverage the financial reports.

A3. Implement programs to manage and monitor staff climate and transition issues. Considerable time and attention will be devoted to managing the transition of UW Technology as a unit and the individual staff members. To be effective in this

process requires the development of a high-performing leadership team, a clear communications strategy to guide and manage internal and customer expectations and the engagement of a transition team focused on staff retention and development.

A4. Develop a services/operating model for UW Technology. A thorough understanding of UW Technology's capabilities, products and services is essential to the development of a future service/operating model. Specifically, the following actions should be implemented:

- Inventory and document services currently provided by UW Technology;
- Collect additional information on current services including estimates and funding models;
- Develop a preliminary determination of baseline or essential services and review/revise with campus customers;
- Coordinate activities across the financial, governance and service model efforts to determine campus priorities, baseline services, future needs and funding models; and
- Measure, monitor and continually improve service delivery and service levels.

A5. Develop a separate business model for UWTV. UWTV is somewhat unique in UW Technology in terms of both its service and financial models. Although funded partially from GOF/DOF, UWTV passes a substantial part of its engineering costs to the UW Technology Recharge Center and recharges most but not all of its video production costs.

Clarifying the underlying business model will be an important part of developing a long-term operational and financial strategy for UWTV. As such it will be necessary first to assess the business of UWTV (goals, strategies, offerings, competition, technologies, etc.) and then to create a supporting business plan that articulates the financial and organizational structures needed to run and manage UWTV.

B. Develop a Financial Model for UW Technology

B1. Research and implement a new financial framework. Of particular importance is further exploration of the ‘user fee’ model for certain rechargeable services to recover network infrastructure costs or a broader array of IT services. One such model considers charges for a bundle of defined services based on an FTE, headcount, or “communication user” basis. This approach represents a common practice by many of the UW’s peers where costs of certain basic services are recharged to campus users, as referenced in Section VIII, Summary of Peer Information. The development of a more robust and comprehensive campus recharge model similar to those of UW’s peers, if applied at the UW, could have the effect of increased rate charges.

C. Strengthen Institutional Oversight

C1. Expand the UW Enterprise Risk Management (ERM) framework to include a focus on institutional financial risks. Initial activities will be focused on self-sustaining activities. Central and campus administrators with financial management responsibilities will be included in this work with the sponsors of UW Technology activities positioned as critical stakeholders. Following implementation of improved financial oversight of self-sustaining activities, broader financial risks will be identified and incorporated into the ERM framework.

C2. Establish an institutional review process for the financial resource base of the University. The OPB should have ultimate responsibility for the institutional oversight of the University’s self-sustaining activities, regardless of the organization’s reporting structure. As such, a process should be designed to emphasize reporting and review of all large self-sustaining and other programs representing the greatest financial risk and opportunity for the UW. The reporting and review process should more clearly identify roles and expectations for the management of all units, regardless of size, and emphasize the need to prevent and reduce/eliminate deficits.

C3. Implement Vice Provost, Vice President, Dean and Chancellor Review and Reporting Process.

The Working Group was not charged with review of any other institutional units. However, a high level review of self-sustaining activities indicated no

similar financial difficulties⁵. Nonetheless, Vice Provosts, Vice Presidents, Deans and Chancellors will continue to be responsible for review of all self-sustaining activities within their organizations. Thus, to ensure proper oversight of their units, and where not currently incorporated into standardized unit reporting, Vice Provosts, Vice Presidents, Deans and Chancellors should review all self-sustaining activities within their organizations on a quarterly basis. Additionally, a detailed annual report should be provided to the OPB for review and discussion by units with greater than \$10M in revenue or expenses.

C4. Institute a review and approval process for new self-sustaining units or fee-based degree programs.

The OPB should develop a review and approval process for any new and significant self-sustaining unit or fee-based degree program. The review should ensure new self-sustaining programs or fee-based degree programs are established on a solid financial foundation, that risks have been thoroughly identified and where necessary, mitigated, and that management and oversight roles have been clarified.

