January 2, 2014

TO: Members of the Board of Regents
Ex officio Representatives to the Board of Regents

FROM: Joan Goldblatt, Secretary of the Board of Regents

RE: Schedule of Meetings

WEDNESDAY, JANUARY 8, 2014
5:30 p.m. President’s Residence  DINNER FOR REGENTS, AND OTHER GUESTS

THURSDAY, JANUARY 9, 2014
8:30 to 10:05 a.m. 142 Gerberding Hall  FINANCE AND ASSET MANAGEMENT COMMITTEE: Regents Shanahan (Chair), Blake, Harrell, Simon

10:15 to 11:40 a.m. 142 Gerberding Hall  ACADEMIC AND STUDENT AFFAIRS COMMITTEE: Regents Ayer (Chair), Jaech, Rice, Riojas, Scott

12:15 p.m. Petersen Room  Allen Library  REGULAR MEETING OF BOARD OF REGENTS

*or upon conclusion of the previous session.

Unless otherwise indicated, committee meetings of the Board of Regents will run consecutively; starting times following the first committee are estimates only. If a session ends earlier than expected, the next scheduled session may convene immediately. Committee meetings may be attended by all members of the Board of Regents and all members may participate.

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1.1/201-14
1/9/14
UNIVERSITY OF WASHINGTON
BOARD OF REGENTS

Finance and Asset Management Committee
Regents Shanahan (Chair), Blake, Harrell, Simon

January 9, 2014
8:30 to 10:05 a.m.
142 Gerberding Hall

1. Actions Taken Under Delegated Authority
   Richard Chapman, Associate Vice President, Capital Projects Office

   Keith Ferguson, Chief Investment Officer, Treasury Office

   Chris Malins, Interim Associate Vice President, Treasury Office
   Ruchi Aggarwal, Assistant Treasurer, Treasury Office

   Todd Timberlake, Chief Real Estate Officer
   V’Ella Warren, Senior Vice President

5. Metropolitan Tract – Approval of 2014 Capital Expenditure Budget
   Todd Timberlake, Chief Real Estate Officer
   Tom Schappacher, Assistant Director, Finance & Administration, Real Estate Office

6. HR/Payroll Modernization – Informational Update
   V’Ella Warren, Senior Vice President
   Kelli Trosvig, Vice President for UW-IT and CIO, UW Information Technology
   Ann Anderson, Associate Vice President and Controller
   Lisa Yeager, Director, HR/Payroll Modernization Program
   Rolf B. Johnson, Assistant Attorney General, Attorney General’s Office

7. UW Investment Committee (UWINCO) – Informational Update
   Keith Ferguson, Chief Investment Officer, Treasury Office

INFORMATION

F–1
F–2
F–3
F–4
F–5
F–6
F–7
   - Richard Cordova, Executive Director, Internal Audit
   - Ann Nelson, KPMG
   - Karissa Marker, KPMG
   - Jacque Cabe, KPMG

9. **Executive Session**
   (to review the performance of public employees.)

10. **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.)

11. **Other Business**
1. **Revision to Resolution: Federal Contracts – Officers of the University**
   
   **ACTION** A–1

   **James Poland,** Facility Security Officer

2. **Academic and Administrative Appointments**

   **ACTION** A–2

   **Ana Mari Cauce,** Provost and Executive Vice President

3. **Introduction of New Leadership – Frank and Julie Jungers Dean of Engineering**

   **INFORMATION** A–3

   **Ana Mari Cauce,** Provost and Executive Vice President  
   **Michael Bragg,** Frank and Julie Jungers Dean of Engineering

4. **Transfer of the Master of Science in Biology Teaching Graduate Program from the Graduate School to the College of the Environment**

   **ACTION** A–4

   **Rebecca Aanerud,** Associate Dean for Academic Affairs and Planning, The Graduate School  
   **Lisa Graumlich,** Dean, College of the Environment  
   **Elizabeth Nesbitt,** Director, Biology for Teachers Interdisciplinary Group; Associate Professor, Earth and Space Sciences

5. **Limited Waiver Program for Graduate and Professional Students**

   **ACTION** A–5

   **Jerry Baldasty,** Senior Vice Provost for Academic and Student Affairs  
   **Kellye Testy,** Dean, School of Law

6. **Helping Prepare Undergraduates for Success: Engagement and Leadership Programs through the Office of Student Life**

   **INFORMATION** A–6

   **Denzil Suite,** Vice President for Student Life  
   **Shahaf Nuriel,** Senior, Computer Science and Engineering  
   **Cody Saben,** Senior, Foster School of Business (Marketing)  
   **Chelsa Ayers,** Junior, Political Science

7. **Other Business**
AGENDA

BOARD OF REGENTS
University of Washington

Thursday, January 9, 2014
12:15 p.m.
Petersen Room, Allen Library

I. CALL TO ORDER

II. ROLL CALL: Assistant Secretary Shelley Tennant

III. CONFIRM AGENDA

IV. PUBLIC COMMENT PERIOD

V. BOARD ITEMS

Budget Update (Information only)  B–1
  Paul Jenny, Vice Provost, Planning & Budgeting
  Margaret Shepherd, Director of State Relations

Executive Session
  (to review the performance of public employees)

VI. REPORT OF THE CHAIR OF THE BOARD OF REGENTS:  Regent Smith

Appointment of Governance Committee (Action)  BP-1

VII. REPORT OF THE UNIVERSITY PRESIDENT:  President Young

VIII. CONSENT AGENDA

Approval of Minutes of Meeting of November 14, 2013

Approval of Minutes of Special Meeting of November 29, 2013

Revision to Resolution: Federal Contracts – Officers of the University  A–1

Transfer of the Master of Science in Biology Teaching Graduate Program from the Graduate School to the College of the Environment  A–4

Limited Waiver Program for Graduate and Professional Students  A–5

Metropolitan Tract– Approval of 2014 Capital Expenditure Budget  F–5
IX. STANDING COMMITTEES

A. Academic and Student Affairs Committee: Regent Ayer– Chair

Academic and Administrative Appointments (Action) A–2

Introduction of New Leadership – Frank and Julie Jungers Dean of Engineering (Information only) A–3

Helping Prepare Undergraduates for Success: Engagement and Leadership Programs through the Office of Student Life (Information only) A–6

B. Finance and Asset Management Committee: Regent Shanahan – Chair

Actions Taken Under Delegated Authority (Information only) F–1

Investment Performance Quarterly Report – Quarter Ended September 30, 2013 (Information only) F–2

Internal Lending Program Quarterly Report – Quarter Ended September 30, 2013 (Information only) F–3

Metropolitan Tract Quarterly Report – Quarter Ended September 30, 2013 (Information only) F–4

HR/Payroll Modernization – Informational Update (Information only) F–6

UW Investment Committee (UWINCO) – Informational Update (Information only) F–7

Independent Auditor’s Report (KPMG) – 2013 UW Financial Statements (Information only) F–8

X. OTHER BUSINESS

Reports to the Board:

Faculty Senate Chair – Professor Jack Lee

Student Leaders:

ASUW President – Mr. Michael Kutz
GPSS President – Mr. Christopher Lizotte
ASUW Tacoma President – Mr. Peter Pentescu
ASUW Bothell President – Mr. Talwinder Singh
Alumni Association President – Mr. Mike Egan

XI. DATE FOR NEXT REGULAR MEETING: Thursday, February 13, 2014

XII. ADJOURN
The Board of Regents held its regular meeting on Thursday, January 9, 2014, beginning at 12:15 p.m. in the Petersen Room of the Allen Library. The notice of the meeting was appropriately provided to the public and the media.

CALL TO ORDER

Regent Smith called the meeting to order at 12:15 p.m.

ROLL CALL

Assistant Secretary Tennant called the roll: Present were Regents Smith (chairing), Ayer, Blake, Harrell, Jaech, Rice, Riojas, Scott, Shanahan, and Simon; President Young, Provost Cauce, Ms. Warren, Ms. Goldblatt; ex officio representatives: Professor Lee, Mr. Lizotte, Mr. Kutz, and Mr. Egan.

CONFIRM AGENDA

Regent Smith suggested moving the Executive Session to the end of the meeting. Hearing no objections the agenda was confirmed as modified.

PUBLIC COMMENT PERIOD

Regent Smith announced the Board would receive comments from the public. This segment of the meeting is meant to give Board members a chance to hear directly from the public on any subject pertaining to the University. He noted that while the Board was pleased to have the opportunity to listen to any comments offered and consider them in its decision-making, the Board was not in a position to directly act on the comments or provide a response. Any Board member who would like additional information would make that request through staff following the meeting.

The person who signed up to make public comment was not present, but arrived and commented later in the meeting.

BOARD ITEMS

Regent Smith said the Board approved amendments to its bylaws at the meeting of the Board in November, effective on January 1, 2014. One of the changes directs certain items directly to the Board, rather than through a standing committee. One of those items is the budget. He invited Paul Jenny and Margaret Shepherd to provide this report.

 Budget Update (Agenda no. B–1) (Information only)
Paul Jenny, Vice Provost of Planning & Budgeting, and Margaret Shepherd, Director of State Relations, provided an overview of the internal budget process and presented information about the upcoming legislative session.

Mr. Jenny described the internal budget process. Provost Cauce, in her role as Chief Budget Officer, meets with unit heads to assess their budget needs. Meetings are in process and being held earlier this year than in the past to consider each unit’s critical requests and needs to fulfill the mission of the University. Funding decisions will be made based on available revenue. Because 2014-15 is the second year of the biennial budget, and Regents approved tuition rates for two years, there is a good sense of the amount of revenue available to meet units’ requests. Tentative decisions are expected in the middle of spring quarter. These decisions are subject to Regents’ approval of the annual budget at the June meeting. Vice Provost Jenny is planning to present five-year projections and financial modeling to the Regents at a future meeting.

Ms. Shepherd described the legislative process heading into the 2014 session, saying this is a sixty-day session and a supplemental budget year. Ms. Shepherd distributed the University’s 2014 legislative agenda, attached to these minutes. She listed UW’s three main priorities:
1) Preserve the 2014 undergraduate resident tuition freeze;
2) Fully fund the state need grant;
3) Fund strategic investments in innovative work in the areas of STEM and research and interdisciplinary education in medicine.

Ms. Shepherd said she believes it is likely the session will end after sixty days, with no extensions. Because there is not much funding on the table for operating or capital expenses, discussions are underway to explore the possibility of not having a supplemental budget, and to maintain the biennial budget adopted last session. There are no large policy or budget decisions to be made this year. UW would be able to operate under this scenario.

Questions and discussion followed.

See Attachment B–1.

**REPORT OF THE CHAIR OF THE BOARD OF REGENTS:** Regent Smith

Another change to the Board bylaws created a Governance Standing Committee. The purpose of this Committee is to ensure the integrity of the Board and enhance Board performance. A detailed list of responsibilities is in the bylaws and in the Board item. The Board is required to approve the appointment of members to this committee. The Governance Committee shall include, and be chaired by, the Chair of the Board.

Regent Smith nominated Regents Ayer, Blake, and Shanahan to be members of this committee and thanked them for their willingness to serve.

**Appointment of Governance Committee** (Agenda no. BP–1) (Action)
MOTION: Upon the recommendation of the Chair of the Board, and the motion made by Regent Simon, seconded by Regent Scott, the Board voted to approve the appointment of members of the Governance Committee.

See Attachment BP-1.

Regent Smith invited President Young to deliver his report.

REPORT OF THE UNIVERSITY PRESIDENT: President Young

President Young reviewed many highlights from the past year.

Five University of Washington researchers were named fellows of the American Association for the Advancement of Science. Election as a fellow of AAAS is an honor bestowed upon members by their peers. Fellows are recognized for meritorious efforts to advance science or its applications. They are:

1) François Baneyx, professor of chemical engineering and adjunct professor of bioengineering, was honored for his contributions in biotechnology and biological nanotechnology. Baneyx served as director of the UW’s Center for Nanotechnology from 2005 to 2013.
2) Ann Bostrom, professor of public affairs, was honored for her distinguished contributions to the study of risk and risk-sensitive decisions, with particular attention to the understanding of risk perception and communication. She has been at UW since 2007.
3) Ferric Fang, professor of laboratory medicine and microbiology, was chosen for his contributions as a microbiologist studying phagocyte-microbial interactions and bacterial stress responses, and as editor-in-chief of *Infection and Immunity*.
4) Wim Hol, professor of biochemistry and biological structure and head of the Biomolecular Structure Center, was recognized for his contributions to understanding protein structures and their roles in infectious disease. His interest in neglected tropical diseases arose during his two years with UNESCO’s Field Science Office for Africa in Nairobi, Kenya.
5) Charles Murry, professor of pathology, bioengineering and medicine, was selected for his distinguished contributions to the field of cardiovascular pathobiology, and for national leadership in the fields of heart regeneration and repair and cardiac stem cell research.

President Young acknowledged the extraordinary bequest of $56.1 million from alumnus Jack MacDonald to the UW School of Law.

Another highlight of 2013 was the Capital Project Office safety results. The final numbers for the construction labor safety metrics showed 2013 as another record year with the total recordable incident rate below 1, a remarkable achievement and a credit to V’Ella Warren and Richard Chapman, and the team. This reflects not only substantial increased efficiencies in the reduction of lost work days, but also the esteem in which the Capital Projects Office holds employees in trying to keep them safe and protected.
The President listed success by Intercollegiate Athletics.

The Husky Women’s Volleyball, led by Coach Jim McLaughlin, finished the season with a 30-3 record, won the Pac-12 Conference and made their first Final-Four appearance in seven years.

Krista VanSant, a women’s volleyball team member and junior from Redlands, California, has received several outstanding honors. She was named the Honda Sports Award winner for Volleyball by the Collegiate Women Sports Awards; was selected as American Volleyball Coaches Association’s recipient of the 2013 National Player of the Year award; and was First-Team All-American and 2013 Pac-12 Player of the Year.

The Husky Football team won the Fight Hunger Bowl beating the Cougars. They finished the season ranked 25th in the final Associated Press poll. This marks the first time since 2001 that the Huskies ended the season ranked among the top 25 teams. In all, six Pac-12 teams were ranked among the AP top 25 in a very competitive conference. UW welcomed Coach Chris Petersen, from Boise State, as the new Football coach. Coach Petersen recently announced his new staff.

Under Coach Jamie Clark, UW Men’s Soccer earned the Pac-12 title and a run to the Elite 8, the furthest a Washington team has ever advanced in the NCAA Tournament.

Washington Soccer defender Taylor Peay was named First Team All-American by the National Soccer Coaches Association of America, becoming the third Husky to earn that honor. Peay captained the Washington defense that allowed just 17 goals in 22 games. The senior was recently named a semifinalist for the MAC Herman Trophy and was also All-Pac-12 First Team.

Darwin Jones also earned All-Far West Region first team honors, while James Moberg and Cristian Roldan were named to the second team.

UW placed twelfth in the National Associate of Collegiate Directors Cup competition. Points in this competition are awarded based on each institution’s finish in up to 20 sports, 10 women’s and 10 men’s.

CONSENT AGENDA

Regent Smith noted there were six items for approval on the consent agenda and called for a motion.

MOTION: Upon the recommendation of the Chair of the Board and the motion made by Regent Rice, the Board voted to approve the six items on the consent agenda as shown below:

Minutes for the Meeting of November 14, 2013

Minutes for the Special Meeting of November 29, 2013
**Revision to Resolution: Federal Contracts – Officers of the University** (Agenda no. A–1)

It was the recommendation of the administration and the Academic and Student Affairs Committee the Board of Regents approve an update to a resolution passed on May 3, 2012, regarding security of classified information related to Federal contracts with the University of Washington.

The recent membership changes on the Board of Regents and reorganization in the Office of Research necessitate this proposed update to the resolution.

See Attachment A–1.

**Transfer of the Master of Science in Biology Teaching Graduate Program from the Graduate School to the College of the Environment** (Agenda no. A–4)

It was the recommendation of the administration and the Academic and Student Affairs Committee the Board of Regents grant authority to transfer the Master of Science (MS) in Biology for Teachers graduate program from the Interdisciplinary Biology Teaching Group in the Graduate School to the College of the Environment Dean’s Office. As part of the transfer, the degree program will be revised and renamed the Master of Science (MS) in Science for Teachers. The program move will be effective immediately, with corresponding curricular changes effective upon approval by the Graduate School. The MS program will undergo academic program review in five years, during the 2019-2020 academic year.

See Attachment A–4.

**Limited Waiver Program for Graduate and Professional Students** (Agenda no. A–5)

It was the recommendation of the administration and the Academic and Student Affairs Committee the Board of Regents delegate authority to the Provost for a two-year limited waiver program. This pilot program would function under the authority granted to the Regents by the West Waivers, and would provide waivers of the non-resident portion of tuition for some graduate and professional students.

The goal is to increase class enrollment, quality, and/or diversity by recruiting non-resident/US graduate and professional students to the University. The waiver of non-resident tuition will not reduce over-all revenues; the program will help each school expand its enrollment strategically.

The program will be open to all schools and colleges, but the goal is primarily to help units that would use the program for strategic recruitment to increase enrollment. This will be a pilot program, and its effectiveness will be assessed before requesting any renewal.

See Attachment A–5.
Metropolitan Tract – Approval of 2014 Capital Expenditure Budget (Agenda no. F–5)

It was the recommendation of the Finance and Asset Management Committee the Board of Regents approve the budget of up to $9.6 million in capital expenditures by Unico Properties, LLC, for capital and tenant improvements requested in its 2014 Capital Expenditure Plan for the buildings on the Metropolitan Tract. The $9.6 million is comprised of up to $5.5 million for capital improvements and up to $4.1 million for tenant improvements.

See Attachment F–5.

STANDING COMMITTEES

Regent Smith invited Regent Ayer to provide a report from the Academic and Student Affairs Committee.

ACADEMIC AND STUDENT AFFAIRS COMMITTEE: Regent Ayer, Chair

Academic and Administrative Appointments (Agenda no. A–2) (Action)

MOTION: Upon the recommendation of the administration and the motion made by Regent Ayer, the Board voted to approve the personnel appointments. Regent Scott abstained from the discussion and vote.

See Attachment A–2.

Introduction of New Leadership – Frank and Julie Jungers Dean of Engineering (Agenda no. A–3) (Information only)

During the committee meeting, Provost Cauce introduced Michael Bragg, Dean of the College of Engineering. Dean Bragg reflected on his first few months at UW and shared his goals for the College, pointing out STEM admissions and degrees have increased by 25 to 30% over the last few years, without the addition of significant faculty or staff. There is demand for more degrees. Dean Bragg also expressed his concerns about the engineering facilities, saying there is a shortage of space and he will explore alternatives in the future. He pointed out the diversity among UW students and faculty in engineering, with the number of female faculty members among the highest in the country. He talked about the well-developed student advisory committees and the College’s Board of Visitors, which provides connection with major companies in the region.

