Unit Name: **Finance & Facilities**
Senior Vice President: **V'Ella Warren**
Submitted by: **Barbara Wingerson**

Finance & Facilities
Budget Package FY2014

Budget Review Narrative FY2014

Unit Name: **Finance & Facilities**
Senior Vice President: **V'Ella Warren**
Submitted by: **Barbara Wingerson**

Finance & Facilities
Budget Package Narrative FY2014

Budget Package Narrative FY2014

Question 1: Non-Applicable to Administrative Units

1. **Academic Units**: Please provide a 1-2 page description of how your unit will fund growth plans identified in the Annual Academic Plan workbook through current or anticipated incremental revenue to your unit. Please provide specific fund source names and projections (in dollars). If these plans assume additional Provost Reinvestment Funds (supplement), please make that clear in this section.

   [N/A]

Question 2: Non-Applicable to Administrative Units

2. **Academic Units**: If you are recommending the creation of a new tuition category, please identify the original tuition category, the proposed category, a suggested tuition rate for FY14 and a percentage increase for FY15. If you plan to move only a subset of your programs into a new category, please identify those programs.

   [N/A]

Question 3: Strategic Plan, Risks, and Mitigations

3. **Administrative Units**: Please provide a 1-2 page overview of your current strategic plan and include a summary of any operational risks that the UW must work to mitigate over time. Note that there are very few Provost Reinvestment Funds, so your summary should provide a clear sense of how your unit intends to minimize risk, maximize service, and if necessary, repurpose existing funds to do so.

Finance & Facilities Strategic Plan

Finance & Facilities (F2) is committed to transforming University business operations, both within its "walls" and across the University to help ensure the UW's success and facilitate its mission, in close alignment with UW's Sustainable Academic Business Plan. F2 strives for operational excellence in order to assist University faculty, students, and staff—people who change the world—by delivering outstanding service anywhere, anytime. The F2 Strategic Framework captures this vision and is the basis for all strategic directions and decision-making at every level of the organization.

Strategic Framework for Finance & Facilities
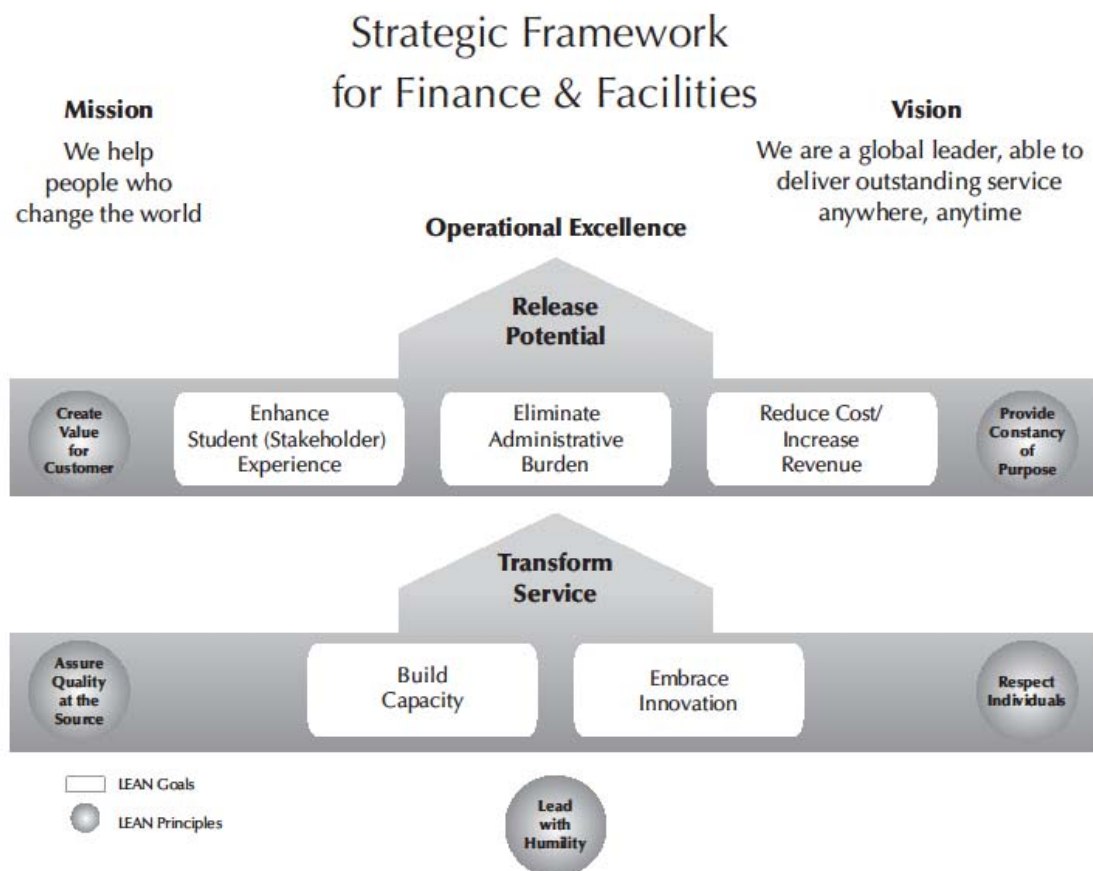
For detail on F2's strategic accomplishments and metrics assessing progress, please refer to:
- Appendix A Strategic Accomplishments
- Appendix B Lean Metrics
- Appendix C Metrics

Finance & Facilities Risks and Mitigation Strategies

Positioning the University to thrive as 'Tomorrow's University Today' requires identifying and mitigating risks at the institutional and departmental levels. The University's Sustainable Academic Business Plan succinctly lays out the threats that the University of Washington faces as an institution: financial realities, increased competition, and 21st Century trends. In more specific terms, F2 has identified risks that directly impact the department and has developed targeted mitigation strategies for each risk.

Risk #1: Decreased Funding

Since FY2009, F2's GOF/DOF funding has been cut by $14M. This represents a total GOF/DOF cut of 32% (excluding cuts and reinvestment to F2 Research Accounting & Analysis). Decreased funding could result in further reductions of staff and resources in F2, overworked and stressed employees, the inability to meet campus service requirements, and the inability to meet regulatory guidelines and rules. Assuming no further cuts, the workforce may be demoralized by increasing workload, fewer colleagues, and no pay increases for four years. As the economy picks up, agencies and organizations not tied to government spending restrictions are beginning to hire away the best and brightest. F2's ability to recruit and retain high-quality staff has been severely impacted.

Additionally, funding decreases to the Environmental Stewardship & Sustainability Office and Business Diversity Program may result in the University losing its leadership roles and reputation in sustainability and corporate social responsibility.

Mitigation: Risk #1 Decreased Funding

Embed Lean Methods Throughout F2

F2's primary mitigation strategy, which addresses the risk of decreased funding and is applicable to mitigation of all five risks identified in this document, is Lean, a dynamic process-improvement method that F2 has employed since January 2010. Lean has facilitated F2's evolution into a principle-based organization with an engaged work force that is able to identify opportunities for improvement, is empowered to implement and embrace change, and is moving the organization towards making things work better, both internally—and most importantly—in service delivery to campus.

The guiding F2 Operational Excellence principle, "Respect for Every Individual," is at the center of F2's journey of Lean process improvement. In the University environment of continually constrained resources, F2 believes it is not respectful to force an individual to choose between overwork or performing work at a lower quality to meet increasing demands. A recent study entitled, "Repeated Job Strain and the Risk of Depression," published in the *American Journal of Public Health*, October 2012, documents that overworked employees with little power in the workplace have twice the risk of developing major depressive disorder. Fundamentally, F2 has chosen to engage and empower its workforce through practicing Lean to transform processes in order to successfully meet expanding service requirements and make things work better for F2 staff, the University, and its community.

During F2's second full year of Lean implementation, the organization has streamlined and standardized processes in order to reduce costs and free resources. Dramatic results have been produced over the last two years and F2 reached a return on Lean investment that exceeded 400%, or a return of just over four dollars for every one dollar invested.

In November 2012, Regent Patrick Shanahan, Senior Vice President and General Manager of Airplane Programs for Boeing Commercial Airplanes, was hosted by V'Ella Warren, Senior Vice President, in a tour of F2 Lean in Grant & Contract Accounting and Creative Communications. Afterwards, in a follow-up email, Regent Shanahan stated,

> *"Your staff is clearly professional, well-trained in Lean, and motivated. If you could bottle up the enthusiasm and sell it, we would no longer have a funding issue. . . Please thank your staff for their time yesterday but even more for their efforts to make higher education more affordable through lower cost and delivering high quality services. . . My take away: you and your team rock!"*

Please refer to Appendix A for a discussion of Lean accomplishments in F2. Additionally, please refer to Appendix B for detailed metrics on Lean results.

Risk #2: Increased Regulatory Guidelines, Rules, and Compliance Requirements

All State agencies are impacted by the burden of regulations, rules and compliance requirements that are increasing at a rapid rate. F2 is not immune and, rather than standing idle, is taking a leadership role within Washington State to gain flexibility through changes in legislation and other regulatory reforms. Additionally, overall compliance risk continues to grow as the University expands, particularly in the clinical enterprise, and Federal and global research areas.

With respect to Federal research, multi-million-dollar audit findings at research institutions continue to generate headlines. A few notable recent examples include a $3M finding at Florida State University and a $6.3M finding at the University of California at Santa Barbara. The findings included overcharged summer salaries, unmet cost sharing, indirect overcharges, inappropriate cost transfers, and unallowable costs (including administrative and clerical salaries) charged to Federal funds. One audit stated that unallowable transactions occurred because central offices "did not review transactions to ensure that they complied with Federal regulations." Due to the complex and decentralized nature of the UW, the University has comparable risk exposure.

Mitigation: Risk #2 Increased Regulatory Guidelines, Rules, and Compliance Requirements

Government University Partnership for Process Effectiveness and Efficiency (GUPPEE)
For the past two years, Ann Anderson, Associate Vice President and Controller F2, and Margaret Shepherd, Director of State Relations External Affairs, have led a group of procurement and finance administrators from six colleges and universities in Washington State, along with the Council of Presidents, the Washington State Office of Financial Management (OFM) and the Governor's Office, in an effort called GUPPEE: Government University Partnership for Process Effectiveness and Efficiency. The goal of the effort is to identify and advance statutory changes, administrative improvements and other regulatory reforms with State agencies to create efficiencies for business processes in higher education.

This year, 2SHB 2585, the House Bill that incorporates long-desired ideas for efficiencies, was passed by the Legislature and signed by the Governor; it included items related to purchasing (alignment of bid limits and advance payments for maintenance contracts), travel (using on-line vendors) and prepayment for study-abroad activities. All of these measures have been implemented at the UW. The bill also enables mandatory payroll direct deposit, which is targeted for implementation in January 2013. All of these efficiencies will save time and money for the University and the other higher education institutions. The team is moving forward to identify additional efficiencies that can be brought forward to the Legislature and other agencies in the coming months.

State Procurement Reform Model

In 2011, the State Legislature enacted Senate Bill 5931, consolidating a number of administrative functions into a new agency, the Department of Enterprise Services (DES). Companion legislation, 2SHB 2452, from the same session required DES to advance an effort to reform State Agency procurement. While not entirely autonomous, public institutions of higher education have fairly wide statutory authority to establish their own procurement rules. Nonetheless, higher education enthusiastically joined the collaborative reform effort led by DES. With DES's approval, higher education—led by UW Procurement Services—drafted an innovative reform model using Lean to structure the "future state." The model, built in part on UW's experience with Enterprise Risk Management (ERM), enables DES to focus its oversight role on those agencies that are unable to maintain a low-risk procurement profile. Other agencies, such as the UW, with a robust procurement infrastructure and strong control environment, will have even greater autonomy from DES. In addition, the model is flexible enough to have application to other regulatory relationships. It can lead to much more effective and efficient deployment of resources, both for the regulator and the subject entity. The Director of DES, Joyce Turner, communicated the following:

> *"The collaboration, commitment and leadership demonstrated by the procurement representatives from higher ed have been important to our implementation of 2SHB 2452 Procurement Reform. The innovative approach to use Lean process improvement to develop a procurement framework that centers on risk as its driving consideration was conceived by our higher ed colleagues. Higher ed has partnered with us to develop the implementation strategy for the risk matrix. This model is exciting in the context of procurement. Higher ed believes it may be applicable to many other governmental functions."*

Post-Award Training

Grant & Contract Accounting (GCA) and Management Accounting & Analysis (MAA) are partnering with the Office of Sponsored Programs to develop and teach a variety of free courses to faculty and campus administrators. Courses, emphasizing best practices, have started with foundations such as Post-Award Compliance and Post-Award Administration. Additional targeted courses have been developed as risk areas are identified.

Post-Award System Initiatives

The Electronic Faculty Effort and Cost Share System (eFECS) recently launched on-line certification of effort reports. Before development started, an exhaustive risk analysis was completed. The first three phases of the project successfully mitigated several of the risks originally identified. A number of key risks remain, notably with faculty effort commitments and cost sharing. The majority of the remaining risks will be mitigated in the final phases of the eFECS project.

Governor's Lean Management Initiative

The Governor's Lean Management Initiative, along with the implementation of Lean within F2, provides opportunity for seeking efficiencies in the area of sponsored awards. Using Lean, GCA initiated a collaborative effort with several cabinet-level State agencies, in coordination with senior leadership in the Governor's GMAP office, to streamline and standardize the grants administration process for sponsored awards funded by the State. All post-award processes will be reviewed to identify areas for improvement. Invoicing is a likely area where efficiencies can be gained. The participating State agencies have been enthusiastic partners in this effort thus far. Planning is in process and the initiative will launch in early 2013.

Risk Based Internal Audit Plan

To minimize risk, Internal Audit assists the Board of Regents and University management in the discharge of oversight, management and operating responsibilities. This is accomplished by development of an annual audit plan that focuses on the validation of management's mitigation strategies for the most significant risks to the University and includes audits focused on controls of the research enterprise, the UW Health System, and the central support units of the University. Internal Audit adds value by making recommendations to improve the control, risk management, and governance processes that help the University achieve its business objectives.

Richard Cordova, UW Internal Audit Executive Director, presented the UW Annual Audit Plan to the Board of Regents in November 2012. During the Board meeting, Regent Orin Smith, Chair of the Finance, Audit and Facilities Committee, stated that he had reviewed the plan and that it measured up to the quality of any audit plan that he had seen in private industry.

Global Support Program

The Global Support Program (GSP) leads and coordinates interdisciplinary problem-solving for administrative challenges faced by faculty conducting research and teaching abroad. GSP works directly with departments on specific programs in foreign countries, including developing and managing a process, through a UW-established non-profit corporation, to legally operate overseas. On an ongoing basis, GSP coordinates expertise from Human Resources (HR), the Attorney General's Office and the UW Tax Office to provide integrated advice to campus departments that need additional personnel at international sites. Additionally, GSP coordinated an effort to establish a comprehensive international emergency management framework.

GSP's campus-wide projects include developing a toolkit for managing international operations. This includes UW policy regarding international work, checklists for creating budgets, and tools for using administrative procedures. In 2013, the toolkit will be broadly implemented through instructional classes, newsletters and a revised Global Operations website.

UW's GSP continues to be a national and international leader. Most recently (November 2012), Ann Anderson, Associate Vice President and Controller F2, presented a session at the conference, "The Essentials of Running a Global Health Center," at the Albert Einstein College of Medicine. This was the sole administrative session among many others related to global research and education which were led by physician-researchers.

Public Works Contracting

Washington State Public Works Laws are cumbersome and when compared to regulations in the private sector, create additional administrative tasks and workload. These additional burdens make Public Works

projects less attractive to construction contractors. Prior to the recession in 2008, as many as 65% of Public Works projects advertised for bid either received no bids from contractors or bids that were so far from being financially feasible that the public agencies had to reject the bids.

The Capital Projects Office (CPO) has leadership in construction project management for the University and continually partners with other public owners and agencies to improve the Public Works process and avoid additional burdens. CPO engages in vital work with the Legislature and other owners to reduce the cost of construction and increase the bidding tools available to the University and other public owners and agencies.

Risk #3: Increased Institutional Risks

Institutional risk continues to increase as the UW enterprise grows. Vigilance and process are necessary to assess risks in the context of strategic objectives and identify the inter-relationship of risk factors across the institution.

Mitigation: Risk #3 Increased Institutional Risks

Enterprise Risk Management

F2 encourages leaders to be proactive in managing institutional risk. F2, in partnership with the Provost's Office, continues to lead the overall Enterprise Risk Management (ERM) effort, including coordination of the President's Advisory Committee on Enterprise Risk Management (PACERM) and the Compliance, Operations and Finance (COFi) Council. The significant ERM accomplishments in 2012 include the development of draft metrics for evaluating and monitoring institutional success. This compendium consolidates existing, high-quality measures that align with the UW Core Mission (e.g., market leadership, top students and faculty, and sustainability), the Sustainable Academic Business Plan (e.g., diverse funding and financial ratios/credit rating), and Stewardship (e.g., administrative burden and compliance). Discussion and decision-making can be facilitated by developing focused dashboards to effectively communicate with senior leadership regarding key areas of excellence, strategy and potential concern. The target date for a final draft is January 2013. Recently, at President Young's request, V'Ella Warren, Senior Vice President, shared the preliminary draft compendium with the Board of Regents and received positive feedback.

The Asset Liability Management unit of Treasury is building the capability to provide ongoing financial forecasts for the University. The first 10-year forecast is expected to be completed in March 2013. This effort is part of a wider initiative that includes institutional monitoring, ongoing financial metrics, and the ability to provide senior leaders with key financial data. This financial forecasting capability will result in better decision-making, capital budgeting, and financial oversight and transparency.

Compliance, Operations, and Finance Council

Internal Audit leads the Compliance, Operations and Finance (COFi) Council, which coordinates the sharing of risks and mitigations and advances the awareness of compliance responsibilities. The COFi Council has initiated a project to help reduce risk by creating a matrix of Federal laws and regulations required to be adhered to by University personnel. This matrix, which will be available on the COFi website in late 2012, provides both academic personnel and staff with a description of each regulation and a point of contact for related questions.

Cost Accounting

With declining State and Federal funding being a significant institutional risk, F2 proactively reached out to campus units to assist with understanding and managing costs. Cost Accounting & Analysis provided summarized and targeted presentations for the participants in the Campus IT Costing study. These presentations took unwieldy information, generated during the study, and created user-friendly, accessible analyses that enabled leadership in the departments, schools and colleges to easily understand IT support cost structures. Similar summary reports were also created for participants in the Procurement Services benchmarking study. By providing these services, F2 ensured that the value of the data collected was turned into opportunities for improvement and cost savings by campus departments.

Risk #4: Outdated and Aging Software Systems

A key operational risk continues to be the enterprise-wide and outdated payroll, human resources, and financial systems in use at UW. In addition to causing gross inefficiencies across campus administrative groups, there are specific reporting and compliance risks in continued reliance on these outdated systems. F2 has a long history of supporting and leading efforts to ease the burden of dealing with these old systems. However, it continues to be difficult to accurately report basic financial data for annual reports, Facilities and Administrative (F&A) cost proposals, recharge/cost center revenue and expenses, etc.

Mitigation: Risk #4 Outdated and Aging Software Systems

HR/Payroll Replacement

A major project is underway to implement a new Human Resources and Payroll (HR/Payroll) system to significantly improve critical HR/Payroll functions across the University. The goal is to replace the UW's 30-year-old system with a modern system that supports every level of UW's HR/Payroll operations—addressing the lifecycle of people management, from hiring to retiring; providing data to enable the UW to attract and grow its talent and effectively manage its workforce; delivering functionality in key missing areas; and producing substantial efficiencies and productivity gains throughout UW units. This is a collaborative effort with Payroll, HR, Academic HR, UW Medicine and UW units. The new system will streamline department payroll data gathering and processing, enhance business efficiency, enable better reporting and decision-making, and strengthen regulatory compliance.

V'Ella Warren, Senior Vice President, is the Lead Executive Sponsor for the HR/Payroll replacement project. In this role, Ms. Warren is responsible for ensuring the success of the project and acts as the primary point of contact for the Provost, President, and key constituents. Ann Anderson, Associate Vice President and Controller F2, is a member of the Advisory and Budget Team that provides vision, issues resolution and strategic decisions on competing priorities. Cindy Gregovich, Associate Controller F2, and Ginny Montgomery, Assistant Director Payroll Office F2, are core team members making primary decisions and assisting with day-to-day activities. Ruth Johnston, Associate Vice President F2, is assisting with change management.

Upgrades to Financial Systems

Financial Management is devoting significant resources to a collaborative effort with UWIT's Finance Program to continue to add functionality to My Financial Desktop (MyFD), a web interface for the University's Financial Accounting System. Goals include expanding the types of journal vouchers that campus can process and track through MyFD and providing access to transaction-level detail for posted financial transactions.

Replacement of Procurement Systems

Led by Procurement Services, renewal of the 30-year-old purchasing system is being undertaken in partnership with UWIT. The solution leverages existing Ariba software already implemented more narrowly for eCommerce. Over the last several months and extending into the next two years, the legacy PAS system will almost, although not entirely, be rendered obsolete by this aggressive expansion of Ariba functionality. Procurement Services is funding this project in its entirety. While there is inherent risk in this model, strict oversight and funding protocols, including establishing adequate reserves, have been implemented.

Risk #5: Deferred Maintenance and Aging Physical Infrastructure

Since FY2009, Facilities Services (FS) staffing has been reduced by 131.5 FTE and funding has been reduced by $8.66M. Over time, the strategic risk associated with the decreased resource levels is reputational loss due to degraded building conditions and quality of working conditions. In the longer term, this will greatly detract from the University of Washington remaining an institution of choice and excellence.

