Agenda

1. UW Mid- and Long-term Financial Outlook
2. Transforming Administration
3. Capital Planning Update
UW Mid- and Long-term Financial Outlook
Our Organization

> We are complex
> We have multiple funding streams
> We have multiple missions
> There is significant overlap (each impacts the other)
Mid- and Long-Term Financial Outlook

> We operate in a marketplace of increased regulations and more compliance requirements
> We have lack of control for most funding streams
> Most everything we do is subsidized
> Everything has a multi-disciplinary function
> Our state invests less in higher education than other states
### Integrated Postsecondary Education Data System (IPEDS) Comparison Chart

<table>
<thead>
<tr>
<th>Fiscal Year 2013</th>
<th>UW</th>
<th>UCLA</th>
<th>UCSD</th>
<th>Michigan</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional/student services costs</td>
<td>$1,356,072,386</td>
<td>$1,862,773,036</td>
<td>$874,197,400</td>
<td>$1,340,088,000</td>
<td>$532,673,718</td>
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<tr>
<td>Administrative costs</td>
<td>$557,809,479</td>
<td>$732,169,078</td>
<td>$495,880,000</td>
<td>$526,716,000</td>
<td>$247,051,283</td>
</tr>
<tr>
<td>Support as percent of total costs</td>
<td>19%</td>
<td>21%</td>
<td>20%</td>
<td>17%</td>
<td>20%</td>
</tr>
</tbody>
</table>

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<th>Fiscal Year 2013</th>
<th>UW</th>
<th>UCLA</th>
<th>UCSD</th>
<th>Michigan</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations</td>
<td>$218,164,965</td>
<td>$446,999,000</td>
<td>$274,883,000</td>
<td>$274,157,000</td>
<td>$140,207,982</td>
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<tr>
<td>State appropriations per FTE</td>
<td>$4,098</td>
<td>$10,884</td>
<td>$9,155</td>
<td>$6,160</td>
<td>$5,850</td>
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<tr>
<td>Tuition</td>
<td>$808,052,531</td>
<td>$621,099,000</td>
<td>$414,526,000</td>
<td>$924,302,000</td>
<td>$421,235,215</td>
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<tr>
<td>Tuition per FTE</td>
<td>$15,177</td>
<td>$15,123</td>
<td>$13,805</td>
<td>$20,769</td>
<td>$17,576</td>
</tr>
<tr>
<td>Total funding (state + tuition)</td>
<td>$1,026,217,496</td>
<td>$1,068,098,000</td>
<td>$689,409,000</td>
<td>$1,198,459,000</td>
<td>$561,443,197</td>
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<tr>
<td>Total funding per FTE</td>
<td>$19,275</td>
<td>$26,006</td>
<td>$22,960</td>
<td>$26,929</td>
<td>$23,426</td>
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</table>
Primary Activities

- Academic Instruction
  - Research
  - Public Service

- Auxiliary
  (IMA, HFS, Educational Outreach, Parking)

- UW Medicine
  (hospitals, practice, clinics)
Primary Fund Sources/Total Funding

University Operating Resources
FY 2015 1,194,236,000

Research Enterprise
FY 2015 1,114,898,000

Restricted Funds
FY 2015 252,576,000

UW Medicine Health System
FY 2015 3,026,000,000

Auxiliary Activities
FY 2015 815,155,000

TOTAL FY 2015
6,402,865,000
Primary Activities Intersect

- Academic Instruction
- Research
- Public Service
- Auxiliary
- Clinical
CHALLENGES (PRESSURES)

> Enterprise infrastructure improvements (systems, physical plant)
> State investment in higher education
> Faculty salary gap
> Tuition rate setting flexibility
Operating Model Options

> Legacy Model*
  – Maintain the status quo based on reputation
  – Often elite institutions or niche

> Hybrid Model*
  – Combines traditional strengths with innovations
  – Most universities subscribe to their approach

