

University of Washington
Faculty Council on University Facilities and Services

January 4th, 2018
10:00am - 11:30am
Gerberding 26

Meeting Synopsis:

1. Call to order
 2. Review of the minutes from November 16th, 2017
 3. Chair's remarks
 4. One Capital Plan – Mike McCormick
 5. Good of the Order
 6. Adjourn
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1) Call to order

The meeting was called to order at 10:10 a.m.

2) Review of the minutes from November 16th, 2017

The minutes of November 16, 2017 were approved as written.

3) Chair's Remarks

Christie welcomed John Chapman (Interim Associate Vice President, UW Finance & Administration), who is replacing Charles Kennedy as the President's Designee on FCUFS until a permanent replacement is hired.

Christie provided information on the tour taken by FCUFS members of the Molecular Engineering & Sciences Building (MoES) (MOL) on December 7th. He commented on the main takeaways from a tour of the facility:

- ❖ Open lab arrangements worked well.
- ❖ Open seating did not work well. Partitions between the desks were so low that visible and audible distractions were high. One lab invested in higher partitions, which improved the layout. This was noted as an especially important takeaway for the Population Health Facility (currently awaiting construction).
- ❖ The number of toilets in the men's bathrooms were too few. Mike McCormick (Associate Vice President, UW Finance & Administration) said that this was a result of city regulation, and that the number had been built to the city minimum.
- ❖ MoES did not have a lactation room, and did have three new babies among the building occupants. McCormick noted the Population Health Facility will not have the same issue. Michelle Reed clarified

that generally a lactation room requires a sink and a refrigerator, so a simple conference room is not suitable.

Christie reported that the Architectural Commission meeting on Population Health focused on massing issues, as well as the passage between Guthrie and Physics. McCormick added that this was part of developing a good space north of the Physics building.

Christie reported that the January 18 FCUFS meeting is currently open, but asked members to hold the date on their calendars until the preceding Monday when there would be an email formally cancelling the meeting if no business arises.

4) One Capital Plan

Mike McCormick introduced Michelle Reed, the new Executive Director of Capital and Space Planning. McCormick presented on the University's approach to bond ratings. The UW has changed from simply looking at debt service, to looking at three ratios that bond rating agencies use. They are: Spendable Cash and Investments to Debt, Debt to Operating Revenue, and Debt to Cash Flow. It was reported the UW is close to peers in regard to the first and last ratios, but not good in relation to the second (basically because the University has been running a deficit in the past three years). There are measures underway to reduce the deficit. A PowerPoint was shown as part of the presentation (Exhibit 1).

The University's bond rating may go down after the next bond issue of \$120M, which will occur shortly. UW's current rating is AAA with Moody's and AA2 with Standard & Poors. A downrating would increase the University's ability to issue bonds, but with a higher interest rate. However, the current plan is to borrow money needed for existing projects, and to borrow only slightly more than the institution can repay going forward. This will increase debt, but at a lower rate than previously, and help recover the Debt to Cash Flow ratio. Debt in constant dollars will probably actually decrease slightly (although this has not been calculated).

All in all, the likely consequences are a long term slowdown in construction, and an emphasis on finding other funding sources. For example, the CSE building was funded without debt, Population Health is 100% donor funded, and the proposed Foster Business School building will be donor funded. The last phase of the North Campus Housing project will be funded by University Equity (basically money stashed in accounts around the University) rather than debt (and has also been limited by a decision to remove Haggett Hall without replacement).

In other news, the Bothell/Cascadia Master Plan has been approved by the City of Bothell and will now go to the UW Board of Regents (BoR). The UW Seattle Campus Master Plan is presently in the hands of an Examiner for the City, and is expected to go to City Council in about a month. Given the approval of the U-district height rezone, the increased heights in the Master Plan should pass. However, the City Council currently wants UW to fund several bus routes as part of the transportation aspects of the Master Plan.

State legislature action on the capital budget will be later than originally thought. When it comes in, the University will want to move quickly on attaining Regents approval on several projects. It was noted these will come to FCUFS before going to the Regents. Notable on the list are the Clean Energy building, planned for public/private financing, the Foster Business School building and the Bothell STEM building.

