Call to Order and Attendance

Committee Chair Regent Jaech called the meeting to order at 10:55 a.m. Committee Members Present: Jaech (Chair), Ayer, Benoliel, and Blake Other Regents Present: Rice, Riojas, Shanahan, Simon, and Wright-Pettibone Others present at the table: President Cauce, Provost Baldasty, GPSS President Kim, ASUW President Menez, and Faculty Senate Chair Barsness

Approval of Minutes and Consent Agenda

Regent Jaech announced that, hearing no objections, the minutes from the Committee meeting on October 13, 2016, were approved, as presented, and items F–1 through F–3 would be on the Consent Agenda.

Approve Appointment of Insurance Broker of Record (Action) (Agenda no. F–1)

Approve Internal Audit Planned Activities for 2017 and Internal Audit Charter (Action) (Agenda no. F–2)

Approve Amendments to Debt Management Policy (Action) (Agenda no. F–3)

Capital and Debt Update (Information) (Agenda no. F–4)

Chris Malins, Associate Vice President in Treasury, provided highlights from the Monthly Debt Report and the Semi-Annual Internal Lending Program (ILP) report, which offer two different looks at the portfolio. The Semi-Annual ILP has an internal focus while the Monthly Debt Report focuses on the external debt portfolio.

Mr. Malins commented on the Monthly Debt Report, saying at the end of September, the UW’s outstanding debt was $2.26 billion, a decrease of $67 million since June. This was due to three things:

1) Principal payments of $33 million;
2) new capital project of $45 million; and
3) exclusion of Valley Medical Center Debt from UW’s debt ratios of $78 million.

Valley Medical Center debt was excluded from the rating agency ratios because it is legally non-recourse to UW and approval of any new debt is authorized by the elected Board of Commissioners, not the Alliance Board of Trustees with UW appointed members.

Mr. Malins noted the bonds priced at 3.5% in October have closed and the UW now has proceeds on hand. This additional liability will be reflected in the next Monthly Debt Report, and
The UW’s new outstanding debt will be nearly $2.4 billion at November 30, which will reflect both the new debt and some principal repayment. The sale of these bonds was accelerated to lock in low rates.

The Semi-Annual ILP Report indicates that all ILP borrowers were in compliance with internal covenants at June 30, 2016, with the exception of the ones with approved Financial Stability Plans in place. Projected funding needs for debt-funded projects that have been previously approved are about $225 million after the recent issue. This amount will be included in the Resolution that will be brought to the Board next July. ILP reserves increased by $14 million from 2015-16, which includes $9 million in the rate stabilization account and $5 million in the residual account necessary for future principal payments.

Mike McCormick, Associate Vice President, Capital Planning and Development, reviewed the One Capital Plan and Active Capital Projects Summary and pointed out the Animal Research and Care Facility construction project is over budget. He is seeking assistance from an outside expert to analyze the overage and plans to report to the Board at its next meeting. Regent Shanahan suggested for more accountability that project cost overages be subtracted from the future plan. Mr. McCormick said Capital Planning and Development will seek the most cost effective way to do things. Regent Ayer said he would like to see changes since the last report noted on the Active Project Summary.

Funding Guideline for Capital Projects with Donor Funding (Information) (Agenda no. F–5)

Mike McCormick and Chris Malins described the proposed guideline intended to better align donor funding with capital project draws. Historically, gifts for buildings presented a low risk, but the administration would prefer a more formalized, rather than ad hoc, guideline.

Computer Science & Engineering (CSEII) Funding Strategy (Information) (Agenda no. F–6)

Ed Lazowska, Bill & Melinda Gates Chair in Computer Science and Engineering, said he was pleased to report fundraising for the CSEII building project was on schedule and making great progress. The new building plans to use the same project team (architect, contractor, and fundraising team) as the Allen Center built fifteen years ago. CSE is grateful to Brad Smith, President and Chief Legal Officer of Microsoft, for leading the fundraising efforts and looks forward to celebrating the 50th anniversary of the department. The Board is scheduled to consider approval of the budget and financing plan at its meeting in January 2017.

Population Health Facility - Stage 1 Approve Alternate Public Works Contracting, Delegated Authority to Award Design/Build Contract, and Pre-Construction Budget (Action) (Agenda no. F–7)

Mike McCormick said the Population Health Facility would be built using an Alternative Public Works Design/Build process. He said site selection and the environmental impact statement are in process. Three sites, all in the west and south campus areas, are under consideration. Sites under consideration will align with the 2018 campus master plan. Proposed project funding includes donor funding through a transformative $210 million gift from the Bill & Melinda Gates Foundation and $20 million from the state.

David Anderson, Executive Director of Health Sciences Administration, said the building would serve as a focal point, offering the flexibility to form interdisciplinary project teams.
Regent Benoliel moved, Regent Blake seconded, and the Committee voted for Stage 1 approval of the Population Health Facility.