> Total Transformation Model*
  – Rare. Risky

> Reinvigorate**
  – Stripping away layers of administration, creating flexible governance structures, encourage in-depth inquiry and serious intellectual plan

Source: *Surviving and Thriving in Tumultuous Times, Terrence MacTaggart and Robert Sevier, March/April 2014; **What are Universities For?: Jeffrey Schnapp, April 2015
<table>
<thead>
<tr>
<th>CHALLENGES (PRESSURES)</th>
<th>MODELS (RESPONSE TO PRESSURES)</th>
<th>PATH AHEAD (HYBRID)</th>
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</thead>
<tbody>
<tr>
<td>Enterprise infrastructure improvements (systems, physical plant)</td>
<td>&gt; Legacy</td>
<td>&gt; Invest in physical plant</td>
</tr>
<tr>
<td>State investment in higher education</td>
<td>&gt; Hybrid</td>
<td>&gt; Invest in enterprise systems</td>
</tr>
<tr>
<td>Faculty salary gap</td>
<td>&gt; Total transformation</td>
<td>&gt; Close/reduce faculty salary gap</td>
</tr>
<tr>
<td>Tuition rate setting flexibility</td>
<td>&gt; Reinvigorate</td>
<td>&gt; Recentralize administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; Implement Washington Futures 2013 recommendations</td>
</tr>
</tbody>
</table>
We Must *Continue* to Change

Examples of changes underway:

- **Academic:**
  - Flipping the classroom
  - Online degree programs
  - President’s Advisory Council on Students (PACS)
  - Innovation Awards

- **Administrative**
  - Creating Marketing & Communications as a single entity
  - Merging Capital Projects Office, UW Real Estate, and Office of University Architect into one organization, Capital Planning & Development
Questions?
Transforming Administration
> “We cannot solve our problems with the same thinking we used when we created them.” Albert Einstein

> “You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.” Buckminster Fuller
Our Goal:
Be the greatest public University in the world, as measured by our impact on students, our state and the world.

PILLAR #1
INNOVATION MINDSET
Advance and model innovation for Washington and the world

KEY STRATEGY
Comprehensively integrate innovation into the UW academic and administrative “ecosystem”

MEASURES OF SUCCESS
• Launch Global Innovation Exchange
• Adopt changes to IP policies and procedures
• Inventory and grow student opportunities to integrate entrepreneurship & innovation into their academic experience
• Increase commercialization activity across all distribution models

PILLAR #2
PUBLIC BY PURPOSE
Catalyze social mobility, and our state’s and region’s prosperity through deep commitment to our public mission

KEY STRATEGY
Increase access to the University of Washington statewide

MEASURES OF SUCCESS
• Produce more graduates across all three campuses, with an emphasis on growth at UW Bothell and Tacoma
• Reform and expand student financial aid
• Increase student, staff and faculty diversity
• Create new “impact” partnerships with local and state government

PILLAR #3
LEADING-EDGE STUDENT EXPERIENCE
Provide leading-edge student engagement for all students

KEY STRATEGY
Improve the Husky Student Experience

MEASURES OF SUCCESS
• Create new opportunities for and increase participation in co-curricular, leadership and career development opportunities
• Significantly increase the number of courses using new teaching techniques
• Grow opportunities for students to integrate technology literacy into their academic experience
• Expand residence halls

PILLAR #4
GLOBAL RESEARCH IMPACT
Use our world leadership in research and service to deepen and expand our proven impact

KEY STRATEGY
Support the development of large-scale, multi-disciplinary grants and initiatives University wide

MEASURES OF SUCCESS
• Retain and increase UW’s share of federal research budget
• Develop and launch new, non-federal support for UW research initiatives
• Increase incentives for and reduce regulatory/policy barriers to cross-university work, teaching and collaboration
# SWOT Analysis

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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Strengths (internal)</strong></td>
<td><strong>Weaknesses (internal)</strong></td>
</tr>
<tr>
<td><strong>Opportunities (external)</strong></td>
<td><strong>Threats (external)</strong></td>
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> **Themes:**

