Call to Order and Attendance

Committee Chair Regent Jaech called the meeting to order at 8:30 a.m.

Committee Members Present: Jaech (Chair), Ayer, Benoliel, Blake (by telephone), and Harrell
Other Regents Present: Kritzer, Rice, Riojas, Shanahan, and Simon
Others present at the table: President Cauce, Provost Baldasty, ASUW President Wu, GPSS
President Bolton, and Faculty Senate Chair Beauchamp.

Approval of Minutes and Consent Agenda

Regent Jaech announced that hearing no objections the minutes from the Committee meeting on
April 14, 2016 were approved by acclimation, as presented.

Regent Jaech said item F–1 was presented as a consent item. There was no discussion about this
item.

Actions Taken Under Delegated Authority ($5-15M) (Information) (Agenda no. F–1)

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

Paul Jenny, Senior Vice President, Planning and Management, and Mike McCormick, Associate
Vice President, Capital Planning and Development, presented the One Capital Plan.

Mr. Jenny noted there is a focus on strategy and policy regarding future capital projects,
including developing policies for financing gift-funded projects. Related to actions taken under
delegated authority, he noted currently approval for leases of real property for up to twenty years
is delegated to the President or President’s designee regardless of the amount. His office is
looking at updating the standing orders for delegation of authority so the total dollar limits match
those for the execution of other instruments related to real property.

Regents asked for changes in the six-year capital plan to be highlighted month-to-month.
Regent Shanahan inquired about deferred maintenance and the cumulative risk of continued
defferral. Mr. Jenny said Capital Projects is exploring doing deferred maintenance work, such as
seismic, in place rather than decanting the building, to accomplish the work faster and more
economically.

Chris Malins, Associate Vice President, Treasury, reviewed the monthly debt report.

Debt Management Annual Report (Information) (Agenda no. F–3)
Chris Malins and Bill Starkey, Senior Associate Treasurer, Asset Liability Management, Treasury, reviewed the debt management report, advising a more judicious use of debt capacity in the future. Although the UW’s credit is highly rated and it has a low cost of borrowing, there are factors out of the UW’s control. The UW’s borrowing is tied to its mission. Mr. Malins said each project has risk at some level. The upcoming item to approve a reduction in the ILP rate contains a recommendation to implement general revenue support beginning in 2017. Treasury will allocate a portion of the ILP rate charged to borrowers to compensate the Central Administration for incurring incremental risk and providing credit support. The initial allocation rate will be set at 0.15%.

Regents asked about student engagement in investments.

Approval of a Reduction in the Internal Lending Program (ILP) Interest Rate (Action) (Agenda no. F–4)

Chris Malins and Bill Starkey requested Committee approval to reduce the Internal Lending Program (ILP) interest rate 25 basis points, from 4.75% to 4.50%, effective July 1, 2016. Regent Ayer asked for more information about what departments planned to do with the savings from the lower interest rate. There is an expectation the savings will be passed on to students.

Regent Harrell moved, Regent Benoliel seconded, and the Committee voted to approve item F–4 as proposed.

UW Tacoma Court 17 Apartments: Approve Acquisition, Budget and Financing (Action) (Agenda no. F–5)

Harlan Patterson, Vice Chancellor for Finance & Administration, UW Tacoma; Todd Timberlake, Chief Real Estate Officer, UW Real Estate; and Bill Starkey proposed acquisition of UW Tacoma Court 17 Apartments for student housing. Mark Pagano, Chancellor, UW Tacoma; Pat Clark, Director, Campus Planning & Real Estate, Finance & Administration, UW Tacoma; and Paul Weed, Associate Director, UW Tacoma Finance, were present for questions.

Regent Harrell moved, Regent Benoliel seconded, and the Committee voted to approve the acquisition budget, and financing for UW Tacoma Court 17 Apartments as proposed.

Investment Program Annual Update (Information) (Agenda no. F–6)

Keith Ferguson, Chief Investment Officer, UWINCO; Garth Reistad, Deputy Chief Investment Officer, UWINCO; and Scott Davies, Chief Operating Officer, UWINCO, updated the Regents on the UW’s investment program. Mr. Ferguson stated the goal and purpose of the investment program is to steward the UW’s assets while preserving and maximizing returns to campus.