See Attachment A–3.

Helping Prepare Undergraduates for Success: Engagement and Leadership Programs through the Office of Student Life (Agenda no. A–6) (Information only)
Regent Ayer said the committee received an encouraging presentation led by Vice President of Student Life Denzil Suite, who was joined by three UW students to discuss undergraduate student engagement and leadership programs outside of the classroom. Vice President Suite told Regents research demonstrates students who are involved in student organizations and government on campus are more satisfied with college, get better grades, and are more likely to graduate and continue on to successful careers.

There is increasing pressure in the corporate hiring environment, especially given the competitive job market, for students to engage in more outside activities to demonstrate their leadership skills. Regents also heard from three students about their involvement in campus activities including ASUW, fraternities, and in residence hall leadership. All of them talked about how much they learned from those experiences and how it has changed them as much as their academic time. Some students face barriers to being involved in leadership programs, especially those who need to work, mainly off campus; those who live off-campus; and international students. Regents were pleased to hear about the thousands of students involved in leadership activities and about the 800 registered student organizations. Work is ongoing to identify more opportunities and encourage more student involvement.

See Attachment A–6.

PUBLIC COMMENT

Regent Smith announced the person who signed up for public comment was present. She commented on labor relations issues. Regent Smith thanked the speaker for attending the meeting and presenting her comments to the Board. He reiterated if members of the Board would like additional information about the issues presented in public comment, they would make the request of staff and it would be provided at a later time.

FINANCE AND ASSET MANAGEMENT COMMITTEE: Regent Shanahan, Chair

Regent Smith invited Regent Shanahan to provide a report from the Finance and Asset Management Committee meeting. Regent Shanahan reported Regents approved $9.6 million in capital expenditures for the metropolitan tract for tenant improvements and capital upgrades.

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

See Attachment F–1.

**Investment Performance Quarterly Report – Quarter Ended September 30, 2013** (Agenda no. F–2) (Information only)

See Attachment F–2.

**Internal Lending Program Quarterly Report – Quarter Ended September 30, 2013** (Agenda no. F–3) (Information only)

See Attachment F–3.
Metropolitan Tract Quarterly Report – Quarter Ended September 30, 2013 (Agenda no. F–4) (Information only)

See Attachment F–4.

HR/Payroll Modernization – Informational Update (Agenda no. F–6) (Information only)

Regents heard about the proposed HR/Payroll system. Regent Shanahan praised the quality of the work done by Kelli Trosvig, Vice President for UW Information Technology and Chief Information Officer, and Ann Anderson, Controller. He said he feels confident in the preparation and implementation planning, and termed the potential investment and productivity gains as sound.

See Attachment F–6.

UW Investment Committee (UWINCO) – Informational Update (Agenda no. F–7) (Information only)

Regents heard an update from Keith Ferguson, Chief Investment Officer, who reported on an outstanding investment performance in 2013. They also heard about plans for 2014, including portfolio mix, real estate returns, and bonds.

See Attachment F–7.


KPMG, UW’s independent auditors, reported to the Committee on the 2013 audit of financial statements, and said UW received a clean opinion. Regent Shanahan praised UW’s internal audit team, led by Richard Cordova, for the efficient audit. Internal Audit will look at eliminating redundancies in future audits to continue to reduce the audit costs.

See Attachment F–8.

OTHER BUSINESS: REPORTS TO THE BOARD OF REGENTS

Regent Smith invited the student leaders from UW Bothell and Tacoma, Peter Pentescu and Talwinder Singh, to join the Board seated at the table.

Faculty Senate Chair: Professor Jack Lee

Professor Lee’s comments are attached to these minutes.

ASUW President: Mr. Michael Kutz
Mr. Kutz reported winter quarter is historically a busy one for ASUW. Upcoming activities include an initiative by ASUW Vice President Ada Waelder to encourage more women to run for student government positions. ASUW received a grant to sponsor an event, paired with “Elect Her,” a national campaign. A working group on student debt reduction is planning a financial aid literacy campaign to help students learn more about, and understand, debt.

ASUW’s Director of Government Relations is living and working in Olympia for the upcoming legislative session. ASUW’s key policy points include increased funding for the state need grant, looking into other loan repayment options, “pay it forward,” and the Dream Act.

ASUW has upcoming events including partnering with the Carlson Center for service activities during the Martin Luther King Jr. Day of Service on January 20, and the Winter Pow Wow, sponsored by the American Indian Student Commission, on January 25.

**GPSS President:** Mr. Christopher Lizotte

Mr. Lizotte described his winter quarter priorities for GPSS and his goal of increasing the sense of community for graduate and professional students:
1) Peer mentoring program;
2) Identify and better serve international graduate students;
3) Foster graduate student leadership.

GPSS has a full-time lobbyist in residence in Olympia for the legislative session. Their agenda agrees with ASUW’s, with the following additional issues:
1) Pursue a bill to grant honorably discharged veterans in-state tuition;
2) Support a bill with protections for students in fee-based programs;
3) Transportation – advocate for local option to assure funding for transit.

In February GPSS will hold its annual Valentine’s Day event, a mixer accessible to people of all sexual orientations and gender identities.

**ASUW Tacoma President:** Mr. Peter Pentescu

Mr. Pentescu reported the UW Tacoma student government is preparing for the legislative session, with similar priorities to other student groups. In-state tuition for veterans upon discharge is a key issue for UW Tacoma, where there is a large student veteran population. UW Tacoma student leaders are also working on transit issues, because, as a downtown campus, parking and transportation are “huge issues” for the campus.

The UW Tacoma campus will host a conference entitled *Views on the Pacific*, featuring President Young and representatives from the People’s Republic of China diplomatic mission, and Joint Base Lewis-McChord for a comprehensive conversation on education, policy, and security as the world’s focus shifts to Pacific relationships.
To commemorate the fight for civil rights, UW Tacoma will hold a Martin Luther King Jr. Unity Breakfast on January 20, featuring Cheryl Brown Henderson as the keynote speaker. Ms. Henderson is the daughter of Reverend Oliver Brown, a plaintiff in the landmark Brown vs. Board of Education Supreme Court decision.

Mr. Pentescu announced the opening of the Whitney Building, a renovated historic church housing two arts classrooms. The new student center recently held a groundbreaking ceremony, construction has begun, and completion is expected in a year.

**ASUW Bothell President:** Mr. Talwinder Singh

Mr. Singh described many service events ASUW Bothell is co-sponsoring in conjunction with Martin Luther King Jr. Day of Service.

Student leaders are working with administrators to host a meeting with students from the University of the Free State in South Africa to exchange university perspectives.

UW Bothell has two students at-large in Olympia, as well as student interns. Their legislative agenda is focused on the Dream Act, the transportation budget, and veterans’ affairs.

Mr. Singh reported on the new student activity center. Students are working with the Architectural Commission to expand the exterior of the building. The new, UW 3 building, Discovery Hall, is scheduled to open on May 17.

ASUW Bothell students are working on a pilot program called “Persistence Plus” to engage and assist students via well-calibrated academic nudges by interactive text messages to give students an additional tool to stay on track in school and improve their access to support resources for better academic and curricular performance.

**Alumni Association President:** Mr. Mike Egan

Mr. Egan announced 2014 marks the 125th birthday of the UW Alumni Association. This is notable given the many changes over the years. He said it is inspiring to him how much UWAA has remained true to the roots and genesis of the organization. In 1889, Edmund Meany gathered sixty alumni to form the Association. The dues were $1 per year. The Association continues to be about community reflecting the UW as the “University for Washington.” The Association was incorporated in the 1930s. Its mission statement, to advance higher education in the state of Washington and support the University of Washington, holds true today as it has in the past. In the 1960s, a group of alumni gathered to establish the Foundation to encourage private philanthropy in support of the University. This was the University’s original fundraising mechanism which created an alumni endowment to support students. Recently, UW Impact advances the goal of support for higher education in the state. Last year, there were 1,000 contacts with legislators through UW Impact, focused on the University, its impact, and its role as a driver of the state’s economic engine. In the last few months, there were over 50 one-on-one meetings with legislators about the University through UW Impact. Forty-eight of forty-nine of the state’s legislative districts are organized by UW Impact to build
relationships. Mr. Egan thanked Regents for their service and President Young and Provost Cauce for their leadership. He described UW Alumni Association’s 125 years as “an unbroken legacy of service.”

Mr. Egan reported he was pleased over one thousand alumni and friends attended a Husky Football pre-game warm-up event before the Fight Hunger Bowl in San Francisco. UWAA partnered with Admissions to invite applicants from the Bay Area to attend and meet students, faculty, and alumni.

Mr. Egan said he is looking forward to the many upcoming events to commemorate the 125th birthday of UWAA, to look back and celebrate the future.

EXECUTIVE SESSION

Regent Smith called for the Regents and others to meet in an executive session to review the performance of public employees.

DATE FOR NEXT MEETING

The next regular meeting of the Board of Regents will be held on Thursday, February 13, 2014, on campus.

ADJOURNMENT

The regular meeting was adjourned at 2:45 p.m.

Joan Goldblatt  
Secretary of the Board of Regents

Approved at the meeting of the Board on February 13, 2014.
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Revision to Resolution: Federal Contracts — Officers of the University

RECOMMENDED ACTION

It is the recommendation of the administration and the Academic and Student Affairs Committee that the Board of Regents approve the following update to a resolution passed on May 3, 2012 regarding security of classified information related to Federal contracts with the University of Washington.

The recent membership changes on the Board of Regents and reorganization in the Office of Research necessitate this proposed update to the resolution.

BACKGROUND

A signed security agreement between the University of Washington and the Department of Defense establishes the context for University activities involving access to classified information. This agreement includes mandatory elements of the University’s classified security program and guidelines for compliance. One mandatory element is the designation of key management personnel. The minimum key management personnel list is the President, Board of Regents and the Facility Security Officer. All key management personnel must either have a TOP SECRET security clearance, or be legally excluded from matters related to classified contracts.

Security clearances are conducted by the US Office of Personnel Management and a full background check may take anywhere from 60 days to 12 months. A TOP SECRET security clearance requires full disclosure of 10 years of personal data including details on family members, all residences, employment and employment relationships, all foreign travel, and a list of all contact with foreign nationals. Interviews are conducted with family members, neighbors, references and employers/employees. Cleared individuals must also participate in annual training and report all travel to foreign countries, including Canada. A full re-investigation is required every five years.

Prior to a similar 1994 resolution, the Department of Defense granted a waiver to the security requirement that each regent must be excluded as an individual, as opposed to the exclusion of the entire Board as a group. During the University’s annual classified security program audit in April 2008, Defense Department auditors informed the Facility Security Officer that the waiver was not consistent with national policy and the administration of the National Industrial Security
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Revision to Resolution: Federal Contracts — Officers of the University
(continued p. 2)

Program at other universities. The waiver was rescinded, resulting in the need to name each regent in the resolution.

The Board of Regents most recently passed a resolution on May 3, 2012, to amend the University’s agreement with the Department of Defense to exclude the Regents from access to classified information, thereby exempting the Regents from the requirement that each voting member obtain and maintain a TOP SECRET government security clearance. That resolution created a managerial group, to which the Board delegated all of its duties and responsibility for the negotiation, execution, and administration of classified Defense Department contracts with the University of Washington. The managerial group was designated as the President, the Vice Provost for Research or designee, and the Facility Security Officer.

The Vice Provost for Research designated the Associate Vice Provost for Research Compliance and Operations as the managerial group member to provide institutional perspective and oversight for classified research and contracts at the University. The Associate Vice Provost has reviewed and addressed any audit findings that have institutional policy issues and served as a back up to the Facility Security Officer.

As detailed in the Board of Regents Governance, Standing Orders, Chapter 1, the President (or the President's designee) is authorized to act for the Board regarding all matters concerning grants and contracts for research.

As the security program manager for activities involving access to classified information, including classified research, the Facility Security Officer directs and oversees the federally mandated security measures necessary to protect national security information. The Facility Security Officer reviews all research agreements involving access to classified information and approves these agreements based on criteria established by the President. The Facility Security Officer addresses any audit finding that involves institutional policy.

Attachment
Board of Regents Resolution, Security Clearance—Officers of the University
1) RESOLVED, that the Board of Regents shall and does hereby designate the President and the Facility Security Officer as the managerial group of the University of Washington with regard to all matters involving classified information, including, but not limited to, the negotiation, execution, and administration of classified contracts with the University of Washington under the meaning of the National Industrial Security Program Operating Manual, and shall and does hereby delegate to the managerial group such powers as may be necessary thereto, with the President being the final authority.

2) RESOLVED, that the members of the University of Washington Board of Regents named below shall not require access to classified information in the possession of the University of Washington and, therefore, shall not require, shall not have, and can be effectively excluded from access to any and all classified information in the possession of the University of Washington, and these members do not occupy positions that would enable them to adversely affect the institution’s performance of classified contracts or programs.

   William S. Ayer
   Kristianne Blake
   Joanne R. Harrell
   Jeremy Jaech
   Constance W. Rice
   Rogelio Riojas
   Kiana M. Scott
   Patrick M. Shanahan
   Herb Simon
   Orin Smith

3) RESOLVED, that the University shall not engage in research or other activities involving violation of:
   a. Professional standards of academic, legal, or medical conduct;
   b. U.S.-recognized international law; and/or
   c. U.S. or Washington State law
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Academic and Administrative Appointments

RECOMMENDED ACTION

It is the recommendation of the administration and the Academic and Student Affairs Committee that the Board of Regents approve the appointments to the University faculty and administration as presented on the attached list.

Attachment
Academic and Administrative Appointments
ADMINISTRATIVE APPOINTMENTS

School of Nursing
Department of Family and Child Nursing
Houck, Gail M
Chair, Family and Child Nursing, effective 1/1/2014
Degrees:
  • PhD, 1987, University of Washington
  • MN, 1977, Oregon Health Sciences University
  • BS, 1974, University of Washington

School of Public Health
Department of Biostatistics
Heagerty, Patrick J.
Acting Chair, Biostatistics, effective 1/1/2014
Continuing Appointment:
  • Professor, Biostatistics
Degrees:
  • PhD, 1995, Johns Hopkins University
  • MS, 1991, State University of New York (Albany)
  • BS, 1985, Cornell University

University of Washington, Bothell
Division of Biological Sciences, School of STEM, UW Bothell
Servetnick, Marc David
Chair, Biological Sciences, School of STEM, Bothell, effective 12/16/2013
Continuing Appointments:
  • Associate Professor, School of Science, Technology, Engineering, and Mathematics, Bothell
  • Adjunct Associate Professor, School of Interdisciplinary Arts and Sciences, Bothell
Degrees:
  • PhD, 1985, University of California (Berkeley)
  • BA, 1977, Johns Hopkins University
Division of Physical Sciences, School of STEM, UW Bothell

Jaffe, Daniel Averill
Chair, Physical Sciences, School of STEM, Bothell, effective 12/16/2013
Continuing Appointments:
  • Professor, School of Science, Technology, Engineering, and Mathematics, Bothell
  • Professor, Atmospheric Sciences

Degrees:
  • PhD, 1987, University of Washington
  • MS, 1983, University of Washington
  • BS, 1979, Massachusetts Institute of Technology

ENDOWED APPOINTMENTS

Business School
Department of Finance and Business Economics
Siegel, Stephan
Long Endowed Professorship, effective 1/1/2014
Continuing Appointment:
  • Associate Professor, Finance and Business Economics

Degrees:
  • PhD, 2006, Columbia University
  • MPHIL, 2002, Columbia University
  • BSC, 1995, Bayreuth University (Germany)

Department of Management and Organization
Dempsey, Neal
Edward V. Fritzky Endowed Visiting Chair In Leadership, effective 9/16/2013
Continuing Appointment:
  • Affiliate Professor, Management and Organization

Degree:
  • BA, 1965, University of Washington
College of the Environment
School of Aquatic and Fishery Sciences
Parrish, Julia Kathryn
Lowell A. and Frankie L. Wakefield Endowed Professorship In Ocean & Fishery Sciences, effective 7/1/2013
Continuing Appointments:
• Professor, Aquatic and Fishery Sciences
• Professor, Biology
• Adjunct Professor, School of Marine and Environmental Affairs
• Associate Dean, College of the Environment
Degrees:
• PhD, 1988, Duke University
• BS, 1982, Carnegie Mellon University

School of Oceanography
Armbrust, Elizabeth Virginia
Lowell A. and Frankie L. Wakefield Endowed Professorship In Ocean & Fishery Sciences, effective 7/1/2013
Continuing Appointments:
• Professor, Oceanography
• Director/Chair, Oceanography
Degrees:
• PhD, 1990, Massachusetts Institute of Technology
• BA, 1980, Stanford University

School of Medicine
Department of Orthopaedics and Sports Medicine
Chansky, Howard Alan
Hansjörg Wyss Endowed Chair for Advanced Hip and Pelvis Surgery, effective 11/1/2013
Continuing Appointment:
• Professor without Tenure, Orthopaedics and Sports Medicine
Degrees:
• MD, 1987, University of Pennsylvania
• Bachelor Of Electrical Engeneering, 1982, Cornell University
NEW APPOINTMENTS

College of Arts and Sciences  
Department of Astronomy  
Barnes, Rory Kevin  
Research Assistant Professor, Astronomy, effective 12/1/2013  
Degrees:  
• PhD, 2004, University of Washington  
• MS, 1999, University of Washington  
• BS, 1998, University of Arizona  

Williams, Benjamin Franklin  
Research Assistant Professor, Astronomy, effective 12/10/2013  
Degrees:  
• PhD, 2002, University of Washington  
• MS, 1998, University of Washington  
• BA, 1995, Middlebury College  

Department of Chemistry  
Guo, Zhihui  
Visiting Associate Professor, Chemistry, effective 10/29/2013  
Degrees:  
• PhD, 2005, Changchun University (China)  
• MS, 2001, Shaanxi Normal University (China)  
• B Chem, 1998, Shaanxi Normal University (China)  

Wiegand, Deborah Hicks  
Senior Lecturer, Full-time, Chemistry, effective 9/16/2013  
Prior UW Appointment:  
• Senior Lecturer, Part-time, Chemistry  
Degrees:  
• PhD, 1990, Northern Illinois University  
• BS, 1973, University of Illinois  

Department of Physics  
Gray, Frederick  
Visiting Associate Professor, Physics, effective 1/6/2014  
Degrees:  
• PhD, 2003, University of Illinois (Urbana)  
• MS, 1999, University of Illinois (Urbana)  
• BA, 1997, Rice University
College of Engineering
Department of Civil and Environmental Engineering
Kaminsky, Jessica Ann
Acting Assistant Professor, pending Ph.D., Civil and Environmental Engineering, effective 1/1/2014
Degrees:
• PhD - Expected, 2013, University of Colorado (Boulder)
• BS, 2004, Rice University