- People
- Systems
- Financial
- Planning
- Organization
- Physical Space
SWOT Analysis – Strengths (internal)

People:
• Experienced interim senior leadership
• Dedicated and smart staff and faculty
• Great students
• Long tenure of staff
• Willing to learn
• Internal change expertise (staff, faculty)
• Strong Advancement staff
• Student interns/living-learning campus lab

Systems:
• Recognition and willingness to improve our antiquated systems
• Implementing ERP systems

Financial:
• Seattle Housing & Food Services is well run and self-sufficient
• Growing programs at Bothell and Tacoma
• Strong Educational Outreach program
• Schools/Colleges know what their financial status is (ABB)

Planning:
• One Capital Plan
• Beginning Campus Master Plan
• Provost annual planning process improved
• Sustainability

Organization:
• Local control over finances (ABB)

Physical Space:
• New buildings being built to address program needs
SWOT Analysis – Weaknesses (internal)

People:
- Senior leadership frequent turnover
- Long tenure of leaders and staff
- Administrators/middle managers without needed skills
- Some Deans without management and budget skills
- Culture of not dealing with conflict
- Decentralized change expertise, uncoordinated and sometimes focused on lesser/inappropriate priorities, and not enough expertise or availability to focus on UW strategic priorities
- Lack of leadership succession planning

Planning:
- Decentralized and often uncoordinated and competing plans
- Unclear and confusing relationship between Educational Outreach and Academic units (including summer)
- Long term plans for tri-campus
- Lack of, or gap, in internal controls
- Duplicative course offerings and silo-ed approach to planning

Organization:
- Decentralized organization/center
- Duplication/Redundancy of services (e.g., Creative Communications/Creative; change management, HR/IT/Communications/Accounting staff in Central and Units)

Physical Space:
- Space is not used effectively/efficiently/sustainably and decision making is unclear at all levels
- Deferred maintenance and mounting costs

Systems:
- Ancient major administrative systems (HR/P, Finance, Procurement, Student, others)

Financial:
- Law/Dentistry continue to have increasing deficits
- Narrow operating margins in hospital enterprise
- Frustration and confusion with budget model
- Salary gaps (faculty, staff)
- Cost of health sciences education
- Large initiatives are underway without fully identified funding streams (e.g., Marketing/Capital Campaign/Whole U/CoMotion/Research Royalty Fund/Sustainability/etc.)
- Increased exposure to debt
- Some fee based/auxiliary areas are subsidized (e.g., Parking, OEA)
- Financial aid funding
- Ph.D./Graduate Program support
- Cost for research infrastructure/support
SWOT Analysis – Opportunities (external)

People
• Targeted pool of talented UW graduates to join our workforce

Financial
• New funding sources - identify
• Booming Seattle, Puget Sound
• Growing WA state economy

Planning
• Improve legislative strategy
• Gain flexibility from the State – HR, IT, Procurement
• Light rail transportation systems/Campus stations
• Improve communications strategy (beginning)
• Organization

Organization
• High rankings (academic programs, sustainability, transportation, etc.) – leverage
• Academic research reputation
SWOT Analysis – Threats (external)

People
- Collective bargaining issues

Financial
- Some funding flat
- State underfunding higher education
- Tuition freezes
- Federal support
- Improving economy drives higher wages, salaries and construction, products, and services costs

Planning
- Relationship with Olympia
- Competition for best WA state high school students to go elsewhere

Organization
- Business Diversity issues
- Increasing compliance regulations (Federal change in grant direct buy limit – moving from $10k back to $3k)
**Our Goal:**

Be the greatest public University in the world, as measured by our impact on students, our state and the world.