**Business Equity Scorecard Project Update (Information) (Agenda no. F–8)**

Regent Riojas described the process to develop the Business Equity Scorecard. Motivated by a wish to address issues of disparity in contracting and procurement, the Regents formed a work group comprised of Regents Harrell, Rice, and Riojas. Working with Angela Battle, Director of the Business Diversity Program, and Jim Evans, Assistant Director in the Capital Projects Office, along with colleagues from Procurement Services, the group is in the process of developing a Business Equity Scorecard to report and reflect activities associated with business diversity.

Regent Riojas recognized other efforts in this area:

- The adoption of the Regent Statement of Business Equity in September 2015.
- The formation of the Diversity, Equity, and Inclusion Advisory Committee, with a key part of that Committee’s work including contracting and procurement.
- Minority utilization is now included on the Capital Projects Report.

A major barrier to the development of the Business Equity Scorecard was the availability of reliable data to inform the metrics and goals. The first goal of the work group was to create a scalable, automated process to increase the accuracy of supplier data and purchasing “spend” reports. On behalf of the work group, Regent Riojas thanked the administration for allocating resources to the scorecard project and making this work a priority. He also thanked the work group members for their efforts.

Ms. Battle provided an overview of the scorecard and outlined next steps.

**Approval of UW Housestaff Association Collective Bargaining Agreement – UW Ratification (Action) (Agenda no. F–9)**

Peter Denis, Assistant Vice President for Labor Relations, and Mark Green, Vice Dean for Administration and Finance in the School of Medicine, described the UW Housestaff Association unionization process. The UW looked at peer universities for benchmarks with the goal of being at market with competitive salary and benefits. Thirty programs in the U.S. are unionized. This group is not affiliated with any major union. This is the first collective bargaining agreement for this bargaining unit. The new contract was ratified by the union by a vote of 857-3 on October 28, 2016. An initial collective bargaining agreement with representatives of a newly certified bargaining unit requires Board approval. Regents commented training and communication would be especially important during the contract implementation process.

Regent Ayer moved, Regent Benoliel seconded, and the Committee voted to approve the UW Housestaff Association Collective Bargaining Agreement.

**Audit Advisory Committee Update (Information) (Agenda no. F–10)**

Regent Blake, Chair of the Audit Advisory Committee (AAC), provided an update from the recent meeting of the Committee. The 2017 Internal Audit Plan and Charter was approved by the Finance and Asset Management Committee on the Consent Agenda. It is a risk-based audit plan.
Internal Audit updated the AAC on the status of its audit goal. 70% of the work is completed, and the ultimate goal is to achieve 90%. Internal Audit (IA) plans to carry over a small number of the 2016 audits into the 2017 plan.

The Financial Fraud and Ethics Hotline was set up in July. There have been 19 actual approaches. The AAC is monitoring follow up on these reports.

The AAC heard an update on the consolidated financial statements. The committee will review these at its meeting in December, before they are issued and the Board reviews them at its meeting in January. The Committee provided positive feedback to KPMG on the statements.

The AAC continues its ongoing work on internal controls over financial reporting. IA engaged two students to work on the project over the summer. Regent Benoliel attended the AAC meeting as a guest, and praised the presence and involvement of the students.

**UW Medicine Board Update (Information) Agenda no F–11)**

Regents Blake and Riojas serve as Regent representatives to the UW Medicine Board. Regent Riojas provided a report from the meeting on November 7.

- Dr. Brian Goldstein was introduced as the new Chief Health System Officer for UW Medicine and Vice President for Medical Affairs for UW. Cindy Hecker was thanked for her contributions as Interim Chief Health System Officer. She returns to Northwest Hospital as Executive Director.
- Professor Emmanuela Gakidou presented an update from the Institute for Health Metrics and Evaluation which focused on Population Health Metrics.
- Jacqueline Cabe provided a financial update for the month of September and reported an overall negative variance to budget at UW Medicine’s hospitals.
- Cindy Hecker provided an update on operations. Hospitals and clinics have received a number of major awards recently for quality improvements.
- Don Theophilus gave a fundraising campaign update. UW Medicine has a goal to raise $2 billion and has launched a major communication plan.
- Carlos Pellegrini reported on the excellent progress in care transformation. This program is funded with a $30 million grant from the Centers for Medicare and Medicaid Innovations. Care transformation will involve 6,000 physicians and support changes needed to improve quality of care, improve the health of the population, and control health care costs.
- The Strategy Committee is considering plans involving the Seattle Cancer Care Alliance, the UW Medicine Accountable Network, and major research initiatives, including a major new institute related to precision medicine co-sponsored by UW Medicine, Seattle Children’s Hospital, and the Fred Hutchinson, Cancer Research Center.

**Adjourn**

Hearing no other business to come before the Committee, Regent Jaech adjourned the Finance and Asset Management Committee meeting at 10:40 a.m.

*Approved at the meeting of the Committee on January 12, 2017.*