Kim, Amy Ahim
Acting Assistant Professor, pending Ph.D., Civil and Environmental Engineering, effective 1/6/2014
Degrees:
• PhD - Expected, 2013, Texas A&M University
• MS, 2008, Illinois Institute of Technology
• BS, 2001, University of Illinois

Department of Computer Science and Engineering
Heer, Jeffrey
Associate Professor, Computer Science and Engineering, effective 12/16/2013
Prior UW Appointment:
• Acting Associate Professor, Computer Science and Engineering
Degrees:
• PhD, 2008, University of California (Berkeley)
• MS, 2004, University of California (Berkeley)
• BS, 2001, University of California (Berkeley)

Department of Materials Science and Engineering
Arola, Dwayne Dale
Associate Professor, Materials Science and Engineering, effective 12/16/2013
Degrees:
• PhD, 1996, University of Washington
• MS, 1991, University of Washington
• BS, 1989, University of Washington
School of Medicine

Department of Anesthesiology and Pain Medicine

Theodore, Brian Rohan

Research Assistant Professor, Anesthesiology and Pain Medicine, effective 12/16/2013

Prior UW Appointment:

- Acting Instructor, Anesthesiology and Pain Medicine

Degrees:

- PhD, 2009, University of Texas (Arlington)
- MS, 2007, University of Texas (Arlington)
- BS, 2003, University of Texas (Arlington)

Department of Medicine

Mukherjee, Shubhabrata

Research Assistant Professor, Medicine, effective 11/15/2013

Prior UW Appointment:

- Senior Fellow, Medicine

Degrees:

- PhD, 2007, University of Louisiana
- MS, 2005, University of Louisiana
- MSC, 2003, India Institute of Technology
- BS, 2001, University of Calcutta (India)

Department of Pediatrics

Quintana Romero, Albert

Assistant Professor without Tenure, Pediatrics, effective 12/4/2013

Prior UW Appointment:

- Senior Fellow, Biochemistry

Degrees:

- PhD, 2007, Universitat Autonoma de Barcelona
- MSC, 2004, Universitat Autonoma de Barcelona
- BS, 2001, Universitat Autonoma de Barcelona

Department of Radiation Oncology

Bloch, Charles Dennis

Associate Professor without Tenure, Radiation Oncology, effective 11/1/2013

Degrees:

- PhD, 1987, Michigan State University
- MS, 1983, Michigan State University
- BS, 1978, Wayne State University
Department of Radiology
Kim, Sooh
Associate Professor without Tenure, Radiology, effective 1/2/2014
Degrees:
  • MS, 2003, Chungbuk National University (Korea)
  • MD, 1991, Ewha Womens University (Korea)

Department of Rehabilitation Medicine
Alschuler, Kevin Nemschoff
Assistant Professor without Tenure, Rehabilitation Medicine, effective 1/1/2014
Prior UW Appointment:
  • Acting Assistant Professor, temporary, Rehabilitation Medicine
Degrees:
  • PhD, 2010, Eastern Michigan University
  • MS, 2006, Eastern Michigan University
  • BA, 2004, University of Michigan

School of Nursing
Department of Family and Child Nursing
Houck, Gail M
Professor, Family and Child Nursing, effective 1/1/2014
Degrees:
  • PhD, 1987, University of Washington
  • MN, 1977, Oregon Health Sciences University
  • BS, 1974, University of Washington

School of Public Health
Department of Biostatistics
Carone, Marco
Assistant Professor, Biostatistics, effective 1/2/2014
Degrees:
  • PhD, 2010, Johns Hopkins University
  • BS, 2005, Mcgill University (Canada)

Department of Global Health
Hernandez Prado, Bernardo
Associate Professor without Tenure, Global Health, effective 11/7/2013
Prior UW Appointment:
  • Clinical Associate Professor, Salaried, Global Health
Degrees:
  • DSC OR SCD, 1998, Harvard University
  • MSC, 1991, University of London (UK)
  • BSC, 1989, Universidad Autonoma Metropolitana
University of Washington, Bothell
Division of Biological Sciences, School of STEM, UW Bothell
White, Bryan Douglas
Senior Lecturer, Full-time, Biological Sciences, School of STEM, Bothell, effective 9/16/2013
Prior UW Appointment:
• Assistant Professor, Biological Sciences, School of STEM, Bothell
Degrees:
• PhD, 2009, University of Washington
• BA, 1997, Stanford University
• BS, 1997, Stanford University

University of Washington, Tacoma
Institute of Technology, Tacoma
Dupuis, Marc
Lecturer, Full-time, Institute of Technology, Tacoma, effective 9/16/2013
Prior UW Appointment:
• Lecturer Full-Time, Institute of Technology, Tacoma
Degrees:
• Master of Information Management, Economics, and Policy, 2011, University of Washington
• MPA, 2007, University of Washington
• MA, 2004, Western Washington University
• BA, 1999, Western Washington University
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Introduction of New Leadership – Frank and Julie Jungers Dean of Engineering

For information only.

In October of 2012, Provost and Executive Vice President Ana Mari Cauce convened a search committee with the charge of identifying and recommending candidates for the position of Dean of the College of Engineering.

The search committee, chaired by Dean James Jiambalvo (Michael G. Foster School of Business), identified several finalists for campus visits. After those visits, Provost Cauce invited Dr. Michael Bragg to join the University of Washington leadership as the new Frank and Julie Jungers Dean of Engineering. Dr. Bragg’s tenure began in July of 2013.

BIOGRAPHICAL SKETCH

Dr. Michael B. Bragg, Frank & Julie Jungers Dean of Engineering, joined the University of Washington in July 2013. In that capacity, he serves as the chief academic officer of the college and provides leadership to over 240 faculty and more than 6,800 students. The College of Engineering at the University of Washington is a top ranked engineering college with annual research expenditures exceeding $127 million.

Prior to joining UW, Bragg held numerous leadership positions in the College of Engineering at the University of Illinois at Urbana-Champaign, including head of the aerospace engineering department, associate dean for research and administrative affairs, executive associate dean for academic affairs, and interim dean.

Bragg earned his bachelor’s and master’s degrees in aeronautical and astronautical engineering at the University of Illinois at Urbana-Champaign and a Ph.D. from The Ohio State University.

He is an international expert on the effect of ice accretion on aircraft aerodynamics and flight safety. Bragg has been nationally recognized for his research and teaching. He has authored over 200 technical publications, and continues to maintain an active research program. Under his guidance more than 60 graduate students and five post-doctoral researchers received their advanced degrees.
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Introduction of New Leadership – Frank and Julie Jungers Dean of Engineering
(continued p. 2)

He is a fellow of the American Institute of Aeronautics & Astronautics and has received the AIAA Aerodynamics Award and Losey Atmospheric Science Award. Bragg currently serves on the NASA Advisory Council Aeronautics Committee.
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Transfer of the Master of Science in Biology Teaching Graduate Program from the Graduate School to the College of the Environment

RECOMMENDED ACTION

It is the recommendation of the administration and the Academic and Student Affairs Committee that the Board of Regents grant authority to transfer the Master of Science (MS) in Biology for Teachers graduate program from the Interdisciplinary Biology Teaching Group in the Graduate School to the College of the Environment Dean’s Office. As part of the transfer, the degree program will be revised and renamed the Master of Science (MS) in Science for Teachers. The program move will be effective immediately, with corresponding curricular changes effective upon approval by the Graduate School. The MS program will undergo academic program review in five years, during the 2019-2020 academic year.

BACKGROUND

In February, 2013, the Interdisciplinary Biology Teaching Group initiated discussions with the leadership of the Graduate School and the College of the Environment about moving the MS program from the Graduate School to the College of the Environment. Subsequent discussions resulted in a formal request by program faculty on July 8, 2013, to move the program to the College of the Environment, to expand its focus and curriculum, and to rename it Master of Science (MS) in Science for Teachers.

The MS program has resided in the Graduate School, offered by the Interdisciplinary Biology Teaching Group, since it was launched in 1967. It has admitted and graduated approximately 2-4 students annually. Most students have been working professional teachers, completing the degree in 4-5 years while simultaneously maintaining employment. With the Spring 2013 retirement of both the Graduate Program Coordinator and the Graduate Program Manager and Adviser, the faculty group re-examined the program’s current state and potential to expand in size and scope with the goal of better serving students and employers. In consultation with the Graduate School and the College of the Environment, the interdisciplinary faculty group decided that the program would align well with the outreach mission of the College of the Environment and would be a positive addition to the College’s portfolio. The new location will also allow the program to expand and cover environmental science more broadly (both physical sciences and living natural sciences), and the new program and degree title will reflect this expanded focus.
A. Academic and Student Affairs Committee

Transfer of the Master of Science in Biology Teaching Graduate Program from the Graduate School to the College of the Environment (continued p. 2)

On September 23, 2013, the Deans of the Graduate School and the College of the Environment notified the Provost and the Faculty Senate Committee on Planning and Budgeting of the planned program move, requesting a limited Reorganization, Consolidation, and Elimination of Programs (RCEP) process as described in Section 26-41 of the Faculty Code. On October 7, 2013, the Senate Committee on Planning and Budgeting reviewed the proposal to move the program, and faculty were subsequently invited to petition the Provost for a full review if they believed this procedure was warranted. No petitions were received by the Provost, and no formal objections were received by the Secretary of the Faculty.

Upon approval of the move, the current Interdisciplinary Biology Teaching Group in the Graduate School will be formally disbanded and a new Steering Committee will be formed, serving under the Dean of the College of the Environment. Graduate Faculty will continue to have oversight over the degree program. Students currently in the MS in Biology Teaching program will be allowed to finish under the existing degree requirements and title, while students admitted beginning Autumn Quarter 2014 will graduate with the new requirements and receive the MS in Science Teaching.

The Vice Provost and Dean of the Graduate School and the Dean of the College of the Environment have reviewed and approved the recommendation to move the program.
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Limited Waiver Program for Graduate and Professional Students

RECOMMENDED ACTION

We seek delegated authority from the Regents to the Provost for a two-year limited waiver program. This pilot program would function under the authority granted to the Regents by the West Waivers, and would provide waivers of the non-resident portion of tuition for some graduate and professional students.

The goal is to increase class enrollment, quality, and/or diversity by recruiting non-resident/US graduate and professional students to the University. The waiver of non-resident tuition will not reduce over-all revenues; the program will help each school expand its enrollment strategically.

The program will be open to all schools and colleges, but the goal is primarily to help units that would use the program for strategic recruitment to increase enrollment. This will be a pilot program, and we will assess its effectiveness before requesting any renewal.

BACKGROUND

In the meeting of the Academic and Student Affairs Committee (in Joint Session with the Finance and Facilities Committee) of November 18, 2010, the Board of Regents eliminated a non-resident/US graduate/professional waiver program (action item provided as attachment A-5-1). The program allowed non-resident US students, after one year at UW, to apply for a waiver of non-resident tuition.

It was eliminated because:

1. Lack of strategy involved in waiver allocation; any nonresident graduate/professional student who applied could get the waiver.
2. Considerable expense with foregone tuition of about $3.5 million in 2009-2010.
3. Some schools, such as the School of Law, found this foregone tuition to be a significant problem.
4. A few schools opposed the change (such as Medicine).

After the repeal, in an effort to help units that would make the best use of non-resident waivers, Interim Provost Mary Lidstrom created a 2-year pilot program that provided up to 50 non-resident waivers per year (which were triggered by $4500 scholarships for each award). These were allocated to the various schools
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Limited Waiver Program for Graduate and Professional Students. (continued p. 2)

and colleges, with substantial amounts going to Medicine and Law. The pilot
program, funded by the Provost, is ending.

Allocation of waivers by the provost to schools and colleges will depend upon the
creation of a plan for strategic use of the waivers that includes both a financial
plan (how the use of the waivers will increase class size, and thus, revenues) and
an outline of how the plan will meet the unit’s educational and strategic goals.

The Schools of Law, Business and Medicine have indicated they would like to see
a revival of a waiver program for non-resident/US graduate and professional
students. They want to use the waiver strategically, to build strong classes in their
schools. Support letters from the aforementioned Deans are included as
attachments to this item.

The argument for a new modified waiver program:
A nonresident waiver program can help enormously with recruitment of out-of-
state students.

- Law has found that the percentage of out of state students has fallen from
42% to 29% of its incoming class since the earlier non-resident waiver
program ended in 2010.

- Business: Some Foster School peer institutions have a similar waiver
program in place; the lack of this program at UW creates a significant
challenge in recruitment.

- Medicine: Enrollment from out-of-region students depends greatly on a
waiver of non-resident tuition, and the waivers are strategically important,
too. These waivers are crucial “to attract students who are likely to serve
medically underserved populations once they graduate from medical
school or to enhance the diversity of the entering class. We only offer
these waivers to out-of-region students who come from disadvantaged
backgrounds or who have an exceptional record of service.”

Attachments:
Board of Regents item F–15, approved at the meeting held November 18, 2010,
Graduate and Professional Student – Repeal Operating Fee Waiver for
Non-Resident Graduate and Professional Students
Letter of support from School of Law Dean Testy, November 20, 2013
Memo of support from Foster School of Business Dean Jiambalvo
Memo of support from School of Medicine Dean Ramsey, December 2, 2013
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In joint session with

B. Finance, Audit and Facilities Committee

Graduate and Professional Student – Repeal Operating Fee Waiver for Non-Resident Graduate and Professional Students

RECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee and Academic and Student Affairs Committee that the Regents repeal the operating fee waiver for nonresident graduate and professional students. (Note: The repeal would apply only to nonresident US graduate and professional students who are paying their own tuition; it would not apply to waivers granted to teaching assistants, research assistants, or students with fellowships or on training grants.)

BACKGROUND:

In July 2005, the University of Washington Regents approved a special tuition reduction for nonresident graduate and professional students. This reduction provided an annual waiver of the differential tuition between resident and nonresident graduate and professional students who have lived in the state for one year, but who do not qualify for state residency (e.g., non-residents could pay in-state rather than out-of-state tuition after one year at UW).

RATIONALE FOR THE REDUCTION:

In 2005, the Regents’ briefing document provided these details:

1. The tuition reduction would help the UW compete for “top quality graduate and professional students,” with a notation that “most other public universities allow non-resident graduate and professional students to be reclassified as residents for tuition and fee paying purposes basely solely on living in the state for one year.”

2. The estimated cost of the tuition reduction was $1m in foregone tuition revenue (for about 100 graduate and professional students per year).
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In joint session with

B. Finance, Audit and Facilities Committee

Graduate and Professional Student – Repeal Operating Fee Waiver for Non-Resident Graduate and Professional Students (continued p. 2)

RATIONALE FOR CHANGE:

We request that the Regents approve our request for a repeal of the tuition reduction for non-resident graduate and professional students for several reasons:

1. The cost has far exceeded original estimates, depriving the University of valuable tuition revenues. In FY 2009, 291 non-resident graduate and professional students received these waivers, totaling $3.18m. In FY 2010, the foregone revenue was $3.8m.
2. The UW Board of Deans has recommended repeal of the tuition reduction; the deans thought that this reduction did not give UW a significant competitive edge.
3. Under the UW’s new Activity Based Budgeting model, colleges and schools will receive most of the revenue generated by tuition; the tuition reduction can reduce their revenues sharply (e.g., in 2008-9 foregone tuition for top schools and colleges include: Law $513k, Pharmacy $438k, Medicine $373k, Built Environments $322k, Dentistry $275k, Business $171k).
4. Public universities in several other states (Oregon, Michigan, Illinois, Wisconsin) do not provide a tuition waiver for non-resident students. Getting residency in each state is dependent upon moving to that state for reasons other than education.

EFFECTIVE DATE:

We request that the repeal of the tuition reduction take effect for new students who begin their UW graduate/professional careers after July 1, 2012 – so that no current students or prospective students (who are applying now) would be penalized by repeal.

OTHER DETAILS:

- The tuition reduction applies only to non-resident graduate and professional students who have no other formal UW support; as such, it does not pertain to non-residents who work as Research Assistants, Teaching assistants, or other graduate assistants. Most fellowships also
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In joint session with

B. Finance, Audit and Facilities Committee

Graduate and Professional Student – Repeal Operating Fee Waiver for Non-Resident Graduate and Professional Students (continued p. 3)

provide an automatic reduction of non-resident tuition. In practice, the tuition reduction benefit thus applies only to non-resident graduate and professional students who are paying their own tuition.

- The tuition reduction does not apply to international graduate or professional students at all, but just to non-resident US graduate or professional students.

REVIEW AND APPROVALS:

These recommendations have been reviewed and approved by the Interim President, Interim Provost, and the Board of Deans and Chancellors. Gerald Baldasty met with Sarah Reyneveld (GPSS), the members of the UW Senate Committee on Planning and Budgeting, and a representative of the UW Attorney General’s office.
November 20, 2013

Dr. Gerald Baldasty
Sr. Vice Provost
Office of the Provost
University of Washington
310 Gerberding
Seattle, WA 98195

Dear Dr. Baldasty,

Thank you for the opportunity to comment on the critical importance for the School of Law to be able to offer non-resident tuition waivers in order to meet our admissions goals in a very competitive environment. We very much need this flexibility as soon as possible, and thus I strongly support and encourage the delegation of this authority to university leadership.

The non-resident graduate and professional student tuition waiver (NRD waiver) was established in 2005 to attract out-of-state students to the UW by paying the tuition differential for continuing students. The program rapidly grew in popularity, attracting competitive and geographically diverse graduate and professional students from across the country. Over 360 NRD waivers were issued in 2009-10. The program was repealed in fall 2010 for new incoming students in 2011, and a modest graduate fellowship program was established. This new program combined NRD waivers plus a $4,500 fellowship per year. The Law School received 8 fellowships per year starting in fall 2012.

The availability of the NRD waiver was an invaluable recruiting tool that helped elevate UW Law from a quality state school to a national powerhouse by drawing top students from across the U.S. This non-residential pool includes students of color, economically diverse students, geographically diverse students, and highly competitive students, who if enrolled, lead our journals, moot court teams, student organizations and add enormous value to classroom discussions and community interactions. This diversity is critical to developing the cultural competence to practice in an increasingly complex world.