In addition to the strategic risks, operational risks will continue to increase. System and building maintenance, cleanliness standards, and scheduled preventive maintenance will be degraded and operational compliance and safety risks will result. The potential for inadvertent compliance failures could increase due to critical staffing shortages. Long-range investments in deferred maintenance, carbon reduction, and land use for transportation networks also are operational risks. Elements of the UW central steam plant are an operational risk due to age, as most of the steam distribution infrastructure is over 40 years old. Administrative and other regulatory compliance will be jeopardized due to growing workload levels and less time to perform all tasks within standards, given fewer staff.

Mitigation: Risk #5 Deferred Maintenance and Aging Physical Infrastructure

In order to help mitigate stated strategic and operational risks, FS will continue to leverage Lean initiatives for continued process improvements, and will focus on staff through comprehensive training and skill development with the opening of the Facilities Services Training Center. FS will prioritize and perform only compliance-essential tasks within available funding levels, communicate about expectations with campus clients and key stakeholders, and leverage reimbursable workload as it becomes available. The addition of fee-for-service delivery for today's routine tasks, through Activity Based Budgeting, would need to be fully examined in order to prevent prolonged increases in service delivery time. Mitigation for deferred capital maintenance continues to be requested through the minor capital preservation budget process and district energy initiative.

Question 4: Space

4. **Academic and Administrative Units**: Considering your strategic plans (particularly if they assume growth) please provide a short summary (1-2 pages at most) that relates these plans to your current space assignment. In particular, you might consider the following questions when drafting your response:

   a) Does your current space inventory meet current programmatic requirements? Contrarily, does the type or quality of the space place any constraints on your ability to meet program requirements? If not, please provide specific quality or space type concerns (location, specific quality concern, etc.).

   b) Will your unit be able to accommodate your growth plans within existing inventory of space? If additional space will be necessary, please describe the amount, type, or quality of *additional* space you may need to meet programmatic objectives and growth plans.

Summary of Space

The majority of F2's units are stable and do not require additional space to meet administrative and operational requirements. F2's current strategic approach, which focuses on incorporating Lean methodology, has allowed the organization to be innovative in terms of repurposing current space assignments to accommodate growth and change.

Repurposed Space

Lean Central

A space that had formerly housed pre-press equipment for offset printing in Creative Communications (C2) was converted to "Lean Central"—a learning, event, meeting, marketing, and "town square" area that is flexible-use and modular, and can accommodate all of F2's large-scale Lean activities. It has been offered for use (at no cost) to external units for Lean launches, and has become extremely popular—with its widespread use of visual management tools for explaining strategy, goals, results, and F2's approach to Lean. It will continue to support the needs of the 24 in-house Lean coaches, team training, Lean launches (three can be hosted simultaneously), and tours and orientations for guests.

Grant & Contract Accounting

Because of Lean improvements, the space needs of Procurement Services have decreased and some space assigned to Procurement will be repurposed to meet the growing programmatic needs of GCA. To successfully accommodate growth in research volume, GCA has radically changed its processes utilizing Lean principles. The new processes require flexible work-group clusters that can be reconfigured by the day or hour as needed, an open office environment (no cubicles or offices), and visual cues to identify bottlenecks and incite activity and timely response. This new flexible and open floor plan design cannot be accommodated by the current electrical and data-line layout. GCA is partnering with FS and the CPO in a remodeling project scheduled to begin in July 2013 that will be funded by GCA and FS Building Renewal Funds.

Creative Communications

C2 consolidated copy center space, previously distributed across campus, to the main C2 ("Publication Services") building. As a result, C2 was able to repurpose space in the Communications Building, which is located in the middle of upper campus, to create a new Copy and Mail Center for all students, faculty, and staff to use for personal and business mailing services.

Facilities Services

FS has resourced and renovated 8,061 square feet of existing space at the Plant Services Building for a Training Center. The purpose of the Training Center is to support a training academy program to enhance the skills, knowledge, and development of the staff and to help mitigate the operational risks associated with position reductions. In FY2011, Surplus was moved from the Bryant Building to the Plant Services Building in a consolidation with the material management function. This resulted in a more effective utilization of space while increasing the efficiency of the overall operation.

Additional Space Needs

Facilities Services

Recycling & Solid Waste (R&SW) administrative and operations staff are currently located at the Bryant Building, which is slated for demolition as part of the SR-520 Project. As a result, the operations and administrative functions of R&SW need to be relocated in order to continue to collect various wastes and recyclable materials from across campus and to administer programs that increase waste diversion at all UW Seattle facilities. Ideally, this workgroup would function best if relocated to one site, but facing the reality of limited space and resources, a configuration has been proposed to minimize the footprint while attempting to maximize efficiency. Preliminary plans have been developed to remodel and accommodate the four R&SW administrative staff into the Northlake Building with a preliminary cost estimate of $400K. The remodeling would add workstations and additional restrooms within the ground floor of Northlake Building where eight Building Services administrative staff are currently located. However, the requirement to relocate would also displace the window-blind cleaning operation, which includes 400 square feet of space with a high ceiling, access to water, electricity, and sewer/drainage. FS has not identified a suitable location for this function, and continues to work with the Office of Planning and Budgeting.

The existing operational space for R&SW that would also need to relocate from the Bryant Building includes: a two-person staff, 10,000 square feet of outside hard surface area for three roll-off collection containers, extra storage of containers and parking for the fleet (seven trucks; two rear-load packer trucks, one side-load retriever truck, one box truck, three (3) three-quarter ton pick-up trucks, four waste collectors, and two litter collectors). Additional space requirements include a 5,000-square-foot storage shed with 20 foot high ceilings to store the inventory of MiniMax containers, liners, and consolidation of auxiliary recycling materials such as Styrofoam, hard plastics and eMedia. FS continues to work with the Office of Planning and Budgeting for viable solutions.

Additionally, the Shuttles self-sustaining program will be disrupted by the loss of five spaces for Shuttle buses due to the SR-520 Project.

Lastly, future energy services must continue to provide system reliability and stability; and provide resilience relative to future changes in technologies, energy costs, regional load growth, and carbon reduction goals and regulations. Alternative district energy approaches will need to be evaluated to finance and supply the future infrastructure and space to support the UW's energy requirements. An RFP/Q solicitation is currently in process to select a qualified district energy services provider that can identify an energy infrastructure configuration and financing/ownership model that will meet the UW's energy services needs going forward.

Question 5: Salary Increases

5. **Academic and Administrative Units:** Should the 2013 Legislature lift the ongoing salary freeze and allow increases, we certainly hope that State funding will be provided for GOF increases. In the event that State funding for compensation is not available, all units should have plans to cover GOF/DOF salary increases out of tuition or other fund sources. Should no tuition revenue be available to your unit, Provost Reinvestment Funds may be dispatched to provide support for increases. Please provide your units' plans to cover expenses associated with salary increases. A salary and tuition revenue model is available on the OPB website; this model is designed to give you a sense of the magnitude of the support that will be required at various percentage increases.

Support for Salary Increases

Total FY2012 professional and classified staff salary costs for all GOF/DOF budgets were $47.12M plus $15.5M in related benefits. Every 1% salary increase will require $626,282 ($471,219 salary plus $155,063 benefits) in permanent funding from Provost Reinvestment Fund support. It should be noted that salary and benefits expenses at the end of FY2013, which will be the basis for salary increases in FY2014, may differ from these estimates which are based on FY2012 . F2 will rely completely on funding from the Provost for any GOF/DOF salary increases.

The table below shows the amount needed to cover GOF/DOF increases up to 5%:

Percent Increase	Salary Increase	Fringe Benefits	Total Increase
1%	471,219	155,063	626,282
2%	942,438	310,127	1,252,564
3%	1,413,657	465,190	1,878,847
4%	1,884,876	620,253	2,505,129
5%	2,356,095	775,316	3,131,411

Question 6: Requests for Provost Reinvestment Funds

6. **Academic and Administrative Units:** Your unit may have identified growth plans in the Annual Academic Plan workbook; if so, as part of question 1 your unit should have included a description of the funds necessary, including Provost Reinvestment Funds, to support such growth. For this section, however, please provide specific requests of Provost Reinvestment Funds for new initiatives. Please provide a one-page summary of these requests, articulating how much funding is requested by an initiative, whether temporary or permanent funds are requested, and how the funds would be spent (new positions, systems, etc.).

Summary of Funding Requests

New Requests for Permanent Funds:	
Environmental Stewardship & Sustainability	500,000
Reinstatement of RAA funds cut in FY13	
GCA	91,737
MAA	13,758
EIO	5,816
Total RAA Reinstatement	111,311
RAA Positions	
GCA Systems Specialists - 3 FTE	370,800
GCA Receivables Specialists - 2 FTE	179,500
MAA Recharge / Cost Center Analyst - 1 FTE	110,200
Total RAA New Positions	660,500
Internal Audit	
Senior Auditor	125,000
External hotline operations	50,000
Total Internal Audit	175,000
Facilities Services	
Campus Maintenance - 3 FTE	290,043
Campus Operations - 2 FTE	182,459
Custodial Services - 4 FTE	169,179
Total Facilities Services	641,681
Total Permanent Requests	**2,088,492**

Ongoing or Previously Approved OPB Temporary Funds:	
GCA ARRA	174,000
F&A Proposal FY14	610,000
Total Ongoing / Previously Approved:	784,000
Total Temporary Requests	**784,000**

Total F2 Request	**2,872,492**

Requests for Permanent Funds

Environmental Stewardship & Sustainability

The permanent annual funding required for the ESS office is $500,000 and this amount is requested in permanent funds from the Provost. ESS has proven to be an essential resource for the University providing the necessary connection point with students, faculty, staff, senior leadership, the three campuses, and community and national organizations. The ESS office is responsible for reporting all institutional sustainability metrics and responds to all external surveys. More importantly, funding for the office is critical for the implementation of the UW Climate Action Plan and management of University-wide sustainability programs and initiatives.

Research Accounting & Analysis

Research Accounting & Analysis budgets were cut by 2% during FY2013 in line with the rest of the University. These funds were restored with temporary funds, but the restoration needs to be made permanent. Total permanent funds requested are $111,311.

GCA—Systems

GCA is requesting funding for three additional systems FTE in order to respond to post-award system needs identified by campus research administrators. GCA's goal is to work with the Office of Research to provide faculty and research administrators with a single point of contact for pre- and post-award management. This would present significant efficiencies to campus by providing a central portal where all information needed to manage awards would be readily available. Faculty and administrators would be able to view history and current status and subscribe to alerts for upcoming milestones. In order to accomplish this, GCA would collaborate with the Office of Research Information Systems (ORIS) Bridge and Research Portal Projects and the Office of Information Management (OIM) Finance Portal Project.

To contribute to a single point of contact framework, GCA would need to streamline current post-award processes by re-engineering existing disparate systems into a central workflow. As with the external portal, this would be a central point to manage internal work from award set-up to closing. This would increase standard work and decrease cycle times.

Currently, GCA has two FTE that fulfill multiple roles (manager, systems administrator, JDE administrator, business analyst, developer, and hardware/software support) in order to support the current systems. Anticipated benefits to faculty and research administrators include the ability to:

- View real-time status of award during any part of the post-award life cycle, such as budget set-up, fiscal report completion, next fiscal report due, or invoice submitted
- Track the status of requests to GCA
- View and sort receivables data at various levels, e.g., org code, department, or college
- Search documents associated with an award (journal vouchers, invoices, reports, etc.) in the Enterprise Document Management System (EDMS)
- Reduce cycle time for critical central processes such as budget set-up using an electronic integrated workflow
- Customize the award portal to fit campus needs, e.g., set parameters to fit department workflow
- Initiate award management activities at the department level rather than submitting paper requests, e.g., set-up of sub budgets and rebudgeting

Without additional resources, this work cannot be completed. Substantial departmental resources will continue to be devoted to manually processing transactions and to creating and using shadow systems to track grants and manage grant activity. Total permanent funds requested are $370,800.

GCA—Receivables

GCA produces and collects funds on approximately 1,500 invoices per month to grant sponsors. At any given time, GCA may have 2,000-plus outstanding invoices worth $30M. GCA currently has over $4M in invoices over 150 days past due. Average uncollectible debt absorbed by both central and campus budgets is estimated at $300K to $500K per year. Without additional resources, the uncollectible debt could grow as research volumes grow. GCA currently has one FTE available to work with campus and sponsors on all unpaid invoices. GCA has focused Lean efforts on significantly reducing the backlog of past due invoices but the volume of invoices continues to preclude adequate proactive collection activities.

An effective, proactive program to analyze the reasons for non-payment and communicate and negotiate as appropriate with the departments, PIs and sponsors requires e-mails, phone calls and regular follow-up. Timely resolution is critical while the funds are still available and issues are current. Immediate action when poor payment trends are identified can prevent significant losses. This type of work is time-consuming, but should prove to be cost effective in collection results and should relieve administrative burden from faculty and research administrators. Total permanent funds requested are $179,500.

MAA—Recharge/Cost Center Analyst

MAA currently reviews and approves internal charge rates for organizations that meet the definition of a recharge and cost center (collectively referred to as service centers). This review focuses extensively on compliance with Federal regulations pertinent to service center activities. No formal, regular central administrative review currently is conducted for any activity that generates less than a majority of revenue from internal University sources.

To address the recent failures stemming from the UW-IT financial crisis in 2008, a request was made in 2010 to expand MAA's oversight and compliance role for other types of internal self-sustaining activities. While there was general support at the time, funding for an additional position was not provided. Over the last year, the University's Internal Audit function reviewed MAA's central role and has now reconfirmed that an expanded oversight role should be implemented.

MAA has been involved in an extensive Lean improvement process geared towards streamlining its existing rate review process. Those efforts have been successful and helped meet the demands of 23% growth in existing work since 2007 without increasing staff resources. Despite that, additional funds would be needed to address Internal Audit's concern. MAA, the Office of Planning and Budgeting and Internal Audit are currently developing a more robust risk based and integrated approach to address issues associated with service centers and other self-sustaining activities. While this new approach would reduce work in some areas, other more in-depth financial analyses would be required. Despite efficiencies gained through Lean process improvements, additional resources are needed to develop, implement, and carry out this new approach.

In order to meet this more robust compliance and oversight role, MAA requests additional funding of one FTE. Total permanent funds requested are $110,200.

Internal Audit

The mission of Internal Audit is to assist the Board of Regents and University management in the discharge of its oversight, management and operating responsibilities. This is achieved by providing independent and objective assurance, consulting and educational services to the University community. Internal Audit staffing levels are below average for an institution of the size and complexity of the University of Washington when compared to peer institutions. During the past five years, research funding at the University has grown by 43% and two new medical centers have been added while Internal Audit has reduced staff by 3% (.5 FTE), reduced operating costs by $250,000 and changed the ratio of management to staff auditors. To better serve the needs of the University, Internal Audit is requesting the addition of two senior auditors for FY2014, one to be funded by UW Medicine and one to be funded using $125,000 of permanent Provost Reinvestment Funds.

Best practice among Universities is to have a single hotline where faculty and staff can report instances of fraud, waste, or abuse without fear of reprisal. The University of Washington has hotlines in several units such as UW Medicine, but does not have a campus-wide system. Internal Audit is requesting $50,000 per year in permanent funding to hire an outside firm to run a University-wide hotline. Once received, the complaints would be triaged by an Internal Audit-led team and then forwarded to the appropriate unit for investigation and resolution.

Facilities Services

FS is requesting nine additional FTE. Building Services has been reduced by $3.11M and 64 FTEs from the end of FY2008 to FY2013. As a result, Custodial gross square feet (gsf) per FTE has increased 26.9% due to budget and staffing reductions (end of FY2008: 32,083 gsf per FTE; FY2013: 40,731 gsf per FTE). This resulted in Custodial APPA (an industry-wide peer benchmark) service levels falling from level 2 ("Ordinary Tidiness") to level 3 ("Casual Inattention") on a 5-point scale. While classrooms continue to receive cleaning priority, offices and project work such as floor-finish removal and common-area (e.g., hallways, entrances, stairwells) deep cleaning continue to erode.

During this same time period, Maintenance annual funding has been reduced by $2.83M and 39 FTEs. This has resulted in Maintenance staff maintaining 24.5% more maintenance gsf per FTE (end of FY2008: 58,537 maintenance gsf per FTE, FY2013: 72,850 maintenance gsf per FTE). These reductions have resulted in Maintenance APPA service levels to decline from level 2 ("Comprehensive Stewardship") to level 3 ("Managed Care") on a 5-point scale. The negative impact on the ability to respond to specific maintenance problems and concerns or issues for campus departments is significant.

FS has utilized various Lean improvements to mitigate the impacts of these reductions. However, as the campus continues to grow in gsf with new buildings such as PACCAR (133,000 gsf) and Molecular Engineering Phase 1 (90,300 gsf), last year's budget cut eliminated the additional funds required to resource the maintenance and custodial staffs to support such new and research-intensive spaces.

FS requests $641,681 in permanent funding to restore three FTEs in campus maintenance, two FTEs in campus operations, and four FTEs in custodial staff in order to mitigate the operational risks and facility declines across campus going forward.

Previously Approved Requests

Grant & Contract Accounting

ARRA funding for GCA – per email from Gary Quarfoth dated 5/9/12:

> *Planning and Budgeting will let GCA be an exception from the "no further allocations after FY 2013" provision of Mary Lidstrom's communication. GCA is different from other administrative units supporting ARRA grants in that the ARRA grant support work wasn't done by "regular" GCA employees but rather by a team hired specifically to work on ARRA grants. Much of the work by GCA on ARRA grants is related to the special reporting requirements on ARRA grants – and the "regular" staff in GCA do not have any experience doing this work, and training one or more of them to do the work would significantly impact other normal grant processing work in GCA.*

> *Thus, Planning and Budgeting agrees to provide funding in FY 2014 to support two GCA staff to continue to do the work required to meet all of the requirements relating to ARRA grants; this will be a reduction from the three ARRA grant related positions that have been supported for the past few years. The estimated cost to support these two positions in FY 2014 is $174,000.*

Management Accounting & Analysis

MAA F&A Funding – A multi-year funding arrangement was provisionally agreed to by Gary Quarfoth in FY2012 for the MAA F&A Rate review. The amount for FY2014 is $610,000 and for FY2015 it is $225,000.

Unit Name: **Finance & Facilities**

Senior Vice President: **V'Ella Warren**

Submitted by: **Barbara Wingerson**

Finance & Facilities Budget Package FY2014 Appendix A Strategic Accomplishments

Appendix A Strategic Accomplishments

Strategic accomplishments for Finance & Facilities (F2) are presented in this document in four sections: overall F2 initiatives sponsored by the Senior Vice President, Finance initiatives, Facilities Services initiatives, and Capital Projects Office initiatives. Specific accomplishments and initiatives are identified under each of these four sections.

1.0   Overall F2 Initiatives Sponsored by the Senior Vice President

1.1   Lean

F2 strives to become operationally excellent in order to help University faculty, students, and staff—people who change the world—by delivering outstanding service anywhere, anytime. To achieve this, F2 has chosen to practice Lean, a dynamic process-improvement method, since January 2010. Lean has facilitated F2's evolution into a principle-based organization with an engaged work force that is able to identify opportunities for improvement, is empowered to implement and embrace change, and is moving the organization towards making things work better, both internally—and most importantly—in service delivery to campus.

The guiding F2 Operational Excellence principle, "Respect for Every Individual," is at the center of F2's journey of Lean process improvement. In the University environment of continually constrained resources, F2 believes it is not respectful to force an individual to choose between overwork and/or performing work at a lower quality to meet increasing demands. A recent study entitled, "Repeated Job Strain and the Risk of Depression," published in the *American Journal of Public Health*, October 2012, documents that overworked employees with little power in the workplace have twice the risk of developing major depressive disorder. Fundamentally, F2 has chosen to engage and empower its workforce through practicing Lean to transform processes in order to successfully meet expanding service requirements and make things work better for F2 staff, the University, and its community.

1.1.1 F2 Lean Validation

F2's Lean journey is beginning to be recognized outside of the organization. F2 Lean leaders and representatives were invited to participate in the Governor's Lean Transformation Conference in October (see below under the heading, "F2 Partnering with the State"). Shortly thereafter, in November 2012, Regent Patrick Shanahan, Senior Vice President and General Manager of Airplane Programs for Boeing Commercial Airplanes, was hosted by V'Ella Warren, Senior Vice President, in a tour of Lean in Grant & Contract Accounting (GCA) and Creative Communications (C2). Afterwards, in a follow-up email, Regent Shanahan stated,

> *"Your staff is clearly professional, well-trained in Lean, and motivated. If you could bottle up the enthusiasm and sell it, we would no longer have a funding issue. . . Please thank your staff for their time yesterday but even more for their efforts to make higher education more affordable through lower cost and delivering high quality services. . . My take away: you and your team rock!"*

1.1.2 Participation

F2's second full year of Lean implementation has produced dramatic results and reached a return on Lean investment that exceeded 400%, or a return of just over four dollars for every one dollar invested.

With Lean, F2 has streamlined and standardized processes in order to reduce costs and free resources. Since inception in 2010, over 100 employee/customer teams have launched a Lean improvement effort, designed both to achieve short-term results of at least 50% improvement and to learn key skills and behaviors that will allow for continuous, daily, spontaneous improvement. By the end of 2012, nearly 65% of F2's workforce will be participating in Lean. The measure of employee engagement is well beyond just participation; it centers on the generation and implementation of employee ideas that solve problems, make the workplace better, boost efficiency, and enhance the service experience.