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How we operate today

> Disparate, inconsistent, uncoordinated, limited and antiquated policies, processes, or consistent standards
> Schools/College and Administrative Units must create their own unique processes to address and satisfy Central Administrative processes and requirements (e.g., HR (staff and academic), Communications, Budgeting and Accounting, Procurement)
> New initiatives temporarily funded without a plan for the future or funding needed long term (e.g., Whole U, Marketing and Communications, UW Sustainability, Business Diversity Program)
> Increasing risks including financial, and compliance with State and Federal rules.
> Side/shadow systems, data re-entry and reconciliation creating huge overhead (shared in Gartner Group Finance Readiness Assessment)
> Feeling that Central Administration has pushed work onto the departments
> Lack of trust in data provided by Central Administration (data often can’t be replicated between Units and Central)
> Duplicative labor in Schools/Colleges/Admin Units (e.g., IT, HR, Communications, Budgeting/Accounting, Data, change management expertise)
> Strategic initiatives decided at the local level rather than University level and lack of strategic decision making for the University as a whole
> Unclear decision making roles and unwillingness to make hard decisions due to relationships
> Unwillingness to make and enforce decisions about how to operate and standardize the UW’s business side
> Little sharing/learning/problem solving across the units; mostly top down or within silos communications
Examples of Specific Opportunities for Change

> Repurpose buildings from administrative to academic; re-evaluate services’ centrality to UW mission

> Reorganize Capital Planning & Development (Capital Projects Office, Office of the University Architect, UW Real Estate)

> Consolidate, redeploy change expertise/support across UW

> Financial Modernization

> Shared Services

> Develop Administrative Development Program (Deans/VPs and Administrators, high potential faculty and staff)
Focus

> Re-centralize Administration
> Stop treating Administrative Units as Academic Units
> Restructure Financial Approach
> Streamline/Consolidate Services
> Re-tool Staff

Then, Continue with Administration in Schools/Colleges/ Administrative Units
Approach

Mission/Vision of UW’s Administrative Transformation:

The UW will be the best-led and best-managed institution in higher education. “Best” means excellence and quality in services, service delivery, easy/intuitive to navigate, efficient and effective. Administration will perform as one organization with clear business practices and goals, supported by leadership to make and enforce decisions for the greater UW, and highly collaborative across Administrative Units and with the Academic and Auxiliary Units. We will measure our effectiveness, reduce the cost of administration, manage risks, and share best practices with Academic Units and peers.

Executive Sponsors:

- Jerry Baldasty, Interim Provost
- Paul Jenny, Senior Vice President, Planning & Management
- Mary Lidstrom, Vice Provost, Research
- Denzil Suite, Vice President, Student Life
- TBD, Dean

Transforming Administration Lead:

- Ruth A. Johnston
Conclusion

> If there was ever a time to be bold and innovative, the time is now

> Experienced interim senior leadership in place, we have an opportunity to be bold

> By re-centralizing the center and examining its services and purpose, we will improve the support for our core missions of teaching, research and service
Questions?
Capital Planning Update
Updates

> Capital Projects Review Committee progress
  – Building standards
  – Responsible parties
  – New budget report format

> Campus Master Planning update begun

> Capital Planning & Development organization
  – Creating new organization including Capital Projects Office, Office of University Architect and UW Real Estate
  – Developing “triage” approach to one stop service for meeting space needs on campus, including Classroom Support Services staff (part of UW IT) and Facilities Services
Research & Instructional Space
2008 to 2013
UW Space Use
Assignable Square Feet 2013

UW Seattle (15m ASF)

- Classrooms: 10%
- Research: 15%
- Office facilities: 21%
- Study facilities: 15%
- Special use facilities: 3%
- General use facilities: 3%
- Supporting facilities: 6%
- Health care facilities: 7%
- Resident facilities: 16%

UW Bothell (300k ASF)

- Classrooms: 29%
- Laboratories: 15%
- Office facilities: 10%
- Study facilities: 8%
- Special use facilities: 2%
- General use facilities: 8%
- Supporting facilities: 12%

UW Tacoma (450k ASF)

- Classrooms: 29%
- Laboratories: 11%
- Office facilities: 9%
- Study facilities: 3%
- Special use facilities: 3%
- General use facilities: 18%
- Supporting facilities: 11%
- Health care facilities: 6%