As indicated in the chart below, the loss of the NRD waiver has significantly impacted our ability to yield out-of-state students. Over the last five years, the percentage of out-of-state students has fallen from 42% to 29% of the class. Since the repeal of the NRD waiver, we have aggressively increased the number and size of our scholarship offers but still failed to yield competitive non-resident students. Students who received the NRD waiver consistently said the availability of the waiver lead them to choose UW Law over top law schools, even law schools ranked above UW Law offering scholarships.
<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Entering Class Size</th>
<th>Washington Residents in Entering Class</th>
<th>Non-Resident Tuition &amp; Fee Differential</th>
<th>Non-Resident Waivers for 2L &amp; 3L students</th>
<th>NRD waiver disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>181</td>
<td>58%</td>
<td>$10,510</td>
<td>86 (approx.)</td>
<td>$ 903,860</td>
</tr>
<tr>
<td>2010-11</td>
<td>190</td>
<td>60%</td>
<td>$12,960</td>
<td>86</td>
<td>$1,016,903</td>
</tr>
<tr>
<td>2011-12</td>
<td>182</td>
<td>65%</td>
<td>$14,070</td>
<td>86</td>
<td>$1,091,918</td>
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<tr>
<td>2012-13</td>
<td>176</td>
<td>68%</td>
<td>$12,970</td>
<td>76</td>
<td>$ 899,003</td>
</tr>
<tr>
<td>2013-14</td>
<td>146</td>
<td>71%</td>
<td>$13,041</td>
<td>8 (+ $4500)</td>
<td>$ 140,328</td>
</tr>
</tbody>
</table>

The flexibility to offer tuition waivers is critical for our success in diversifying future classes and in continuing to meet our admissions goals. This is all the more true at this incomparably competitive time in legal education where overall applications to law schools have declined nationwide by double digits each of the last three years. UW Law’s future depends upon our ability to continue to enroll an outstanding student body. I greatly appreciate your and others help in providing us the flexible tools to advance our mission as one of the best public law schools in the nation.

Please let me know if you need any further information from us as this issue comes forward for discussion and decision. Thank you again for all of your support and assistance.

Best regards,

Kellye Y. Testy
Dean, School of Law
Judge James W. Mifflin University Professor of Law
To: Professor Gerald Baldasty  
Senior Vice Provost for Academic and Student Affairs

From: James Jiambalvo  
Dean, Foster School of Business

Re: Creation of West Waivers for graduate recruitment

We are engaged in intense competition with the top business schools in the world for the best and brightest graduate students. Our reputation as a great business school and as a great university depends on our ability to attract outstanding young talent. Over the past two years, less than 25 percent of our strongest admitted candidates chose Foster. This has occurred even though our academic reputation and rankings improved significantly! The problem is that we have become increasingly unable to match the overall aid packages offered by peer schools. There may have been a time when graduate students were only interested in attending the school offering the best possible education. Today, graduate school applicants almost always consider cost in selecting a School. Thus, we cannot attract the best students unless we offer them both an outstanding education and a competitive price relative to other outstanding schools.

Private universities use flexible tuition policies that selectively discount tuition in order to make graduate education attractive and affordable. Peer public institutions with less control over tuition rates have adopted mechanisms to increase funding options, such as offering a wide variety of administrative fellowships in addition to research assistantships. Many of our peers empower graduate programs to “designate” some applicants or students as “in-state students,” making them eligible for resident tuition rates. Others grant admissions the power to simply waive non-resident tuition differentials or waive tuition entirely when a candidate has exceptional talent, recognizing that the presence of talented students attracts great faculty and many more talented students.

Certainly, scholarships are a key part of the recruitment equation, and we are grateful for the ever-increasing generosity of donors to the University of Washington and the Foster School of Business. But without programs like the proposed West Waiver for exceptionally talented applicants and students, the Foster School cannot compete with the best institutions to attract the best global talent. We need the ability to judiciously manage this kind of targeted tuition flexibility in order to grow our programs and enhance our global reputation.
December 2, 2013

To:       Gerald (Jerry) Baldasty  
Senior Vice Provost for Academic and Student Affairs and  
Dean, the Graduate School  
G-1 Communications Building  
baldasty@uw.edu

From:    Paul G. Ramsey, M.D.  
CEO, UW Medicine  
Executive Vice President for Medical Affairs and  
Dean of the School of Medicine,  
University of Washington  

Re:      Email of October 30, 2013, Concerning Tuition Waivers For Out-of-State  
Graduate and Professional Students

The School of Medicine supports your intent to request that the Board of Regents delegate to the President the authority to waive the difference between out-of-state tuition and in-state tuition for selected students under the “West Waiver” program.

While potentially important to all of our professional programs, waivers of the difference between in-state and out-of-state tuition within the School of Medicine primarily have been used to attract M.D. students from outside of the WWAMI region in order to construct an entering class consistent with our educational objectives. The waivers specifically are used to attract students who are likely to serve medically underserved populations once they graduate from medical school or to enhance the diversity of the entering class. We only offer these waivers to out-of-region students who come from disadvantaged backgrounds or who have an exceptional record of service.

As you know, until 2011, it had been possible for out-of-state graduate and professional students to enter UW and pay in-state tuition. For the 10 years prior to 2011, 49% of out-of-WWAMI region M.D. applicants accepted into our M.D. program matriculated. In 2008, 2009 and 2010, the matriculation of out-of-WWAMI region students was 62%, 50%, and 65%, respectively. However, when we were told the waiver was disappearing in 2011 and we were unsure of the possibility of

Paul G. Ramsey, M.D.
awarding fellowships that would include the substitution of in-state for out-of-state tuition, the matriculation rate of out-of-WWAMI region students dropped to 35%. Since being able to grant the fellowship accompanied by in-state tuition our matriculation rate for out-of-WWAMI region students returned to the historic rate (52% and 40% for 2012 and 2013, respectively).

We survey applicants whom we accept but who choose to go elsewhere. Of those responding to the survey on average one-third go elsewhere because other medical schools are able to provide more financial support.

The UW School of Medicine takes pride in the number of its graduates who elect to pursue primary care and to serve the underserved. Our experience over the past few years has demonstrated that the ability for out-of-WWAMI region medical students to pay in-state tuition is crucial to the choice of school made by out-of-WWAMI region students. This choice is particularly easy to understand when graduating medical students on average carry more than $150,000 in debt into their fellowship and residency years.

PGR/dv
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Helping Prepare Undergraduates for Success: Engagement and Leadership Programs through the Office of Student Life

For information only.

BACKGROUND

The Division of Student Life at the University of Washington promotes the intellectual and personal growth of our students. Through our fourteen (14) departments, we offer numerous opportunities to become a part of comprehensive and well-rounded academic community. These programs and services focus primarily on a student’s experience beyond the classroom yet supplement their experiences inside the classroom and ultimately deepen and expand their knowledge and campus experience.

In Student Life, we are committing to helping all UW graduates develop the skills needed to take on leadership roles in their careers and communities and the cultural sophistication to engage meaningfully with diverse groups. We want our students to leave the UW with the ability to think critically, interact with others respectfully, address problems creatively, and engage in meaningful lives.

For our conversation, we are focusing on undergraduates and the role of Student Life in supporting the student experience beyond the classroom (although we are aware that graduate students also participate in leadership activities as well). Student Life shapes these opportunities by advising, facilitating, and mentoring students in and through their co-curricular experiences, and also seeks meaningful opportunities with our campus partners to extend the reach and impact on student engagement.

The presentation will include a panel of students who will share their leadership and involvement experiences beyond the classroom and how it has benefited the development of their talents and strengths.

Included with this agenda item is a document titled: *It Takes More than a Major: Employer Priorities for College Learning and Student Success*. This research is generated by the American Association of Colleges and Universities, highlighting the employer viewpoint on essential learning outcomes for recent college graduates.
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Helping Prepare Undergraduates for Success: Engagement and Leadership Programs through the Office of Student Life. (continued p. 2)

DISCUSSION POINT

Given your extensive community and business experience as well as your interactions with alumni, we welcome your thoughts, reactions, and feedback about this material, especially as it relates to the UW grads with whom you have interacted.

Finally, we have attached a chart that provides examples of leadership opportunities provided to students by Student Life. It is important to note that this is by no means an exhaustive list—rather it is designed to give a snapshot of the diverse activities in which our students engage.

Attachments:
Employer Priorities and Consensus on College Learning Outcomes
UW Division of Student Life, Involvement Opportunities Beyond the Classroom
## Employer Priorities and Consensus on College Learning Outcomes

<table>
<thead>
<tr>
<th>Knowledge of Human Cultures and the Physical and Natural World</th>
<th>Personal and Social Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Civic knowledge, skills, and judgment essential for contributing to the community and to our democratic society</td>
<td>82% △ • Problem solving in diverse settings</td>
</tr>
<tr>
<td>• Broad knowledge in the liberal arts and sciences</td>
<td>80% △ • Ethical issues/public debates important in their field</td>
</tr>
<tr>
<td>• Global issues and knowledge about societies and cultures outside the US</td>
<td>78% △ • Ethical decision-making</td>
</tr>
</tbody>
</table>

### Integrative and Applied Learning

| • Knowledge about science and technology | 56% □ • Direct experiences with community problem solving |
| • Written and oral communication | 80% □ • Applied knowledge in real-world settings |

### Intellectual and Practical Skills

| • Critical thinking and analytic reasoning | 82% □ |
| • Complex problem solving | 81% □ |
| • Written and oral communication | 80% □ |
| • Information literacy | 72% □ |
| • Innovation and creativity | 71% □ |
| • Teamwork skills in diverse groups | 67% □ |
| • Quantitative reasoning | 55% □ |

### NOTE:

△ indicates percentage of employers who “strongly agree” or “somewhat agree” that, “regardless of a student’s chosen field of study”, every student should attain this area of knowledge or skill.

□ indicates percentage of employers who say they want colleges and universities to “place more emphasis” on this area of knowledge or skill.

Involvement Opportunities Beyond the Classroom

Academic Clubs & Organizations
- China Entrepreneur Network
- DUBotics
- Formula Motorsports
- Jewish Studies Student Committee
- Mock Trail at the UW
- Model United Nations
- Quiz Bowl Team
- Green Evans

Community Service & Advocacy
- Relay for Life
- Student Health Initiative for Access
- Mortar Board
- Environmental Alternative Spring Break
- Big Brothers Big Sisters
- Scholars for a Better Tomorrow
- UW Farm
- SEED

Cultural
- ASUW Commissions (8)
- Black Student Union
- Den Norske Klubben
- Desi Dhamaka
- FIUTS Student Board
- MEChA
- QPOCA – Queer People of Color Alliance
- R.E.T.R.O. Revolutionary Poets

Leadership/Representative Leadership/Governance
- Community-Engaged Leaders Program
- Husky Leadership Initiative
- Resident Advisors
- The Daily & Doubleshot
- UW Leaders (ASUW)
- Career Success Certificate
- GPSS
- Health & Wellness Peer Educators

Mentorship
- Beta Alpha Psi Mentoring Program
- DO-IT Mentors
- Dream Project
- Husky United Military Veterans
- MBA Mentor Program
- Mentor Power for Success
- National Lawyers Guild Mentors

Leadership Training & Employment
- Residence Hall Councils (12)
- Residence Life Living/Learning Communities (9)
- Residence Life Peer Review Board
- Residential Fraternities (32)
- Residential Sororities (18)
- Scholar in Residence – Mercer Court

Living/Learning
- Residence Hall Councils
- Residence Life Living/Learning Communities

Recreation
- Film Club
- Historical Fencing Club
- Humans vs. Zombies Tag
- Equestrian Team
- Shin Ryu Aikido Club
- Swing Kids
- University Kayak Club
- Women’s Rugby
- Yogis at UW

ATTACHMENT 2
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority

The Administration has approved and executed all instruments for the following projects or contracts that, at the time these actions occurred, were authorized for projects or contracts that exceeded $1,000,000 in value or cost but were less than $5,000,000 pursuant to the Standing Orders of the Board of Regents delegation of authority, and to the delegation of authority from the President of the University to the Senior Vice President in Administrative Order No. 1.

REPORT OF ACTIONS TAKEN UNDER GENERAL DELEGATED AUTHORITY – CAPITAL PROJECT BUDGETS

1. HSC 4th Floor I-Wing Department of Comparative Medicine Administrative Renovation, Project No. 204149
   Action Reported: Select Architect

On August 9, 2013, an architectural agreement was awarded to Schacht Aslani Architects for the Health Sciences Center 4th Floor I-Wing Department of Comparative Medicine Administrative Renovation project.

In May 2013, the Capital Projects Office selected four firms from the Shared Procurement Portal. Interviews were conducted on June 13, 2013, with ARC Architects, Hoshide Wanzer Williams Architects – a Minority and Women–owned Business Enterprise firm (MWBE), Schacht Aslani Architects, and SHKS Architects. Schacht Aslani was selected as the most qualified firm for this project. The agreement is for professional services in the amount of $63,005 (a portion of the total budget of $78,597 for design consultants). The balance of the design budget is intended for a hazardous materials consultant, and preparing a mechanical pre-balance report.

Schacht Aslani Architects is an award-winning Seattle architectural firm which has completed many successful projects on the University of Washington campus, including Mary Gates Hall Disability Resources, Center for Child and Family Well-Being, and the Gastronomy Laboratory. Schacht Aslani Architects provides a full range of architectural services; including master planning, capital funding requests, site analysis, feasibility studies, design/documentation, interior design and construction administration.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 2)

This project renovates existing space on the north side of the 4th Floor of I-Wing in the Health Sciences Center for the Department of Comparative Medicine's new administrative offices (approximately 6000 square feet). This project will house the staff providing animal care, veterinarian services and individuals responsible for compliance with regulations affecting all animals at the University with the exception of non-human primates. The scope of work will include: demolition of existing laboratories and offices, abatement of hazardous materials as necessary, updates to infrastructure as necessary, new lighting, new finishes for ceilings, walls and floors, security installations and new furnishings.

Predesign is scheduled for completion in December 2013. Design is anticipated to begin January 2014, with completion scheduled for July 2014. Construction will begin in September 2014, with completion planned for March 2015.

The anticipated project cost is approximately $2.5 million. The project budget will be established at the completion of the predesign effort. This project is currently funded for $100,000 from Central Reserves managed by the Office of Planning and Budgeting, with additional funding transferred from the same source as needed to complete the design and construction. No donor funding is being used nor are any naming opportunities envisioned.

Previous Actions Reported: None to date

2. Miller Hall 222 Dean’s Office Space Remodel Project No. 204157
   Actions Reported: Select Architect and Adopt Budget

On October 10, 2013, an architectural agreement was awarded to Buffalo Design, Inc. (MWBE), for the Miller Hall 222 Dean’s Office Space Remodel project under their existing Master Term contract. The agreement is for basic services in the amount of $50,387 (a portion of the total budget of $152,745 for design consultants). The balance of the design budget is intended for a hazardous materials consultant, interior design, field investigation work, a mechanical survey and analysis, and a previously completed predesign.

Buffalo Design is a local Seattle firm established in 1986 and is licensed in Washington, Oregon and California. The firm has an extensive history of successful design projects at the University of Washington, including
many projects within the Magnuson Health Sciences Complex and University of Washington Medical Center.

The scope of this project includes a remodel to the College of Education Dean’s Office on the Second Floor of Miller Hall. This 2900 square foot remodel will convert the existing private offices to an open plan furniture environment that is flexible and more efficient. This project includes new architectural finishes and new furniture throughout the suite. Design is scheduled for completion in February 2014. Construction will begin in April 2014, with completion forecast for September 2014.

On October 3, 2013, a project budget was established for $1 million. This project is currently funded at $1 million from local funds from the College of Education, and both 2011-2013 and 2013-2015 local Minor allocation. No donor funding is being used nor are any naming opportunities envisioned.

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* Includes construction contract amount, contingencies and state sales tax.

Previous Actions Reported: None to date

3. **UWB Parking Garage Deferred Maintenance, Project No. 204198**
   **Actions Reported: Select Architect and Adopt Budget**

On November 11, 2013, an architectural agreement was awarded to OAC Services, Inc., for the UWB Parking Garage Deferred Maintenance project.

In July 2013, the Capital Projects Office selected three firms from the Shared Procurement Portal. Interviews were conducted on August 28, 2013, with Allana Buick and Bers, CNJA Architects and OAC Services, Inc. OAC Services, Inc. was selected as the most qualified firm for this project. The agreement is for basic services in the amount of $89,250 (a
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 4)

portion of the total budget of $167,100 for design consultants). The balance of the design budget is intended for a hazardous materials consultant, permit services, developing testing samples for solutions and preparing as-built conditions.

OAC Services, Inc. is an architectural and engineering firm located in Seattle and Spokane. Their expertise includes construction and project management, and includes building enclosures services, construction support services, value analysis and forensic architecture and engineering. OAC Services, Inc. has designed repairs to the Portage Bay and S1 Parking Garages and replacement of the roof at the North Physics Laboratory.

The UWB Parking Garage Deferred Maintenance project will provide repairs and improve the north and south parking garages at the Bothell campus. The goal is to extend the useful lives of the structures with minimal maintenance. Work includes repair of concrete; installation of joint sealants; application of water-proofing membranes and penetrating sealer; injections for crack repairs; painting of miscellaneous metals; miscellaneous work such as cleaning, striping, replacing grating, etc.; and other work identified by the University and the consultant during design. The scope of work is based on an evaluation and maintenance recommendations report prepared by Desman Associates dated November 2011.

Design is scheduled for completion in April 2014. Construction will begin in June 2014, with completion forecast for September 2014.

On October 15, 2013, a project budget was established for $1,225,000. This project is currently locally funded for $150,000 from the University of Washington Bothell funds, with additional funding transferred from the same source. No donor funding is being used nor are any naming opportunities envisioned.
B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 5)

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* Includes construction contract amount, contingencies and state sales tax.

Previous Actions Reported: None to date.

4. **iSchool 2013 Expansion and Remodel Project No. 204341**
   
   Actions Reported: Select Architect and Adopt Budget

On November 22, 2013, an architectural agreement was awarded to Buffalo Design, Inc., for the iSchool 2013 Expansion and Remodel project.

In August 2013, the Capital Projects Office selected three firms from the Shared Procurement Portal. Interviews were conducted on September 9, 2013, with Buffalo Design, Inc. (MWBE), Schacht Aslani Architects, and Tiscareno Associates (MWBE). Buffalo Design, Inc. was selected as the most qualified firm for this project. The agreement is for basic services in the amount of $177,404 (a portion of the total budget of $413,140 for design consultants). The balance of the design budget is intended for a hazardous materials consultant, interior design, field investigation work, a mechanical survey and a previously completed predesign.

Buffalo Design, Inc. is a local Seattle firm established in 1986 and is licensed in Washington, Oregon and California. The firm has an extensive history of successful design projects at the University of Washington including many projects within the Magnuson Health Sciences Complex and University of Washington Medical Center.

The scope of this project consists of two phases: 1) a 6300 square foot renovation at Bloedel Hall to accommodate the iSchool for their research staff and classrooms, and 2) a 10,000 square foot renovation at Mary Gates Hall (MGH) to reconfigure their existing space to support student and faculty activities.
B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 6)

The goals of this project are to co-locate tenure-track faculty and doctorate students, as well as research faculty with all other faculty. Tenure track faculty will be located adjacent to required research support space. All research activities will be in one location. This project will reflect the iSchool's core values of engagement and collaboration.

Design completion is scheduled for April 2014. Construction will begin in May 2014, with completion of Phase 1 by September 2014, and Phase 2 by February 2015.