1.1.3 Engagement

For the coming year, the focus for Lean implementation will shift from indicators of Lean participation, to a specific measure of employee-engagement: the number of ideas generated and implemented by all employees to improve work processes. Lean engagement is best measured by observable behaviors at all levels of the organization. Employees that care about the work and feel safe and supported by the organization consistently offer opinions and insights to improve work processes. The overarching target—a Lean "industry-standard" metric—is two ideas implemented per employee per month. In order to develop and implement that many ideas, the idea "pipeline" needs sufficient quantity, as well as a way to move and refresh ideas throughout the organization. For the handful of teams in the idea count thus far, ideas have been implemented at the rate of .6 per person per month. At present, the pool of employees in the count has expanded; all launched teams that are at the 60-day mark of the improvement cycle are in the idea count.

1.1.4 F2 Partnering with the State

As Lean has expanded and matured across F2 this past year, this unique Lean approach has garnered significant interest from external stakeholders. At the State level, F2 has partnered with the Governor's Office of Management Accountability and Performance (GMAP), with various cabinet-level agencies on Lean implementation methodologies and on specific applications to improve operations.

The GMAP partnership was initiated with a visit by the GMAP Director and its staff in July, to learn first-hand about F2's Lean teams, accomplishments, levels of maturity with Lean and program management. Following the visit, F2 was formally asked to take a visible, active role in the State Lean Transformation Conference, hosted by Governor Gregoire in October 2012. F2 designed and staffed a vendor booth, highlighting the 102 active Lean teams. Additionally, due to a special request from GMAP, C2 produced innovative visual displays for each of 26 cabinet-level Lean projects. F2 was also invited to participate in a leadership panel and to present a workshop during the conference:

- V'Ella Warren, Senior Vice President, was one of four panelists on the "Leadership Panel: Lean Partners – Leading Practices in Lean."
- LuAnn Stokke, Director of Operational Excellence F2, presented a workshop session entitled, "Improving Service, Changing Culture: Implementing Lean at UW Finance & Facilities."

Several State-focused Lean improvement projects have been initiated and hosted at UW, including the following:

- Workers' Compensation—the State's L&I group wishes to partner and potentially adopt the Workers' Compensation Back-To-Work Lean team's new web-based portal.
- Procurement Reform—using Enterprise Risk Management (ERM) as a platform, a Higher Education/Department of Enterprise Services partnership that applies Lean thinking to a risk-based assessment framework will be piloted next year.
- State Records Management—a Lean session will be held to draft a risk-based framework with the UW and other State higher education records management officers.
- State Grant Funding Agencies—F2 will host a Lean effort involving GCA and State grant-funding agencies designed to streamline grant administration.

1.1.5 F2 Partnering with Higher Education

Over the past year, F2's leadership role in Lean has brought over 20 visitors to UW for tours and briefings to witness F2's unique approach to implementation. F2's growing reputation in this area has generated interest in higher education: Michigan State University, University of Utah, University of Auckland (NZ), and Seattle Pacific University have sought in-depth information and guidance. Cornell University will tour in December 2012 for the purpose of learning how to apply and integrate Lean with business and administrative processes. With the ongoing Lean work around streamlining State procurement processes, a higher-education working group made up of all public university and community college procurement leaders and led by Ann Anderson, Associate Vice President and Controller F2, has learned and used Lean to draft a risk-based approach that could extend to other relationships with State agencies, departments, and additional regulators.

1.1.6 F2 Partnering with Campus

Over the last year and into next, F2 Lean will have launched and/or supported a number of Lean efforts in UW departments, schools and colleges. This F2 support includes providing business resources, project management and facilitation for Lean launches. Some of these partnerships include:

- College of Arts & Sciences:
  - Shared services center (expansion)
- UW School of Medicine (in addition to the two listed below, there is the potential for three more launches):
  - Pre-award grants management and Visa assistance
  - Shared services center
- Washington National Primate Research Center:
  - A series of launches to support administrators at the Primate Center has been identified. The first launch was for the non-animal billing process team.
- Environmental Health & Safety (EH&S):
  - EH&S safety survey process
  - Permitting process for temporary food handlers

1.1.7 Lean Central

A space that had formerly housed pre-press equipment for offset printing in Publication Services/Creative Communications was converted to "Lean Central"—an educational, event, meeting, marketing, and "town square" area that is flexible-use and modular, and can accommodate all of F2's large-scale Lean activities. It has been offered for use (at no cost) to external units for Lean launches, and has become extremely popular—with its widespread use of visual management tools—for explaining strategy, goals, results, and F2's approach to Lean. It will continue to support the needs of the 24 in-house Lean coaches, team trainings, Lean launches (three can be hosted simultaneously), and tours and orientations for guests.

1.1.8 Coach Development

F2 believes that one of the most effective cultural change agents comes from developing internal consultants to help advance change from the inside out. During various Lean launches and initiatives, 24 employees/leaders have been identified as lean coaches. During the last year these individuals have continued to learn and hone skills through facilitating launches, providing one-on-one advice and insight to developing teams, and peer-coaching. Support from an external consultant each month, new job-aids and visual management tools, and coach "drop-in sessions" each week are designed to provide a frequent and predictable rhythm to coaching development. In addition, many coaches had the opportunity to learn, first-hand, advanced Lean concepts through visits to Shingo-Prize (a global standard for Operational Excellence) winning companies in Utah. Others were active "ambassadors" for Lean at the State Lean Transformation Conference.

F2's investment in the cadre of Lean coaches is estimated at 132 hours each, consisting of formal Lean training, tours, and the "on-the-job" training in facilitating launches, coaching teams, and peer-coaching within their own areas. This totals 3,168 hours.

1.1.9 Communications Planning and Initiatives Underway

F2 secured high-quality external support for designing a comprehensive communications strategy aimed at educating and acquainting all F2 employees, beyond the 880 currently participating on teams, with the goals, desired outcomes, and long-term strategy of the program in addition to, the real and remarkable results implemented by individual teams across F2 units. With the increasing number of external contacts hearing about Lean at F2 and the growing attention on Lean for all State agencies (Governor Gregoire signed Executive Order 11-04 late last year), F2's communication strategy will also incorporate a sustainable approach to allow for informative, educational exchange of information while not burdening any of F2's operational teams with "downtime" to accommodate tour-groups and visitors.

1.1.10 Lean Leadership Learning

Some 20 Associate Vice Presidents, Director and mid-level leaders across F2 were able to visit six Shingo-Prize winning companies over the last year, gaining valuable insight and ideas on implementing Lean—idea systems, inventory/stocking systems, work breakdown structures, "one-piece flow," training/orientation/onboarding, metrics, and strategy to support operations. Moreover, 24 Director-level leaders from across F2 were certified in "Principles of Operational Excellence and Assessment" (Shingo Prize/Utah State University) through class learning and onsite peer-assessment of other companies.

The F2 Lean team expanded its participation in area Lean groups such as NW Quality Forum and L3 (Leading Lean Locally), and connected with public- and private-sector organizations to exchange information and build a Lean community of practice.

1.2   Student Involvement

F2 is committed to supporting student initiatives and to providing employment and other avenues for student involvement and development. During FY2012, F2 provided over 300 student opportunities that included career-focused internships, student employment, and volunteer positions. The Senior Vice President has set aside a revolving fund of permanent money to encourage managers to employ even more students and F2 has established an aggressive goal during FY2013 of doubling the number of students involved in F2, compared to FY2012. The departments of Internal Audit (IA) and Investments currently employ student interns and during FY2013, F2 will roll out a new program that will provide even more internships for students that will include paid work opportunities, training and mentoring designed to enhance the future employability of each participant.

1.3   Environmental Stewardship & Sustainability

1.3.1 STARS

The UW received a Gold rating on October 17, 2012, after submitting an extensive, 274-page sustainability report known as "STARS: a Sustainability Tracking and Assessment Rating System," organized by the Association for Advancement of Sustainability in Higher Education (AASHE). The Environmental Stewardship & Sustainability (ESS) office coordinated the report in partnership with over 30 different departments across campus and a group of graduate students from the Environmental Management Certificate program. The UW outranked all peer institutions on this report and the Gold rating confirms UW's leadership role in higher education sustainability.

1.3.2 Sierra Club

For the fifth year in a row, the UW placed in the top 10 "coolest schools" in the country in Sierra Club's annual ranking, placing fourth overall. The Sierra Club bases this ranking on a combination of metrics including water reduction, waste diversion, greenhouse gas emission reductions and sustainable food sourcing.

1.3.3 Green Labs Certification

The ESS office is leading a Green Labs Certification project in partnership with Environmental Health & Safety, Recycling & Solid Waste, and purchasing and laboratory managers from UW Seattle and UW Bothell. The project aims to help reduce the environmental impact of laboratories while maintaining the current quality of lab research and education at the University.

1.3.4 Earth Day

ESS partnered with UW Marketing and the Earth Club student organization to plan Earth Day as part of 2012 HuskyFest. Thousands of visitors enjoyed free food samples from local farmers and food suppliers of Housing & Food Services, live music from local bands, a trash fashion show and over 40 exhibits on Red Square highlighting UW's efforts to sustain the earth.

1.3.5 Sustainability Summit

One highlight of the third annual Sustainability Summit, celebrated in Fall 2012, was a Smart Grid media event featuring U. S. Senators Patty Murray and Maria Cantwell, together with UW Facilities Services representatives and students. These parties announced the launch of individual energy metering in the residence halls and the data collection for the ARRA-funded Pacific Northwest Smart Grid Demonstration Project, a partnership between UW, Battelle, Pacific Northwest National Laboratories, Seattle City Light and 11 regional utility providers. The Summit also included an exhibitor fair with over 50 exhibits, a

documentary on electronic recycling and a free electronic recycling collection event that brought in 650 pounds of electronics for recycling. The Summit culminated with a speaker panel and reception in Kane Hall.

1.3.6 Green Office

The UW Green Office Certification Program certified 21 offices in its first year, encompassing the sustainable office practices of 678 University employees. The goal is to reduce the environmental impact of the University by increasing awareness and activity.

1.3.7 Environmental Stewardship & Sustainability Web & Social Media

Since the launch of the improved ESS website in October 2011, over 13,500 unique visitors have launched over 68,000 individual page views. Facebook followers have increased by 193 since last October, totaling 430 total "likes." Twitter followers have increased by 326 followers in the last year, now totaling 744. ESS also started a YouTube Channel and there are nearly 500 video views in addition to a centralized collection of over 100 videos.

1.3.8 Student Engagement

In FY2013 ESS employed five UW students and completed the following projects:

- 'Sustainability Kiosk' that includes an interactive poster, a UW campus sustainability brochure and a tree made from recycled cardboard to display student posters.
- Eco-Rep Program that developed a peer-to-peer student education network to raise awareness about sustainability on campus.
- Marketing & Communications Coordinator that worked with staff and UW marketing to provide consistent branding materials for campus-wide events and programs.
- Climate Action Plan (CAP) Communications Coordinator that worked with staff and F2 departments to develop an awareness campaign through social media and posters for the CAP.
- Two sustainability videos were produced in collaboration with the Campus Sustainability Fund, Media Relations and Housing & Food Services.

ESS also sponsored ten graduate students from the Environmental Management Certificate program to conduct research and analysis for the STARS reporting process and Climate Action Plan (CAP) communications. Five interns from the Program on the Environment completed capstone projects that involved developing a campus sustainability map, a social media recommendation and communications material for the Green Office Certification launch. Additionally, two volunteers worked with the office helping with special projects.

1.3.9 Campus Sustainability Fund

The Campus Sustainability Fund (CSF) concluded its second year by funding $300,000 for projects that included: Parking Lot Bio-Swale, Edible Green Screen + Water Harvesting Demonstration Project, Phase II, Onsite Yard Waste Composting, Carlson Center Service Learning Student Liaison, Biodiesel Cooperative, Bicycle Repair Stations, Rainwater Catchment and Sustainability 2.0 Web Media project. The CSF also received media attention from the Seattle Times and was included in an article for Earth Day. Approximately 28 students are directly involved with these projects. All of the projects require administrative support and supervision by campus partners including Facilities Services, Undergraduate Education, Student Life, Capital Projects Office, Carlson Center, Media Relations, Housing & Food Services,

Planning & Budgeting, College of Built Environments, Environmental Health & Safety and the College of Arts & Sciences.

1.3.10 Executive Order No.13
A presidential executive order for 'environmental stewardship and sustainability' was issued this summer through involvement from the CAP policy development sub-teams, the Office of Rules & Coordination and the Environmental Stewardship Committee. The executive order serves as an umbrella policy framework that will allow departments to directly develop sustainability policies for implementation.

1.4 Business Diversity Program
The Business Diversity Program (BDP) proactively engages with and supports the UW's commitment to creating an environment for businesses contracting with the University that reflects diversity, promotes opportunity and values transparency. BDP partners with Procurement Services, Capital Projects Office and the Business & Economic Development Center within the Foster School of Business on initiatives to engage the local, small and diverse supplier communities. According to the Washington Policy Center, small businesses represent 96.2% of registered businesses within Washington State and employ 41% of private sector employees. Census data show that of these small businesses, 11.2% are owned by minorities and 28.7% are owned by women. Annually, BDP staff participate in at least 60 outreach events and conduct one-on-one meetings with at least 30 diverse suppliers in order to connect UW buyers throughout campus with appropriate suppliers in the community. In 2011, the UW was awarded 'Public Agency of the Year' for the second time by the Northwest Minority Supplier Development Council, due to efforts driven by BDP. The BDP is the only one of its kind among public four-year institutions within the State of Washington. The program staff are now partnering with State agencies, the Office of Minority and Women Owned Business Enterprises (OMWBE) and the Department of Enterprise Services (DES,) to look at ways BDP can become a model and then share strategies with other agencies and institutions of higher education.

2.0 Finance Initiatives

2.1 HR/Payroll Replacement
A major project is underway to implement a new Human Resources and Payroll (HR/Payroll) system to significantly improve critical HR/Payroll functions across the University. The goal is to replace the UW's 30-year-old system with a modern system that supports every level of UW's HR/Payroll operations— addressing the lifecycle of people management, from hiring to retiring; providing data to enable the UW to attract and grow its talent and effectively manage its workforce; delivering functionality in key missing areas; and producing substantial efficiencies and productivity gains throughout UW units. This is a collaborative effort with Payroll, Human Resources (HR), Academic HR, UW Medicine and UW units. This will streamline department payroll data gathering and processing, enhance business efficiency, enable better reporting and decision-making, and strengthen regulatory compliance.

V'Ella Warren, Senior Vice President, is the Lead Executive Sponsor for the HR/Payroll Replacement project. In this role, Ms. Warren is responsible for ensuring the success of HR/Payroll Replacement project and acts as the primary point of contact for the Provost, President, and key constituents. Ann Anderson, Associate Vice President and Controller F2, is a member of the Advisory and Budget Team that provides vision, issues resolution and strategic decisions on competing priorities. Cindy Gregovich, Associate Controller F2, and Ginny Montgomery, Assistant Director Payroll Office F2, are core team members making primary decisions

and assisting with day-to-day activities. Ruth Johnston, Associate Vice President F2, is assisting with change management.

2.2 Enterprise Risk Management

F2 encourages leaders to be proactive in managing institutional risk. F2, in partnership with the Provost's Office, continues to lead the overall Enterprise Risk Management (ERM) effort, including coordination of the President's Advisory Committee on Enterprise Risk Management (PACERM) and the Compliance, Operations and Finance (COFi) Council. The significant ERM accomplishments in 2012 include the development of draft metrics for evaluating and monitoring institutional success. This compendium consolidates existing, high-quality measures that align with the UW Core Mission (e.g., market leadership, top students and faculty, and sustainability), the Sustainable Academic Business Plan (e.g., diverse funding and financial ratios/credit rating), and Stewardship (e.g., administrative burden and compliance). Discussion and decision-making can be facilitated by developing focused dashboards to effectively communicate with senior leadership regarding key areas of excellence, strategy and potential concern. The target date for a final draft is January 2013. Recently, at President Young's request, V'Ella Warren, Senior Vice President, shared the preliminary draft compendium with the Board of Regents and received positive feedback.

The COFi Council, led by Internal Audit, coordinates the sharing of risks and mitigations and advances the awareness of compliance responsibilities. The COFi Council has initiated a project to help reduce risk by creating a matrix of Federal laws and regulations required to be adhered to by University personnel. This matrix, which will be available on the COFi website in late 2012, provides both academic personnel and staff with a description of each regulation and a point of contact for related questions.

2.3 Governor's Lean Management Initiative

The Governor's Lean Management Initiative, along with the implementation of Lean within F2, provides an opportunity for seeking efficiencies in the area of sponsored awards. Using Lean, GCA initiated a collaborative effort with several cabinet-level State agencies, in coordination with senior leadership in the Governor's GMAP office, to streamline and standardize the grants administration process for sponsored awards funded by the State. All post-award processes will be reviewed in order to identify any areas for improvement. Invoicing is a likely area where efficiencies can be gained. The participating State agencies have been enthusiastic partners in this effort thus far. Planning is in process and the initiative will launch in early 2013.

2.4 Global Support Program

The Global Support Program (GSP) leads and coordinates interdisciplinary problem-solving for administrative challenges faced by faculty conducting research and teaching abroad. GSP also works directly with departments on specific programs in foreign countries and, during the past year, helped to implement the UW Kenya infrastructure in Kenya, managed the process to register UW as a legal entity in Peru, and consulted with the Department of Chemistry on registration options in India to operate a $14M NIH grant. GSP also coordinated resources from HR, the Attorney General's Office and the UW Tax Office to provide integrated advice to campus departments that need additional personnel at international sites.

GSP's campus-wide projects include developing a toolkit for managing international operations. This includes UW policy regarding international work, checklists for creating budgets, and tools for using administrative procedures. In 2013, the toolkit will be broadly implemented through instructional classes,

newsletters and a revised Global Operations website. To help campus administrators even further, GSP, in collaboration with the Office of Sponsored Programs and the Department of Global Health, launched a class titled "Budget Busters: Identifying the Hidden Costs in International Projects." A second class, "Congratulations on Your International Award: Now What?" will be introduced in 2013.

GSP continues to be part of the Provost's Office team that is implementing UW's first comprehensive global emergency management plan (GEMP). In 2013, GEMP will have a more comprehensive travel registry, an expanded website, and a quarterly review of international travel emergencies.

UW's GSP continues to be viewed as a national and international leader. In November 2012, Ann Anderson, Associate Vice President and Controller F2, presented a session at the conference, "The Essentials of Running a Global Health Center," at the Albert Einstein College of Medicine. This was the sole administrative session among many others related to global research and education which were led by physician-researchers.

2.5 Shared Services

2.5.1 Arts & Sciences
With assistance from staff in Finance, F2 Lean resources, and the Arts & Sciences Dean's Office, the Humanities and Arts departments in the College of Arts & Sciences continued to evolve the Shared Services Center. The initial focus was to consolidate purchasing and payroll transaction processing. The service center has expanded to include pre-award grant administration and planned Visa processing support. The results include streamlining through standardization, strengthening compliance and improving service to units. In addition, administrative staff in departments served by the center report having more time to focus on mission-critical activities.

2.5.2 School of Medicine
In 2012, the School of Medicine (SOM) launched a formal process to create a shared services unit for nine volunteer SOM departments including Psychiatry, Pediatrics and Urology. The SOM plans to enhance the current suite of pre-award services already in use by the Department of Psychiatry with tools developed by the College of Arts & Sciences shared services model. F2 is providing business resources and project management assistance, including Lean Workshops to identify the processes to review and to help develop the future-state, streamlined workflow. The resulting SOM shared services unit will also support Visa processing assistance, and later, payroll and purchasing services. The working group is designing the shared services center for implementation in July 2013. Once the center is fully implemented and tested, the other SOM departments will have the opportunity to join.

2.6 Government University Partnership for Process Effectiveness and Efficiency (GUPPEE)
For the past two years, Ann Anderson, Associate Vice President and Controller F2, and Margaret Shepherd, Director of State Relations External Affairs, have led a group of procurement and finance administrators from six colleges and universities in Washington State, along with the Council of Presidents, the Washington State Office of Financial Management (OFM) and the Governor's Office, in an effort called GUPPEE: Government University Partnership for Process Effectiveness and Efficiency. The goal of the effort is to identify and advance statutory changes, administrative improvements and other regulatory reforms with State agencies to create efficiencies for business processes in higher education.

This year, 2SHB 2585, the House Bill that incorporates long-desired ideas for efficiencies, was passed by the Legislature and signed by the Governor; it included items related to purchasing (alignment of bid limits and advance payments for maintenance contracts), travel (using online vendors) and prepayment for study-abroad activities. All of these measures have been implemented at the UW. The bill also enables mandatory payroll direct deposit, which is targeted for implementation January 2013. All of these efficiencies will save time and money for the University and other higher education institutions. The team is moving forward to identify additional efficiencies that can be brought forward to the Legislature and other agencies in the coming months.

2.7 Grant & Contract Accounting

F2 staff and leaders understand that inefficiencies and complexity within functional units result in more work for individuals across campus. In GCA, the unit's common purpose is displayed on the wall: "Speeding the pace of scientific progress." By reducing the administrative burden to Principal Investigators (PIs), GCA frees time that can be spent advancing research.

As President Young stated in his October 2012 address to the UW community, faculty spend more than 40% of their time on administrative tasks. Understanding that GCA efficiency translates into efficiency for campus PIs and research administrators, GCA teams focused attention on backlogs with early Lean projects. The results over the last two years are stunning: a long-standing backlog of nearly 5,500 expired research budgets that had not been closed has been reduced by 91% to 500 budgets. The backlog of funded research expenses waiting to be billed has dropped by 68%. Cash payments not applied to appropriate budgets have been reduced by 52%. The backlog of financial reports due to sponsors has declined by 76%. Finally, new budgets that arrive with complete and correct documentation are consistently set up within one business day of receipt. With historical backlogs nearing elimination, GCA is now focusing efforts on reducing re-work by improving quality in work processes.

