

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Withdrawal and Transfer of Funds from William D. Ruckelshaus Center Foundation EndowmentRECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve the transfer of the investment management and administration of the William D. Ruckelshaus Center Foundation Endowment to Washington State University Foundation. This action will be contingent on Washington State University Board of Regents approval to accept the endowment. It is further recommended that the President be delegated authority to take action to effectuate the transfer when the contingency is fulfilled.

BACKGROUND:

- The William D. Ruckelshaus Center (WDRC) was developed as a joint effort of Washington's two research universities to provide expertise to improve the quality and availability of voluntary collaborative approaches for policy development and multi-party dispute resolution.
- In 2005, to facilitate fundraising and support the work of the William D. Ruckelshaus Center, the Washington State University Foundation (WSUF) and the University of Washington Foundation (UWF) established a separate nonprofit corporate entity dedicated exclusively to supporting the Ruckelshaus Center. This entity, known officially as the William D. Ruckelshaus Center Foundation (Center Foundation), was formed as a Type 1 Supporting Organization under the Internal Revenue Code, with the WSUF and UWF being the sole members of the Center Foundation. The board of directors is comprised of two individuals appointed by the WSUF, two individuals appointed by the UWF, and a fifth member who is appointed by the other four board members.
- On May 22, 2007, the William D. Ruckelshaus Center Foundation Endowment agreement was entered into by the William D. Ruckelshaus Center Foundation (for the donors) and the University of Washington (UW), Washington State Foundation and Washington State University. The purpose of the endowment is "to provide support for the William D. Ruckelshaus Center both at Washington State University and the University of Washington." The agreement called for the University of Washington to manage the investment of the endowment. On July 1,

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2007, the William D. Ruckelshaus Center Foundation Endowment was invested in the UW Consolidated Endowment Fund (CEF).

- The endowment agreement states that:
“If changed circumstances should at some future time cause the continuation of the WDRC to be inappropriate or impractical, or any of the restrictions on the use of or the investment of the endowment fund imposed by this Agreement to become obsolete, inappropriate or impracticable as determined by the Board of Regents of the UW and WSU, the WSU and UW may redesignate the purpose of their portion of the endowment, and the distributions therefrom, or release such restriction, provided that the endowment shall continue to bear the name of William D. Ruckelshaus...”
- The Center Foundation’s program and administrative responsibilities are being transferred to WSU. Transfer of the William D. Ruckelshaus Center Foundation Endowment from the University of Washington to the Washington State University Foundation provides additional managerial efficiency by consolidating the Ruckelshaus Center Foundation Endowment with the Center’s administrative responsibilities. Given the transfer of responsibilities, it is no longer practicable for the endowment to reside at UW. The attached White Paper more fully documents that the transfer will result in greater managerial efficiency.
- The boards of the William D. Ruckelshaus Center Foundation, UWF and WSUF have endorsed this change.

The market value of the William D. Ruckelshaus Center Foundation Endowment at October 1, 2010 was \$800,778. Endowment distributions of approximately \$30,000 which currently reside at UW, less previously incurred UW expenses, will be included in the transfer. Based on the Uniform Prudent Management of Institutional Funds Act (RCW 24.55.045), an institution may release or modify, in whole or in part, a restriction contained in a gift instrument with written consent of the donor. The attached letter from WSU President Elson Floyd to UW Interim President Wise documents the preference of both the Ruckelshaus Center Board and Bill Ruckelshaus to have the endowment moved under the management of WSUF. Evans School Dean Archibald is in concurrence with this change as are key donors to the fund.

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REVIEW AND APPROVALS:

This recommendation has been reviewed and approved by the Vice President for Advancement, the Senior Vice President, and the Division Chief, Attorney General's Office, UW Division.

Attachments

1. William D. RUCKELSHAUS CENTER FOUNDATION Proposed Changes White Paper
2. Email from WSU President Elson Floyd

William D. RUCKELSHAUS CENTER FOUNDATION
Proposed Changes
WHITE PAPER

Background:

William D. Ruckelshaus Center:

The William D. Ruckelshaus Center (“Ruckelshaus Center”) is a neutral resource for collaborative problem solving. The Center provides expertise to improve the quality and availability of voluntary collaborative approaches for policy development and multi-party dispute resolution. The Center was developed as a joint effort of Washington’s two research universities and was developed in response to requests from state and community leaders.

The Center Foundation:

In 2005, to facilitate fundraising and support the work of the William D. Ruckelshaus Center, the Washington State University Foundation (“WSUF”) and the University of Washington Foundation (“UWF”) established a separate nonprofit corporate entity dedicated exclusively to supporting the Ruckelshaus Center.