On November 1, 2013, a project budget was established for $3,281,000 which includes $774,493 for furniture and AV equipment. This project is currently funded at $1,025,000 from local Minor Capital funds provided by the iSchool. All other funding will be provided by local funds by the Office of Planning and Budgeting. No donor funding is being contemplated nor are any naming opportunities envisioned.

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* Includes construction contract amount, contingencies and state sales tax.

Previous Actions Reported: None to date

5. Bagley Hall 236 Undergraduate Lab Remodel Project No. 204589
   Action Reported: Select Architect

On October 14, 2013, a professional services agreement to perform a predesign was awarded to Perkins + Will, Inc., for the Bagley Hall 236 Undergraduate Lab Remodel project under their existing Master Term for Architectural Services contract. The agreement is for professional services in the amount of $28,951 (a portion of the total budget of $33,600 for predesign consultants). The balance of the design budget is intended for a hazardous materials consultant and a testing and balancing assessment. Perkins + Will, Inc. is a national firm established in 1935 that has a staff of 1500. They are located in twenty-four locations worldwide. The firm
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 7)

has an extensive history of successful design projects at the University of Washington, including the recent renovation of the Husky Union Building.

This project will renovate the existing undergraduate laboratory, Room 236 on the third floor of Bagley Hall (approximately 3200 square feet), to current campus laboratory standards for chemistry students. This project will improve laboratory safety and reduce energy use (including new low-flow hoods and light fixtures). A new laboratory layout will be provided, including new fixed and modular laboratory casework and benches, finishes, emergency eye wash stations/showers and related services. New electrical panels, power and communications will be provided.

The predesign completion is scheduled for December 2013 with design and construction following.

The anticipated project cost is approximately $1.65 million. The project budget will be established at the completion of the predesign effort. This project is funded by University of Washington College of Arts & Sciences 2013-2015 State Minor allocation. No donor funding is being contemplated nor are any naming opportunities envisioned.

Previous Actions Reported: None to date

6. Lewis Hall Renovation, Project No. 204646

Actions Reported: Select Architect and Adopt Budget

On November 26, 2013, an architectural agreement was awarded to Snyder Hartung Kane Strauss, Architects [SHKS], for the Lewis Hall Renovation project.

In August 2013, the Capital Projects Office selected three firms from the Shared Procurement Portal. Interviews were conducted on September 19, 2013, with Cornerstone Architectural Group, Schacht Aslani Architects, and SHKS Architects. SHKS Architects was selected as the most qualified firm for this project. The agreement is for basic services in the amount of $135,935 (a portion of the total budget of $345,942 for design consultants). The balance of the design budget is intended for a hazardous materials consultant, envelope and waterproofing specialty consultant, structural analysis and testing and field investigation work.

Founded in 1997, SHKS Architects is a Seattle firm with experience working with the University of Washington since 1997. Their previous University of Washington projects include Center for the Built...
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 8)

Environment: Dean’s Suite & Runstad Center, Gould Hall Digital Commons, Guthrie Hall Masonry Renovation, and Pack Forest Center for Sustainable Forestry. SHKS has also completed projects for Western Washington University, Seattle Public Library, King County Library, City of Seattle, and Starbucks Coffee.

This project will make exterior repairs to Lewis Hall to stabilize the condition of the building, prevent further deterioration, reduce maintenance costs, and sustain the building’s historic architectural character. Roof replacement will include safe access and fall protection devices. This project is budget-driven with the scope of work prioritized as follows:

1. New Roof - Remove existing roofing, apply new roof sheathing and blocking, strengthen roof framing to support new dead load and snow load and apply new roofing. Seismic tie-in of roof diaphragm to masonry wall will be included. Seismic upgrades, appropriate to the available budget, to tie into future comprehensive improvements will be studied.

2. Masonry Repair - Remove paint and clean entire wall, spot point mortar as needed, and install seismic anchors at entrances/exits.

3. Windows - Repair, renovate, or replace, maintaining the historic character.

4. Foundation - Repair water intrusion, if present.

Design is scheduled for completion in April 2014. Construction will begin in June 2014, with completion forecast for November 2014.

On November 6, 2013, a project budget was established for $2,587,000. This project is currently funded for $850,000 from the 2013-2015 Infrastructure Capital Budget, with additional funding transferred from the same source as needed to complete the construction. No donor funding is being contemplated nor are any naming opportunities envisioned.
B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 9)

<table>
<thead>
<tr>
<th>Budget Summary:</th>
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* Includes construction contract amount, contingencies and state sales tax.

Previous Actions Reported: None to date

7. University of Washington Medical Center Nuclear Medicine Camera Upgrade Project No. 204705
   Actions Reported: Select Architect and Adopt Budget

On November 5, 2013, an architectural agreement was awarded to Buffalo Design, Inc. (MWBE), for the University of Washington Medical Center Nuclear Medicine Camera Upgrade project under their existing Master Term contract. The agreement is for basic services in the amount of $179,647 (a portion of the total budget of $276,406 for design consultants). The balance of the design budget is intended for a hazardous materials consultant, mechanical testing and balancing, commissioning and a permit expeditor.

Buffalo Design, Inc. is a local Seattle firm established in 1986. The firm has an extensive history of successful design projects at the University of Washington Medical Center (UWMC) and Harborview Medical Center (HMC), including the UWMC 5EE 5SE Nursing Unit Renovation, UWMC Cart Washer replacement, UWMC 8SE Infusion Clinic, HMC Burn Treatment Hydrotherapy Renovation, and the HMC Transfusion Support Services. They also have a broad range of successful project types at other regional hospitals.

This is a phased project to upgrade Nuclear Medicine cameras on the second floor of the University of Washington Medical Center. The work will include renovation of approximately 2500 square feet of space, consisting of four phases in two different wings. The project will renovate space in the Pathology Unit to create space for relocating existing nuclear medicine equipment and upgrading the finishes and work space for
B. Finance and Asset Management Committee

Actions Taken Under Delegated Authority (continued p. 10)

Pathology. The project will renovate an abandoned angiography laboratory for the relocation of an existing gamma camera. This will allow the renovation of three existing nuclear medicine camera rooms into two rooms to install two new Spect Computing Tomography (SPECT/CT) suites and a nurses/observation station.

On October 29, 2013, a project budget was established at $2,192,000. This project has been funded for $356,466 by the University of Washington Medical Center. Remaining funding will be transferred by the same source prior to construction award. No donor funding is being contemplated nor are any naming opportunities envisioned.

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* Includes construction contract amount, contingencies and state sales tax.

Previous Actions Reported: None to date
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee


For information only.

Attachment
Investment Performance Report – First Quarter Fiscal Year 2014
# University of Washington

**Investment Performance Report**

**First Quarter Fiscal Year 2014**

As of September 30, 2013

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Assets</td>
<td>1</td>
</tr>
<tr>
<td>CEF Asset Allocation</td>
<td>2</td>
</tr>
<tr>
<td>CEF Performance Summary</td>
<td>3</td>
</tr>
<tr>
<td>CEF Performance by Strategy</td>
<td>4</td>
</tr>
<tr>
<td>CEF Activity</td>
<td>5</td>
</tr>
<tr>
<td>CEF Exposures</td>
<td>6</td>
</tr>
<tr>
<td>Invested Funds</td>
<td>7</td>
</tr>
</tbody>
</table>
TREASURY ASSETS\(^1\) AS OF SEPTEMBER 30, 2013: $4,271M

\(\$ = \text{M}\)

---

1. Assets whose management falls under the auspices of the Finance & Audit Committee of the Board of Regents excluding Metro Tract and Forest Trust Lands.

2. The Invested Funds Diversified Investment Pool holds Consolidated Endowment Fund units valued at $482 million. To avoid double counting the dollars are included only in the Consolidated Endowment Fund (CEF) total.

3. Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington.


5. Debt service reserve funds and construction project funds which have not yet been disbursed.

---

F–2.1/201-14
1/9/14
Consolidated Endowment Fund (CEF) Asset Allocation
for the Quarter Ending September 30, 2013

Current Allocation
($ – M, %'s may not sum due to rounding)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Allocation</th>
<th>Policy Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Markets Equity</td>
<td>$859</td>
<td>28%</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>$399</td>
<td>17%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$299</td>
<td>15%</td>
</tr>
<tr>
<td>Private Real Assets</td>
<td>$194</td>
<td>7%</td>
</tr>
<tr>
<td>Opportunistic</td>
<td>$52</td>
<td>3%</td>
</tr>
<tr>
<td>Capital Appreciation</td>
<td>$1,802</td>
<td>70%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>$471</td>
<td>19%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>$176</td>
<td>11%</td>
</tr>
<tr>
<td>Capital Preservation</td>
<td>$647</td>
<td>30%</td>
</tr>
<tr>
<td>Total CEF¹</td>
<td>$2,450</td>
<td>100%</td>
</tr>
</tbody>
</table>

¹ Uncalled capital commitments total 9% of the CEF
## CEF Performance Summary for the Quarter Ending September 30, 2013

### Rolling Year Returns (%)

<table>
<thead>
<tr>
<th></th>
<th>1st Qtr FY 2014</th>
<th>1-Year</th>
<th>3-Year</th>
<th>10-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total CEF Return</strong></td>
<td>4.3</td>
<td>13.9</td>
<td>8.5</td>
<td>8.3</td>
</tr>
<tr>
<td>Strategy Weighted Policy Benchmark&lt;sup&gt;2&lt;/sup&gt;</td>
<td>4.7</td>
<td>12.0</td>
<td>9.3</td>
<td>8.4</td>
</tr>
<tr>
<td>70% MSCI ACWI/30% BC Govt Bond</td>
<td>5.6</td>
<td>12.0</td>
<td>8.4</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Capital Appreciation</strong></td>
<td>5.0</td>
<td>16.8</td>
<td>10.4</td>
<td>9.3</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td>8.0</td>
<td>18.4</td>
<td>10.8</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Capital Preservation</strong></td>
<td>2.5</td>
<td>7.1</td>
<td>3.9</td>
<td>5.0</td>
</tr>
<tr>
<td>BC Government Bond</td>
<td>0.1</td>
<td>-2.0</td>
<td>2.1</td>
<td>4.2</td>
</tr>
</tbody>
</table>

<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)  
<sup>2</sup> Preliminary

### Fiscal Year Returns (%)

<table>
<thead>
<tr>
<th></th>
<th>FYTD 2014</th>
<th>Fiscal Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total CEF Return</strong></td>
<td>4.3</td>
<td>13.5</td>
</tr>
<tr>
<td>Strategy Weighted Policy Benchmark&lt;sup&gt;2&lt;/sup&gt;</td>
<td>4.7</td>
<td>10.8</td>
</tr>
<tr>
<td>70% MSCI ACWI/30% BC Govt Bond</td>
<td>5.6</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Capital Appreciation</strong></td>
<td>5.0</td>
<td>17.0</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td>8.0</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Capital Preservation</strong></td>
<td>2.5</td>
<td>5.9</td>
</tr>
<tr>
<td>BC Government Bond</td>
<td>0.1</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)  
<sup>2</sup> Preliminary benchmark reported for FYTD 2014.

### Cambridge Endowment Colleges and Universities<sup>1</sup>

Public Universities with Endowments between $1 and $5 Billion

<table>
<thead>
<tr>
<th></th>
<th>1 Year 1st Quartile</th>
<th>1 Year 3rd Quartile</th>
<th>3 Years 1st Quartile</th>
<th>3 Years 3rd Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>13.9</td>
<td>8.5%</td>
<td>8.6%</td>
<td>6.9%</td>
</tr>
<tr>
<td>3 Years</td>
<td>5.8%</td>
<td>6.9%</td>
<td>University of Washington</td>
<td>Cambridge Associates Median</td>
</tr>
<tr>
<td>5 Years</td>
<td>8.3%</td>
<td>7.9%</td>
<td>11.7%</td>
<td>8.5%</td>
</tr>
<tr>
<td>10 Years</td>
<td>1.2%</td>
<td>2.3%</td>
<td>8.0%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

<sup>1</sup> Preliminary Results for Periods Ending 9/30/13

### Market Value ($B) 2004–2013

As of September 30

<sup>1</sup> Reflects inclusion of Diversified Investment Pool units. Value without DIP units would be $1.97.
# CEF Performance by Strategy

**Total Return** As of September 30, 2013

<table>
<thead>
<tr>
<th>Strategy</th>
<th>1st Qtr FY '14</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Endowment Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>4.3</td>
<td>13.9</td>
<td>8.5</td>
<td>5.8</td>
<td>8.3</td>
</tr>
<tr>
<td>70% MSCI ACWI &amp; 30% BC Gov’t Bond</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital Appreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>6.2</td>
<td>16.1</td>
<td>12.1</td>
<td>8.2</td>
<td>9.9</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>3.7</td>
<td>9.9</td>
<td>4.5</td>
<td>11.2</td>
<td>16.2</td>
</tr>
<tr>
<td>Developed Markets Equity</td>
<td>7.2</td>
<td>23.1</td>
<td>13.2</td>
<td>9.0</td>
<td>8.2</td>
</tr>
<tr>
<td>Opportunistic (started 7/1/2010)</td>
<td>2.9</td>
<td>23.7</td>
<td>12.6</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>5.8</td>
<td>16.8</td>
<td>10.4</td>
<td>6.5</td>
<td>9.3</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td>2.6</td>
<td>11.1</td>
<td>12.2</td>
<td>5.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>3.4</td>
<td>12.5</td>
<td>14.3</td>
<td>6.4</td>
<td>11.3</td>
</tr>
<tr>
<td>Private Real Assets</td>
<td>2.1</td>
<td>12.6</td>
<td>9.4</td>
<td>-2.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>1.5</td>
<td>9.7</td>
<td>13.4</td>
<td>6.5</td>
<td>9.6</td>
</tr>
<tr>
<td><strong>Capital Preservation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>0.6</td>
<td>2.2</td>
<td>2.4</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>3.4</td>
<td>11.2</td>
<td>6.4</td>
<td>6.9</td>
<td>8.0</td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>1.2</td>
<td>6.5</td>
<td>2.6</td>
<td>3.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0.5</td>
<td>0.9</td>
<td>1.1</td>
<td>1.3</td>
<td>2.7</td>
</tr>
<tr>
<td>BC Government Bond</td>
<td>0.1</td>
<td>-2.0</td>
<td>2.1</td>
<td>4.0</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Market Indices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 2000</td>
<td>5.2</td>
<td>19.3</td>
<td>16.3</td>
<td>10.0</td>
<td>7.6</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>10.2</td>
<td>30.1</td>
<td>18.3</td>
<td>11.2</td>
<td>9.6</td>
</tr>
<tr>
<td>MSCI EMF</td>
<td>11.6</td>
<td>24.3</td>
<td>9.0</td>
<td>6.9</td>
<td>8.5</td>
</tr>
<tr>
<td>BC High Yield</td>
<td>5.9</td>
<td>1.3</td>
<td>0.0</td>
<td>7.6</td>
<td>13.2</td>
</tr>
</tbody>
</table>

---

1. Total Return: Average Annual Compound Return (dividend or interest plus capital appreciation or depreciation)
2. Preliminary
3. Reported on a quarter lag.
## CEF Activity As of September 30, 2013

$ = M

<table>
<thead>
<tr>
<th></th>
<th>FYTD 2014</th>
<th>FY 2013</th>
<th>FY 2012</th>
<th>5 Years</th>
<th>10 Years</th>
<th>15 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$2,347</td>
<td>$2,111</td>
<td>$2,154</td>
<td></td>
<td>$1,907</td>
<td>$1,088</td>
<td>$702</td>
</tr>
<tr>
<td><strong>Gifts</strong></td>
<td>27</td>
<td>48</td>
<td>75</td>
<td>310</td>
<td>704</td>
<td>909</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>32</td>
<td>91</td>
<td>135</td>
</tr>
<tr>
<td><strong>Operating Funds Purchases</strong></td>
<td>(0)</td>
<td>11</td>
<td>2</td>
<td>74</td>
<td>170</td>
<td>220</td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td><strong>$29</strong></td>
<td><strong>$66</strong></td>
<td><strong>$84</strong></td>
<td><strong>$417</strong></td>
<td><strong>$965</strong></td>
<td><strong>$1,264</strong></td>
</tr>
<tr>
<td><strong>Net Investment Return</strong></td>
<td>102</td>
<td>279</td>
<td>(21)</td>
<td>604</td>
<td>1,348</td>
<td>1,661</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td>(23)</td>
<td>(87)</td>
<td>(85)</td>
<td>(379)</td>
<td>(770)</td>
<td>(968)</td>
</tr>
<tr>
<td><strong>Advancement Support</strong></td>
<td>(5)</td>
<td>(17)</td>
<td>(17)</td>
<td>(79)</td>
<td>(145)</td>
<td>(165)</td>
</tr>
<tr>
<td><strong>Administrative Fees</strong></td>
<td>(1)</td>
<td>(4)</td>
<td>(4)</td>
<td>(20)</td>
<td>(36)</td>
<td>(45)</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td><strong>$2,450</strong></td>
<td><strong>$2,347</strong></td>
<td><strong>$2,111</strong></td>
<td><strong>$2,450</strong></td>
<td><strong>$2,450</strong></td>
<td><strong>$2,450</strong></td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>$103</td>
<td>$235</td>
<td>($43)</td>
<td>$543</td>
<td>$1,362</td>
<td>$1,748</td>
</tr>
</tbody>
</table>
**CEF Exposures for the Quarter Ending September 30, 2013**

### Exposure by Strategy

<table>
<thead>
<tr>
<th>Capital Appreciation</th>
<th>Capital Preservation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging Markets</td>
<td></td>
</tr>
<tr>
<td>Developed Markets</td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td></td>
</tr>
<tr>
<td>Real Assets</td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
</tr>
</tbody>
</table>

#### Geographic Exposure

- **North America**: 65%
- **EM Asia**: 11%
- **EM EMEA**: 5%
- **Dev. Asia ex. Japan**: 2%
- **EM Latin America**: 2%
- **Japan**: 4%
- **EM Asia ex. Japan**: 2%
- **EM Latin America**: 2%
- **Japan**: 4%

**Note**: At 9/30/13 foreign currency exposure: 34%

### Short-Term Liquidity Estimates as % of CEF

- **Weekly**: 25%
- **Monthly**: 45%
- **Quarterly**: 57%
- **1 Year**: 75%

### Equity Sector Exposure

- **Financials**: 18%
- **Information Technology**: 12%
- **Energy**: 11%
- **Health Care**: 11%
- **Consumer Discretionary**: 15%
- **Consumer Staples**: 10%
- **Industrials**: 13%
- **Telecom**: 4%
- **Utilities**: 2%
- **Materials**: 3%

**Note**: Emerging Markets, Developed Markets, Real Assets and Absolute Return

---

**F-2.1/201-14**

1/9/14
**Invested Funds for the Quarter Ending September 30, 2013**

**Total Return**

<table>
<thead>
<tr>
<th>Fund Allocation by Pool ($m)</th>
<th>Fund Allocation</th>
<th>Range</th>
<th>Duration in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Pool</td>
<td>$766</td>
<td>37%</td>
<td>10% – 40%</td>
</tr>
<tr>
<td>Liquidity Pool</td>
<td>$817</td>
<td>40%</td>
<td>30% – 60%</td>
</tr>
<tr>
<td><strong>Total Cash &amp; Liquidity Pool</strong></td>
<td>$1,583</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>CEF Units held by IF</td>
<td>$482</td>
<td>23%</td>
<td>15% – 40%</td>
</tr>
<tr>
<td><strong>Total Invested Funds</strong></td>
<td><strong>$2,066</strong></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

1. Total Return: Average Annual Compound Return (dividend or interest plus capital appreciation or depreciation).
2. DIP (Diversified Investment Pool): A strategy to improve the risk profile and/or enhance the IF performance through investment in CEF units or other investment vehicles.