2.8 Management Accounting & Analysis

Management Accounting & Analysis (MAA) launched two Lean initiatives: one for recharge/cost centers and one for the Facilities and Administrative (F&A) rate development. The recharge effort focused on eliminating redundant processes occurring both in MAA and campus units, communication and training through quarterly brown bag sessions, activation of a recharge center listserv and producing semi-annual newsletters. The F&A effort resulted in the creation of a risk-based approach that will eliminate over 50% of budgets requiring detailed review by departments during the FY2013 base year. In addition, MAA has developed robust visual management tools to clearly display progress towards key goals, such as developing and negotiating the F&A rate proposal and processes related to the establishment and ongoing oversight of recharge and cost centers. These visual tools are used daily by team members to assess progress and realign resources when issues arise.

Additionally, the Electronic Faculty Effort and Cost Sharing (eFECS) project is a multi-phase effort to automate and improve the faculty effort and cost sharing reporting processes. The eFECS project has realized excellent time savings through the release of Phase III. This includes an estimated annual reduction of nearly 5,000 hours for academic and central office staff and about 700 hours of faculty time.

2.9 Cost Accounting & Analysis

Cost Accounting & Analysis provided summarized and targeted presentations for the participants in the Campus IT Costing study. These presentations took unwieldy information, generated during the study, and created user-friendly, accessible analyses that enabled leadership in the departments, schools and colleges to easily understand IT support cost structures. Similar summary reports were also created for participants in the procurement services benchmarking study. By providing these services, F2 ensured that the value of the data collected was turned into opportunities for improvement and cost savings by campus departments.

2.10 Creative Communications

Creative Communications (C2) continued to improve its financial outlook in FY2012 and recorded net income of $200K. Costs were reduced through a number of efforts such as reducing pre-production cycle times by 25%. Investments in newer equipment and technologies such as a digital color press, expanded wide-format printing programs and the ability to produce new types of printed materials, all meet growing customer needs. Server virtualization has reduced the total number of C2's hardware servers from 25 to 3, each running more efficiently. C2 leaders have invested in staff, increasing the number of HIPAA-certified employees and expanded production of HIPAA-related materials to accommodate expanded offerings to UW Medicine.

Employees in C2 have embraced Lean, launching five new Lean teams, for a total of seven, department-wide. Teams huddle at boards weekly and instituted a daily production huddle. C2 received national recognition with a trade magazine cover-story on C2 Lean activities and improved financial performance.

C2's customer focus has led to opening a new copy/mailing center in the center of the Seattle Campus offering personal mailing and shipping services to students, faculty and staff. Client outreach has been expanded in an attempt to better understand needs, and demonstrate cost-saving approaches. C2 is also expanding the use of signage on its mail and delivery vehicles for UW units to promote and market activities.

Additional business opportunities are being explored by C2 that are outside of the traditional customer base. For example, C2 is now partnering with NW Hospital to process their outgoing mail. C2 collaborated with the UW School of Art for the second year in a row on a campus mailbox-decoration class project.

At the October 2012 Washington State Government Lean Transformation Conference at the Greater Tacoma Convention & Trade Center, C2 partnered with GMAP to produce 43 posters, banners and other printed material using C2's wide-format printer. This partnership was the result of a visit to F2 to review Lean efforts by GMAP representatives at which interest was expressed in C2-developed reusable vinyl posters and banners to welcome the delegation. These visible representations of C2's work were positively acknowledged by many of the 2,500 conference attendees.

2.11 Procurement

2.11.1 Replacement of Procurement Systems

Led by Procurement Services, renewal of the 30-year-old purchasing system is being undertaken in partnership with UWIT. The solution leverages existing Ariba software already implemented more narrowly for eCommerce. Over the last several months and extending into the next two years, the legacy PAS system will almost, although not entirely, be rendered obsolete by this aggressive expansion of Ariba functionality.

Procurement Services is funding this project in its entirety. While there is inherent risk in this model, strict oversight and funding protocols, including establishing adequate reserves, have been implemented.

2.11.2 Strategic Sourcing

Using Lean practices, Procurement Services has advanced the concept of strategic sourcing to leverage University-wide purchasing power and negotiate contracts with favorable pricing and contract terms. Currently, about 75% of the dollars spent at the UW are covered by strategic contracts with an annual benefit of $31M. A significant portion of those contracts can be accessed with the new expanded Ariba tools. Expansion efforts have enabled efficient reimbursement of employee expenses (over 10,000 employee reimbursements have been electronically processed since the February 2012 rollout).

2.11.3 Cost Savings to Central Units

Additional efforts include using Ariba to improve the Request-for-Proposal (RFP) process, providing better access to contracts, and further expanding of the supplier network. Migration to Ariba, in conjunction with Lean, has allowed the downsizing of central units. In 2007, there were over 100 FTEs in Purchasing, eCommerce and Accounts Payable. In 2012, there are about 55 FTEs. In 2008, only 50% of the procurement transactions were electronically processed. Today, it stands at over 75%. An electronic transaction is $42 cheaper than other alternatives (PAS, manual transactions), with most of the savings generated in campus units. These are significant savings that are cumulative and will expand as the strategies in Procurement Services move ahead.

2.11.4 State Procurement Reform Model

In 2011, the State Legislature enacted Senate Bill 5931, consolidating a number of administrative functions into a new agency, the Department of Enterprise Services (DES). Companion legislation, 2SHB 2452, from the same session required DES to advance an effort to reform State Agency procurement. While not entirely autonomous, public institutions of higher education have fairly wide statutory authority to establish their own procurement rules. Nonetheless, higher education enthusiastically joined the collaborative reform effort led by DES. With DES's approval, higher education—led by UW Procurement Services—drafted an innovative reform model using Lean to structure the "future state." The model, built in part on UW's experience with ERM, enables DES to focus its oversight role on those agencies that are unable to maintain a low-risk procurement profile. Other agencies, such as the UW, with a robust procurement infrastructure and strong control environment, will have even greater autonomy from DES. In addition, the model is flexible enough to have application to other regulatory relationships. It can lead to much more effective and efficient deployment of resources, both for the regulator and the subject entity. The Director of DES, Joyce Turner, communicated the following:

> *"The collaboration, commitment and leadership demonstrated by the procurement representatives from higher ed has been important to our implementation of 2SHB 2452 Procurement Reform. The innovative approach to use Lean process improvement to develop a procurement framework that centers on risk as its driving consideration was conceived by our higher ed colleagues. Higher ed has partnered with us to develop the implementation strategy for the risk matrix. This model is exciting in the context of procurement. Higher ed believes it may be applicable to many other governmental functions."*

2.12 Student Fiscal Services

Student Fiscal Services (SFS) surveys students each year; overall satisfaction with SFS has increased from 65% in 2008, to 76% in 2012. In-person service delivery satisfaction rose from 79% in 2008 to 91% in 2012, while online service delivery satisfaction rose from 54% to 65%. During this same period, the number of students served by each SFS staff FTE increased from 1,605 to 2,025 (a 26% increase), which compares favorably to the FY2011 NACUBO benchmark of 1,285 student FTEs per staff FTE.

Student Fiscal Services' adoption of Lean practices has resulted in six formal Lean projects within the past 18 months which have, collectively, netted a soft-dollar savings of approximately $185,000 through increased process efficiencies and improvements to in-house-developed business automation systems. These improvements have also reduced customer wait times both in person and by phone, have shortened response times to customer emails and have resulted in standardized business processes.

2.13 Records Management

Similar to the risk-based model in development for Procurement Reform, the State higher education records managers, led by Barbara Benson, Director Records Management Services F2 and the University's Records Officer, will draft a risk-based approach to records management. This will be similar to the procurement model, and can be tailored to accommodate institutions with more robust records management functions, such as the UW and those that desire a much closer relationship with State records officers. For schools with low risk profiles, this could result in greater autonomy. Immediate next steps include a Lean launch with the higher education records managers to draft the model.

2.14 Internal Audit

The overall strategic objective of IA is to reduce the risks of the University. IA carries out a risk based annual audit plan approved by the Board of Regents, which includes audits across all operating units of the University. In completing these audits, IA has identified numerous opportunities to improve controls and reduce risk.

Additionally, IA identified a number of opportunities for the University to save money, recover losses and/or improve operational efficiencies. One audit identified over $700,000 in medical fees that had not been billed allowing UW Medicine to initiate billing procedures to recover fees. Audit investigations in FY2012 have led to requested recoveries of losses in excess of $109,000. Finally, IA worked with the UW external financial audit firm to provide direct assistance to reduce audit fees by $36,000 for FY2012.

2.15 Treasury

The Asset Liability Management unit of Treasury is building the capability to provide ongoing financial forecasts for the University. The first ten year forecast is expected to be completed in March 2013. This effort is part of a wider initiative that includes institutional monitoring, ongoing financial metrics, and the ability to provide senior leaders with key financial data. This financial forecasting capability will result in better decision-making, capital budgeting, and financial oversight and transparency.

3.0 Facilities Services Initiatives

Throughout the Facilities Services (FS) organization, operational units are executing the organization's strategy through collaborative initiatives, process improvements and reevaluation of business models. Some significant examples are cited below.

3.1 Lean

Since January 2010, FS has launched 26 Lean process-improvement teams and 14 5S events, engaging more than 438 FS employees in Lean learning opportunities. Employee enthusiasm and interest rise and new ideas for improvement increase as the benefits become more apparent; 20 new teams are in the queue for launch workshops in late 2012 and early 2013.

3.2 Sustainability

FS continued to contribute significantly to the University's successes in sustainability with continuing improvements in energy and water conservation, waste diversion, carbon footprint reduction, and sustainable transportation solutions. These contributed to accolades such as the University's selection as one of the Sierra Club's top "Cool Schools." FS collaborated with students to develop and implement a governance model and fee structure for a new Universal student U-PASS. The Transportation organization completed the conversion to the new ORCA fare medium for the U-PASS on all UW campuses, including coordination and automation of key business from all campuses.

3.3 Shuttles

The major service contract for shuttles was reissued, significantly increasing service standards (on-board WiFi, on-line real-time schedule information, and improved communication) while reducing operating costs across contracted shuttle routes by an average of 5%.

3.4 SmartGrid

Two hundred and thirty-five electrical meters have been installed in 178 University buildings with dashboards in place that will provide data to compare real time energy consumption by building. It is expected that this will influence occupant behavior, allow early recognition of problems, and set a framework for use in activity-based budgeting. This project is conducted in collaboration with the College of Engineering, Seattle City Light, McKinstry, Spirae and Battelle. This project has been the source of many student-related research projects in the College of Engineering and the College of the Environment, as well as the source of data for six student keystone projects.

3.5 Recycling & Solid Waste

Recycling & Solid Waste achieved a diversion rate of 57% in FY2012 with a net savings of $1,229,500 in disposal costs. These savings are calculated by subtracting the average cost per ton to recycle material from the average cost per ton to landfill garbage and then multiplying the difference by the total tons recycled.

4.0 Capital Projects Office Initiatives

4.1 Reduction of Printing and Paper Cost and Improved Review Tracking

Capital Project Office (CPO) has been working to reduce project document reproduction costs since 2010. This multi-phase effort has previously focused on reducing the number of plan-sets required at bidding, as well as the adoption of a paperless review process for CPO and project architects, resulting in a significant savings of hundreds of thousands of dollars for the University. At the same time, a new State-approved policy was adopted by the FS records department that allows all records to be stored electronically, thereby further reducing the University's obligation to produce paper versions of project drawings. Part of the process is to improve the communication between project design teams and campus design review personnel to reduce duplicate effort and improve response to design concerns.

4.2 Public Works Contracting

CPO leads in construction project management for the University and continually partners with other public owners and agencies to improve the Public Works process and prevent additional burdens on the process. CPO engages in vital work with the Legislature and other owners to reduce the cost of construction and increase the bidding tools available to the University and other public owners and agencies.

4.3 Turnover of Custody, Care and Control of Projects

FS and CPO cooperatively hosted a Lean launch to review and streamline the process for transfer of building ownership and responsibility after general contractors finish construction and CPO accepts the work and the space is "turned over" to Facilities Services to operate and maintain. Issues highlighted by the team, which included several departmental customers, Environmental Health & Safety and other key stakeholders, confirmed gaps related to problem resolution, operator training, project documentation, warranties, building commissioning, and common expectations for roles and responsibilities as a building comes on line.

Unit Name: **Finance & Facilities**

Senior Vice President: **V'Ella Warren**

Submitted by: **Barbara Wingerson**

Finance & Facilities Budget Package FY2014 Appendix B Lean Metrics

Appendix B Lean Metrics - Overview

F2 has employed Lean, a dynamic process-improvement methodology, since January 2010. Lean has facilitated F2's evolution into a principle-based organization with an engaged work force that is able to identify opportunities for improvement, is empowered to implement and embrace change, and is moving the organization towards making things work better, both internally—and most importantly—in service delivery to campus.

Appendix B outlines some of F2's Lean measurements:

Return on Lean Investment
Highlights the overall positive return on Lean investment
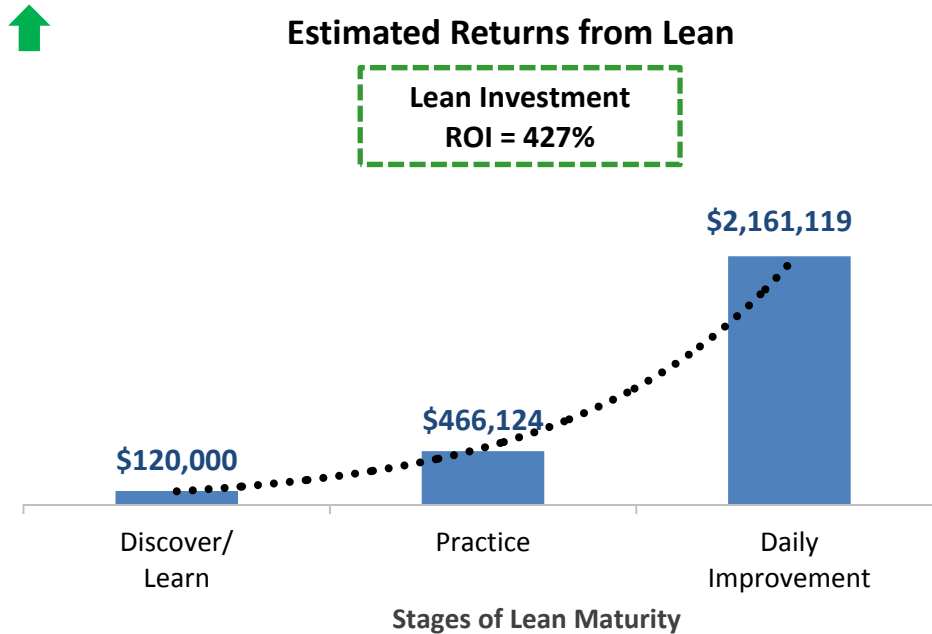
Summary of Lean Results
Provides brief examples of Lean process improvements across F2

Detailed Metrics on Lean Results
Provides detailed examples of Lean process improvement impacts for selected teams across F2

1.0 Return on Lean Investment

Lean success can be measured in terms of behaviors, processes and financial returns. Return on investment accelerates as teams/organizations adopt Lean principles building towards a culture of daily improvement. The graph represents savings from approximately one-third of F2's 100 Lean teams launched to date. Overall return on Lean investment for FY2011 & FY2012 is estimated at 427%.

Estimated Returns from Lean

Lean Investment
ROI = 427%

$2,161,119

$466,124

$120,000

Discover/Learn   Practice   Daily Improvement

Stages of Lean Maturity

Discover/Learn

In the Discover/Learn phase, teams are introduced to Lean concepts and begin to see opportunity gaps in a 3 day launch. "Just-do-it" improvements are identified and implemented for immediate results. A 90-day plan is set forth to achieve aggressive improvements that remove waste from the process. One of the teams showing results in the Discover/Learn phase is the Incoming Wire Transfer team in the Finance area, with a goal to reduce reconciliation time and dollars of wire payments by 50%.

Practice

In the Practice phase, teams begin to apply Lean concepts beyond the original launch scope. New cross-functional gaps and opportunities are identified that align with the organization's strategic objectives and goals. Teams are experimenting with Lean concepts throughout the organization. Examples of Practice teams are: Student Fiscal Services (SFS), Payroll, Facilitites Services (FS)- Finance & Business Services (FABS) and FS - Maintenance & Alterations (M&A).

Daily Improvement

In the Daily Improvement phase, teams begin exhibiting a culture based on Lean principles. Pursuit of perfection becomes a common focus for the entire organization - beyond the initial team. Organizations structure work around four systems: strategy alignment and goal setting at every level, reliance on visual communication about gaps and opportunities, utilization of idea systems and experimentation to close gaps, and standardized follow-up that promotes a continuous cycle of daily improvements. Examples of Daily Improvement organizations are: Transportation Services, Creative Communications (C2), Grant & Contract Accounting (GCA) and Procurement Services.

2.0 Summary of Lean Results

In addition to financial returns, below are a few examples of Lean impact on process improvements:

Finance

Grant & Contract Accounting
- Eliminated 100% budget setup backlog (1,129 to 0)
- Reduced closing backlog by 91% (from 5,478 to 500)
- Reduced fiscal reports backlog by 76% (from 404 to 96)
- Reduced billing backlog by 68% (from $8.5M to $2.7M)

Student Fiscal Services
- Reduced cashiers time to balance drawers by over 60%
- Reduced erroneous overdue notices to students while saving 144 hours annually in staff time
- Reduced paper use for scholarship billing by 1,300 pages per year and reduced $11k annually in labor costs

Creative Communications
- Mailing Services reduced overtime by approximately 65%
- Mailing Services cross-trained over 90% of staff to enable flexibility during peak workloads
- Creative Services increased annual revenue by approximately 9%

Payroll
- Reduced time to reconcile monthly general ledgers (GLs) by 74%
- Reduced time to reconcile monthly bank statements by 52%
- Eliminated paper usage by 100% for GL and bank reconciliations

Procurement Services
- Increased commodity purchases against university-wide contracts to 73% resulting in $31M in annual contract savings.
- Increased the percentage of procurement transactions going through more efficient electronic methods to 76%, resulting in $20.5M in annual process saving (savings is estimated based on time savings from both Campus departments and Central Procurement).
- Avoided 50,000 paper supplier checks by issuing electronic payments, resulting in over $100K in postage and processing costs

Travel Office / Procurement Services
- Travel Office and Procurement Services: processes 95% of eligible payments using direct deposit
- Travel Office: reduced support documentation for travel reimbursements by 100%

Facilities Services

Maintenance & Alterations
- Improved success at hitting targeted response times for corrective maintenance work orders to: Urgent-86%, High-87%, and Routine-85% (up from 56%, 66% and 72%, respectively)
- Improved success at hitting targeted deadlines met for corrective maintenance work orders to: Urgent- 83%, High- 88%, and Routine- 94% (up from 55%, 65% and 83%, respectively)
- Improved success rate at hitting targeted deadlines met for alterations from 60% to 87%
- Saved 70 hours per week in alterations staff meeting time

Engineering
- Eliminated paper documentation requirements
- Reduced processing time for drawings from 4 hours to 30 minutes

Transportation Services
- Reduced parking citation appeals processing time from 56 days to 1-10 days
- Reduced parking citations dismissed due to officer error by 58%
- Reduced non-value-added supervisor and parking specialist time by 68%, making that time available for customer service
- Implemented a consistent and transparent collections procedure, which processes citations within 90 days after they are past due
- Streamlined vehicle accident reports, anticipated to result in a 40% reduction in paperwork and increased user-friendliness for campus fleet customers in accident reporting
- Developed and implemented improved driver training practices and delivered behind-the-wheel training of 170 University affiliates for driving full-size University passenger vans to reduce accidents

Finance & Business Services
- Reduced rework time spent on work order billing by over 50%
- Developed and commenced implementation of efficient and compliant new logistical system for timely materials delivery to Maintenance, Operations and Alterations shops. Shops that have implemented the system improved "materials delivered by the date needed" from 46% pre-pilot, to 90%

Capital Projects Office
- Reduced the average time to complete a project closeout cycle by 19%
- Increased the number of projects closing on target from 18% to a high of 55% current rate is 31%

3.0 Detailed Metrics on Lean Results

3.1   Overall Finance & Facilities Engagement

3.1.1   Lean Participation

An early indicator for Lean engagement is participation in a Lean event. F2's overall participation goal of 82% is derived from a combination of 100% participation rate for F2 Finance organizations (FM, Treasury, Internal Audit (IA), F2 Administration), and a 75% participation rate for F2 Facilities organizations (FS, Capital Projects Office (CPO)).
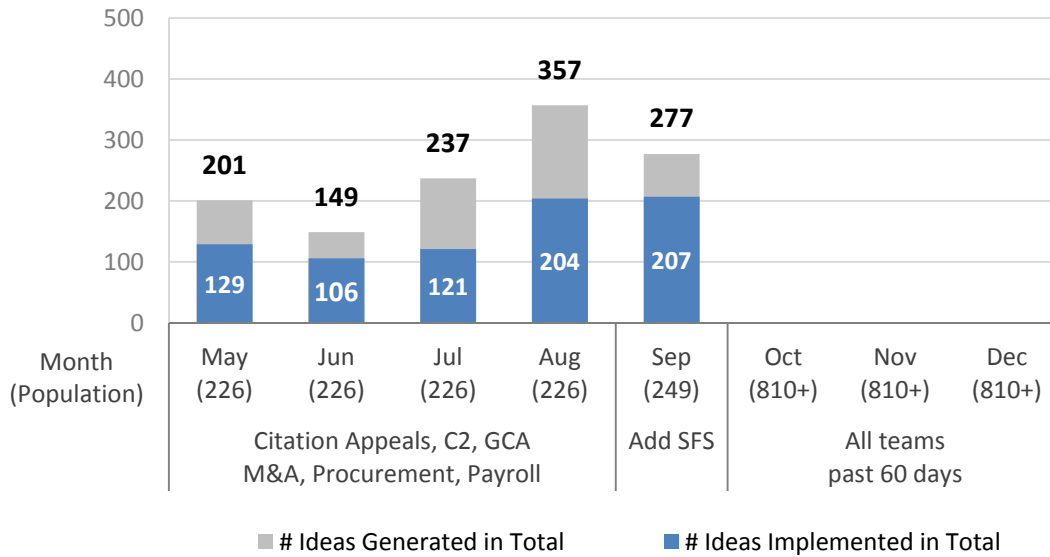
% of F2 Participating in Lean