C5. Expand the responsibility of Management Accounting and Analysis (MAA) to include a review of all material recharge centers, program income or departmental revenue budgets. This enhanced review should include understanding the methodology and assumptions used to develop rates and evaluating the business model of each center or activity. Issues noted should be shared with the OPB. Ultimately, however, it is the responsibility of senior leadership to ensure that self-sustaining activity, including program income activity, is in compliance with applicable regulatory requirements including strict adherence to the rate setting process.

C6. Strengthen the University Deficit Policy. The UW should review its approach to managing deficits and consider a project to implement either an official deficit policy or a stronger process for identification, review and elimination of deficits. Funding the start-up costs and significant capital purchases critical to the success of many self-sustaining activities should be specifically addressed by this policy.

⁵ Rev. October 14, 2008

C7. Provide ongoing financial management training and education programs to individuals with financial oversight and management responsibilities.

The University should invest in the development and delivery of training programs to provide senior leaders the tools necessary to effectively manage revenues, liabilities and other commitments and align strategies, operations and finances.

C8. Improve policies and procedures between the OPB and operating units to clearly document funding commitments.

The OPB should develop a process to assist units in the development of funding proposals. When ad hoc requests are received, the OPB should provide written responses to funding requests, including specific costs and amounts to be funded. Furthermore, unit requests for institutional funds to support strategies should be appropriately justified and supported by well-defined business plans that outline the unit objective for the funding request and include plans for monitoring effectiveness of institutional investment.

C9. Develop governance and collaboration models for identifying, evaluating and prioritizing major institutional strategic IT investments across administrative, academic and infrastructure technologies.

In recent years, the UW has worked to establish a more disciplined and systematic framework for prioritizing and managing incremental information technology projects. Current efforts to revitalize and clarify the Technology Advisory Committees framework must be modified to go beyond incremental funding opportunities to incorporate overall technology strategy. The current issues in UW Technology resulted from a fundamental and profound disconnect between strategies, finances and operations. Only a transparent, structured and comprehensive governance effort will provide the necessary framework for addressing technology needs, opportunities and corresponding resource deployment that spans all technologies, including administrative, academic and overall infrastructure. Critical stakeholders to this process would include individuals from campus units and other structures/committees engaged in technology strategy and deployment.

D. Resources Necessary for Implementation

Implementation of several of the recommendations will require additional resources and may have long-term budget implications. Until detailed recommendations are fully designed it is not possible to project the precise need for additional resources. However in addition to hiring a full-time project manager it is expected that that the following recommendations will have initial implementation and/or ongoing budget implications.

- A3. Implement programs to manage and monitor staff climate and transition issues.
- A5. Develop a separate business model for UWTV.
- B1. Research and implement a new financial framework for UW Technology.
- C2. Establish an institutional review process for the financial resource base of the University.
- C5. Expand the responsibility of MAA to include a review of all material recharge centers, program income or departmental revenue budgets.
- C7. Provide ongoing financial management training and education programs to individuals with financial oversight and management responsibilities.

NEXT STEPS

Upon approval of these recommendations by President Mark Emmert and concurrence by the Provost, implementation resources will be identified and organized into a project team structure. It is anticipated the project structure (see figure 2, page 35) will be confirmed and initiated during Fall Quarter 2008. On or before February 2009, action and communication plans with key milestones for each project team/Working Group recommendation will be submitted to project leadership for approval.

The full Working Group report can be found at:

<http://www.washington.edu/uwit/reports/uwtechnology.wgreport.pdf>



University of Washington Information Technology

Update to the Board of Regents
May 2010

Agenda

UW Technology Working Group

- Phase 1: Triage and Assessment
- Phase 2: Implementation
 - Strengthen institutional oversight
 - Consolidate central IT units
 - Develop sustainable business model

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UW Technology Working Group

Phase I: Triage and Assessment

What steps were immediately taken?