5) Good of the Order

No items were raised.

6) Adjourn

The meeting was adjourned at 11:15 a.m.

Minutes taken by Rich Christie, richc@uw.edu, FCUFS chair

Present: **Faculty:** Rich Christie (chair), Bill Erdly, Ashley Emery, Bill Rorabaugh, Jan Whittington
Ex-officio reps: Chris Byrne, Steve Goldblatt, Anthony De Simone
President’s designee: John Chapman
Guests: Mike McCormick, Michelle Reed

Absent: **Faculty:** Ann Marie Borys, Laura Little, Murray Maitland, Ann Mescher, Giovanni Migliaccio, Bruce Balick
Ex-officio reps: John Carroll

Exhibits

Exhibit 1 – Capital Planning January FCUFS.pdf

Debt Capacity Analysis Capital Plan

Slides from Board of Regents
November 8, 2017



ESTIMATING DEBT CAPACITY

Exhibit 1

3 main drivers of quantitative analysis:

- > Peers
- > Financial Ratios
- > Weighting

Multiple factors drive the qualitative analysis:

- > Management quality
- > University unit diversity
- > Peer performance
- > Market sector as a whole
- > Debt trends

HIGHLY-RATED INSTITUTIONS

Exhibit 1

Aaa/AAA	Aa1/AA+	Aa2/AA
Columbia University	Amherst College	Board of Regents of The University System of Georgia
Grinnell College	Brown University	California Institute of Technology
Harvard University	Dartmouth College	Carnegie Mellon University
Indiana University	Duke University	Cornell University
Massachusetts Institute of Technology	Michigan State University	Emory University
Northwestern University	Smith College	Iowa State University of Science & Technology
Pomona College	Texas A&M - College Station	Johns Hopkins University
Princeton University	Texas Tech University System	New York University
Purdue University	University of Colorado	Ohio State University
Rice University	University of Delaware	Pennsylvania State University
Stanford University	University of Missouri System	State University of Iowa
Texas A&M University System	University of Pennsylvania	University of Alabama at Birmingham
University of Michigan	University of Pittsburgh	University of Arizona
University of North Carolina at Chapel Hill	University of Richmond	University of California
University of Notre Dame du Lac	University of Utah	University of Chicago
University of Texas System	University System of Maryland	University of Florida
University of Virginia	Washington University	University of Georgia
Yale University	Wellesley College	University of Hawaii
		University of Kansas
		University of Kentucky
		University of Massachusetts
		University of Minnesota
		University of Mississippi
		University of Nebraska
		University of New Mexico
		University of Oregon
		University of Southern California
		Vanderbilt University
		Washington State University

Note: Selected schools only. Highlighted schools are UW peers for debt capacity analysis

DEBT CAPACITY : RATIOS & WEIGHTING

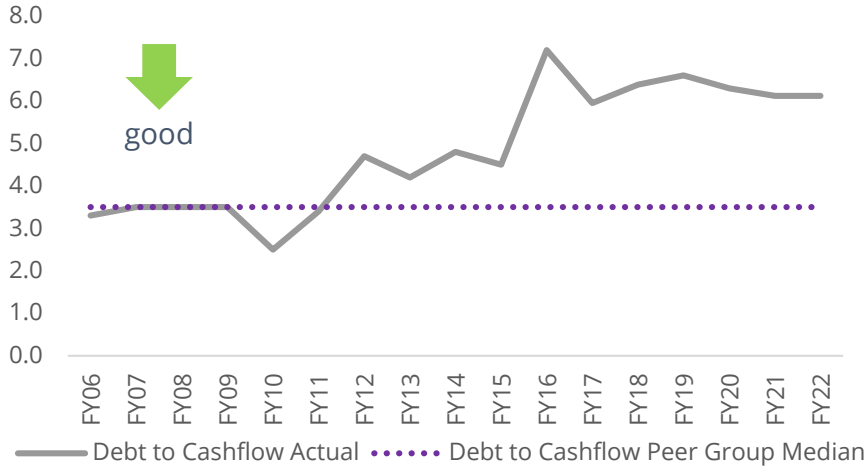
Exhibit 1

Ratios	Current Method	New Method
Debt Service Coverage	100%	NA
Spendable Cash and Investments to Debt	0%	60%
Debt to Operating Revenue	0%	30%
Debt to Cash Flow	0%	10%

