Approved at the meeting of the Committee on May 14, 2015.

MINUTES

UNIVERSITY OF WASHINGTON
BOARD OF REGENTS
Finance and Asset Management Committee

March 12, 2015
Rose Room, Founders Hall, UW1-280, UW Bothell

Call to Order and Attendance

Committee Chair Regent Shanahan called the meeting to order at 8:30 a.m. Committee Members Present: Shanahan (Chair), Blake, and Harrell. Other Regents Present: Ayer, Brown, Jaech, Riojas, Simon.

Consent Agenda and Approval of Minutes

Regent Shanahan asked if items F–1 through F–3, F–14, and the minutes from the Committee meeting on March 12, 2015, as distributed, could be considered on the Consent Agenda. Hearing no objections the Committee moved to item F–4.

Actions Taken Under Delegated Authority (Information only) (Item no. F–1)

Investment Performance Quarterly Report – Quarter Ended December 31, 2014 (Information only) (Item no. F–2)

Semi-Annual Debt Report (Information only) (Item no. F–3)

Approve Amendment to University of Washington 401(a) Plan for Selected Employees (Action) (Item no. F–14)

UW One Capital Plan and Debt Capacity Update (Information only) (Item no. F–4)

Paul Jenny, Senior Vice President, Planning & Management, introduced Robert Stickney, Interim Associate Vice President of the Capital Projects Office. Paul described process improvements and prioritization of projects included on the One Capital Plan.

Mr. Stickney said the Capital Projects Office would increase its benchmarking and is undergoing a space assessment to determine how best to use existing infrastructure. Capital Projects will review a “business case” for each project. The project budget format has been revised so line items include contingency and escalation. Kristi asked that approval of a naming plan be included in the process. Pat is working with Paul to plan the best way to prioritize projects funded from different sources, including state, gift, and ILP. Capital projects would connect to the University’s academic mission. Paul expects minor modifications to be “priority one.” Projects will be strategically opportunistic with debt capacity as a decision filter.

Chris Malins, Associate Vice President in the Treasury Office, presented a debt/project capacity update, saying debt capacity equates to project capacity. UW is at the top of the range based on peer financial ratios from Moody’s over five years, but UW has reviewed, retooled, and reassessed every year. UW’s debt policy specifies a rating of no lower than single A. Currently it is AAA, and is managed to AA. He explored the needed debt versus the capacity for planning.
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UW will need to be disciplined regarding affordability, tradeoffs, and transparency. Paul said his office is consolidating and streamlining the space request process.

Debt Management Annual Report (Information only) (Item no. F–5)

Chris Malins and Bill Starkey, Senior Associate Treasurer, from the Treasury Office, provided a report on debt management. Standard & Poor’s changed UW’s outlook from AA+ positive to AA+ stable. They asked if Regents would want to meet with representatives from the ratings agency. Pat believes this would be worthwhile and would increase transparency and develop relationships. Bill encouraged meeting with them regularly, on campus, to tell UW’s story.

Kristi inquired about Intercollegiate Athletics not meeting its ILP debt covenant in FY14, as shown in item F–3.1, and said if this happens in the future, the Semi-Annual Debt Report (SADRe) should not be included on the consent agenda, but should be presented to the Regents. President Cauce agreed to return with a plan to bring ICA into compliance with covenants.

West Campus Utility Plant – Approve Budget Adjustment and Increase in Internal Lending Program Authorization (Action) (Item no. F–6)

John Palewicz, Director, Strategic Programs, Capital Projects Office; Charles Kennedy, Associate Vice President, Facilities Services; and John Chapman, Director, Campus Engineering and Operations, proposed a budget adjustment from $30.5 to $36.2 million and an increase in the use of the ILP from $23 to $28.5 million, to construct the West Campus Utility Plant. These increases would support a modification in the scope of the project, which would provide UW with the opportunity to be ready for expected up-zoning in the west campus area.

Regent Harrell moved and Regents voted to approve the West Campus Utility Plant item.

University Advancement Benchmarking Annual Report (Information only) (Item no. F–7)

Connie Kravas, Vice President, University Advancement; and Walt Dryfoos, Associate Vice President, Advancement Services, presented the annual Advancement benchmarking report. They said UW needs to “invent” its own best practices as it is above its peers. They said the top two reasons donors give to an organization as its mission and its leadership. When asked which peers are conducting major campaigns, Walt identified UCLA, USC, Berkeley (just completing), Michigan, and said many others were also. Rogelio asked about the level of giving from UW alumni, and heard it is declining due to debt loads of new graduates. The number of alumni who donate to the University is increasing, but the amount of their gifts, as a percentage of the total, is decreasing.