- 05/08:** 66 Layoffs announced
President launches review of root causes
- 07/08:** Working Group formed to confirm root causes and recommend solutions
- 08/08:** Chief Operating Officer hired; reports to Chair of Working Group
- 09/08:** Working Group issued report on root causes and makes 11 recommendations
President approved recommendations

Who was involved?

Working Group I: June 2008–September 2008

V'Ella Warren, Senior Vice President (Chair)

John Coulter, retired, Health Sciences Administration

Paul Jenny, Vice Provost, Planning and Budgeting

Edward Lazowska, Bill & Melinda Gates Chair, Computer Science & Engineering

Mary Lidstrom, Vice Provost for Research, Office of Research

David Szatmary, Vice Provost, UW Educational Outreach

Working Group II: October 2008–April 2010

V'Ella Warren, Senior Vice President (Chair)

Ana Mari Cauce, Dean, College of Arts and Sciences

Paul Jenny, Vice Provost, Planning and Budgeting

Edward Lazowska, Bill & Melinda Gates Chair, Computer Science & Engineering

Mary Lidstrom, Vice Provost for Research, Office of Research

Matt O'Donnell, Dean, College of Engineering

Johnese Spisso, Vice President Medical Affairs, UW & COO, UW Medicine

David Szatmary, Vice Provost, UW Educational Outreach

What were the root causes of deficit?

- Services recharged to campus via phone lines—an unsustainable model
- Growing technology needs
 - Wireless/mobile
 - Security/privacy
 - Collaboration tools
- Sources of funding not always clear
- Financial oversight weak

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UW Technology Working Group

Phase II: Implementation

What is the status of institution-wide recommendations?

Goal: Strengthen institutional financial oversight

Policy

- ☒ Develop deficit policy
- ☒ Document funding commitment approval process
- ☒ Introduce self-sustaining oversight framework
- ☒ Create financial management toolkit for senior leaders

Governance

- ☒ Establish a broader strategic and operational governance framework
(to be launched July 2010)

☒ Completed ➤ ☐ In process/planned

What additional recommendations were made?

Goal: Consolidate the central information technology units

Organizational Structure

- ☒ Reunite UW Technology and Office of Information Management, reporting to President and Provost
- ☒ Appoint Interim Vice President and Vice Provost
- ☐ Will launch search for permanent Vice President and Vice Provost in the Fall

☒ Completed ☐ In process/planned

What is the status of recommendations on UW technology?

Develop sustainable business model

- Deploy internal financial reporting for UW Technology managers (structure complete; financial and managerial reports (complete June 2010))
- ☑ Transition UWTV to External Affairs, October 2009 (complete)
- ☑ Develop UW Technology climate, culture and engagement program (complete)
- ☑ Close the funding gap
 - Deficit eliminated
 - Sustainable business model approved (July 1, 2010 rollout)

