Call to Order and Attendance

Committee Chair Regent Shanahan called the meeting to order at 9:35 a.m. Committee Members Present: Shanahan (Chair), Blake, Harrell, and Smith. Other Regents Present: Ayer, Jaech, Kritzer, Rice, Riojas, and Simon. Others present at the table: President Cauce, Provost Baldasty, Faculty Senate Chair Kate O’Neill, GPSS President Alex Bolton, and ASUW President Tyler Wu.

Consent Agenda and Approval of Minutes

Regent Shanahan asked if the minutes from the Committee meeting on June 11, 2015, as distributed, and item F–1, could be considered on the consent agenda. Hearing no objections the Committee moved to item F–2.

Red Flag Rules – Identity Theft Compliance Program Annual Report (Information only) (Item no. F–1)

UW One Capital Plan (Information only) (Item no. F–2)

Paul Jenny, Senior Vice President of Planning & Management, said there were overall process improvements in capital planning. There is concern about escalating costs during a rapidly changing construction environment. UW issued an RFP to hire a consultant to review its building standards and institutional policies with the goal of improving the bottom-line. Mike McCormick, newly-hired Assistant Vice President for Capital Projects, joins the University on August 10 from Brown University. Mr. Jenny expressed his concerns about the construction budgets for the Animal Research and Care Facility and the Nano ES projects and said his team would be looking at changes in scope. He said the Burke Gilman Trail project, with UW’s 2.5 mile section, would be important with the opening of the Sound Transit Station at Husky Stadium, with increased pedestrian and bicycle use.

Regent Shanahan asked to learn more in the future about space utilization, differentiating laboratory space from teaching/student space. Provost Baldasty said UW is in the process of determining block scheduling to maximize the clock use of space and projected this would be a cultural change for campus. Regent Shanahan encouraged integrating the capital plan with campus needs to build infrastructure for long term growth. President Cauce suggested moving administrative functions off campus would create more space for students.

In answer to a question about the Global Innovation Exchange (GIX) in the capital plan, Microsoft and Wright Runstad will develop the facility and lease it back to UW for GIX through a memorandum of understanding.
Regent Ayer asked for a utilization cost of space, to help learn how to develop metrics for a business case for campus space to drive improvements and take advantage of opportunity costs.

Regent Shanahan summarized the presentation by saying the building mix at the University must offer students a high value for their tuition dollars, good facilities for faculty, and the correct tools for staff.

UW Medicine at South Lake Union – Authorization of Phase 3.2 (Information only) (Item no. F–3)

Paul Jenny introduced this presentation by stating the business case for moving forward with phase 3.2, with increased NIH funding requiring additional space for research.

Paul G. Ramsey, CEO of UW Medicine, Executive Vice President for Medical Affairs and Dean of the UW School of Medicine, said planning for research space began in 1997 with researchers in the human genome project moving away from working in “silos” to more flexible spaces, which are less expensive to adapt to rapidly evolving and developing new technologies. Large rooms provide for a multi-disciplinary approach and are easy to remodel quickly. The Institute for Health Metrics and Evaluation, Dr. Ramsey said, provides a roadmap for how multi-disciplinary research is conducted.

The Phase 3.2 project will include the first clinic space at UW Medicine South Lake Union, and wet labs, dry labs, and spaces for clinical research.

Chris Malins, Associate Vice President, Treasury, reviewed the pro forma, saying the item would return to the Board for approval, most likely in September. President Cauce emphasized the need for this type of facility to continue to attract top faculty.

Regent Blake requested a better understanding of the performance of Phase 3.1, lessons learned about the density of the project, and a pro forma including costs before 2022, reflecting plans during the start-up phase. Given that the project expects funding through philanthropy, she asked that a naming proposal be included in the item for approval, consistent with the Board of Regents Facilities and Spaces Naming Policy.

Regent Shanahan praised the work of Dr. Ramsey and UW Medicine as “magic,” but said the project merited scrutiny as Regents serve as stewards to provide needed infrastructure in the form of world-class facilities.