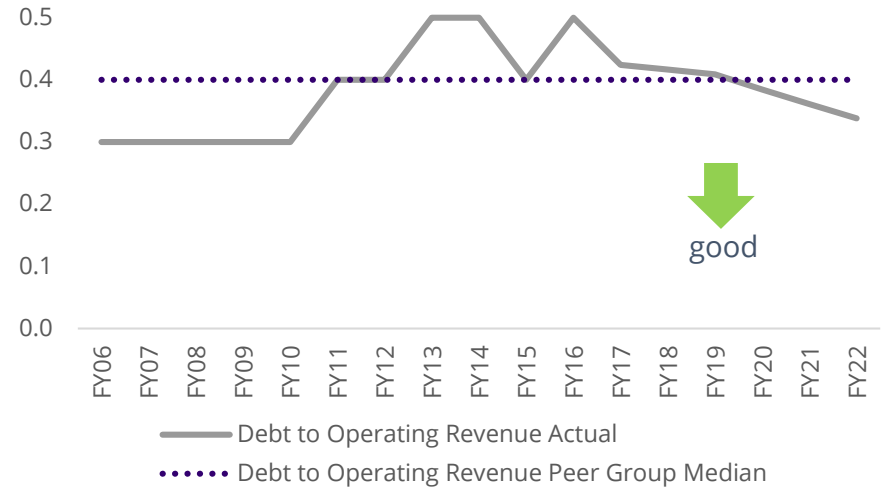
DEBT CAPACITY: RATIOS

Exhibit 1

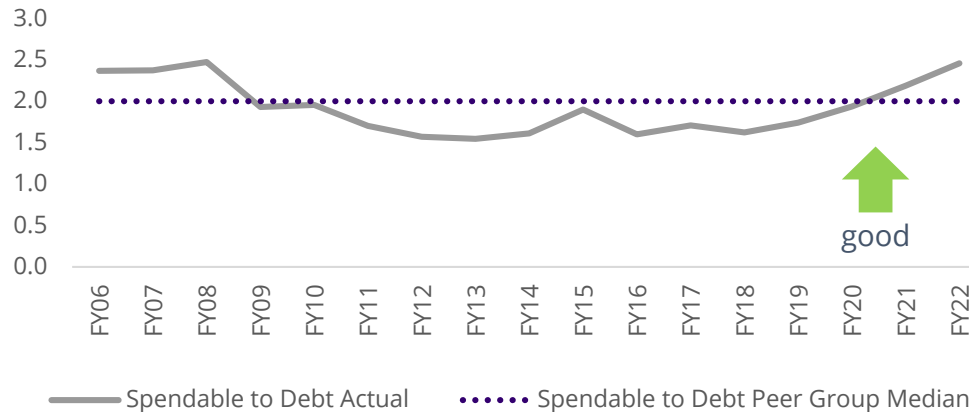
Debt to Cash Flow (10%)



Debt to Operating Revenue (30%)



Spendable Cash & Investments to Debt (60%)