UW Seattle devoted more space to research (compared to UWB/UWT)
And allocated less to classroom space (compared to UWB/UWT)
UW Space Growth
Assignable Square Feet 2008 to 2013

+1.5m ASF (10.5%)

2008 2013
266,449 422,692
295,419 449,686

+29k ASF (11%)
+27k ASF (6%)

0 50,000 100,000 150,000 200,000 250,000 300,000 350,000 400,000 450,000 500,000
0 2,000,000 4,000,000 6,000,000 8,000,000 10,000,000 12,000,000 14,000,000 16,000,000

UW Bothell UW Tacoma UW Seattle

13,751,979 15,198,465

2008 2013

UNIVERSITY of WASHINGTON
UW Seattle On-campus Research and Instructional Space Growth
Assignable Square Feet 2008 to 2013

- Instruction: +14k ASF (3.6%)
  - 2008: 409,113
  - 2013: 423,926

- Research: +36k ASF (1.9%)
  - 2008: 1,858,922
  - 2013: 1,895,186

Graph showing growth in space allocation for instruction and research.
UW Research Expenditures
Total Research Expenditures*, All Campuses and Sites 2008-2013

* Total Research Expenditures include both direct and indirect costs, as reported by UW Office of Research.
UW Seattle Research Expenditures
Direct Research Expenditures* per Research ASF 2008 to 2013

* Direct Research Expenditures: Modified Total Direct Cost (MTDC) as reported by UW Management Accounting and Analysis
UW Seattle Student Enrollment Growth
Student FTE 2007 to 2014 compared to Instructional Space in 2008 and 2013

- 2007: 409,113
- 2014: 423,926 (+3.6%)
- Student FTE:
  - 2007: 10 ASF/student
  - 2014: 9.75 ASF/student

+6.4%
Why do we need to expand space?

> Teaching and research methods are changing to be more collaborative, requiring more/different space

> Refurnishing buildings takes away or alters space, so more is needed

Options to meet the need for space:

- Better strategic space planning (underway)
- Repurpose unused/unutilized space
- Charge rent/utilities
- Lease more space
Should we lease or own to fill growth needs?

Example: Under current market conditions for a 100,000 GSF building

<table>
<thead>
<tr>
<th></th>
<th>LEASE</th>
<th>OWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>cost</td>
<td>$38 per GSF</td>
<td>$48 per GSF</td>
</tr>
<tr>
<td>CONSTRUCTION/DEBT</td>
<td></td>
<td>CONSTRUCTION/DEBT</td>
</tr>
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</table>

**15 YEARS**
- LEASE IS CHEAPER
- Net difference between lease cost and ownership cost is $2m

**30 YEARS**
- OWN IS CHEAPER
- Net difference between lease cost and ownership cost is $35m

But, if we own, we have residual value in owning the building; however, we have deferred maintenance issues.
**Deferred Maintenance Backlog**

**UW Seattle Campus 2007 to 2013**

Deferred Maintenance Backlog is estimated at $1.44 billion; an increase of $40 million since 2008. This is a significant increase, but at just 3% of total, growth appears flat.

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Deferred Maintenance Backlog = BMAR + FACIMP

BMAR (Building Maintenance and Repair)

FACIMP (Facilities Improvements)

<table>
<thead>
<tr>
<th>Year</th>
<th>FACIMP in Million</th>
<th>BMAR in Million</th>
<th>BMAR$/GSF</th>
<th>FACIMP/S/GSF</th>
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<tr>
<td>FY2007</td>
<td>626</td>
<td>749</td>
<td>1374</td>
<td>78</td>
</tr>
<tr>
<td>FY2008</td>
<td>635</td>
<td>767</td>
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<td>795</td>
<td>1437</td>
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<tr>
<td>FY2013</td>
<td>643</td>
<td>798</td>
<td>1441</td>
<td>93</td>
</tr>
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Source: UW Facilities Services 2014 Deferred Maintenance Update
Questions?