**Mix of Investments**

- **CEF Units**: 23%
- **Treasuries & Agencies**: 39%
- **Mortgage-Related**: 29%
- **Asset-Backed Securities**: 7%
- **Cash Equivalents**: 2%

**Market Value ($B) 2004–2013**

- IF including CEF units ($2.1 @ 9/30/13)
- IF excluding CEF units ($1.6 @ 9/30/13)

As of September 30

F–2.1/201-14
1/9/14
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Internal Lending Program Quarterly Report – Quarter Ended September 30, 2013
For information only.

Attachment
Internal Lending Program Quarterly Report – Quarter Ended September 30, 2013
Internal Lending Program Quarterly Report
Quarter Ended September 30, 2013
(dollars in millions)

Interest Rates
Concerns about the Federal Reserve tapering its purchase of treasury bonds and mortgage backed securities diminished causing rates to decline through September 2013. The focus is on job growth which could create rising rates in the near term. As of September 2013, the UW’s estimated borrowing cost for 30-year level debt was 4.35%.

External Borrowing
In August 2013, the UW issued $146.4 million in bonds with an overall rate of 4.47%. The next bond issuance is expected to be in mid to late 2014.

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Issued FY14</th>
<th>Total Outstanding</th>
<th>Avg Rate</th>
<th>Wtd. Avg Maturity (yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Paper</td>
<td>$0</td>
<td>$25</td>
<td>0.2%</td>
<td>0.01</td>
</tr>
<tr>
<td>Variable Rate</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Fixed Rate</td>
<td>146</td>
<td>1,504</td>
<td>3.7%</td>
<td>16.9</td>
</tr>
<tr>
<td>ILP Total</td>
<td>146</td>
<td>1,529</td>
<td>3.6%</td>
<td>16.6</td>
</tr>
<tr>
<td>Non-ILP Debt</td>
<td>0</td>
<td>676</td>
<td>4.9%</td>
<td>13.6</td>
</tr>
<tr>
<td>Total Debt</td>
<td>146</td>
<td>2,205</td>
<td>4.1%</td>
<td>15.7</td>
</tr>
</tbody>
</table>

Total Debt excludes original issue premium and Valley limited tax general obligation bonds payable by property tax revenues.

Internal Lending
The increase in internal lending for the Service mission is due to Husky Stadium renovation ($26 million) and Housing & Dining projects ($20 million).

<table>
<thead>
<tr>
<th>By Mission</th>
<th>Education</th>
<th>Research</th>
<th>Service</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Bal Jul-13</td>
<td>$79</td>
<td>$118</td>
<td>$1,231</td>
<td>$1,428</td>
</tr>
<tr>
<td>Additions</td>
<td>0</td>
<td>0</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Reductions</td>
<td>(1)</td>
<td>(2)</td>
<td>(10)</td>
<td>(13)</td>
</tr>
<tr>
<td>Year to Date Activity</td>
<td>(1)</td>
<td>(2)</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>Total Receivable</td>
<td>$78</td>
<td>$116</td>
<td>$1,267</td>
<td>$1,461</td>
</tr>
</tbody>
</table>

Committed Capital Reserves
Ending balance of $221.5 million includes debt proceeds from 2013 General Revenue Bonds and funds for repayment of future debt. These funds must be used for capital projects or debt repayment.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance Jul-13</td>
<td>$115.3</td>
</tr>
<tr>
<td>Internal Debt Service</td>
<td>26.5</td>
</tr>
<tr>
<td>External Debt Service</td>
<td>(29.7)</td>
</tr>
<tr>
<td>Net Debt Proceeds</td>
<td>109.9</td>
</tr>
<tr>
<td>Expenses</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Ending Balance Sep-13</td>
<td>$221.5</td>
</tr>
</tbody>
</table>
### Funding Status for Approved Projects - by Project and Source

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Date Approved</th>
<th>Current Budget</th>
<th>ILP</th>
<th>Non-ILP</th>
<th>Spent to Date (all sources)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Phase 2 - excludes site 30W</td>
<td>Jun-12*</td>
<td>191</td>
<td>186</td>
<td>5</td>
<td>89%</td>
</tr>
<tr>
<td>Housing Phase 3</td>
<td>Jun-12</td>
<td>132</td>
<td>131</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>Husky Stadium Renovation</td>
<td>Nov-10</td>
<td>250</td>
<td>222</td>
<td>28</td>
<td>100%</td>
</tr>
<tr>
<td>Husky Stadium Renovation Increase</td>
<td>Jun-11</td>
<td>27</td>
<td>14</td>
<td>13</td>
<td>10%</td>
</tr>
<tr>
<td>UWMC Expansion Phase 2</td>
<td>Nov-12</td>
<td>187</td>
<td>135</td>
<td>52</td>
<td>3%</td>
</tr>
<tr>
<td>Husky Ballpark</td>
<td>Nov-12</td>
<td>20</td>
<td>13</td>
<td>7</td>
<td>34%</td>
</tr>
<tr>
<td>Tacoma Student Center/YMCA</td>
<td>Jul-13</td>
<td>20</td>
<td>12</td>
<td>8</td>
<td>1%</td>
</tr>
<tr>
<td>Bothell Student Center</td>
<td>Jul-13</td>
<td>19</td>
<td>18</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>SW Campus Utility Plant</td>
<td>Sep-13</td>
<td>31</td>
<td>23</td>
<td>8</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$877</td>
<td>$754</td>
<td>$123</td>
<td>71%</td>
</tr>
</tbody>
</table>

*Original approval Feb-11, authority decreased Jun-12
UWMC Expansion, Phase 1 ($210M) and the HUB Renovation ($118M) completed as of June 2013 and no longer shown.

### Funding Forecast for Approved Projects - by Source

<table>
<thead>
<tr>
<th>Year</th>
<th>ILP</th>
<th>Non-ILP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual to 6/30/13*</td>
<td>347</td>
<td>43</td>
</tr>
<tr>
<td>FY14</td>
<td>131</td>
<td>26</td>
</tr>
<tr>
<td>FY15</td>
<td>140</td>
<td>7</td>
</tr>
<tr>
<td>FY16</td>
<td>117</td>
<td>0</td>
</tr>
<tr>
<td>FY17</td>
<td>40</td>
<td>19</td>
</tr>
<tr>
<td>FY18</td>
<td>7</td>
<td>0</td>
</tr>
</tbody>
</table>

*Actuals exclude funding for completed projects.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee


For information only.

Attachment
**Q3 Performance Notables:**
- UW net income is ahead of budget by $.6M year-to-date due to lower non-operating expenses.
- Total portfolio occupancy increased slightly from 89% to 90% due to new leases in both retail and office space.
- Vacancy is concentrated in low rise office space and retail space without street frontage.
- Capital expenditures were less than budgeted due to the timing of projects and leasing of vacant space.
- Rent from the Olympic hotel year-to-date continues to outpace the prior year by 5%.

**Market News:**
- Office vacancy in the Seattle Central Business District (CBD) is 11.3% and 960,000 sf of Class A space is being constructed or renovated.
- Market asking rates are increasing and currently stand at an average of $34/sf for Class A space, which is an increase from last quarter.
- Nine major office buildings sold in Q2 with a total sales volume near $700M. The largest sale was 202 Westlake, which was purchased for $97.4 million ($745/sf) by GLL Real Estate Partners.

**Operations & Cash Flow**

(Millions $)

<table>
<thead>
<tr>
<th></th>
<th>Quarter Ended 9/30</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
</tr>
<tr>
<td>Revenues¹</td>
<td>$ 5.8</td>
<td>$ 6.2</td>
</tr>
<tr>
<td>Operating Expenses²</td>
<td>$ (1.4)</td>
<td>$ (1.3)</td>
</tr>
<tr>
<td>NOI</td>
<td>$ 4.4</td>
<td>$ 4.9</td>
</tr>
<tr>
<td>Non-Operating Expenses³</td>
<td>$ (0.5)</td>
<td>$ (0.6)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$ 3.9</td>
<td>$ 4.3</td>
</tr>
<tr>
<td>Capital &amp; TIs</td>
<td>$ (0.3)</td>
<td>$ (2.8)</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$ 3.6</td>
<td>$ 1.5</td>
</tr>
<tr>
<td>Distribution to University</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Increase/(Decrease) in Cash</td>
<td>$ 3.6</td>
<td>$ 1.5</td>
</tr>
</tbody>
</table>

¹ Revenues include rent from tenant leases, operating savings payments from Unico and Leasehold Excise Tax receipts from tenants.
² Operating Expenses include Leasehold Excise Taxes, earthquake insurance, professional fees and real estate management expenses.
³ Non-Operating Expenses include funding for the UW Real Estate office for non-Metro Tract real estate services.

---

**Metropolitan Tract Portfolio**

**Unico Portfolio**
- Rainier Tower 569,155
- Financial Center 339,527
- Puget Sound Plaza 274,885
- IBM Building 225,129
- Skinner Building 193,672
- Total Office 1,602,368
- Retail Space 141,806
- Parking Stalls 744

**Olympic Hotel**
- Luxury Hotel Rooms 450
- Office Space 15,500
- Retail Space 28,000
- Parking Stalls 787
- Lease Expiration 10/1/2040
- Annual Revenue $3M

**Cobb Building**
- Residential Units 91
- Retail Space 18,171
- Lease Expiration 3/22/2050
- Annual Revenue $200K

**Rainier Tower Sublease**
- Sublease Space 379,463
- Lease Expiration 10/31/2014
- Annual Revenue $1M (net)
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Metropolitan Tract – Approval of 2014 Capital Expenditure Budget

RECOMMENDED ACTION

It is the recommendation of the Finance and Asset Management Committee that the Board of Regents approve the budget of up to $9.6 million in capital expenditures by Unico Properties, LLC, for capital and tenant improvements requested in its 2014 Capital Expenditure Plan for the buildings on the Metropolitan Tract. The $9.6 million is comprised of up to $5.5 million for capital improvements and up to $4.1 million for tenant improvements.

CAPITAL IMPROVEMENTS

The recommended 2014 capital improvement budget is $5.5 million. These investments are intended to replace obsolete equipment, improve the quality of the buildings in order to be competitive in the leasing market, as well as enhance energy efficiency. The major 2014 capital improvements consist of upgrading electrical gears and HVAC equipment, window glazing and sealing, energy saving upgrades, and improving vacant tenant space for lease.

TENANT IMPROVEMENTS

The ground lease with Unico requires the University to reimburse Unico for tenant improvements subject to achieving agreed upon rent and return thresholds in accordance with an annual Tenant Improvement Plan consistent with “Seattle Market Standards.” The University undertakes a collaborative effort with Unico each year to establish the Tenant Improvement Plan. Each lease then completed during the year is measured against the budget established as part of the Tenant Improvement Plan prior to approval of reimbursement of the tenant improvement costs.

The recommended 2014 tenant improvement reimbursement is $4.1 million. This amount is based on anticipated leasing of existing vacant space and leases due to expire in 2014, and the anticipated amount of investment necessary for occupancy of this space by new tenants. However, it is likely that actual expenditures will be less than this amount unless all budgeted leasing is achieved. Budgeted leasing during 2014 is based on projected leasing of approximately 177,000 square feet and an average tenant improvement investment of $23 per square foot.
B. Finance, and Asset Management Committee

Metropolitan Tract – Approval of 2014 Capital Expenditure Budget
(continued p. 2)

2014 BUDGET vs 2013 BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2014 Capital Improvements</th>
<th>2014 Tenant Improvements</th>
<th>2014 Total Capital Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainier Tower &amp; Square</td>
<td>829,469</td>
<td>1,146,600</td>
<td>1,976,069</td>
</tr>
<tr>
<td>Financial Center</td>
<td>1,219,529</td>
<td>408,480</td>
<td>1,628,009</td>
</tr>
<tr>
<td>IBM Building</td>
<td>380,172</td>
<td>787,090</td>
<td>1,167,262</td>
</tr>
<tr>
<td>Puget Sound Plaza</td>
<td>2,234,987</td>
<td>738,915</td>
<td>2,973,902</td>
</tr>
<tr>
<td>Skinner Building</td>
<td>791,887</td>
<td>1,059,930</td>
<td>1,851,817</td>
</tr>
<tr>
<td>Met Tract Studies</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$5,481,044</strong></td>
<td><strong>$4,141,015</strong></td>
<td><strong>$9,622,059</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013 Capital Improvements</th>
<th>2013 Tenant Improvements</th>
<th>2013 Total Capital Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainier Tower &amp; Square</td>
<td>2,097,103</td>
<td>531,406</td>
<td>2,628,509</td>
</tr>
<tr>
<td>Financial Center</td>
<td>259,407</td>
<td>415,380</td>
<td>674,787</td>
</tr>
<tr>
<td>IBM Building</td>
<td>530,744</td>
<td>1,981,735</td>
<td>2,512,479</td>
</tr>
<tr>
<td>Puget Sound Plaza</td>
<td>1,103,309</td>
<td>236,575</td>
<td>1,339,884</td>
</tr>
<tr>
<td>Skinner Building</td>
<td>362,360</td>
<td>471,076</td>
<td>833,436</td>
</tr>
<tr>
<td>Met Tract Studies</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,377,923</strong></td>
<td><strong>$3,636,172</strong></td>
<td><strong>$8,014,095</strong></td>
</tr>
</tbody>
</table>

The increase from 2013 to 2014 relates to the following items:

- Deferred Capital Upgrades - During the economic recession beginning in 2008, certain capital projects on the Metropolitan Tract were deferred. In 2013, it was determined to renew efforts to invest in improvements identified in prior property assessments performed by an independent engineering firm.

- Investment in Tenant Space – The 2014 budget includes additional funds to improve vacant space that has been difficult to lease.

REVIEW AND APPROVALS

This recommendation has been reviewed by the Senior Vice President, the Chief Real Estate Officer, and the Director of Finance for UW Real Estate.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update

INFORMATION

This is an informational presentation to the Board of Regents that provides an update on the HR/Payroll Modernization initiative, including information on the final project investment plan, budget, and recommended contract award. The Board last discussed this topic in October 2011, when the Board of Regents approved issuing a Request for Proposal (RFP) to explore possible replacement of the Human Resources/Payroll system and delegated authority to the President to submit plans and proposals as necessary for approval by the state of Washington.

WHAT IS OUR CHALLENGE?

The University of Washington's current systems and processes do not support Human Resources (HR) and payroll business needs, exposing the University to increasing risk in compliance, financial, operational, and strategic areas.

BACKGROUND: WHERE ARE WE IN 2014?

The University of Washington's existing payroll system, the Higher Education Payroll Personnel System (HEPPS), was technologically advanced and met business needs when it was implemented in 1982. In the intervening 32 years, the University added two campuses, experienced tremendous growth in its research enterprise, and watched the demand for its medical services skyrocket. As a result, the University's workforce has doubled to more than 40,000 employees.

The University's large and diverse workforce has many complexities that impact HR and payroll practices. This includes varying employment conditions, such as different leave plans, salary schedules, employment policies, and pay practices. The University has more than 365 earning types and more than 165 unique pay differentials or premiums that must be factored into payroll processing. The University also must track varying statutes, laws, and regulations that apply to employees located across 50 states and in 26 countries.

Yet, the underlying technology for HEPPS has not changed. As a result, the University's payroll system has significant operational inefficiencies and service deficits. It is increasingly difficult to keep pace with ever-changing regulatory requirements. The University also lacks basic, enterprise-wide human resources functionality. UW's existing payroll system was designed to pay people at a point-
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update (continued p. 2)

In the spring of 2013, the University of Washington engaged The Hackett Group, an independent research firm, to conduct a benchmarking analysis of the University's HR and payroll functions. Sample data for Fiscal Year 2012 was culled from 57 units and extrapolated to remaining units based on size and complexity attributes.

Hackett provided comparisons to a group of higher education and similarly complex organizations with 24/7 operations. In addition, the University was compared to other world-class organizations in Hackett's database that were defined as those in the first quartile of performance in efficiency and effectiveness.

Hackett noted that the University spends $60 million annually on HR and payroll functions, compared to $69 million spent by world-class organizations ($1,386 vs. $1,594 per employee).

However, the UW is not delivering the same depth and value of services as these other organizations. The University's HR and payroll efforts are focused on transactional processes, with relatively little focus on strategic efforts. Manual processes and lack of automation contribute to higher error rates.

As a result of deficiencies in information, such as lack of comprehensive data for better workforce planning, the University is unable to answer important questions for strategic and organizational planning, including:
B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update (continued p. 3)

- How many open positions does the University have at any given time?
- Which employees work at a given UW location?
- What is the average turnover rate?
- How many terminations occurred, were they voluntary or involuntary, and what were the reasons for termination?
- How many people retired or are planning to retire?

Hackett also identified opportunities for improvement in value-add services, such as improving visibility of candidates across campus, recruiting and staffing assistance, leveraging technology, standardizing HR and payroll processes, and distributing work to the appropriate level.

WHAT IS OUR OPPORTUNITY?

Through the HR/Payroll Modernization effort, the University is seeking to replace its 32-year-old legacy payroll system with a modern, integrated human resources and payroll system. As part of this effort, it will also implement a set of standardized processes to significantly improve support for critical HR and payroll work across the University.

The benefits of HR/Payroll Modernization are tremendous. An integrated HR and payroll system will retain comprehensive information about positions, appointments, and employees, including a full life-cycle of activities ranging from recruitment to retirement or separation. The HR and payroll components of the system will inform each other of essential information, such as who is employed and in what position, which benefits they are eligible for, and so on. It also will contain detailed workforce information, including organizational information, individual skills and competencies, performance ratings, labor relations information, licensure requirements, and career development plans.

As a result of HR/Payroll Modernization, the University of Washington can reduce its risks, realize efficiencies, enable modern practices, be more competitively positioned in the higher-education sector, and set the foundation on which it can choose to connect to or integrate other systems, such as a financial system.