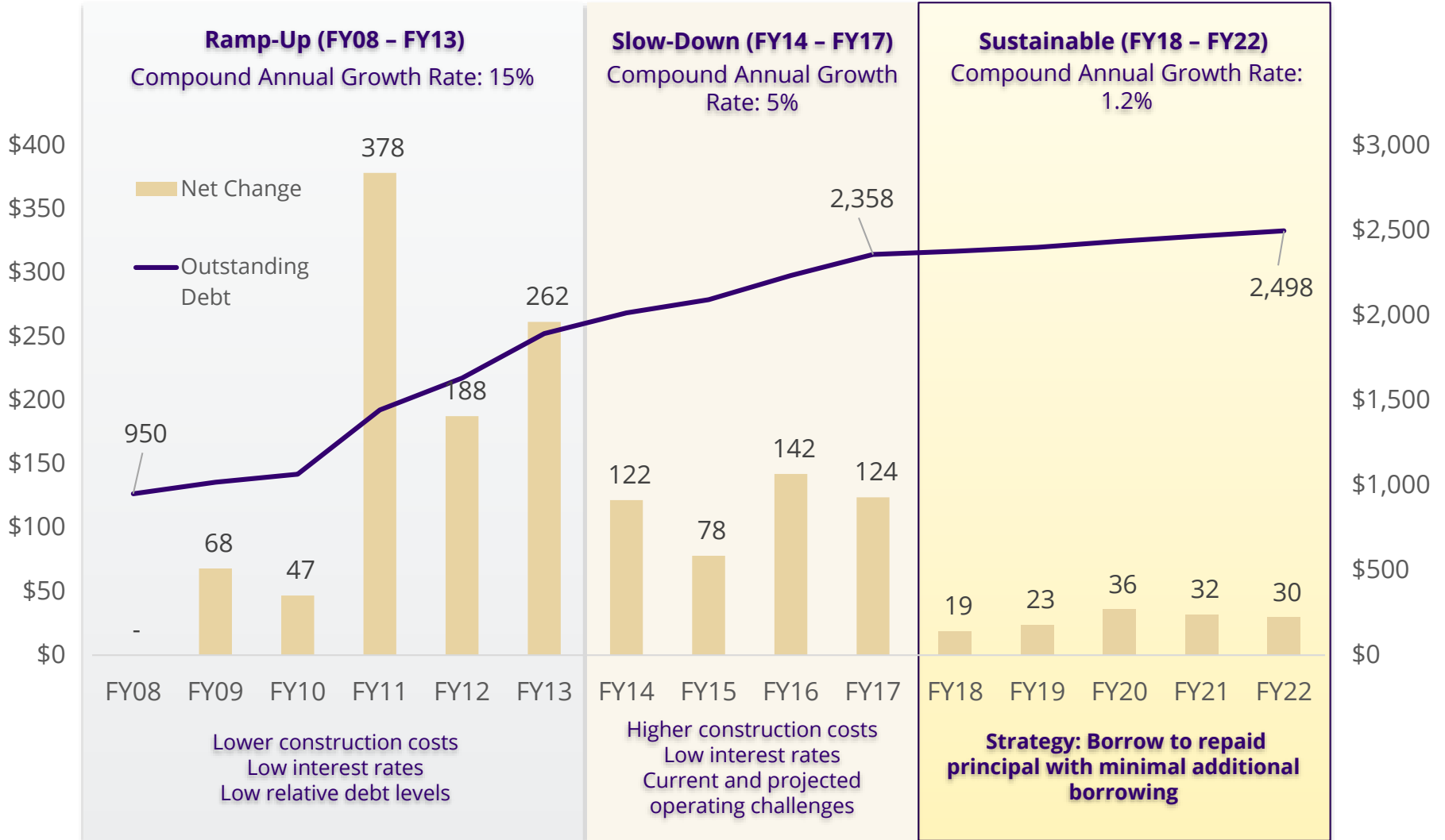
MAXIMUM DEBT CAPACITY ESTIMATE EXHIBIT 1

Projected Debt Balances FY18 - FY22 <i>(in millions)</i>					
	Beginning Balance	Debt Retired	Currently Authorized	Estimated Incremental Capacity	Ending Balance
FY18	2,358	(101)	120	0	2,377
FY19	2,377	(77)	100	0	2,401
FY20	2,401	(74)	0	110	2,436
FY21	2,436	(78)	0	110	2,468
FY22	2,468	(80)	0	110	2,498
Totals		(411)	220	330	