☑ Completed ➤ In process/planned

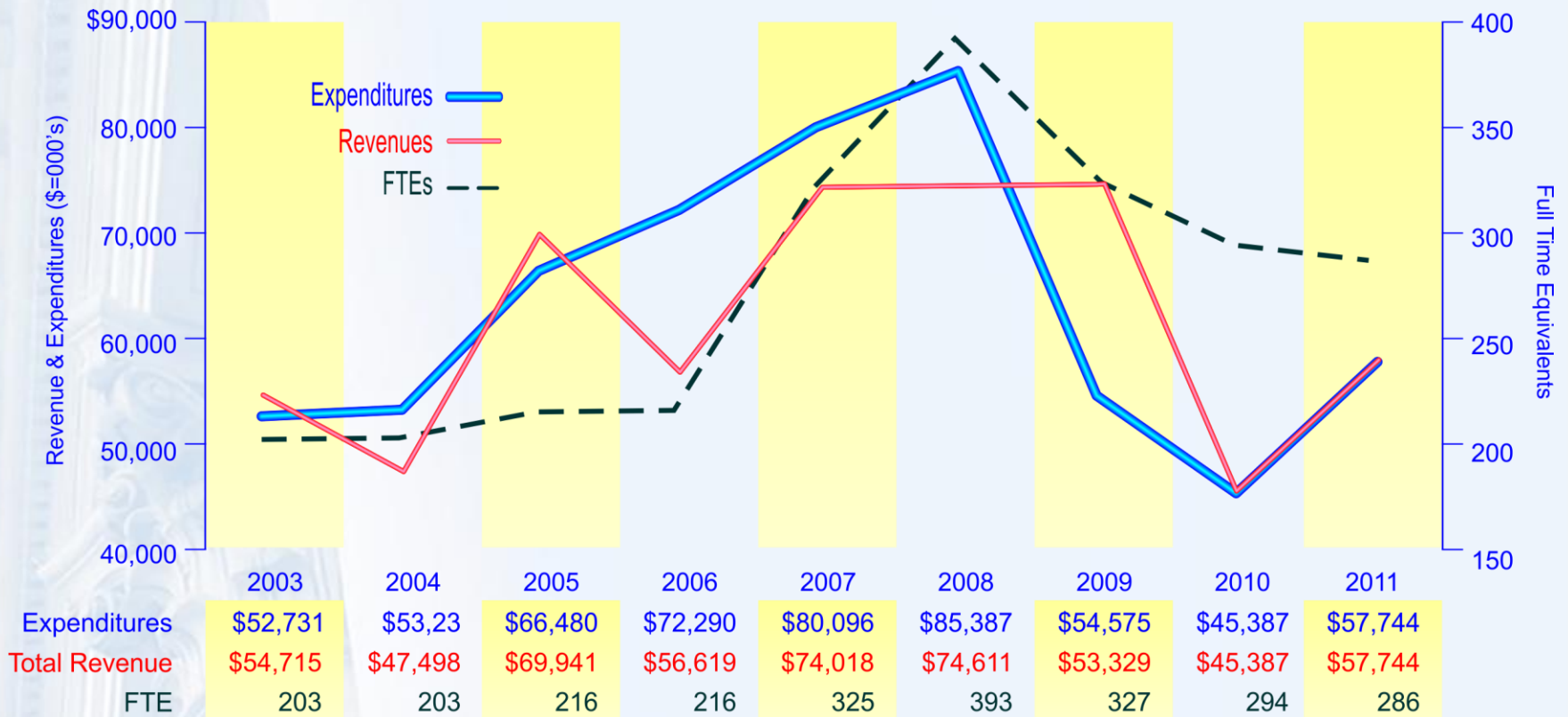
How was the deficit eliminated?

Immediate measures

- ☑ Reduced operating expenses from \$85M to \$45M, or 47%
- ☑ Eliminated 99 positions, or 25%
- ☑ Implemented mandatory furloughs for FY '09 (4% compensation reduction)
- ☑ Froze equipment replacements and non-essential operating expenses
- ☑ Renegotiated vendor contracts to lower rates
- ☑ Reduced selected self-sustaining operations
- ☑ Transitioned out non-core activities (e.g., UWTV to External Relations)

☑ Completed ➤ In process/planned

What is the current financial condition?



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Sustainable Business Model

How was the sustainable business model developed?

- **Information Gathering:** August–December 2009
- **Decision Making:** December 2009–March 2010
- **Implementing:** March 2010–July 2010