F2 Target = 82%
Finance Target = 100%, Facilities Target = 75%

61%
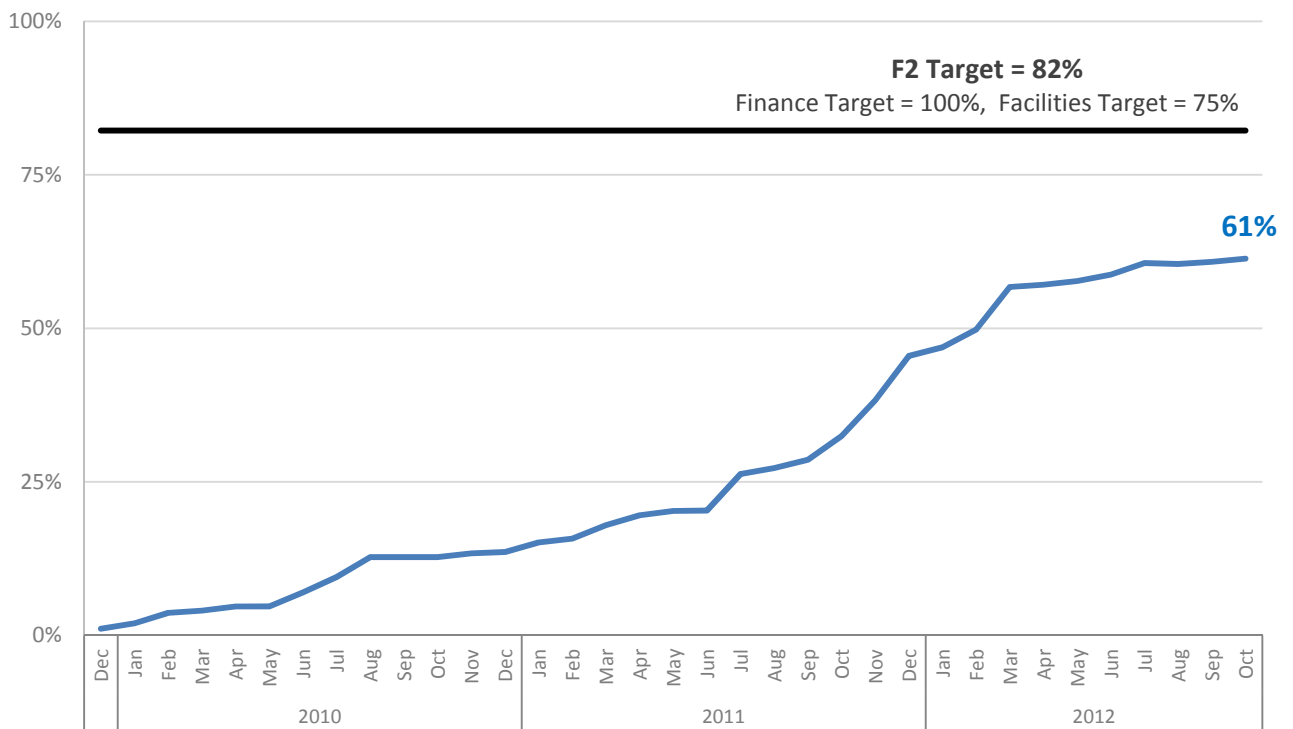
3.1.2   Idea Systems

Employee-generated ideas are a crucial measure of Lean engagement. Measuring generated and implemented ideas demonstrates an organization's propensity to change and the rate of change (i.e., ideas are the engine of change). Ideas also reflect whether an organization's culture provides associates a safe environment in which to think out of the box and challenge process waste. Ideas are generated and implemented by F2 associates—those closest to the process add the greatest value.
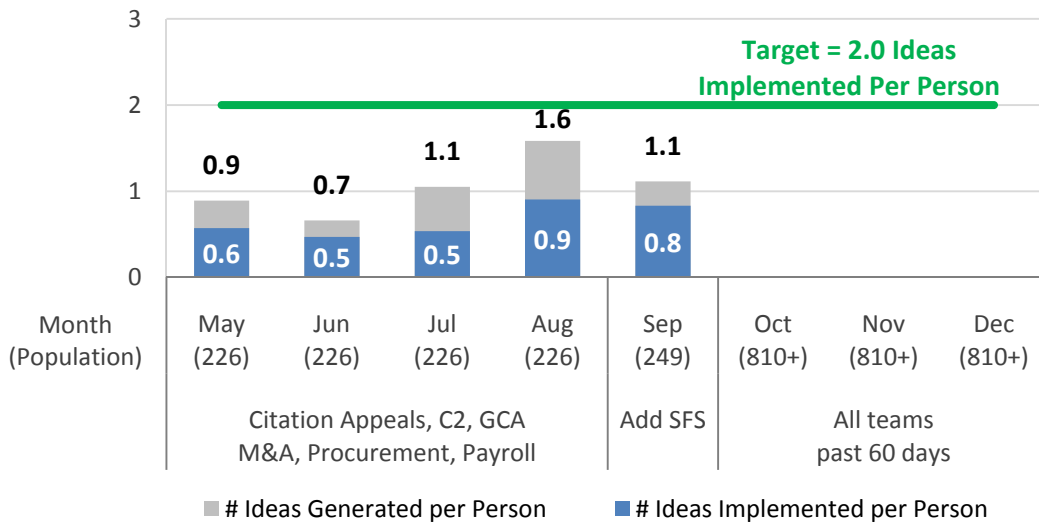
This measure was piloted in May 2012, with five units. Starting in October 2012, all Lean teams will begin measuring ideas. Given the importance of ideas, F2 has set an organizational goal of generating 25,000 new ideas in the coming year.

of Ideas Generated & Implemented

Month (Population)	May (226)	Jun (226)	Jul (226)	Aug (226)	Sep (249)	Oct (810+)	Nov (810+)	Dec (810+)
# Ideas Generated in Total	201	149	237	357	277			
# Ideas Implemented in Total	129	106	121	204	207			

Citation Appeals, C2, GCA M&A, Procurement, Payroll — Add SFS — All teams past 60 days

■ # Ideas Generated in Total   ■ # Ideas Implemented in Total

Ideas Generated & Implemented per Person

Target = 2.0 Ideas Implemented Per Person

Month (Population)	May (226)	Jun (226)	Jul (226)	Aug (226)	Sep (249)	Oct (810+)	Nov (810+)	Dec (810+)
# Ideas Generated per Person	0.9	0.7	1.1	1.6	1.1			
# Ideas Implemented per Person	0.6	0.5	0.5	0.9	0.8			

Citation Appeals, C2, GCA M&A, Procurement, Payroll — Add SFS — All teams past 60 days

■ # Ideas Generated per Person   ■ # Ideas Implemented per Person

3.2 Finance

3.2.1 Grant & Contract Accounting
*Reduce Backlog in All Major Processes*

The GCA Campus Services Lean project began in September 2010, with effort dedicated to reorganizing the workflow into streams of work. While staff turnover has impacted service at times throughout the year, significant progress has been made in reducing backlogs in most major processes (budget setup, financial status reports, billings and closings).

Budget Setup Backlog
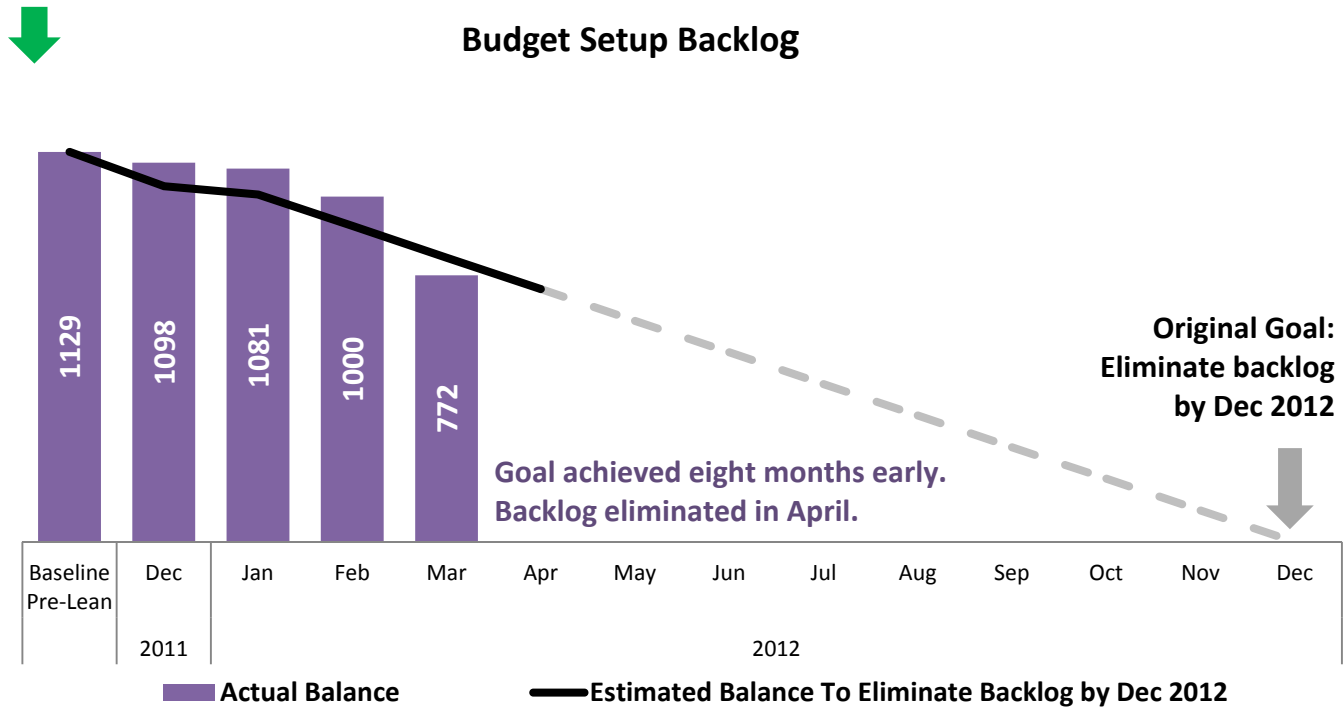
GCA receives award documents from the Office of Sponsored Programs (OSP) to set up grant and contract budgets in the University financial systems. GCA's goal is to establish a budget number and send notification to the Principal Investigator (PI) within one business day. At the end of 2011, over 1100 items had not been processed, creating a backlog. GCA applied Lean to streamline the budget setup process and set a goal to eliminate the backlog by December 2012. The backlog was eliminated by April 2012 and GCA continues to maintain an on-time budget setup process.

Financial Status Reports Backlog
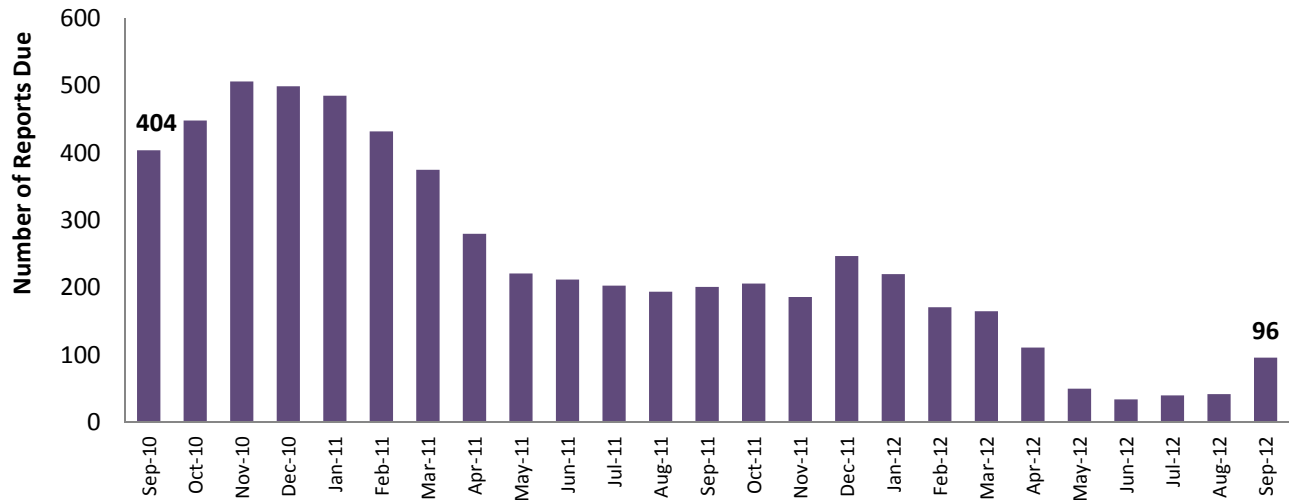
GCA applied the Lean process to reduce the time required to complete a sponsor's Financial Status Report (FSR). The approach shows significant improvement by eliminating duplicate steps and simplifying the review process. As a result, the FSR backlog was reduced by 76%, compared to the level before Lean implementation in September 2010. GCA's goal is to eliminate the entire FSR backlog by December 2012.
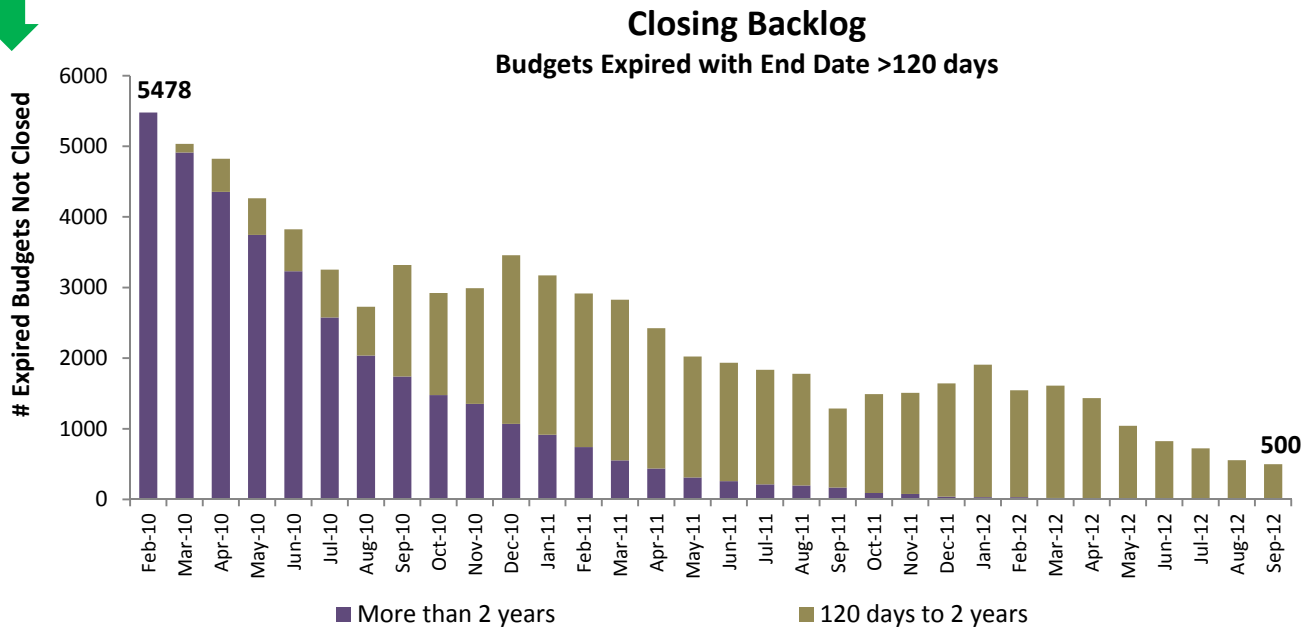
Billing Backlog
Monthly Cost Reimbursable Expenditures Not Billed
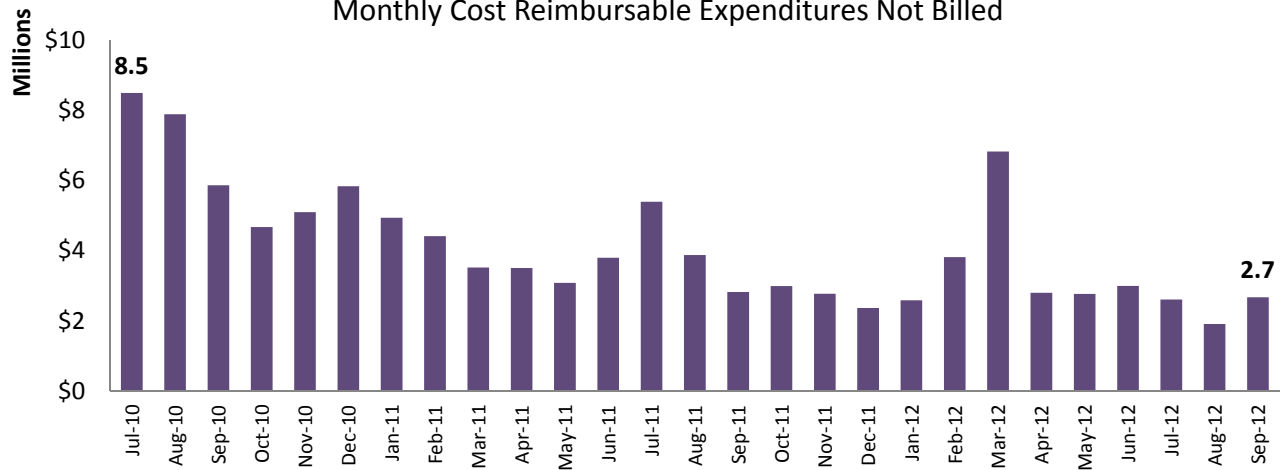
By engaging in the Lean process, GCA was able to reduce the billing backlog from $8.5M to $2.7M, between July 2010 and September 2012. The decrease was accomplished by collaborating with research sponsors to streamline the billing requirements, applying system process improvements, eliminating manual steps and standardizing tasks. GCA's goal is to eliminate the billing backlog by December 2012.

Closing Backlog
Budgets Expired with End Date >120 days

 # Expired Budgets Not Closed

5478

500

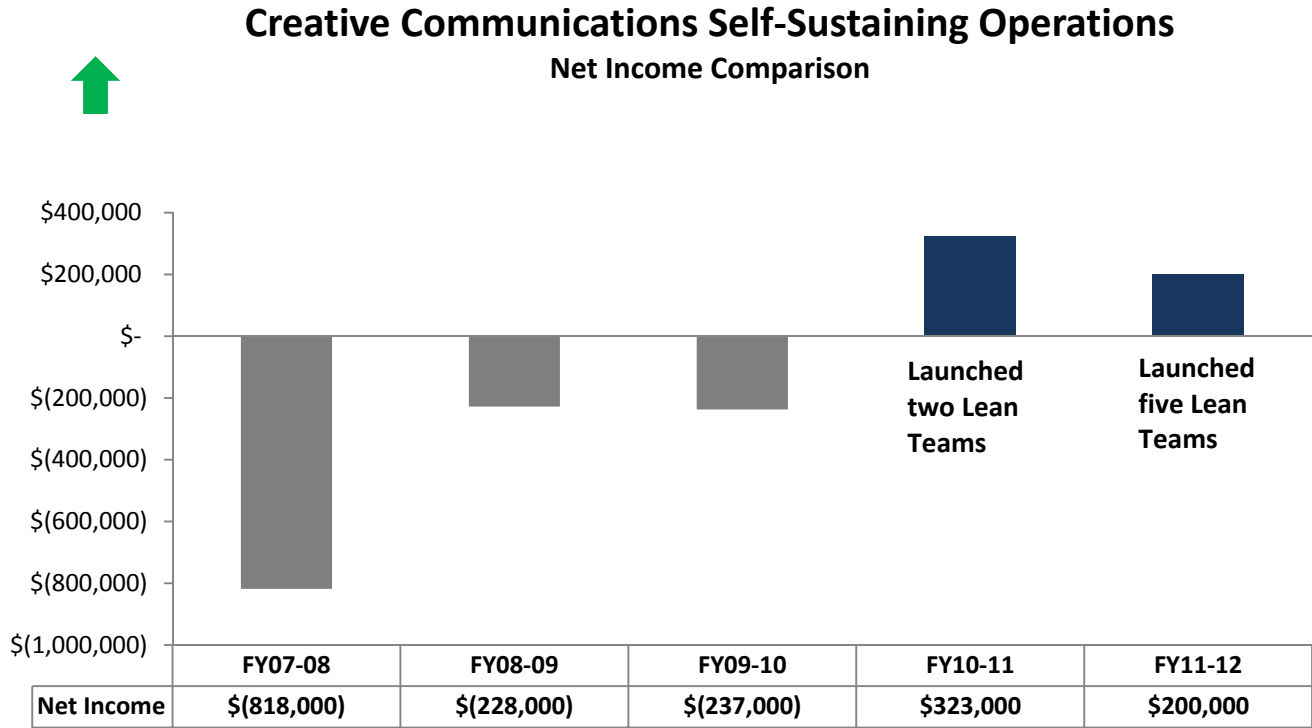Legend: ■ More than 2 years   ■ 120 days to 2 years

Using the Lean approach to improve workflow, GCA set up a process to work through a backlog of nearly 5,500 expired budgets that had not been closed. The current average number of days to close a budget is 164, compared to 463 days prior to the Lean effort. This is a significant accomplishment, since budgets overdue past two years are complex to resolve and close. GCA's goals include:

- Close budgets within 120 days from expiration date
- Improve exchange of information with campus customers
- Eliminate the closing backlog by December 2012

3.2.2 Creative Communications
Transforming to a Sustainable Business

Following the implementation of Lean, C2 has earned a net profit of over $500,000 in the past 2 fiscal years. Current FY2012-FY2013 projections continue to show net positive income.