WHAT SOLUTION ALTERNATIVES WERE CONSIDERED?

Potential solution alternatives were explored and evaluated based on advantages and concerns, as demonstrated in the following table.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update (continued p. 4)

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Description</th>
<th>Advantages</th>
<th>Concerns</th>
</tr>
</thead>
</table>
| #1: Maintain Status Quo | Continue to run current systems                  | Does not require institutional change; Provides less transparency to some potential risk | • COBOL/mainframe infrastructure resources will become increasingly difficult to retain  
• Compliance requirements increasingly difficult to meet  
• Does not meet workforce management and information needs  
• No opportunity to redirect resources focused on transactions  
• Limits flexibility/ability to make changes to the system  
• Cost: $60M annual maintenance |
| #2: Modify Existing Technology | Make modifications to existing technology to reduce risks and automate compliance | A low-cost option for making incremental, partial improvements to the existing payroll systems | All concerns in #1 plus:  
• Significant risk exposure unaddressed  
• No platform for improving processes  
• Cost: $13 million implementation, $60M annual maintenance |
| #3: Use the State System   | Utilize the State’s SAP system                   | System operational interfaces (e.g., to required systems for benefits)  
Addresses some compliance gaps | • Currently no Time and Leave tracking in the system; State currently piloting Workforce T/L/A  
• No Benefits Management  
• System is currently 8 years old, state will be doing options analysis on a potential ERP system, which may include replacement  
• System is run on premise, requiring additional hardware to support UW workload  
• No apparent cost or implementation savings  
• Original Cost: limited system $70 million (8 years ago) |
| #4: Implement Modern HR/P System | RECOMMENDED APPROACH                                | See slide 14 in Regents Information and Discussion Deck for details.          |

Following the decision to pursue implementing a modern HR/Payroll system, a feasibility study was conducted to evaluate different business models for delivering a modern HR/Payroll system. Based on findings from the HR/P feasibility study, the decision was made to remove the Fully Outsourced, Consortium, and Custom business models and On Premise solutions from the scope of the feasibility study assessment. The remaining options included:

- **Hosted:** With this option, the software is licensed by the UW and installed in a third party data center. The infrastructure (hardware, operating system) is managed and operated by the vendor staff. The application is managed and maintained by UW staff, including applying upgrades and patches.
VII. STANDING COMMITTEES

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HR/Payroll Modernization - Informational Update (continued p. 5)

- **Commercial Software, Hosted, and Managed by the Vendor or a Third Party:** Commercial software is implemented, hosted, managed, operated, and maintained by the software vendor and/or a third party. In most cases, multiple vendors are involved in providing the total solution.

- **Software as a Service (SaaS):** With a SaaS option, the provider gives access to a shared multi-tenant system using a web interface and the client pays on a subscription basis. Pricing models for HR/payroll systems are usually based on a per-employee basis.

Based on the feasibility study, the University moved forward with a system selection process seeking a Software as a Service (SaaS) solution; an externally hosted, licensed commercial software solution; or an outsourced solution.

The following table reflects the options considered, as well as institutions identified as using some of the options.

<table>
<thead>
<tr>
<th>Solution Type</th>
<th>Outsourced Business Process</th>
<th>Outsource</th>
<th>Software as a Service</th>
<th>Commercial Software</th>
<th>Commercial Software</th>
<th>Consortium Developed Software</th>
<th>Custom Developed Software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosting</td>
<td>Remote</td>
<td>Remote</td>
<td>Remote</td>
<td>Remote</td>
<td>On-premise</td>
<td>On-premise</td>
<td>On-premise</td>
</tr>
<tr>
<td>Solutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considered</td>
<td></td>
<td>ADP</td>
<td>Workday</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutions</td>
<td></td>
<td>Georgia State</td>
<td>Brown, Carnegie</td>
<td></td>
<td></td>
<td>Montclair State (SAP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mellon, Cornell,</td>
<td></td>
<td></td>
<td>Michigan, Arizona State,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Georgetown, NYU,</td>
<td></td>
<td></td>
<td>Utah, Wisconsin UNC,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>USC, U of Miami,</td>
<td></td>
<td></td>
<td>Minnesota, Illinois (Oracle</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>UT Austin, Yale</td>
<td></td>
<td></td>
<td>PeopleSoft)</td>
<td></td>
</tr>
</tbody>
</table>

**WHAT PROCESS DID UW FOLLOW IN SELECTING A VENDOR?**

The University of Washington released a RFP to replace its aging payroll system

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in September 2012, following more than two years of planning work and approvals from the Board of Regents and the State of Washington. This RFP process involved a staged evaluation approach with specific deadlines and processes.

- **Stage 1**: An RFP bidders’ conference was held at UW on October 3, 2012, to provide potential bidders an overview of UW’s HR/P Modernization effort and an opportunity to ask questions about the RFP. Representatives from 29 companies participated either in person or via web/teleconference. The HR/P Modernization Executive Sponsors and project team members were in attendance to discuss efforts underway to support the new system, provide a walkthrough of the procurement process, and give bidders the opportunity to ask questions. Following the conference, UW received six bids and invited five of those to submit more detailed proposals for Stage 2.

- **Stage 2**: Four bidders submitted more detailed proposals, which were received on January 15, 2013; one bidder was disqualified due to an incomplete response. Extensive review of the three remaining proposals focused on functional and technical capabilities, bidder profiles, and the degree of fit with UW requirements. All three bidders were invited to the Seattle campus in February 2013 to negotiate key business terms. Extensive reference checks and financial due diligence activities were also completed as part of the evaluation process.

- **Stage 3**: On March 27, 2013, three vendors were invited to participate in Stage 3. One bidder withdrew in April due to licensing and contracting issues with a sub-contractor. In this stage, vendors provided initial solution demonstrations, and submitted initial cost proposals, answers to additional UW questions, and contract issues lists. The procurement team continued to perform reference checks and other due diligence activities, evaluated cost, and negotiated contract terms.

- **Finalist Stage**: In this stage, the two remaining bidders provided revised cost estimates, and engaged in negotiations and implementation planning studies with the HR/P team. In August 2013, both bidders provided demonstrations of their solutions to representatives from around the University.

- **Apparent Successful Bidder**: Due to the public nature of this document and not having official approval to announce the Apparent Successful

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VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update (continued p. 7)

Bidder, the University of Washington will verbally present the recommended bidder at the Board of Regents on January 9. This protects the integrity of a competitive procurement process. A public announcement for the Apparent Successful Bidder is scheduled for January 10. The decision on whether to proceed with the recommendation will be made at the Regents meeting on February 13, 2014.

WHY ARE WE RECOMMENDING THIS BIDDER?

The Apparent Successful Bidder provides a unified administrative solution for HR and payroll, delivers more than 200 best practices to its clients, and is the least costly to implement.

Advantages of this solution are:

• Reduces risk
• Automates and standardizes most HR/Payroll processes
• Greatly improves reporting and access to information for strategic decision making
• Minimizes effort spent on managing transactions
• Allows the UW to stay current with compliance changes and technology advances

Overall, the recommended solution provides the University of Washington the opportunity to improve efficiency and processes with standardization. Benefits can be realized in an expedited manner, as core functionality is expected within 22-28 months from kick-off. In addition, the overall concerns and risks carry lower impact than other solutions analyzed. The University has a transformative opportunity to partner with a private sector partner that leverages smaller, successful implementations. As such, the vendor provides a pathway to simplify internal technology maintenance functions.
WHAT DOES THE PROJECT COST?

The one-time implementation costs and average yearly ongoing costs are as follows:

<table>
<thead>
<tr>
<th>Implementation Costs 1,2</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor Costs 3</td>
<td>$30</td>
</tr>
<tr>
<td>UW Costs 3</td>
<td>$25 to $30</td>
</tr>
<tr>
<td>Reserve</td>
<td>$5 to $10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$60 to $70</strong></td>
</tr>
</tbody>
</table>

<table>
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<td>Other Costs 4</td>
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1 Not all implementation costs are debt financed. Total borrowing estimated to be between $56 and $66 million.
2 Excludes potential future system improvements. Costs of future improvements are estimated at $10.4 million implementation and $2.5 million/year.
3 Vendor costs frozen 11/4/13. UW costs range reflects project complexity and significant integrations with other UW systems.
4 Includes staff, training, and other operations costs.

WHAT IS THE FUNDING PLAN?

Capitalized costs associated with HR/Payroll Modernization will be debt financed through the University's Internal Lending Program. Operating implementation costs and interest will be paid on an ongoing basis. Principal repayment will not begin until the new system is online; repayment has a term of 10 years.

Post implementation (expected in July 2016), the loan repayment will be added to the ongoing costs allocated to campus and spread evenly over 10 years. Ongoing costs (e.g., debt service, operating implementation costs, and solution fees) will be allocated to campus beginning in July 2016 using an employee-based model.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update (continued p. 9)

Hard savings will be allocated to all units based on their percentage of employees.

In addition, new budget allocations may be necessary to cover a portion of the ongoing cost of the system.

WHAT ARE THE PROJECTED SAVINGS?

The projected savings include hard savings due to cost reductions, as well as potential savings due to institutional efficiencies.

An estimated $1.8 million in annual hard savings will come from elimination of support, maintenance, and licenses for Information Technology supported systems.

An additional $9.5 million could be saved each year due to departmental system support efficiencies, improved processes, and reduction in redundant data entry.

WHAT PREPARATORY WORK WAS COMPLETED FOR IMPLEMENTATION?

The procurement process was accompanied by three major efforts to help prepare for implementation of the HR/Payroll solution.

- In 2012, Gartner Readiness Assessment: Gartner, a technology research and advisory firm, was contracted to provide a focused, high-level readiness assessment of the HR/Payroll Modernization effort, including assessment of the project structure against industry best practices. In addition, Gartner reviewed the HR/Payroll Modernization RFP and provided a risk mitigation plan with actionable recommendations. The Gartner report focused on cultural readiness, resource and effort awareness, and project readiness, and provided recommendations that were critical to project success.

Based on the assessment, UW took steps to improve readiness, including:
  - Adding academic representation to the Executive Sponsor Group
  - Redefining the project governance structure
  - Updating the project's financial plan
  - Defining Business Process Redesign work to include baseline metrics and a high-level vision of business goals
  - Implementing a robust communications and change management program
In addition, the University retained external legal counsel from Gallitano & O’Connor LLP, a law practice singularly focused on representing businesses in technology and outsourcing transactions. Dennis Gallitano conducted a comprehensive review of the RFP against business practices, assisted with design of the contracting approach, coordinated alignment of the RFP and contract documents, and refined UW's draft contract documents.

- Business Process Redesign (BPR): Getting optimal benefit from a new HR/Payroll system will involve making changes to the way some work is currently performed at the University. In partnership with Accenture, a nine-month BPR effort in FY2013 focused on designing standardized, best-practice processes for the University, and identified areas where process changes could lead to efficiencies, reduced risk, and opportunities for improvement. The work addressed 19 functional HR and payroll areas, including:
  - Benefits Administration
  - Compensation Strategy & Planning
  - Disability Accommodation
  - Hazards & Incidents
  - HR Communications
  - HR Organization & Position Management
  - Labor Relations
  - Leave Administration
  - Off-Cycle Payroll Processing
  - On-Cycle Payroll Processing
  - Ongoing & Year-End Payroll Processing
  - Performance Management
  - Separations
  - Succession Planning
  - Talent Acquisition
  - Time Collection & Timekeeping
  - Training & Development
  - Violence Prevention
  - Workforce Management
The HR/P project team worked closely with more than 300 representatives from around the University to envision what such processes will look like in the future, particularly when complemented by a new HR/Payroll system. By getting input from people who are most closely involved in these processes, the project team was able to understand how things are done today, identify current inefficiencies and gaps, and determine how technology can help UW deliver these services in more efficient, compliant, and productive ways.

Using best practices in these core functional areas will facilitate more accountability for maintaining shared information, enhance role-specific accessibility to key information for workforce planning, and encourage automation of cumbersome, manual processes. The outcomes from BPR helped inform the selection of the new system, and will provide the basis for system configuration during the implementation.

- Implementation Planning Study (IPS): The two finalist vendors engaged in detailed IPS sessions with the project team in July/August 2013. These sessions focused on identifying the scope, sequencing, and phasing of implementation, as well as the activities, deliverables, and methodologies for completing the work required. Roles and responsibilities for both the vendor team and UW's internal resources were assessed to ensure appropriate staffing would be in place for the duration of implementation.

IPS work generally is completed after a contract is signed. Though it added time to the procurement schedule, it allowed for a thorough assessment of each vendor including challenges, processes, and impact, and helped to ensure that key commitments could be established in the contract for the statement of work, timeline, and resource plans.

By performing this extensive planning process in advance of a signed contract, the University will be able to work more quickly to implement the recommended solution.

WHY SHOULD WE IMPLEMENT A NEW SYSTEM NOW?

Work by the President's Advisory Committee for Enterprise Risk Management, as documented in its 2012 annual report that was shared with the Board of Regents (July 2013), identified the University of Washington's aging infrastructure, including its information technology systems, as one of the top five risks for the enterprise. A modern HR and payroll system will provide flexibility to mitigate both existing and future risks.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

HR/Payroll Modernization - Informational Update (continued p. 12)

Further delay in replacing the existing payroll system with an integrated HR and payroll solution will result in lost opportunities, higher costs, and erosion of the UW's competitive edge.

WHAT ARE SOME BENEFITS OF HR/PAYROLL MODERNIZATION?

The HR/Payroll Modernization effort will transform the infrastructure supporting UW's workforce. It will significantly improve critical HR and payroll functions for the entire University (including recruiting, payroll, time and leave management, compensation administration, and benefits management), strengthen regulatory compliance, deliver better information for decision making, and produce substantial efficiencies and productivity gains throughout UW units.

Benefits to be achieved, which are specific to the enterprise risks identified, include:

- **Compliance:**
  - Mitigates compliance requirements
  - Provides business continuity assurance
  - Provides disaster recovery functionality

- **Financial:**
  - Commensurate with current HR/payroll costs
  - Provides more value for each dollar spent
  - Aligns with HR/payroll costs of similar HR organizations

- **Operational:**
  - Eliminates manual workarounds and shadow systems
  - Facilitates standardization of HR/payroll processes
  - Reduces duplication and errors
  - Enables staff to focus on mission-critical work
  - Transfers significant technology risk/mitigation to external business partner

- **Strategic:**
  - Reinforces UW as a leader in public higher education
  - Provides comprehensive, accurate, timely employee data for use across UW
  - Improves the quality of decision making and related actions
As a result, HR/Payroll Modernization directly aligns with the University's Two Years to Two Decades Initiative to operate more effectively and efficiently while providing improved services.

**WHAT IS THE PROPOSED IMPLEMENTATION TIMELINE?**

The proposed implementation timeline for Phase 1 of the HR/Payroll Modernization effort spans 22 months, beginning in March 2014 with a projected "go live" date of January 1, 2016.

The approach will be iterative, which means components of the solution will be designed and tested in cycles to allow the teams to start working early with the UW’s existing data and then build out from there into increasing areas of complexity. Such an approach provides for easier management, flexibility to accommodate changes in requirements, ongoing testing, and helps ensure solution stability and operability earlier in the implementation phase.

**HR/P Implementation Timeline**

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start Up</strong></td>
<td><strong>Confirm Requirements &amp; Develop Design</strong></td>
<td><strong>Go Live Prep</strong></td>
</tr>
<tr>
<td><strong>Project Kickoff Spring 2014</strong></td>
<td><strong>Testing</strong></td>
<td><strong>Post-Production Support</strong></td>
</tr>
</tbody>
</table>
Phase 1 includes implementing those components of the system necessary to support our payroll (referred to by the vendor as 'core HR/Payroll functionality'), including: human capital management, position management, on-boarding, and off-boarding; benefits management; compensation administration; absence management; faculty management; time tracking; and payroll. This phase also includes integration with some existing HR systems, including: Kronos for time tracking in the Medical Centers and in Housing & Food Services; SumTotal learning management system for the Medical Centers; and a proposed temporary integration with UWHIRES, the University's primary recruitment system. During this phase, most unit and central office administrative and shadow systems will be retired.

Phase 2 is expected to encompass implementing additional functionality, such as performance management, an institution-wide learning management system, and possibly the vendor’s new applicant tracking system. It also will operationalize, as appropriate, any solution upgrades not included in Phase 1. Details about the needs and specific deliverables for this additional phase of implementation will be developed about halfway through Phase 1.

WHAT REVIEW AND APPROVALS ARE NEEDED?

As required by state statute, the HR/Payroll Modernization investment plan and contract recommendation was approved by the University of Washington President, Provost, Senior Vice President, Vice President for UW Information Technology and Chief Information Officer, Financial Planning Officer for UW Medicine Health System, Vice President for Human Resources, and Vice Provost for Academic Personnel.

Next steps include returning to the Board of Regents at the February 13, 2014, meeting for approval of a project investment plan, budget, and recommended contract award.

UW will also submit the plan to the Washington State Office of Financial Management and Office of the Chief Information Officer for approval of the vendor solution and total project costs.

Attachment
HR/Payroll Modernization Information and Discussion Materials
HR/Payroll Modernization

Board of Regents
Finance and Asset Management Committee

Information and Discussion Materials
January 9, 2014

V’Ella Warren, Senior Vice President
Cheryl Cameron, Vice Provost for Academic Personnel
Paul Ishizuka, Financial Planning Officer, UW Medicine
Mindy Kornberg, Vice President, Human Resources
Kelli Trosvig, Vice President & CIO, UW Information Technology
Discussion Topics

• The Challenge
• The Solution
• Recommendation & Rationale
  o Total Cost of Ownership
  o Funding Plan
  o Anticipated Savings
• Why Now?
Technology has changed dramatically between the 1980s and today:

- Typewriters → Computers
- Classified Job Ads → Internet Job Postings
- Handwritten Pay Checks → Direct Deposit
- Wired telephones → Smartphones
- Floppy Discs (170 KB) → Thumb Drives (32 GB)
- Commodore 64 Computer → Laptops and Tablets
UW has Changed: 1982-Now

The current payroll system was implemented in 1982; the UW’s business needs have evolved significantly since then.