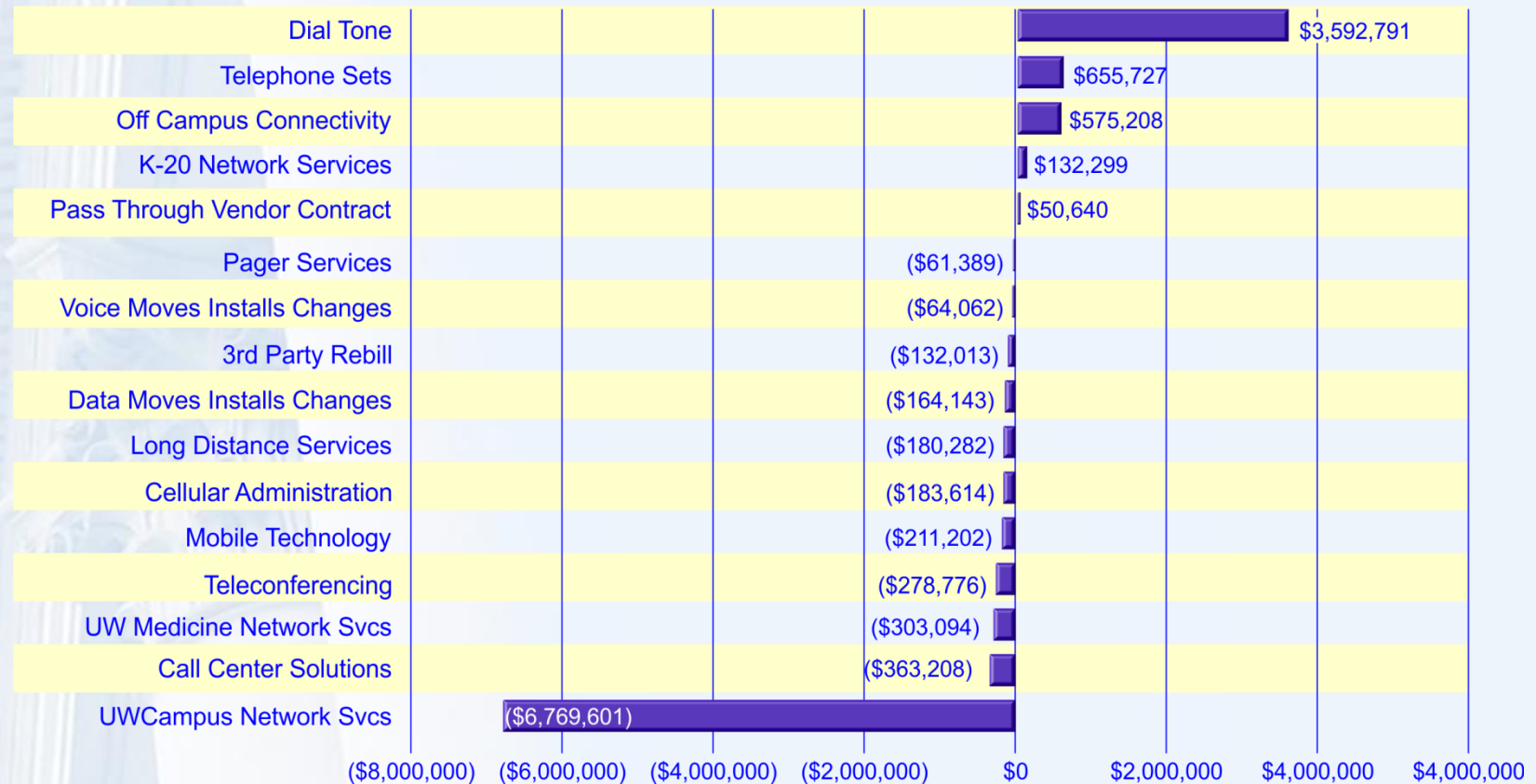
What steps were taken to understand costs?

Step 1—Information Gathering: August–December 2009

- Line of Business Analysis
- Cost Study

Sample Analysis for Networking & Telecommunications

Like most campuses in the country, UW over-recovered for voice/dial tone and under-recovered for the campus network



How was the recharge rate structure developed?

Step 2—Decision Making: December 2009–March 2010

- Peer comparison
- Per capital approach & methodology

Who was involved?