SECTION 8: CONCLUSIONS

Outstanding Debt and Net Change 2008 - 2022

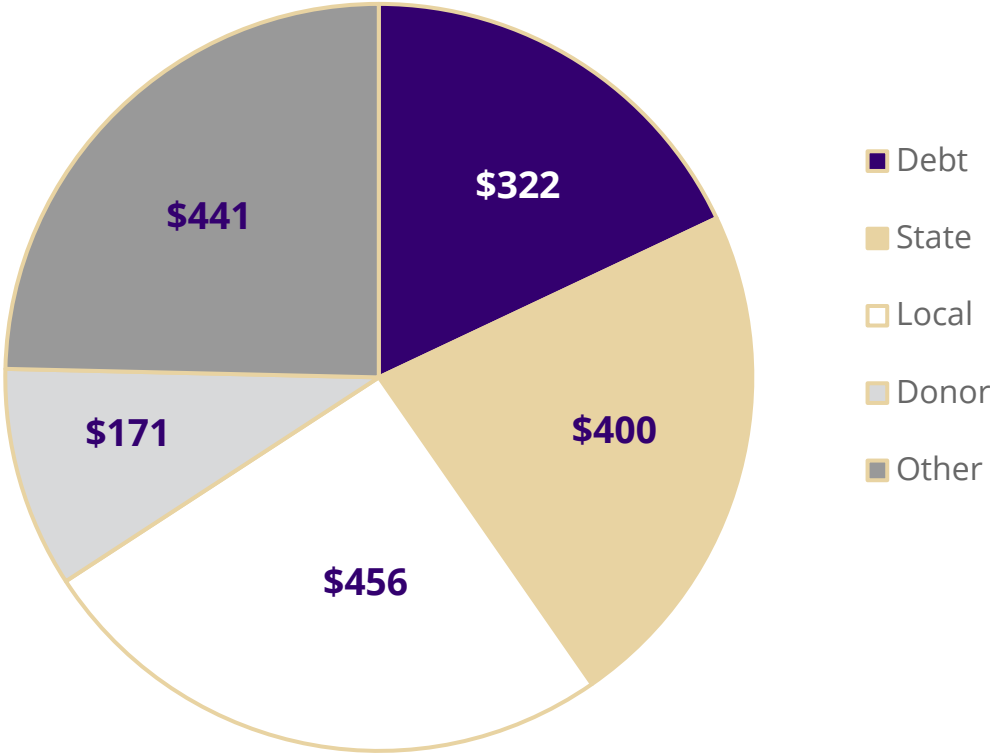
(in millions)