Creative Communications Self-Sustaining Operations
Net Income Comparison

	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12
Net Income	$(818,000)	$(228,000)	$(237,000)	$323,000	$200,000

Launched two Lean Teams

Launched five Lean Teams

3.2.3 Procurement Services
Increase Savings to Campus and Decrease Processing Cost

Procurement Services has continued to make substantial progress in reducing hard-dollar costs to campus customers on goods and services purchases, as well as reducing related processing costs.

Summary of Savings

	FY09	FY10	FY11	FY12
Cost Savings by Leveraging University's Buying Power	$14,847,700	$19,129,400	$25,027,300	$31,369,000
Process Savings by Transitioning to Electronic Solutions (time savings in Campus departments and Central Procurement)	$12,400,000	$14,200,000	$16,000,000	$20,523,800
Check cost savings through increased electronic payments				$100,000
Total Annual Savings	$27,247,700	$33,329,400	$41,027,300	$51,992,800

Cost Savings by Leveraging University's Buying Power

Saving Campus Money Through Better Pricing
Annual Savings from University-Wide Contracts
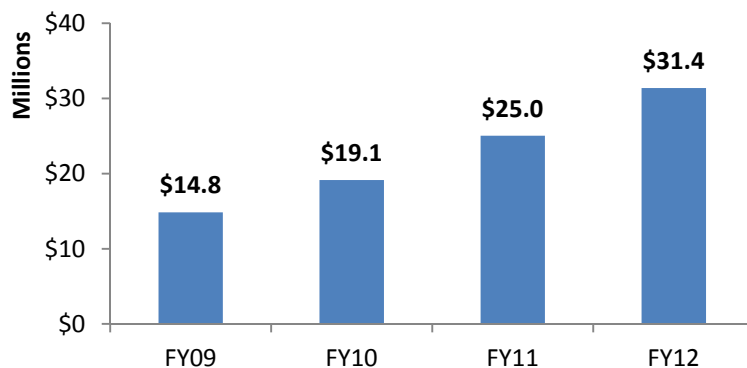
The University saves, on average 8%, when utilizing master contracts for commodities, rather than procuring goods as various one-off purchases. Thus, by capturing more of the University's spend under master contracts, significant savings are achieved.

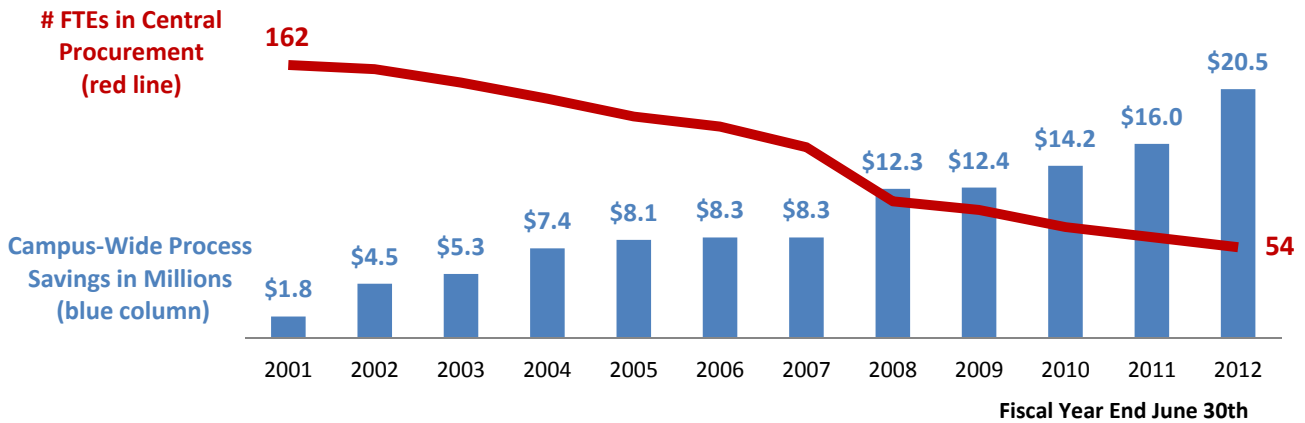**Saving Campus Money Through Better Pricing**
% of University purchases that fall under a master contract established by Procurement Services
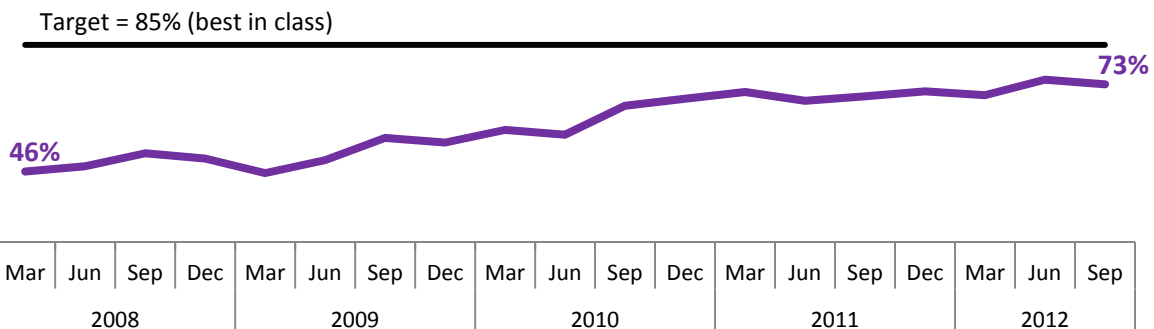
Process Savings by Transitioning to Electronic Solutions

Significant process savings are achieved by adopting more efficient procurement systems (see below). In addition, the University has saved roughly $100K in postage, check stock and processing costs related to its electronic payment initiative. **The UW is the number-one** electronic payment program among all of Bank of America's government-sector customers nationwide, and UW is in the **top 15 nationwide**, among all sectors.

Campus-Wide Process Savings and
Central Procurement FTE's Reduced
Migrating Purchases from Legacy Systems to eCommerce

 # FTEs in Central Procurement (red line)

162

Campus-Wide Process Savings in Millions (blue column)

$1.8	$4.5	$5.3	$7.4	$8.1	$8.3	$8.3	$12.3	$12.4	$14.2	$16.0	$20.5
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

54

Fiscal Year End June 30th

3.2.4 Student Fiscal Services
Decrease Time to Balance Cash Registers

Cashier Balance LEAN Process Improvement
Total Time (mins/day)* and Percentage Change

Pre-LEAN: 568
30-Days: 532 (-6%)
60-Days: 322 (-43%)
90-Days: 182 (-68%)
Target -50%
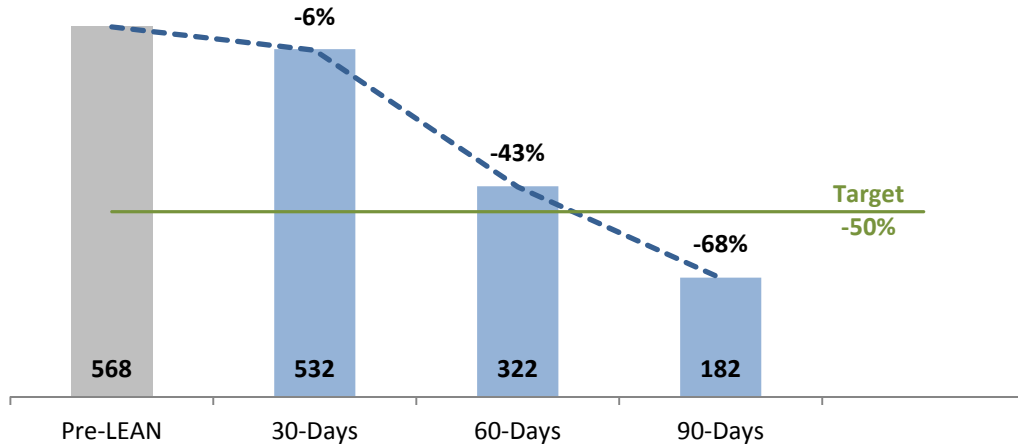
* Time per day for Cashiers (from 3-6) to balance drawers at end of each shift with supervisor sign-off

SFS's Cashiering Lean project took a comprehensive beginning-to-end look at cashiering operations and identified drawer balancing as significantly impacting staff time. An analysis of the process showed that cashiers and supervisors spent up to two hours a day of "wait time," in addition to unnecessary steps that involved staff in both Customer Service and Accounting units. The initial goal of the project was to reduce the overall time of the process by 50%. Within 90-days, SFS was able to completely eliminate the "wait time" and reduce the overall process time by 68%.

This was accomplished by a combination of streamlining the process and eliminating unnecessary process steps. Additionally, this led to improved written and standardized procedures, which not only addressed the new process and facilitated training, but enabled quicker identification and correction of errors on the part of staff at all levels. Visual job aids were also created to help cashiers minimize errors in balancing.

3.2.5 Financial Accounting
Decrease Time to Complete University Audited Financial Report

Financial Accounting (FA), in coordination with the University's external auditors, KPMG, created a Lean team to review the annual financial statement production and audit process, with the goal of producing audited financial statements one month earlier than in previous years (almost a 20% improvement), without incurring additional staff hours. This timely information is critical to University bond investors and bond rating agencies as the University continues to issue debt.

**One Month Time Savings to Complete
University Audited Financial Report**

Fiscal Year		# Days to Complete Audited Report
FY09	Completed Dec 22nd	174
FY10	Completed Dec 15th	167
FY11	Completed Dec 9th	161
FY12	Completed Nov 9th	131

**# Days to Complete Audited Report
Subsequent to Fiscal Year End**
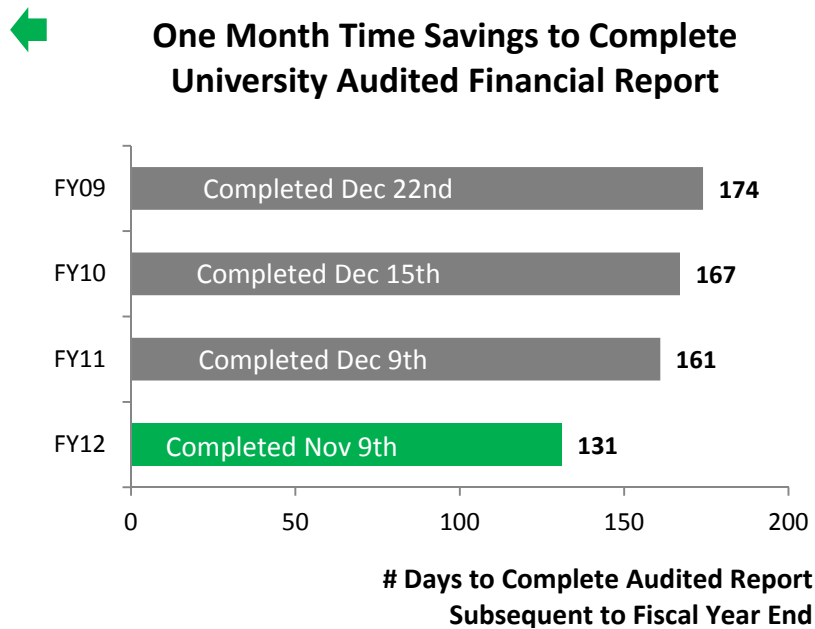
The graph above illustrates the opinion date when the University's external auditors signify that the audit process is complete, and that the balances are accurate and ready for communication to external parties.

3.3   Facilities Services

3.3.1   Transportation Services
Decrease Time for Parking Citation Appeals

Average # Days To Process Citation Appeals

56 days Actual

40 days
Target

20 days

10 days

4.9 days

	30 days	60 days	90 days	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Start		Lean Improvement 90 Days				2011							2012						
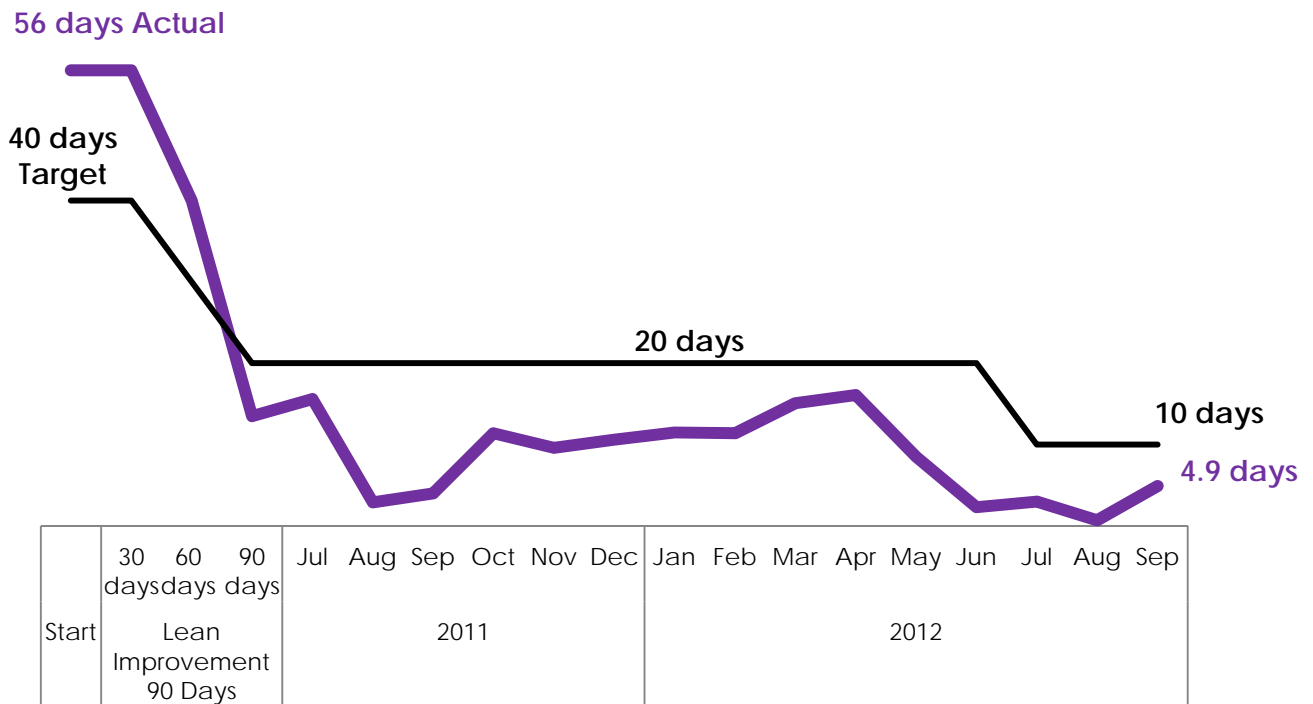
Prior to Lean process improvements, the resolution of citation appeals took an average of 56 days. Due to Lean process improvements, citation appeals are now resolved in 1-10 days.

3.3.2 Maintenance & Alterations
Improve Response Times and On-Time Completion

Before Lean process improvements began, M&A success rates for achieving work order "Response Time" and "Deadlines Met" targets were well below the balanced scorecard goal of 90%. As a result of improvements initiated by the Corrective Maintenance Lean team, "Response Time" performance improved to 86%, 87%, and 85%, for urgent, high and routine priorities, while performance on "Deadlines Met" improved to 83%, 88% and 94%, respectively.

Corrective Maintenance Response Times*
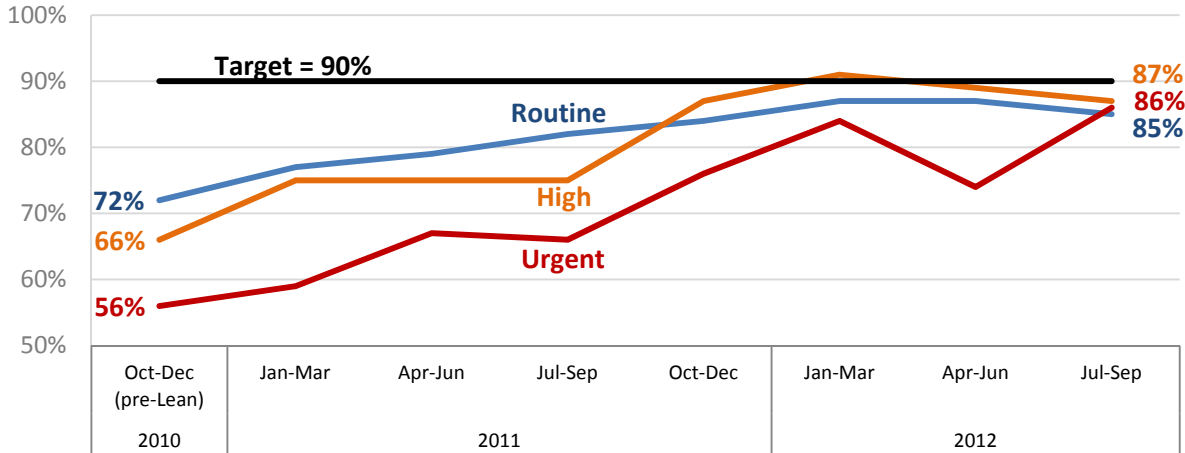
* Percent of time targets were met. for corrective maintenance "Response times" (time elapsed between work order received and customer contacted.

Corrective Maintenance Deadlines Met*
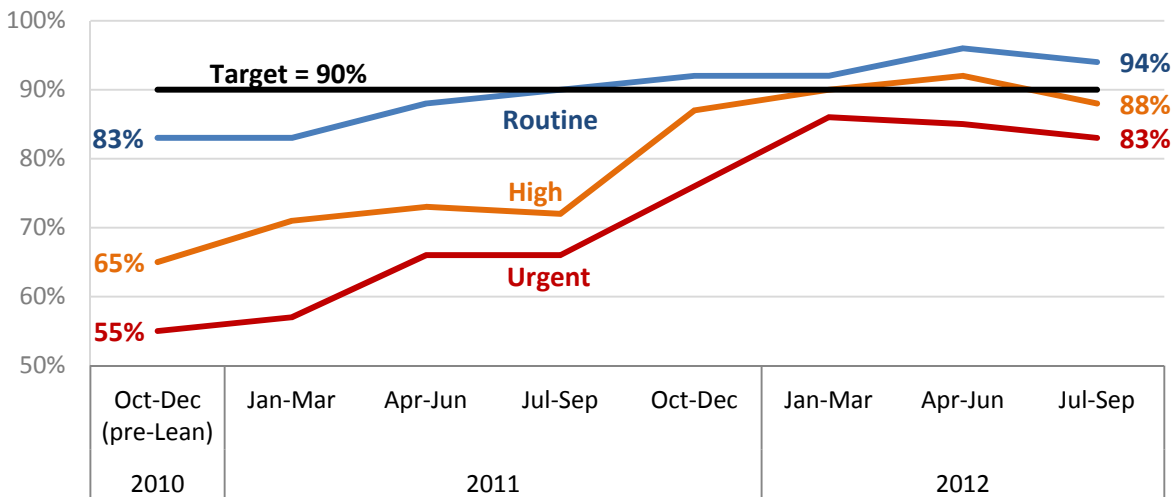
* Percent of time corrective maintenance services were delivered on or before promised by-dates.

3.3.3 Finance & Business Services
Increase On-Time Delivery of Materials

Non-Stock Materials Delivered by Shops "Need-by" Date

Pre-Implementation
Baseline Measurement Period:
6/1/10 - 5/31/11

Post-Pilot
Measurement Period:
8/1/12 – 10/21/12
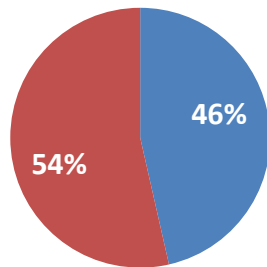
■ **Material Delivered By Date Needed**

■ **Delivered After Date Needed**
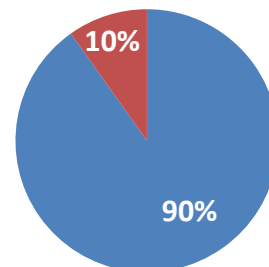
FS identified that the competing values of convenience for the shops in getting the work done for the customer and the need for appropriate inventory controls resulted in a suboptimal materials management process. Lean process improvements reduced the number of steps and simplified the process required to order and procure materials and supplies and identify appropriate inventory levels, locations and procurement streams while enabling appropriate controls.

