Call to Order and Attendance

Committee Chair Regent Shanahan called the meeting to order at 10:10 a.m.
Committee Members Present: Shanahan (Chair), Blake, Harrell, Smith
Other Regents Present: Ayer, Brown, Jaech, Rice, Riojas, Simon

Pat thanked V’Ella Warren and Paul Jenny for their leadership, policy work, teamwork, and transparency.

Consent Agenda and Approval of Minutes

Regent Shanahan asked if items F–1 through F–3, and the minutes from the Committee meeting on November 13, 2014, as distributed, could be considered on the Consent Agenda. Hearing no objections the Committee moved to item F–4.

Metropolitan Tract Quarterly Report – Quarter Ended September 30, 2014 (Information only) (Item no. F–1)

Investment Performance Quarterly Report – Quarter Ended September 30, 2014 (Information only) (Item no. F–2)

HR/Payroll Modernization Project Update (Information only) (Item no. F–3)

UW One Capital Plan (Information only) (Item no. F–4)

Regent Shanahan and Paul Jenny, Senior Vice President, Planning & Management, provided a tribute to Richard Chapman, Associate Vice President for Capital Projects, who is retiring from the University after fourteen years. They praised his primary focus on safety, while delivering on-time and on-budget projects, and presented him with a UW hard hat signed by the ten members of the Board of Regents, President Young, and Provost Cauce.

In his report, Paul Jenny said his future focus would be on capital process improvement and expected to present a plan to Regents at their meeting in March. Project proposals would articulate a business case and include forgone opportunities. They would include project alignment with the mission of the University. He introduced the three projects he planned to present at the day’s meeting: Denny Hall, Computer Science & Engineering II, and an upgrade of the entrance to the UW Medical Center. Jenny projected escalation costs in construction (4-4.5% this year) due to a “boom” in the Seattle economy and an increase in cost of materials. Future projects he expects to bring to the Board include: Nano ES, Fluke Hall, Burke Gilman Trail Expansion, Burke Museum, and Lewis Hall.

Denny Hall Renovation – Approve Revised Budget and Finance Plan (Action) (Item no. F–5)
Following a presentation by Jon Lebo, Director, Major Projects Group, Capital Projects Office; Steve Majeski, Associate Dean for Research Administration and Infrastructure, College of Arts and Sciences; and Bill Starkey, Interim Senior Associate Treasurer, Asset Liability Management, Treasury, Regent Smith moved and the Committee voted to approve item F–5, the Denny Hall Renovation.

**College of Engineering: Computer Science & Engineering Expansion – Approve Architect Selection, Delegate Award of Design Contract, Approve the Use of Alternative Public Works and Delegate Authority to Award the Preconstruction Contract (Action) (Item no. F–6)**

Regents heard a presentation from Hank Levy, Chair and Wissner-Slivka Chair, Computer Science & Engineering; Steve Tatge, Director, Major Projects Group, Capital Projects Office and Rebecca Barnes, University Architect and Associate Vice Provost, Campus and Capital Planning, Office of Planning and Management. CSE plans to double the number of degrees they award to six hundred, which will require additional faculty, staff, teaching assistants, research assistants, and space. The larger number of degrees won’t meet the projected demand for CSE graduates in Washington state. The building size is constrained by both the budget and the footprint where they plan to build. The location is desirable due to its proximity to the current site. CSE plans to maintain its high quality and ranking, producing employable graduates, attributed to the high quality of CSE faculty and graduate students. Regents discussed CSE student demographics and diversity.

Regent Smith moved, Regent Blake seconded, and the Committee voted to approve the Computer Science & Engineering Expansion, as presented.

**UW Medical Center Main Entrance Upgrade – Adopt Budget; Approve Use of Alternative Public Works; Delegate Authority to Award Contract (Action) (Item no. F–7)**

Johnese Spisso, Chief Health System Officer, UW Medicine and Vice President for Medical Affairs, University of Washington; Stephen P. Zieniewicz, Executive Director, University of Washington Medical Center; and Steve Tatge, Director, Major Projects Group, Capital Projects Office, requested Committee approval of the project to upgrade the main entrance to UW Medical Center. Regent Smith asked that the design be befitting of the reputation and brand, and reflect the high ranking, of UW Medicine and the UW Medical School, and that it enhance the patient experience. Regent Blake, one of two Regent members of the UW Medicine Board, said the project had been well vetted with the UW Medicine Board.

Regent Smith moved, Regent Blake seconded, and the Committee voted to approve the UW Medical Center Main Entrance Upgrade, as presented.

**Approval of a Reduction in the Internal Lending Program (ILP) Interest Rate (Information only) (Item no. F–8)**

Chris Malins, Associate Vice President, Treasury, presented this item proposing a reduction in the ILP rate by 75 basis points from 5.5% to 4.74% effective April 1, 2015.

Regent Blake requested an ILP overview be included when new major capital projects, which are funded through the ILP, are presented for approval, so Regents can see the impact of the rate on the entire University and exercise additional diligence in their approval.
Regent Smith moved, Regent Blake seconded, and the Committee voted to approve the Internal Lending Program rate reduction, as presented.

University of Washington Investment Committee (UWINCO) Update (Information only) (Item no. F–9)

Keith Ferguson, Chief Investment Officer, provided an update from UWINCO, and referenced the material accompanying item F-2, the investment performance quarterly report.

Efficiency Item – School of Nursing Sustainable Academic Business Plan (Information only) (Item no. F–10)

Azita Emami, Dean, School of Nursing; and Maggie Baker, Associate Dean for Academic Affairs, School of Nursing, provided the Regents with an overview of the Sustainable Academic Business Plan in the School of Nursing. This is part of a series of efficiency items included on the agenda at every Finance and Asset Management Committee meeting.

Audit Advisory Committee Update (Information only) (Item no. F–11)

In her role as Chair of the Audit Advisory Committee, Regent Blake thanked members for their service to the University. This newly-formed Committee met in December and heard a report from Baker Tilly, hired to assess UW’s Internal Audit about a year ago. IA received a high ranking in that it “generally conforms” to standards. Baker Tilly recommended UW IA install a “hot line” as a standard business practice and a means for people to report financial concerns and issues. Concerns were also expressed about the age of UW’s financial IT systems, the “shadow” systems in use, and the potential risk they present. The Audit Advisory Committee encourages upgrades.

The Committee viewed year-end financial statements prepared by KPMG and Peterson Sullivan, with no substantive concerns noted. These statements are available for review.

Regent Brown, a member of the Audit Advisory Committee, thanked Committee members and Richard Cordova for their support of the Committee.


Richard Cordova, Executive Director of Internal Audit, with Jaci Cabe and Karissa Marker from KPMG, said UW received “clean reports.”

Executive Session

Regent Shanahan announced the Regents would hold an Executive Session to review the performance of public employees.

Adjourn

Hearing no other business to come before the Committee, Regent Shanahan adjourned the meeting at 12:15 p.m.

Approved at the meeting of the Committee on February 12, 2015.