Technology Recharge Implementation Team (TRIM): January 2010–March 2010

Sue Camber, Associate Vice President, Financial Management (Chair)

Ana Mari Cauce, Dean, College of Arts and Sciences

Kenyon Chan, Chancellor, UW Bothell

Eric Godfrey, Vice President and Vice Provost, Student Life

David Green, Director of Finance and Operations, Deans Office UW School of Medicine

Paul Henderson, Clinical Director, Laboratory Medicine, UW Medicine ITS

Paul Ishizuka, Associate Executive Director and Chief Financial Officer, UW Medical Center

Jim Jiambalvo, Dean, Foster School of Business

Gary Quarfoth, Associate Vice Provost, Office of Planning and Budgeting

David Szatmary, Vice Provost, UW Educational Outreach

Campus-wide Feedback

Faculty Senate, Deans and Other Senior Leaders, Students and Administrators

Peer Comparisons

Per Capita Rate Comparison



Peer Institutions:

University of California, San Diego
University of North Carolina, Chapel Hill,
University of Southern California
University of Arizona, Tucson

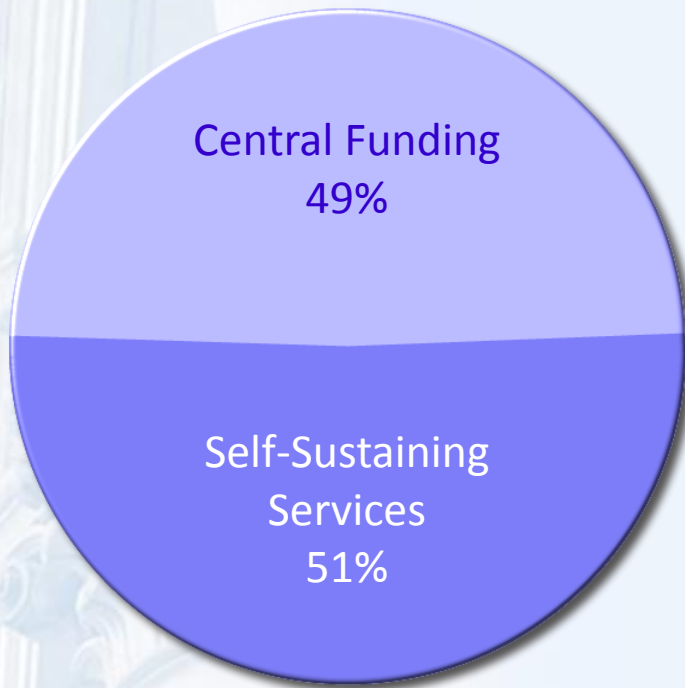
How is the recharge rate structure being deployed?

Step 3—Implementing: March 2010–July 2010

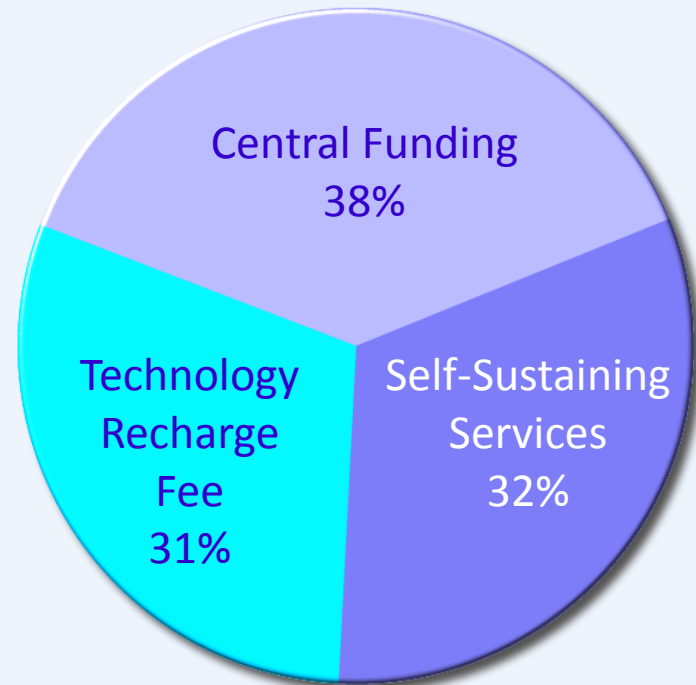
- Campus-wide communication
- Billing methodology

What is the source of UW Technology's funding?