Time Saved in Facilities Work Order Billing Process

**% of Billing Transactions
Needing Manual Adjustments***
(blue column)

**Monthly Hours Saved
(red line)**
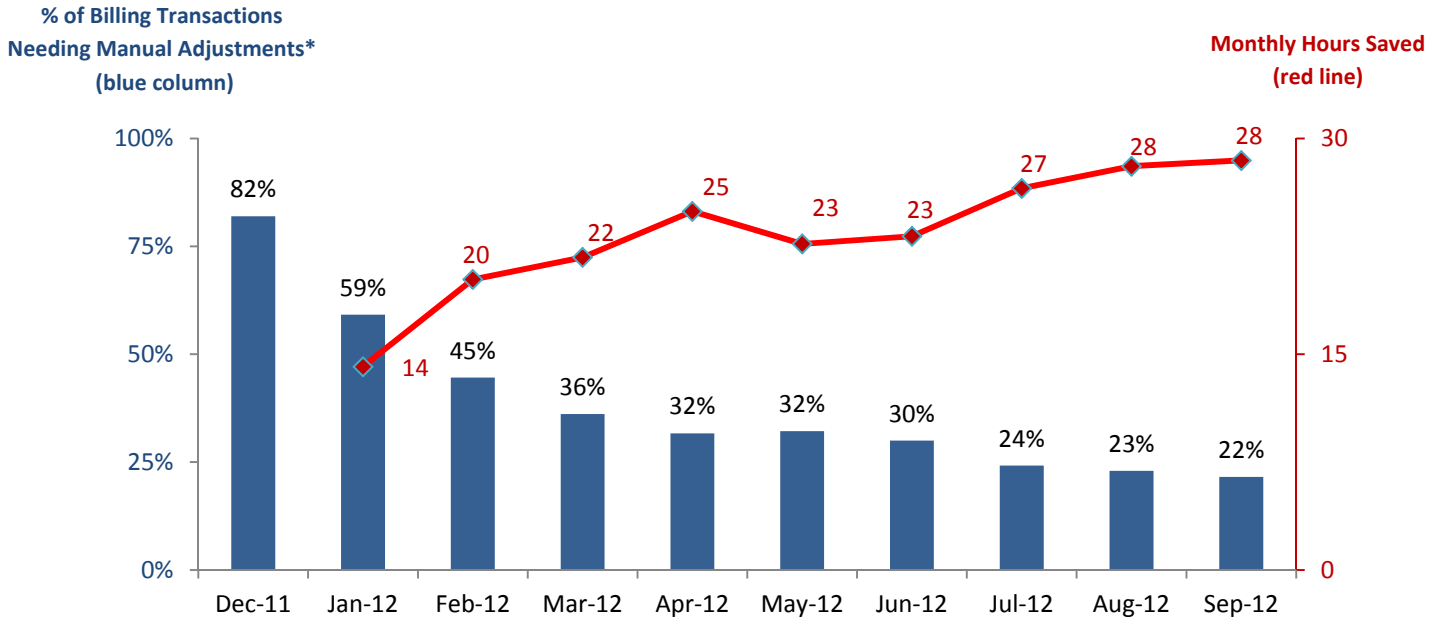
*Billing transactions missing work order or phase numbers

The FS Work Order Billing Lean Team reduced accounting labor hours needed to process billing for maintenance, operations and alterations M&A work with process improvements to reduce the need for manual adjustments, the majority of which are caused by missing work order and phase numbers. As of September 2012, the percentage of transactions requiring manual adjustments was reduced to 22%, representing approximately 28 hours in monthly savings or approximately $8,097.60 per year.

3.4 Capital Projects Office
Decrease Time to Close Construction Projects

Average Months to Close Construction Projects
LEAN Closeout
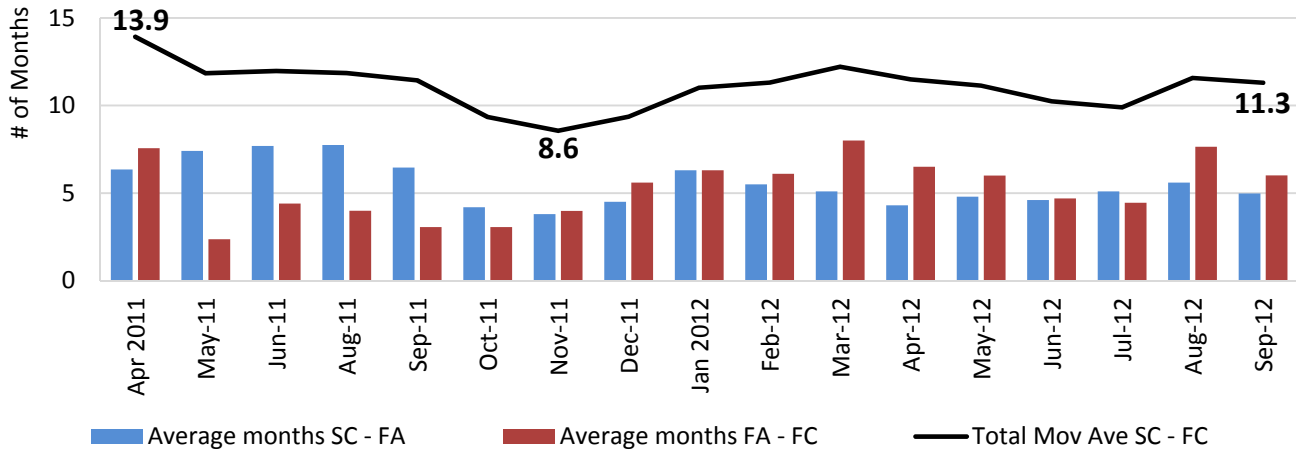
CPO conducted a Lean review of the two-phase construction project closeout process from Substantial Completion (SC) to Final Acceptance (FA), and from Final Acceptance (FA) to Final Close (FC). By examining these steps in the process, a Lean theme of emphasizing "close as you go" record-keeping emerged. This enhanced project closeout process is contributing to the reduction in overall internal closeout time, providing better service to clients, and expediting returns of unused capital funds to clients. Pre-Lean statistics show average months to close a project were between 10 and 13 months. The post-Lean moving average dropped as low as 8.6 months, and is currently averaging 11.3 months. During the second half of the measured process (FA-FC), the State's new review process for prevailing wage rates by Labor & Industries caused a delay in the CPO closeout process. CPO is managing to keep the internal steps within the process on target and is working with Labor & Industries and other State agencies to decrease the external time that is added on to the overall processing time.

Substantial Completion—The contractual date that the University accepts possession of the building or space.
Final Acceptance—The date the contractor meets all contractual obligations.
Final Close—The date unused capital funds are returned to the client.

Unit Name: **Finance & Facilities**

Senior Vice President: **V'Ella Warren**

Submitted by: **Barbara Wingerson**

Finance & Facilities Budget Package FY2014 Appendix C Metrics

Appendix C Metrics - Overview

Appendix C contains measurements utilized across Finance & Facilities (F2) that are used to continuously monitor progress and effectiveness. Metrics are evergreen and evolve with the changing needs of business and customer expectations. There is no one perfect measure that represents the diverse opportunities for improvement, rather several measures help provide broader context. Appendix C offers this balanced view of performance in the following areas:

Benchmark:
Benchmark measures compare F2 performance to peers, competitors, industry norms, or best practices.

Quality:
Quality measures focus on customer satisfaction or performance of a core service.

Efficiency:
Efficiency measures highlight improvements in cycle-time, through-put, savings, or process change.

Engagement:
Engagement measures are indicators that represent adoption and practice of Lean methodology:
- % of staff involved in a Lean learning experience
- # Improvement ideas generated and implemented by staff. Currently six teams have piloted measuring ideas. All other Lean teams start measuring this calendar year.

1.0 Environmental Stewardship & Sustainability

Reporting Year	STARS Rating	Princeton Review Green Honor Roll Rating	Sierra Club's Cool Schools Ranking	Sustainable Endowments Institute Report Card
2012	Gold 70.23	99	4th	Survey not offered
2011		99	1st	Survey not offered
2010		96	4th	A-
2009		99	2nd	A-
2008		99	9th	A-

The University is a nationally recognized leader in higher education sustainability and reports sustainability metrics to several national agencies, which have set industry standards for tracking sustainability progress across a variety of indicators. The UW reports its sustainability efforts to several grading/ranking institutions to see how it compares to other schools. With the information reported, Sustainablity Tracking and Assessment Rating System (STARS) measures and reports sustainability performance, *the Princeton Review* produces a National College Guide, the Sierra Club creates a list of Cool Schools for its magazine, and the Sustainable Endowments Institute produces a College Sustainability Report Card. The table above shows the UW ratings over the last five years.

Pac-12 Peer Comparison

2012 Reporting Institution	STARS Rating	Princeton Honor Roll	Sierra Cool Schools	SEI Report Card *2011
University of Washington	Gold 70.23	99	4th	A-
Arizona State University - Tempe	Gold 66.97	99	-	A-
Stanford University	Gold 68.39	96	3rd	A-
University of California - Berkeley		97	20th	B+
Oregon State University	Gold 66.16	98	-	B+
University of Oregon	Silver 56.10	95	13th	B+
University of Colorado - Boulder	Gold 68.77	91	-	B+
University of Utah	Bronze 35.74	88	77th	B+
University of California - Los Angeles	Silver 59.14	95	-	B
University of Arizona	Gold 66.41	96	24th	B
University of Southern California		94	-	B-
Washington State University		88	60th	C

Most recently, UW outranked all peer institutions in the STARS report developed by the Association for Advancement of Sustainability in Higher Education (AASHE), achieving a Gold rating with a score of 70.23. Only six other institutions achieved a higher score for their STARS submission, and no institution has yet ranked Platinum.

UW Green Offices Certified 2011-2012

8 Gold Offices with 129 Office Members

7 Silver Offices with 207 Office Members

6 Bronze Offices with 342 Office Members

Gold   Silver   Bronze

Level of Certification

The Green Office Certification program, managed by Environment Stewardship & Sustainability (ESS), has certified 21 UW offices in its first year, encompassing 678 office members. The program recognizes offices that operate in a way that:

- Reduces the University's energy, water, and paper consumption
- Increases waste diversion rates and use of alternative modes of transportation
- Reduces overall impact on the environment.

Innovations within each office are shared on-line to encourage others to develop new methods of operating sustainably. A few examples: Emergency Management (EM) has installed energy-efficient batteries in their communication radios, F2 Administration has worked to provide compostable supplies at their events, Housing & Food Services (H&FS) requires all vendors to respond to their "sustainability clause," and the UW Libraries now use refillable dry-erase markers and operate as closely to paperless as possible.
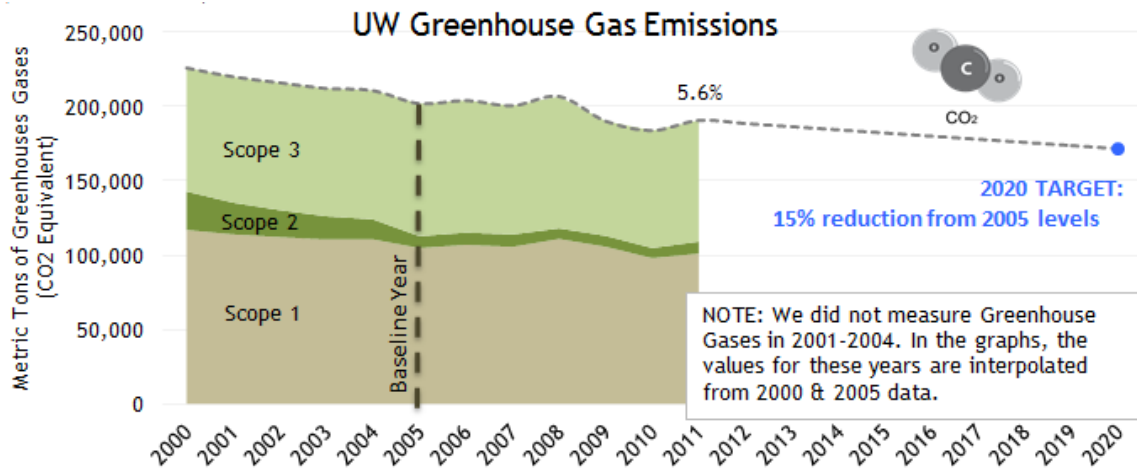
Greenhouse Gas emissions are broken down by scope.
Scope 1—emissions generated by the UW on campus (e.g., burning natural gas for heating)
Scope 2—emissions produced by generating electricity purchased by the UW (most of the University's electricity is purchased from Seattle City Light, which is carbon neutral)
Scope 3—emissions produced off campus in support of UW work (e.g., commuting and professional travel)

As a founding signatory of the American College and University Presidents' Climate Commitment, the UW developed an institutional Climate Action Plan (CAP) to achieve carbon reduction goals. The UW has reduced greenhouse gas emissions 5.6% since 2005 and is on track to meet a reduction goal of 15% by 2020, and a reduction of 36% by 2035.

Strategies to reduce emissions outlined in the CAP are in progress, including enhancing education of transportation alternatives and developing a stronger business model for the U-Pass services (CAP 4.4.3), building smarter buildings that meet LEED standards for energy efficiency (CAP 4.2.1), the Smart Grid demonstration project, which provides data to manage and reduce energy usage based on transactive control (CAP 4.1.3), and efforts to enhance data center efficiency and shift to cloud computing (CAP 4.3.3-5). Future efforts will focus on expanding the PC Power and Patch program for reducing computer energy use, incorporating sustainability into a broad range of academic disciplines, and continuing to identify and enact energy and water efficiency projects across campus facilities.
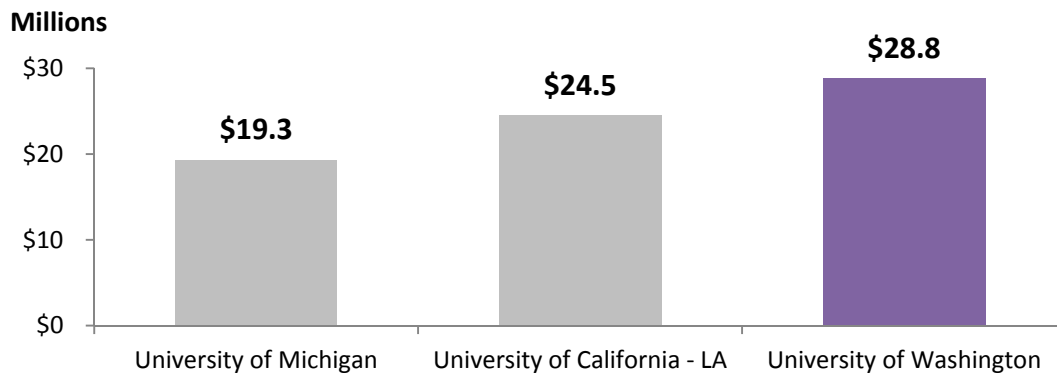
Engagement
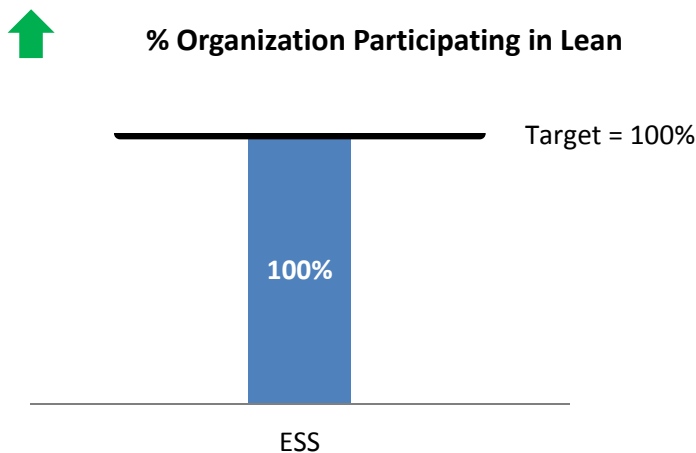
2.0 Finance

2.1 Financial Management

2.1.1 Grant & Contract Accounting

Benchmark

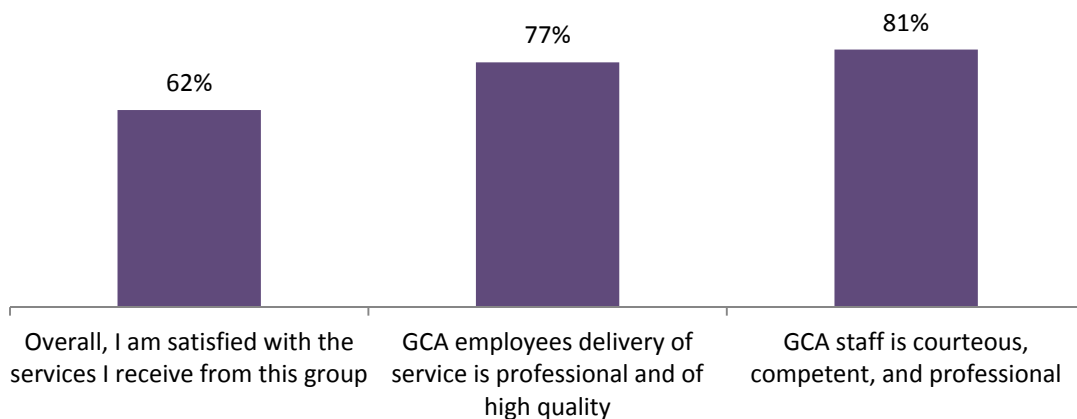### FY2012 Research Award $ per Post Award FTE
Excludes American Recovery and Reinvestment Act
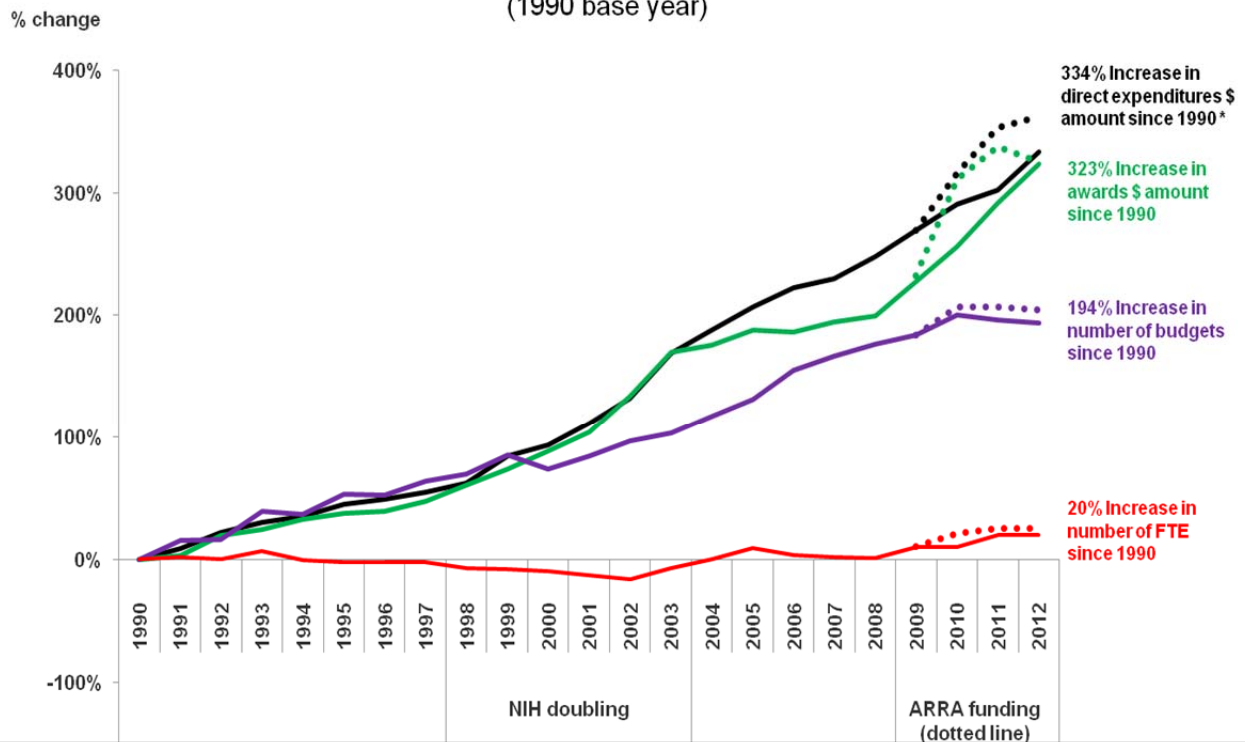
Millions

Quality

### GCA Customer Satisfaction Survey 2010

Customers were surveyed regarding satisfaction with the level of services received based on a five -point scale. The graph represents the combined responses of "strongly agree" (5) and "agree" (4).