Comparative Performance, Asset Allocation, Investment Cost, and Effective Spending Rate (Information) (Agenda no. F–7)

Max Senter, Investment Consultant and Managing Director, Cambridge Associates, described his role as a consultant to provide investment advice to the University and collect information from peer universities as a benchmark for the University.
He reported on the following:
1) Investment performance
2) Asset allocation trends
3) Costs of the investment program
4) Effective spend rates and fund distribution policies.

Regent Kritzer asked about approaches to balancing risk and return, how UW handles this, and how it is measured against its peers.

Approve Amendment to the Statement of Investment Objectives and Policy for the Consolidated Endowment Fund (Action) (Agenda no. F–8)

Keith Ferguson and Scott Davies presented the rationale for amending the investment objectives and policy for the Consolidated Endowment Fund (CEF) with the main change being shifts in targets in the investment strategy to reflect market realities and opportunities.

Regent Benoliel moved, Regent Harrell seconded, and the Committee voted to approve item F–8, as proposed.

Approve Revised Timeline and Budget for HR/Payroll Modernization Program (Action) (Agenda no. F–9)

Kelli Trosvig, Vice President for UW Information Technology and CIO, and Aubrey Fulmer, Executive Program Director for the HR/Payroll Modernization Program, provided an update on the HR/Payroll modernization program and requested approval for a revised timeline and budget, specifically to “go live” in June 2017, and a request for budget authority for an additional $7,820,436 over the original approved budget, which includes $4 million of contingency funding.

Mindy Kornberg, Vice President, Human Resources; Cheryl Cameron, Vice Provost for Academic Personnel; Ann Anderson, Associate Vice President and Controller; and Ruth Mahan, Chief Business Officer, UW Medicine, were present for questions.

Regents acknowledged this is a complex and expensive project challenged by the need for a culture shift to change user behaviors. Regents requested quarterly project milestone reports. Regent Shanahan encouraged leadership to come together to support standardization as a tradeoff to the University’s mission. He cited this as the first of many modernization efforts needed to make the system work.

Regent Harrell moved, Regent Benoliel seconded, and the Committee voted to approve item F–9 as proposed.

UW Medicine Board Update (Information) (Agenda no. F–10)

Regent Riojas, along with Regent Blake, serves as a Regent representative on the UW Medicine Board. He reported on the UW Medicine Board meeting held on April 25, 2016, and said there was a brief presentation on the history of UW Medicine's work on quality and safety improvements. The current program began in 2000 after the Institute of Medicine produced a report entitled “To Err is Human: Building a Safer Health System.” This report prompted UW
Medicine to make quality and safety a top priority. Since then, UW Medicine has reorganized the quality and safety programs, improved data availability and created quality dashboards in all its hospitals and clinics. The “Patients Are First” program was launched using four pillars for tracking performance. The UW Medicine Board Patient Safety and Quality Committee was established seven years ago to review patient safety and quality data on a regular basis, assist with strategic planning and program development, oversee system wide analyses and trends, and advise on proactive mitigation strategies. A detailed discussion of the UW Medicine Advanced Heart Failure clinical pathway was reviewed as an example of how the current approach is implemented and how it improves quality and also reduces cost.

The CEO report included an overall financial update. For March, 2016 UW Medicine’s four hospitals were $600,000 ahead of budget. However, year-to-date, UW Medicine remains $12 million behind budget due to UW Medical Center’s performance, primarily due to expenses related to opening of the new tower. The implementation of a process improvement plan for UWMC is a top priority for administration. Northwest Hospital remains ahead of budget for the fiscal year.

Other topics discussed included the successful transition of Northwest Hospital to the Epic platform for scheduling, registration, billing, and lab and pathology services.

There was an update on the UW Medicine fundraising campaign. UW Medicine has raised $972 million toward the potential $1.60 billion goal.

The UW Medicine Accountable Care network continues to mature. It is the only network participating in both the Boeing and the Health Care Authority contracts. Preliminary analysis of the financial performance of the Boeing contract during 2015 suggests that it has resulted in an overall financial benefit to UW Medicine Accountable Care network.

Care Transformation remains a top priority and Dr. Carlos Pellegrini, Chief Medical Officer, has recruited 350 physicians to be clinical practice innovators to help transform care throughout UW Medicine.

Executive Session

Regent Jaech said the Regents would hold an executive session to consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price.

Adjourn

Returning to open session, and hearing no other business to come before the Finance and Asset Management Committee, Regent Jaech adjourned the meeting at 11:00 a.m.

Approved at the meeting of the Committee on June 9, 2016.