Standard & Poor’s Higher Education Sector Overview (Information only) (Item no. F–4)

Jessica Matsumori, Senior Director, Analytical Manager-Education Group, U.S. Public Finance, and Kenneth Gacka, Director, U.S. Public Finance, Corporate & Government Ratings, both from Standard & Poor’s (S&P), provided an overview of how the agency works in the education and healthcare sectors, and discussed UW’s strengths and challenges in maintaining its bond rating.

The educational sector balances between access and affordability. S&P looks at an agency’s willingness and ability to pay debt and suggested broadening and diversifying sources of revenue. They expressed uncertainties about the health care sector overall.
Regent Ayer praised the connections between UW’s administration and the ratings agencies, citing communication and transparency in their approach.

Efficiency Item – Transforming Work in Housing & Food Services Through Process Improvement (Information only) (Item no. F–5)

Provost Baldasty briefly presented the Transforming Administration Program (TAP), describing its process and potential benefits of increased staff satisfaction. Regent Shanahan said the goal of this process, and other lean processes, is to de-stress and unburden staff members, resulting in higher morale and productivity as they find more efficient ways to approach their work. Provost Baldasty’s goal is to work smarter.

Deborah Costar, Assistant Director for Communications and Marketing, Housing & Food Services, described the process improvements underway in Housing & Food Services.

Amendments to Debt Management Policy (Action) (Item no. F–6)

Bill Starkey, Senior Associate Treasurer, and Chris Malins, Associate Vice President of Treasury presented the proposed amendments to the debt management policy, which in addition to various housekeeping items, includes changes to require internal borrowers to meet and report on key financial ratios, clarifies reporting responsibilities, and identifies requirements in the event loan covenants are not met.

Regent Ayer confirmed the changes would be communicated to internal borrowers by memo.

Regent Smith moved, Regent Blake seconded, and Committee members voted to approve the amendments as presented.

University of Washington Investment Program (UWINCO) Proposed Changes (Information only) (Item no. F–7)

Keith Ferguson, Chief Investment Officer, and Scott Davies, Senior Investment Officer and Chief Operating Officer, presented an information item of proposed changes to the structure of UWINCO for consideration at a future meeting. If approved, the current UWINCO advisory committee would be replaced by an internal investment company. This change would provide the opportunity to leverage best practices and enhance current practices in investments. This is intended to be a proactive approach to growth in the UW’s investment portfolio.

Research Vessel Thomas G. Thompson – Approve Contract for Mid-Life Refit (Action) (Item no. F–8)

Following a brief overview from Douglas Russell, Manager of Marine Operations, School of Oceanography, Regent Smith moved, Regent Harrell seconded, and Committee members voted to approve the item as presented.

UW Medicine Board Update (Information only) (Item no. F–9)

Kristi Blake and Rogelio Riojas serve as Regent members of the UW Medicine Board. Regent Blake described the roles and responsibilities and shared their intent to provide periodic reports from the meetings. The UW Medicine Board meets almost monthly.
Regent Blake reported long-time UW Medicine Board members Mike Garvey and Dennis Okamoto were at the end of their terms. Rich Jones, who has served as head of compliance, will be the Board Chair, and Julie Nordstrom will be the Vice Chair. Each Board meeting features a topic for discussion. Contracting with commercial payers was the topic at the last meeting. As such, UW Medicine is an Accountable Care Network, currently serving Boeing and recently selected to be included in the State of Washington’s health care plan. Focus groups were conducted with Boeing employees and UW Medicine averaged a satisfaction score of 8.5 on a scale of 1 to 10.

Regent Riojas said he is enjoying his time on the UW Medicine Board, where he is focused on learning more about the complex organization. He has attended “rounds” to view the work, and said Regents would be impressed by what he’s seen. A suggestion was made for the Board to hold a future meeting at a UW Medicine facility.

Regent Blake provided a brief fiscal update. She said UW Medicine has undergone process improvements which should be presented as an efficiency item to the Board of Regents at a future meeting.

Adjourn

Hearing no other business to come before the Finance and Asset Management Committee, Regent Shanahan adjourned the meeting at 11:55 a.m.

Approved at the meeting of the Committee on September 10, 2015.