2015-16 Student Housing and Dining Fee Rate Approval at UW Seattle (Action) (Item no. F–8)

Denzil Suite, Vice President for Student Life; and Pam Schreiber, Director, Housing and Food Services, proposed the 2015-16 UW Seattle student housing and dining rates.

Regent Blake moved, and Regents voted, to approve the item, as proposed.

2015-16 Student Housing Rate Approval at UW Bothell (Action) (Item no. F–9)

Wolf Yeigh, Chancellor of UW Bothell; Chelsea Knodel, Housing and Food Services Manager, UW Bothell; George Theo, Dean of Student Affairs, UW Bothell; and James D. Anderson, Senior, Business Administration and ASUWB President, presented the proposed UW Bothell
2015-16 student housing rates. Regent Blake requested a more detailed cost breakdown. Professor O’Neill inquired if there was unmet need for student housing at UW Bothell. There currently are 278 beds. Applications by prospective students are up by 24% and many of those have expressed interest in on-campus housing. UW Bothell is currently exploring a plan to increase to 500 beds in a more traditional residence hall format with a dining plan. This would have the added benefit of offering students additional on-campus employment.

Regent Harrell moved, Regent Blake seconded, and Regents voted to approve the item, as proposed.

Efficiencies Item – UW Real Estate Office (Information only) (Item no. F–10)

Jeanette Henderson, Executive Director, UW Real Estate; Steve Kennard, Director of Operations, UW Real Estate; and Anais Munoz, Junior, Health Studies, UW Bothell, provided an overview of the UW’s Real Estate Office, highlighting the goals and efficiencies. Regents were particularly interested in the culture of efficiency and the student connections. Pat commented the Real Estate Office has nineteen full-time equivalent staff, and it manages assets all over the world.

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

Regent Blake, Audit Advisory Committee Chair, reported about the meeting of the Audit Advisory Committee on Wednesday, March 11. She praised members for their level of engagement, citing their willingness to read “stacks” of advance materials. At its meeting the Audit Advisory Committee heard a presentation from UW’s Environmental Health and Safety regarding compliance. They learned it is a well-managed unit, especially given the scarce resources it receives. KPMG described their 2015 audit plans to the Committee. The aging of UW’s financial systems was again discussed and Kristi encouraged the University to allocate funding to bring these systems up to speed. Richard Cordova, Executive Director of Internal Audit, provided the committee with an update on the 2014 internal audits. Findings will be presented at the next meeting. There is “great progress.”

Kristi said the Committee focused on its initial charter (in the Standing Orders) which outlines what the Committee is accountable for. They plan to amend the charge, with a reconsideration of where compliance oversight should be.

Sustainability Engagement at the University of Washington (Information only) (Item no. F–12)

A large group of presenters (Anthony Guerrero, Associate Vice Chancellor for Facilities Services, UW Bothell; Claudia Frere-Anderson, Director, UW Sustainability; Laurel Louise Baum, Junior, BS Environmental Science, UW Bothell; Caleigh Grace Shoot, Senior, BS, Environmental Science and Terrestrial Resource Management, College of the Environment; Emily Ann Clarkson, Senior, BA, Business Administration - Finance and BS, Political Science - Political Economy, Foster School of Business and College of Arts & Sciences; An Xuan Huynh, Senior, BA, Community, Environment & Planning, College of Built Environment) highlighted various units on three campuses which focus on environmental sustainability.

Regents heard about the campus sustainability fund, the green seed fund for research, and the green laboratory certification programs. The presentation underscored how much of UW’s sustainability efforts are driven by students. Regents also heard about sustainability in the curriculum. Pat summed it up by saying sustainability crosses all three campuses, involves
students, faculty, and staff, and going green can save money. Presentations stressed the culture of compliance.

Divest UW Presentation on Coal Divestment (information only) (Item no. F–13)

Members from the student group “Divest UW,” Angela Feng, Senior, Program on the Environment; Mary Herman, Senior, Geography; Georges “Alex” Lenferna, Graduate Student, Philosophy; and Sarra Tekola, Senior, Environmental Science and Terrestrial Resource Management, presented the case for UW to divest the Consolidated Endowment Fund from coal. Dr. O’Neill said she believes it is symbolically important for UW to take this step. Ms. Popejoy thanked the Regents for inviting the students to present their viewpoint at the meeting. Ms. Xiao stated GPSS and ASUW Senate passed resolutions supporting divestment from coal. Regent Blake encouraged shareholder engagement as a means to influence change in the coal industry.

Executive Session

Regent Shanahan announced the Committee would hold an Executive Session to consider the minimum price at which real estate will be offered for sale or lease when public knowledge regarding such consideration would cause a likelihood of decreased price; and to discuss with legal counsel representing the University, litigation or potential litigation to which the University is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the University.

Adjourn

Hearing no other business to come before the Committee, Regent Shanahan adjourned the meeting at 11:30 a.m.

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