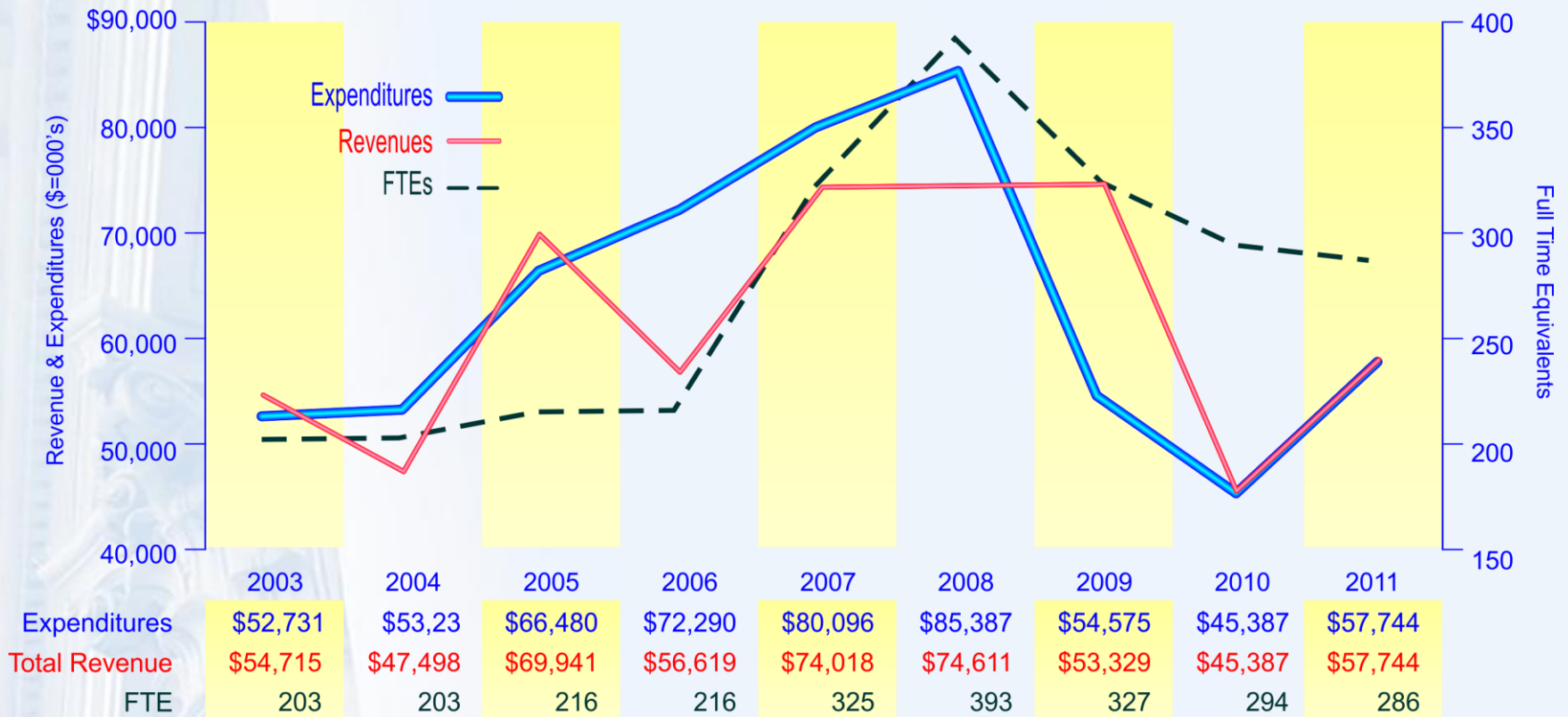
Current: FY 2010



Proposed: FY 2011



What is the current financial condition?