This entity, known officially as the William D. Ruckelshaus Center Foundation (“Center Foundation”), was formed as a Type 1 Supporting Organization under the Internal Revenue Code (“Code”), with the WSUF and UWF being the sole members of the Center Foundation. The board of directors is comprised of two individuals appointed by the WSUF, two individuals appointed by the UWF, and a fifth member who is appointed by the other four board members.

Outline of Current Management Processes

The Ruckelshaus Center is guided by an advisory board of prominent local and state leaders representing a broad range of constituencies and geographic locations. The board is chaired by William Ruckelshaus.

The Center Foundation has a separate corporate board of directors and two members, the WSUF and the UWF. Per agreement by the members, money raised to support the endowment of the Ruckelshaus Center is currently accepted, received, and managed by the UWF for the benefit of the Ruckelshaus Center.

Proposed Plan to Refine Managerial Efficiency:

Due to the current economic situation, the consolidation of the Center’s administrative responsibilities to WSU, and personnel changes at UW; consolidating the Ruckelshaus Center endowment at WSU is seen as a positive change at this time. Although the University of Washington still wishes to be an integral part of the Ruckelshaus Center itself, they feel that it is no longer efficient for the UWF to be a member of the Center Foundation, nor is it efficient for the UWF to continue to manage the endowment for the Center Foundation.

ATTACHMENT 1

Given this situation, the WSUF is proposing the following solution:

1. Retain the Center Foundation as a separate nonprofit corporate entity.
 - a. The WSUF would become the sole member of this entity
 - b. The board of directors would:
 - i. Remain at five members
 - ii. Be nominated by the Ruckelshaus Center Advisory Board in consultation with the Director of the Ruckelshaus Center and the Chief Operating Officer of the WSUF.
 - iii. Be elected by the WSUF as the sole member
2. Move the current Center Foundation endowment to the WSUF to be managed for the benefit of the Ruckelshaus Center.
 - a. In accordance with the Uniform Prudent Management of Institutional Funds (UPMIFA) Act, endowment oversight would still rest with the Center Foundation board of directors but investment authority would be delegated to the WSUF Investment Committee, a standing committee of the WSUF Board of Governors.

To accomplish the proposed solutions, the following actions would need to occur:

1. Call a meeting of the Center Foundation board and present a resolution outlining the proposed solution to the current Center Foundation board of directors for their adoption.
2. Call a meeting of the members and present a resolution removing UWF as a member to the current members for their adoption
3. Amend and restate the Articles of Incorporation and Bylaws, removing the UWF as a member.
 - a. File Articles of Incorporation with the Secretary of State
 - b. File updated documents with the Internal Revenue Service
4. Move the Ruckelshaus Center Endowment from the UWF to the WSUF
5. WSUF elect board members and officers of the Center Foundation
 - a. This could include a vote to continue the current board/officers of the Center Foundation
6. Present a resolution to the board regarding delegation of investment activity authority

Please note that the actions above do not impact the membership of the Ruckelshaus Center Advisory Board.

From: Floyd, Elson S.
Sent: Monday, November 01, 2010 2:56 PM
To: pmwise@uw.edu
Cc: Kern, Michael
Subject: Ruckelshaus Center

Dear Phyllis:

I understand that you recently had a good conversation with Bill Ruckelshaus about the William D. Ruckelshaus Center. I am glad you share my enthusiasm regarding the opportunity the Center provides for our universities to work together. By contributing to the resolution of some of our state's most complex policy challenges, the Center helps us demonstrate the value of investing in higher education. I look forward to serving with you on the Center's Advisory Board.

Although the Ruckelshaus Center continues to conduct its projects via assembling teams of talented faculty, staff and students from both institutions, I am sure you are aware that the administration of the Center has been moved to Washington State University over the last year or so. This has greatly simplified the administrative side of things, and allowed the Center to focus more of its attention on meeting its mission.

At the time we decided to move the administration of the Center, we also discussed moving to WSU the Ruckelshaus Center endowment held at the University of Washington. I am writing to request that we complete that process by transferring those funds, along with the current use funds associated with that endowment, to the Ruckelshaus Center endowment at Washington State University.

This transfer of funds would comply with the wishes of Bill Ruckelshaus and the Ruckelshaus Center Advisory Board, (including its Executive Committee and Development Committee). It will certainly enhance Washington State University's effectiveness in administering the Center.

In addition, UW Evans Dean Sandra Archibald and WSU Extension Associate Dean Linda Fox have requested that the core funding for the Ruckelshaus Center all be directed to WSU, rather than UW having to transfer half of it to WSU each year. I have directed Colleen Kerr to work with Randy Hodgins to make this change during the upcoming legislative session.

Please let me know if you have any questions or concerns.

Warm Regards,

Elson S. Floyd, Ph.D.
President
Washington State University

ATTACHMENT 2