PROPOSED CAPITAL BUDGET – FUND SOURCES

Exhibit 1

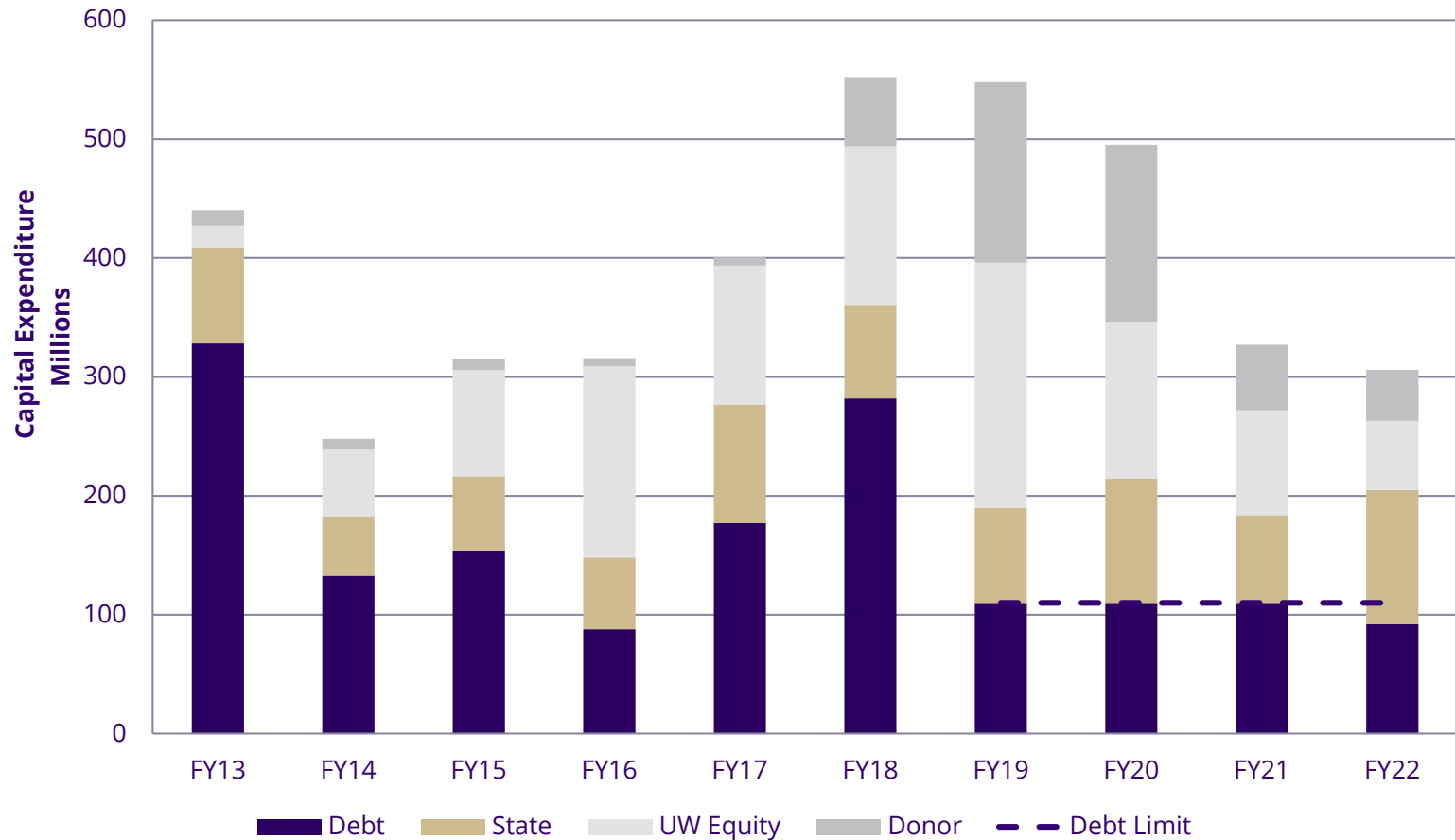
Capital Fund Sources - \$1.8 Billion Plan (millions)



PROPOSED CAPITAL BUDGET – UW EXPENDITURES BY SOURCE

Exhibit 1

UW Capital Expenditures



PROPOSED CAPITAL BUDGET – 2018 APPROVALS

Exhibit 1



5 Year Capital Budget Anticipated Actions in 2018

Funding in \$ Millions		Project Budget	Projected Funding					Anticipated Action
			Debt	State	Local	Donor	Other	
Anticipated Regent Actions FY18								
1	Population Health Facility	\$ 230	-	15	5	210	-	Stage 2 Approval - January
2	Population Health Education Facility (T-Wing addition)	\$ 94	-	60	10	23	-	Stage 1 Approval - spring
3	Center for Advanced Materials and Clean Energy	\$ 150	-	20	-	-	130	Stage 1 Approval - spring
4	UW Bothell - Academic STEM Building	\$ 75	-	54	20	-	-	Stage 1 Approval - spring
5	Parrington Hall Renovation for Evans School	\$ 20	-	10	-	10	-	Stage 1 Approval - spring
6	Kincaid Hall Renovation for Psychology	\$ 30	30	-	-	-	-	Stage 1 Approval - spring
7	Foster School of Business - New Building	\$ 65	-	-	-	65	-	Stage 1 Approval - spring
8	University District Station Development	\$ 170	-	-	-	-	170	Stage 1 Approval - February
9	Finance Transformation	\$ 195	117	-	78	-	-	Stage 1 Approval
10	UW Medicine - Electronic Health Records	\$ 180	128	-	52	-	-	Stage 1 Approval
11	UW Medicine - Child Birth Center	\$ 25	25	-	-	-	-	Stage 1 Approval - January
Totals:		\$ 1,234	\$ 300	\$ 159	\$ 165	\$ 308	\$ 300	