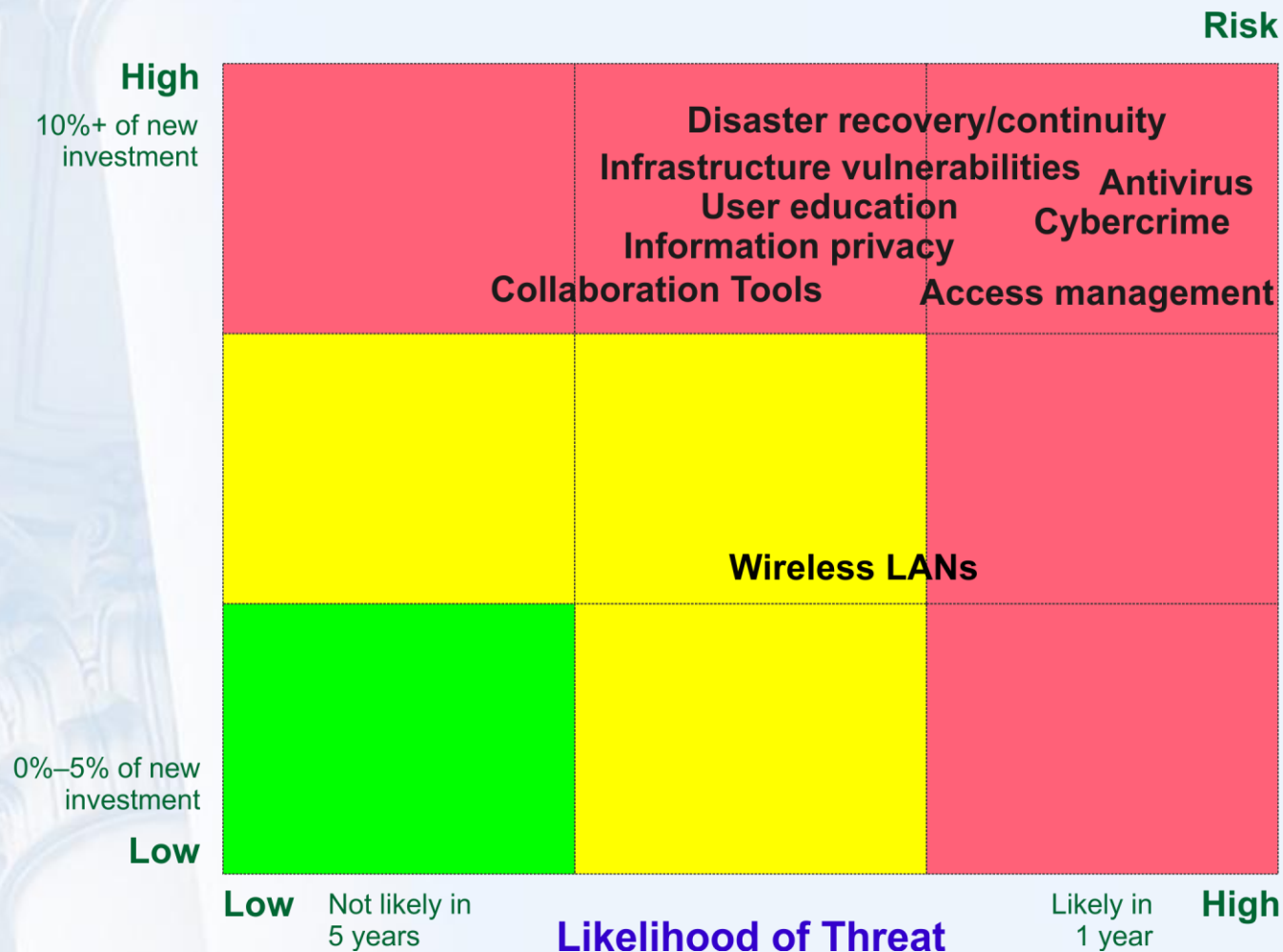


Where do we go from here?

Goal: Continue to develop lower cost service delivery

- Move commodity services to lower costs providers
- Provide lower cost and multi-tiered alternatives for optional services, such as desktop support, managed servers
- Negotiate better campus licenses
- Review campus-wide IT spending

Where are we investing?



The background of the slide features a faded, light blue image of classical columns, likely from a university building, running vertically along the left side.

Questions?