<table>
<thead>
<tr>
<th>Primary Revenue Sources</th>
<th>1982</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Revenue</td>
<td>$552 million</td>
<td>$4.6 billion</td>
</tr>
<tr>
<td>State appropriation</td>
<td>28% ($154M)</td>
<td>6% ($276M)</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>13% ($71.8M)</td>
<td>13% ($598M)</td>
</tr>
<tr>
<td>Research grants and contracts</td>
<td>27% ($149M)</td>
<td>30% ($1.38B)</td>
</tr>
<tr>
<td>Patient care</td>
<td>14% ($77.3M)</td>
<td>29% ($1.33B)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>1982</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>20,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Number of faculty</td>
<td>2,496</td>
<td>3,927</td>
</tr>
<tr>
<td>Unionized staff</td>
<td>7,000</td>
<td>17,000</td>
</tr>
</tbody>
</table>
### UW’s Compliance Profile has Changed

<table>
<thead>
<tr>
<th>Scope of bargaining agreements</th>
<th>1982</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Prohibited</em> from negotiating salary, hours of work, overtime, premium pay, leave, corrective action, performance management</td>
<td>Civil Service Reform <em>opened the scope of bargaining to include all of these areas</em></td>
<td></td>
</tr>
<tr>
<td>Geographic compliance scope</td>
<td>3 states N/A</td>
<td>29 states 66 countries</td>
</tr>
<tr>
<td>Federal, state, and hospital requirements and regulations</td>
<td>HEPPS was implemented to be compliant for the time, but lacks the flexibility to keep up with change</td>
<td>Over 30 major federal regulatory programs and requirements, numerous changes to state and hospital rules &amp; regulations, including: ADA, FMLA, COBRA, FLSA for state employers, new state retirement and insurance eligibility rules, extension of bargaining rights to temporary employees, new Joint Commission rules, etc.</td>
</tr>
</tbody>
</table>
A Complex Workforce

UW’s complex workforce of 40,000 includes:

- 11,000 medical center employees
- 300+ employees in 26 other countries
- 4,400 graduate students with health benefits
- 365+ earning types (regular, hourly, etc.)
- 165+ unique pay differentials or premiums
- 4,000 retirees
- 9 unions representing 16,000+ employees
Myriad Systems Perform Same Functions

LEGEND
(IM supported) Non-HR/Payroll System
(Non-IM supported) Campus System
External Input/Output
System to be Replaced

F–6.1/201-14
1/9/14

Development

UW Medicine
SumTotal
Training and Development
Registration

Employee Relations

Perms
Faculty Biographic
AuditDB
Academic HR Prime
H-RIS

Lawson Transfer Interface

UW Medicine
Lawson HR
Extracts to departmental shadow systems

System Administration

PRP Admin
Employee Search
Rule Capture

Staffing

UW Hires
Univ Temp Svcs
Email Access

Affirmative Action

Compensation

VEBA
DAPP

CIM/OSHRD
HCA
BGT – Salary Revision

Payroll

Employee Self-Service

SSA
Pay
Deductions

DRS

DRS RET/ contrib

Time and Leave

TRETI

OWLS

UW Timesheet

Time Reporting

Payroll

Tax Forms

HEPPS + OPUS

Enterprise Data Warehouse / Operational Data Store

Workforce Planning

(no enterprise systems)

Labor Relations

(no enterprise systems)
Benchmarking Overview

• Independent benchmarking effort by The Hackett Group in spring 2013

• Analyzed HR and payroll functions

• Provided comparisons to:
  – Similarly complex higher education institutions and entities with 24/7 operations
  – World-class organizations in Hackett’s database defined as those in the first quartile performance in efficiency and effectiveness

• Benchmark data reported is for FY 2012

• Surveyed 57 units and extrapolated their data to remaining units based on size and complexity attributes
Hackett’s Observations

- Overall HR/P expenditures are low in comparison to others, but this masks some important deficiencies
- Staff are very focused on transactional processes
- Manual processes and lack of automation contribute to higher error rates
- Siloed or redundant activities in some processes suggest there is a lack of a unified, strategic UW approach
- Heavy campus involvement is required in some processes and much of the work is being done by managers
- UW lacks access to comprehensive data for workforce planning
Basic Questions UW Can’t Answer

Due to limited access to HR and payroll data, UW is unable to answer some questions that are necessary for strategy and organizational planning.

- How many open positions does the University have at any given time?
- Which employees work at a given UW location?
- What percentage of new hires were still here one year and two years from hire date?
- What is the average turnover rate?
- How many terminations occurred, were they voluntary or involuntary, and what were the reasons for termination?
- How many people retired or are planning to retire?
Our Opportunity

- Replace UW’s existing payroll system with a *modern*, integrated HR and payroll system
- Implement a technology platform that allows UW to outsource the infrastructure
- Implement standardized HR and payroll processes and practices across the entire University
- Reduce UW’s risks, realize efficiencies, enable modern practices, and provide better competitive positioning.
### Benefits to HR/P Modernization

#### Compliance
- Mitigates compliance requirements
- Provides business continuity assurance
- Provides disaster recovery functionality

#### Financial
- Commensurate with current HR/payroll costs
- Provides more value for each dollar spent
- Aligns with HR/payroll costs of similar HR organizations

#### Operational
- Eliminates manual workarounds and shadow systems
- Facilitates standardization of HR/payroll processes
- Reduces duplication and errors
- Enables staff to focus on mission-critical work
- Transfers significant technology risk / mitigation to external business partner

#### Strategic
- Reinforces UW as a leader in public higher education
- Provides comprehensive, accurate, and timely employee data for use across UW
- Improves the quality of decision making and related actions
- Creates bandwidth to focus on strategic initiatives
Examples of Questions UW Will Be Able to Answer

**Employment Activity and Trends**

- # of new positions created/filled (and % of hires that are internal promotions or transfers vs. external hires), time to hire statistics (insight into hard-to-fill positions/skill sets)
- % of new hires completing new employment orientation within X days of hire

**Workforce Data and Trends**

- Retention/employee satisfaction – all, 1 year, and 2 years after hire (insight into new employee experience/satisfaction)
- Employee turnover/reasons for leaving (informs focus of retention efforts)
- % of workforce for whom current performance evaluations have been completed (due diligence in staff management/development)
- % of workforce for whom current training and development plans are in place (due diligence in staff management/development)
- % of workforce completing compliance-related training within established timeframe (e.g., prevention of sexual harassment, Title IX, etc.)
- % of workforce possessing specific skills/competencies identified as key to the organization’s growth/success (insight into development, skill building/acquisition planning)
- Trends in corrective action and/or grievance activity/issues by organization

**Productivity**

- % of employee time off due to unscheduled absences
- % of employee time attributed to leave (vs. work time)
Recommendation & Rationale

Ours recommended vendor will provide a comprehensive, modern HR/Payroll solution that will facilitate standardization of related business processes across the University.

Advantages
- Reduces risk
- Automates and standardizes most HR/Payroll processes
- Greatly improves reporting and access to information for strategic decision making
- Minimizes effort spent on managing transactions
- Allows the UW to stay current with compliance changes and technology advances in the future

Concerns
- Large degree of organization change required
- If a solution functionality does not perform as expected, UW may not be able to hold the vendor responsible
- UW would still pay for 3 years of services in the event it terminates the implementation (tied to prepayment of subscription fees)
- Vendor may not incorporate Washington State-specific regulatory changes into the solution, exposing UW to compliance risk

Reasons For Recommending
- Provides opportunity to improve efficiency and processes with standardization
- Benefits can be realized in an expedited manner (Core functionality in 22-28 months from kickoff)
- Overall concerns and risks carry lower impact than other solutions analyzed
- Provides transformative opportunity to partner with private sector that leverages smaller, successful implementations
- Provides pathway to simplify internal technology maintenance functions
## Project Cost

### Implementation Costs\(^1,2\)

<table>
<thead>
<tr>
<th></th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor Costs(^3)</td>
<td>$30</td>
</tr>
<tr>
<td>UW Costs(^3)</td>
<td>$25 to $30</td>
</tr>
<tr>
<td>Reserve</td>
<td>$5 to $10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$60 to $70</strong></td>
</tr>
</tbody>
</table>

### Average (FY17-26) Yearly Ongoing Costs after Implementation

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4. Includes staff, training, and other operations costs.
## What are Current and Future Costs?

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<thead>
<tr>
<th></th>
<th>FY14-16 (average)(^1)</th>
<th>FY17-26 (average)</th>
<th>FY27+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current cost of payroll at UW (per Hackett Study)</strong>(^2)</td>
<td>$60 million</td>
<td>$60 million</td>
<td>$60 million</td>
</tr>
<tr>
<td><strong>Less: Hard savings</strong>(^3)</td>
<td>None during implementation phase</td>
<td>($1.8 million)</td>
<td>($1.8 million)</td>
</tr>
<tr>
<td><strong>Plus: Cost of new HR/P system</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation Costs(^4)</td>
<td>$2.7 to $3.2 million</td>
<td>$7.3 to $8.6 million</td>
<td>None, debt retired</td>
</tr>
<tr>
<td>Ongoing Costs (Solution fees and other costs)</td>
<td>$4.7 million</td>
<td>$6.9 million</td>
<td>$7.8 million</td>
</tr>
<tr>
<td><strong>Total cost of running new HR/P system (conservative)</strong></td>
<td>$67.4 to $67.9 million</td>
<td>$72.4 to $73.7 million</td>
<td>$66.0 million</td>
</tr>
<tr>
<td><strong>Less: Soft savings</strong>(^3)</td>
<td>None during implementation phase</td>
<td>($9.5 million)</td>
<td>($12.1 million)</td>
</tr>
<tr>
<td><strong>Total cost of running new HR/P system (optimistic)</strong>(^5,6)</td>
<td>$67.4 to $67.9 million</td>
<td>$62.9 to $64.2 million</td>
<td>$53.9 million</td>
</tr>
</tbody>
</table>

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2. The $60 million current UW costs for HR and payroll functions include $45 million in labor; $4.2 million in outsourcing, $7.7 in technology, and $3 million in other costs.
3. Soft savings will likely be phased in over several years; full phase-in of $1.8 million hard savings and $10.6 million soft savings by year 14.
4. Implementation Costs include interest on the debt and other UW costs.
5. Does not reflect the impact of risk mitigation, which would result in substantial cost avoidance.
6. The Hackett Group benchmarking revealed that world-class organizations spend $69 million annually on HR and payroll functions.
Questions?

HR/Payroll
MODERNIZATION

UNIVERSITY of WASHINGTON
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

UW Investment Committee (UWINCO) – Informational Update

There will be an oral report for information only.
B. Finance and Asset Management Committee

Independent Auditor’s Report (KPMG) – 2013 UW Financial Statements

There will be an oral report for information only.

Attachment
The UW 2013 Financial Report will be available on-line at annualreport.uw.edu following the meeting of the Board, subject to the Board’s acceptance and report.
Budget Update

This item is for information only.

Paul Jenny, Vice Provost of Planning and Budgeting, will provide an update on the internal budget process, followed by a discussion.

Margaret Shepherd, Director of State Relations, will join Vice Provost Jenny as a resource on the upcoming legislative session and the state budget.
For more than 150 years, the University of Washington has made a lasting difference in our state by educating the next generation of leaders, thinkers and doers. The UW has campuses in Seattle, Tacoma and Bothell and operates a world-class academic medical center. Dedicated to research and public service, the UW is a key driver of our state economy and of the Northwest’s increasingly global reputation as a center of innovation and change.

2014 LEGISLATIVE AGENDA

PRIORITY #1 PRESERVE THE 2014 TUITION FREEZE

Last year, the Legislature’s new investment in higher education allowed the UW to freeze resident undergraduate tuition for the first time since 1986. The UW is committed to a continued freeze in 2014 as long as there are no reductions in state funding.

PRIORITY #2 FULLY FUND THE STATE NEED GRANT

The State Need Grant (SNG) is vital to keeping the UW affordable and accessible to low-income and first-generation college students. Last year, 32,000 students were eligible for the SNG but went unserved. Fully funding the SNG is also vital to the UW’s successful Husky Promise program, a commitment to ensuring that students of all economic backgrounds have the opportunity to attend the UW.

PRIORITY #3 MAKE STRATEGIC INVESTMENTS IN WHAT’S NEXT

As the economy slowly recovers, small strategic investments in innovative work occurring at the UW can result in big economic impact. Investments in the University’s core strengths can produce measurable, high-impact outcomes for our state’s economy and its people.

UW at a Glance

- The UW’s overall economic impact in the state of Washington is $9.1 billion.
- The UW is the third largest employer in Washington state.
- More than 280 companies have been started by UW students and faculty or with UW technology.
- About 50% of UW undergrads graduate with no debt.
- UW serves more Pell-eligible students than the entire Ivy League combined.
- More than 53,000 students attend the UW, and another 47,745 take advantage of the UW’s Educational Outreach (UWEO) programs.
- The UW offers 41 certificate and 17 degree programs online, along with a variety of Massive Open Online Courses (MOOCs). Registrants for the UW’s MOOC classes on Coursera exceed one million.
Next Generation Medicine Institute for Protein Design (IPD)

The UW requests $1.5 million to support the recently formed Institute for Protein Design (IPD). Designed proteins have the potential to significantly reduce the time and cost it takes to improve medical care by providing earlier and more accurate diagnoses and targeted treatments. Dr. David Baker, an internationally recognized pioneer of protein design, leads the IPD. The requested funds will support the commercialization of projects to make sure this important research reaches patients as quickly as possible.

Next Generation Health Care Interprofessional Education (IPE) Initiative

The UW requests $688,000 for an Interprofessional Education (IPE) Initiative to support the transformation of health care professional training. As we work through the implementation of health care reform, the goal of this initiative is to provide next generation health care professionals with advanced skills in team based, patient-focused health care and expand access to care in underserved communities. To achieve this goal, graduate education for the UW’s six health care related disciplines (dentistry, medicine, nursing, pharmacy, public health and social work) will be coordinated through an Interprofessional Education (IPE) Initiative.

A key component of this initiative is service-learning opportunities to provide students with advanced, real-world skill development. These service-learning sites are typically clinics whose goal is to extend access to critical health care in underserved communities.

Next Generation STEM Education Expansion and Facility Roadmap

The UW requests $6.6 million for a tri-campus STEM facility planning and design roadmap to get ready for the next phase of STEM enrollment expansion. As the state’s largest producer of graduates in STEM disciplines, the UW has a leading role to play in helping fill the skills gap for workers with STEM degrees experienced by Washington employers.

The UW has been working in partnership with the state over the past two years to increase capacity in engineering and computer science. This partnership has been so successful that our facilities are reaching capacity. If we are going to continue to grow student access to these important programs and produce a next generation workforce, we need to begin a comprehensive facility planning and design effort now.

Next Generation Higher Education Performance Funding

In the 2013–2015 state budget, the Legislature created a task force to recommend methods and metrics for implementing a higher education performance funding system in Washington state. During the legislative interim, the Office of Financial Management convened stakeholders to produce recommendations for a performance funding model. The UW supports the task force’s recommendations and requests funding for the first phase of the program. Through this initiative, the six public baccalaureate institutions will commit to producing more degrees overall, producing more degrees in high-demand fields and serving more underrepresented students.
REPORT OF THE CHAIR OF THE BOARD OF REGENTS

Appointment of Governance Committee

RECOMMENDED ACTION

It is the recommendation of the Chair of the Board that the Board of Regents approve the appointment of members to the Governance Committee, a standing committee of the Board.

The Board Chair will announce the proposed members at the meeting of the Board.

BACKGROUND

The Board approved revisions and amendments to its Bylaws at the meeting of the Board on November 14, 2013, effective on January 1, 2014.

A Governance Committee is specified in the Bylaws in Article IV–Committees of the Board.

The purpose of the Governance Committee is to ensure the integrity of the Board and enhance Board performance. The committee is responsible for:

1) Establishing and maintaining standards of Board conduct;
2) Identifying the expertise and experience needed by the Board and, as appropriate, communicating this to the Governor;
3) Recommending a slate of officers for Board approval;
4) Recommending for Board approval individual members to act as the Board’s representatives on outside boards and committees;
5) Ensuring that Board members have adequate orientation and ongoing education;
6) Assessing the performance of the Board and Board members;
7) Monitoring the activities of governance shared with the faculty;
8) Monitoring compliance with the conflict of interest policy;
9) Periodically reviewing and ensuring compliance with these Bylaws and other Board policies; and
10) Carrying out the statutory functions of an executive committee.

The Governance Committee shall include, and be chaired by, the Chair of the Board.

Per the Bylaws, each standing committee shall consist of at least four members, with at least three voting members. All committee chairs, vice chairs, and a majority of each committee shall be Board members.
Thank you Mr. Chairman.

There’s been a lot of attention to STEM education lately, and with good reason. This university is a major economic engine for the state, and the state needs more people with the technical skills to build search engines or airplanes or designer proteins. As a math professor, I’m thrilled by this phenomenon – I love seeing more and more students taking math courses and majoring in math, and my colleagues and I will happily continue to introduce as many students as we can to the excitement of mathematical thinking.

But, believe it or not, the thing I most want to say to you today is not about STEM: instead, I’d like to remind all of us about the central role of humanities and social sciences in a world-class education.

If the main point of college education were to train students for specific careers, our educational mission would be easy to fulfill: we’d just blanket the state with a swarm of vocational schools that teach students the intricacies of auto repair, software design, surgery, you name it. But we all know that’s not all that we’re hoping for our students.

There’s been a spate of studies recently showing that employers want more than highly trained functionaries who can churn out great widgets or computer code. They want people who can communicate effectively, think critically, work cooperatively, make ethical judgments, and understand cultural and political differences. A third of all Fortune 500 CEOs and 60% of the UK’s industry leaders have liberal arts degrees. Steve Jobs once said, "it's technology married with liberal arts, married with the humanities, that yields the results that make our hearts sing."

Just as urgently as society needs STEM graduates, it needs bioethicists who understand moral philosophy and human cultures; architects who understand sculpture and sociology; city planners who understand the role of art and music in modern urban life; public officials who understand oratory and rhetoric; diplomats who understand cultural history and linguistics.

I think it’s telling that, just while the humanities and social sciences in US universities are feeling squeezed by the ongoing shift of resources into STEM subjects, much of the rest of the world is realizing that the traditional liberal arts education is central to what has made American higher education the envy of the world. Chinese and South Korean universities are superb at producing technically skilled STEM majors, but the big news in the past couple of years is that they’re starting to incorporate Western-style liberal arts into their curricula, because they see that as the key to educating more people to be creators, innovators, inventors, and pioneers.

But the best argument for continuing a robust investment in the liberal arts is not an economic one. Society’s need for STEM graduates will wax and wane over the years; but we’re not just in the business of creating future employees. We’re in the business of creating better people and transforming lives.

And I would argue that over the years, the humanities and social sciences have contributed just as much to society as the sciences. As we all know, university-based scientific research provides the indispensable intellectual foundations for advances in our understanding of the physical world. But just as importantly, it’s university-based research in the humanities and social sciences that provides the intellectual foundations for advances in our understanding of the human world. For example, supporters of women’s suffrage, racial equality, and LGBT rights
would have had to struggle much harder to be taken seriously by society if scholars hadn’t
developed theoretical frameworks within which these disruptive ideas could flourish.

So by all means, let’s make the needed investments in STEM education and research. But let’s
also be zealous about protecting and strengthening our humanities and social science fields.