Growth in Research Volume Compared to GCA Support
(1990 base year)

334% Increase in direct expenditures $ amount since 1990 *

323% Increase in awards $ amount since 1990

194% Increase in number of budgets since 1990

20% Increase in number of FTE since 1990

NIH doubling

ARRA funding (dotted line)

(Without ARRA Funding)	FY1990	FY2011	FY2012	% Increase (1990 - 2012)
$ Direct Expenditures	257,000,000	1,035,000,000	1,115,000,000	334%
$ Awards	346,000,000	1,354,000,000	1,464,000,000	323%
# Budgets	8,164	24,190	23,979	194%
# FTE (permanent)	43	51.5	51.5	20%
# Budgets per FTE	190	470	466	145%

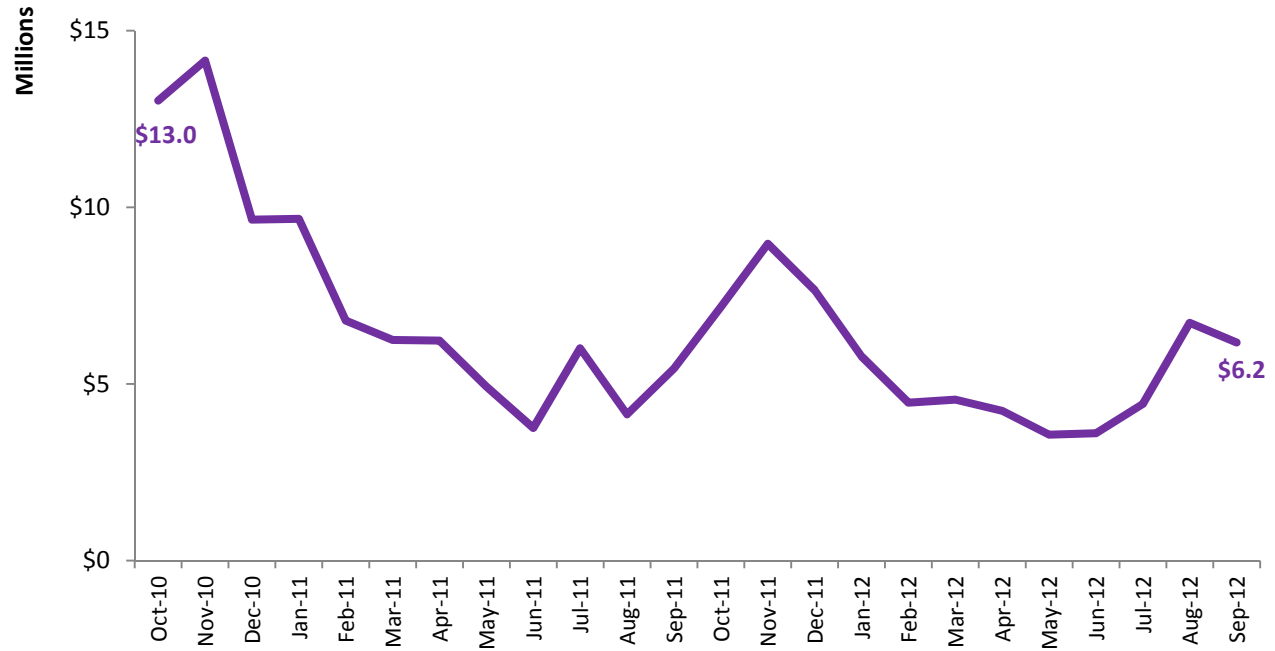Hours Required to Manage One Budget
FY1990-2012
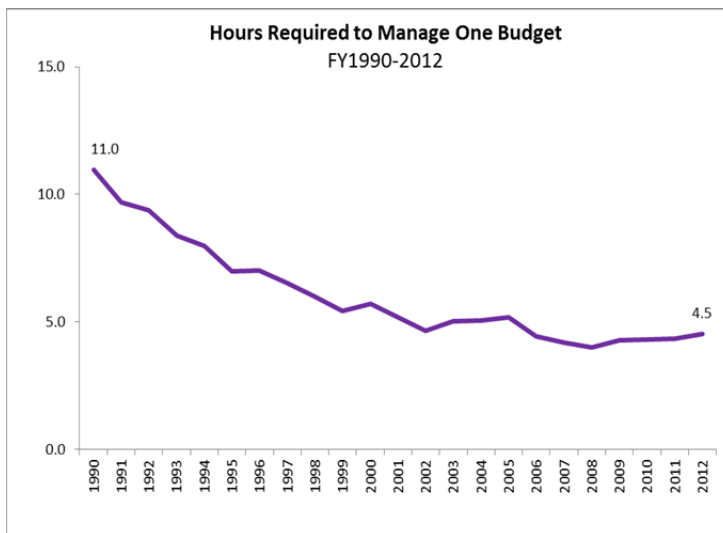
Between FY1990 and FY2012, GCA reduced the time to manage one budget from 11 hours to 4.5 hours. While the number of budgets has increased 194% (8,164 in FY1990 to 23,979 in FY2012), the number of FTE has not kept pace proportionately.

This measure displays the number of hours required to manage one budget through the grant-administration process: setting up a new account; billing the sponsor for expenditures incurred; submitting financial reports; and managing post-award and compliance activities while the grant is active.

Funds Waiting to Be Applied to Budgets

Millions

$15

$10

$13.0

$5

$6.2

$0

Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12
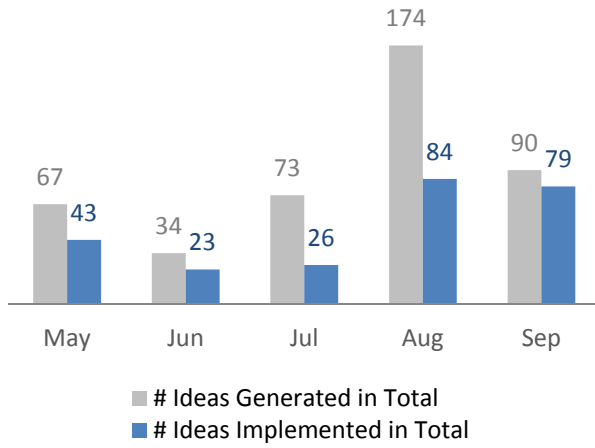
Funds received from sponsors are temporarily placed in the suspense account when received up-front and/or award document processing is not yet complete. Grant & Contract Accounting's (GCA) goal is to keep the balance in suspense as low as possible. The total dollar amount in cash suspense was reduced by 53% in the last 24 months from $13M to $6.2M.
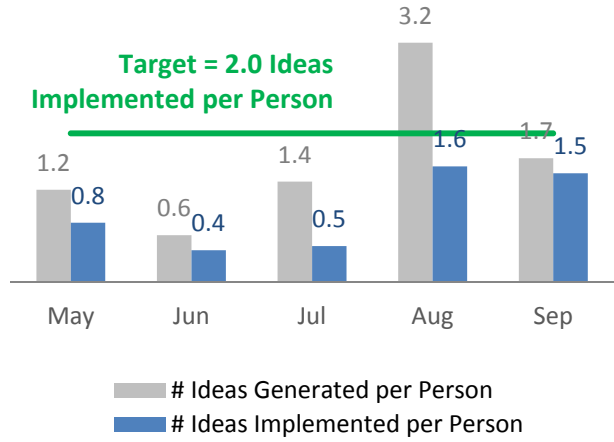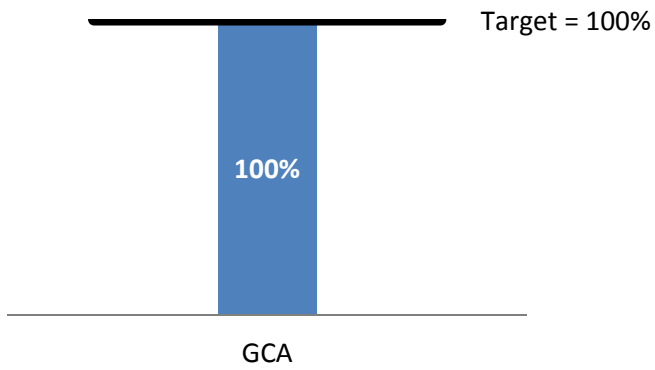
GCA # of Ideas Generated & Implemented

Bar chart showing # Ideas Generated in Total and # Ideas Implemented in Total by month:
- May: 67 / 43
- Jun: 34 / 23
- Jul: 73 / 26
- Aug: 174 / 84
- Sep: 90 / 79

Legend:
- # Ideas Generated in Total
- # Ideas Implemented in Total

GCA # of Ideas Generated & Implemented per Person

Target = 2.0 Ideas Implemented per Person

Bar chart showing # Ideas Generated per Person and # Ideas Implemented per Person by month:
- May: 1.2 / 0.8
- Jun: 0.6 / 0.4
- Jul: 1.4 / 0.5
- Aug: 3.2 / 1.6
- Sep: 1.7 / 1.5

Legend:
- # Ideas Generated per Person
- # Ideas Implemented per Person

% Organization Participating in Lean

Target = 100%

GCA: 100%

2.1.2 Creative Communications

Benchmark

C2 Copy Services Cost Relative to Competitor

44% less than competition

42% less than competition

Comb Binding — Black and White copy
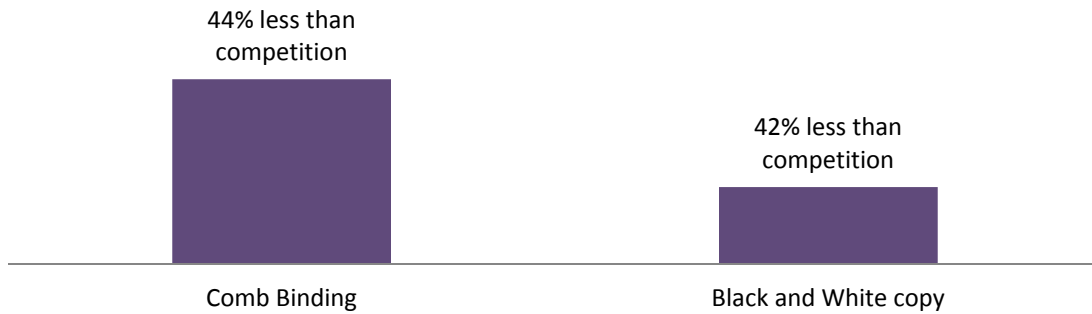
Cost comparison conducted in October of 2012. UW copying costs relative to Federal Express Office, an outside competitor.

- 44% less than competition for 200 pages comb binding
- 42% less than competition for 1 page black and white copy

C2 Mail Preparation Cost Relative to Competitor

71% less than competition

63% less than competition

Match Perfect Letter — Flats Letter
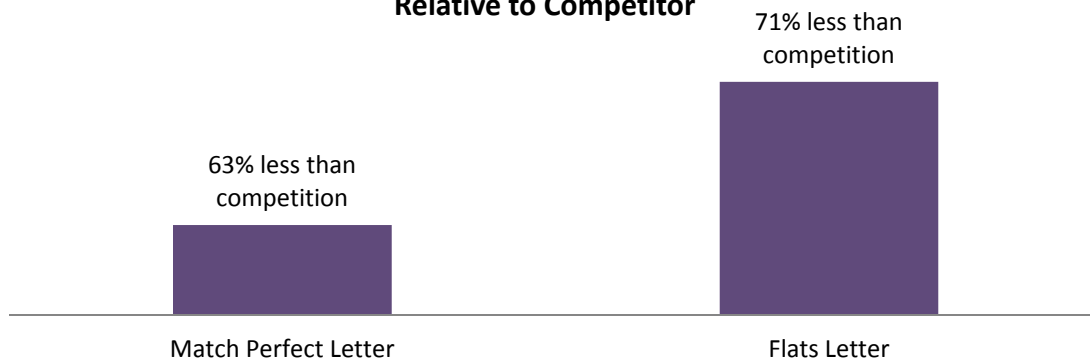
Cost comparison conducted in October of 2012.

- 63% less than competition for a 5,000 3-way match perfect letter mail to be sent out at standard non-profit rate or at a discounted rate.
- 71% less than competition for 5,000 pieces of flats letter mail to be sent out at standard non-profit rate or at a discounted rate.
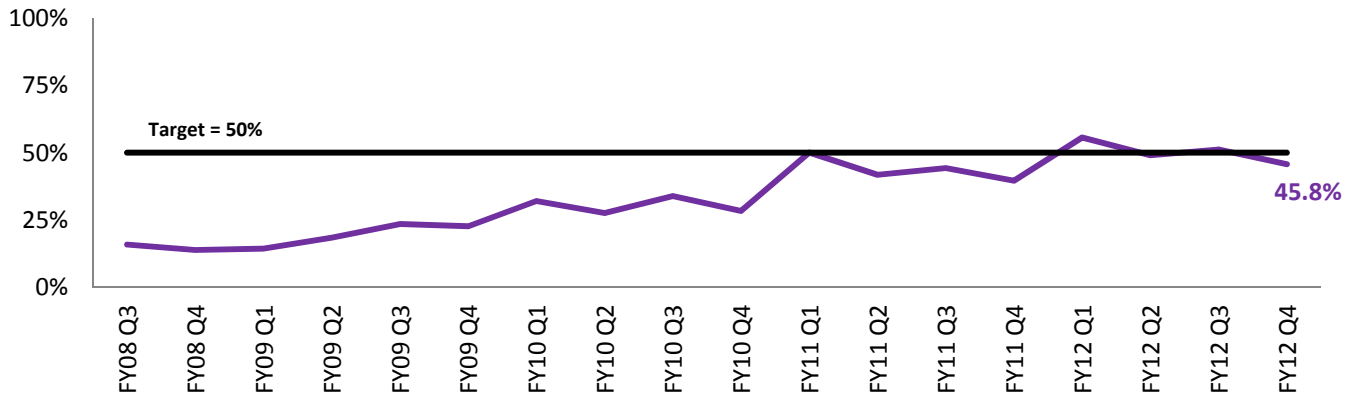
Process all USPS Mail Within 24 Hours
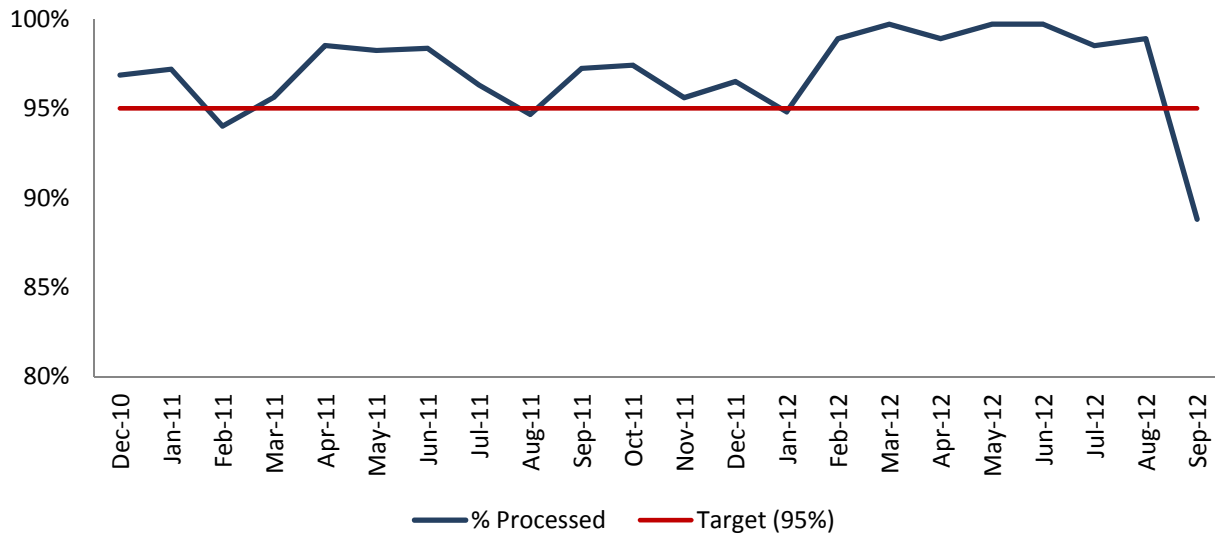
This graph shows on-time processing of incoming United States Postal Service (USPS) mail which includes letters, packages and flats that are distributed to the UW community daily. Percentages can fluctuate based on staff available to process mail and volume changes. A drop from 98% in Aug 2012 to 88% in Sep 2012 was due to a staffing shortage from unexpected illness. Mail processing is expected to resume back to norm of exceeding target.

% of Online Orders from Campus for Print, Copy, and Mail

Target = 50%

45.8%

(Chart x-axis labels: FY08 Q3, FY08 Q4, FY09 Q1, FY09 Q2, FY09 Q3, FY09 Q4, FY10 Q1, FY10 Q2, FY10 Q3, FY10 Q4, FY11 Q1, FY11 Q2, FY11 Q3, FY11 Q4, FY12 Q1, FY12 Q2, FY12 Q3, FY12 Q4)
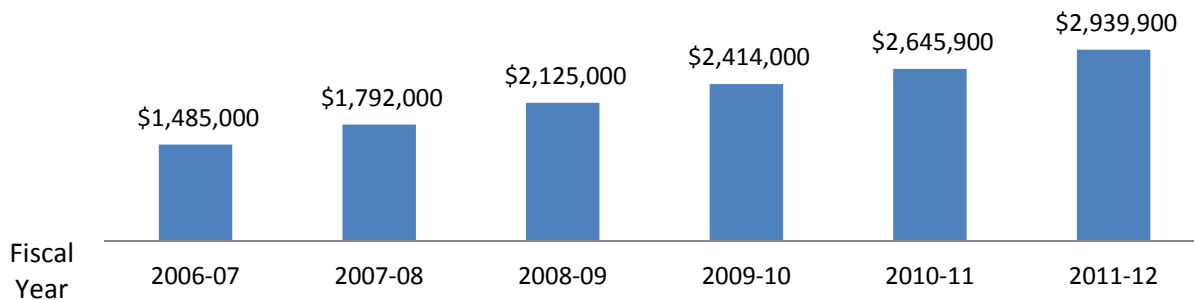
This graph shows the percent of web based on-line orders received by Creative Communications (C2), including print, copy and mail. On-line orders increase quality and efficiency for customers and C2:
- Faster turnaround time for job order and production time
- Convenient access to place order from anywhere
- Better control of job order
- Reduced processing cost
- Reduced error through on-line proofing

Cumulative Postage Avoided via Automation
(First Class, Automation Presorted, IPA, Letters and Flats Mail)

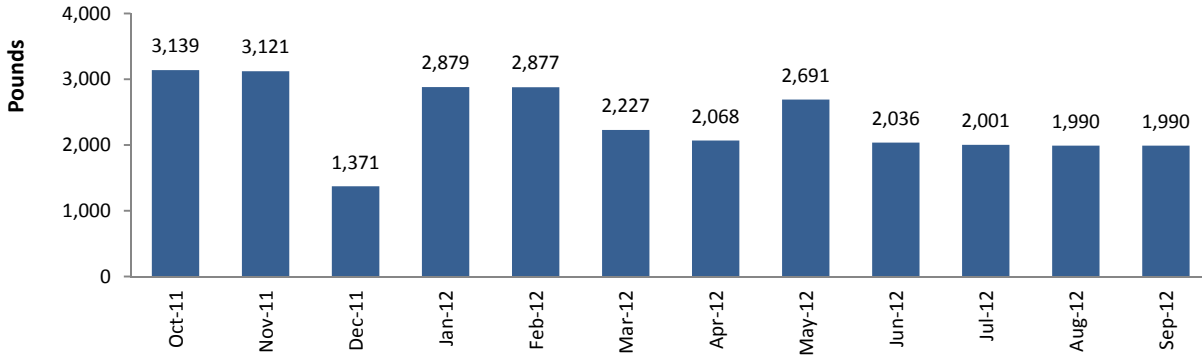| Fiscal Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	$1,485,000	$1,792,000	$2,125,000	$2,414,000	$2,645,900	$2,939,900

UW Mailing Services handles processing and delivery of incoming, outgoing and inter-departmental mail across campus. Since 1995, process improvements and ongoing performance measurements have resulted in daily savings through the USPS's automation discount mail programs. These programs use USPS' high-speed optical character readers and barcode sorters, so Mailing Services works to ensure that outgoing mail is automation-compatible.

Since tracking began in FY2003, from FY2003 to FY2011 approximately 9-11% of total postage costs have been avoided; additionally, FY2012 increased to 12%. This increase is a direct result of continuous efforts to connect and partner with the UW community for its mail handling. A cumulative total of $5.9M total cost avoidance has been realized since the program's inception (1995).

Pounds of Junk Mail Recycled Before Campus Delivery
## 14 tons of junk mail intercepted before campus delivery

Pounds

Month	Value
Oct-11	3,139
Nov-11	3,121
Dec-11	1,371
Jan-12	2,879
Feb-12	2,877
Mar-12	2,227
Apr-12	2,068
May-12	2,691
Jun-12	2,036
Jul-12	2,001
Aug-12	1,990
Sep-12	1,990

This graph shows the volume by weight of undelivered mail and recycled mail received by the University each month. Undelivered mail and recycled mail are defined as bad address, non-deliverable address and open solicitation mailings (e.g., catalogs, mail addressed to separated employees, relocated employees, etc.).

Through the Lean initiative, Mailing Services is working with faculty, staff, students, outside mail agencies and vendors to reduce and eliminate junk and misaddressed mail via partnerships with Environmental Mail Coalition and Intra-Mail Network Green Initiatives. This saves recipients time and money.
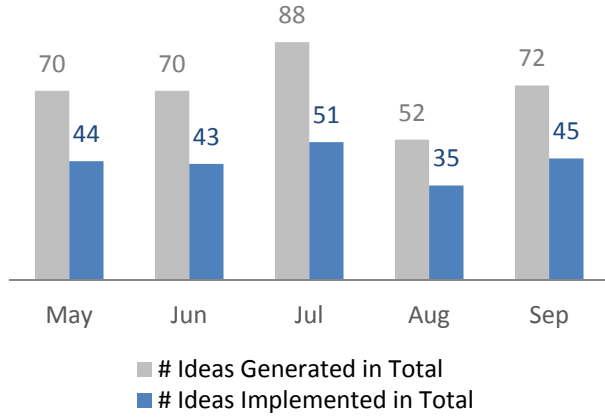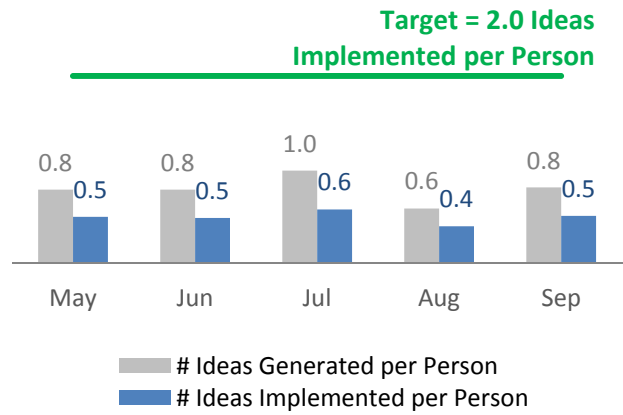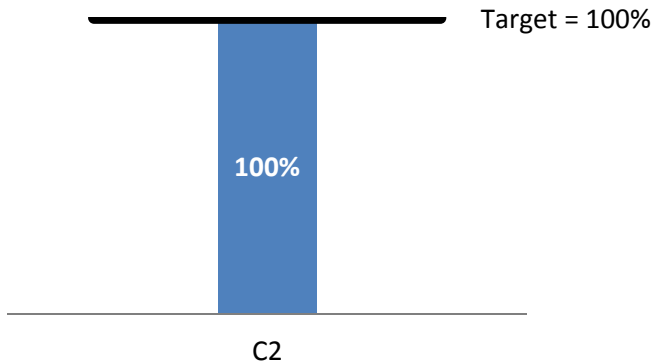
C2 # of Ideas Generated & Implemented

- # Ideas Generated in Total
- # Ideas Implemented in Total

C2 # of Ideas Generated & Implemented per Person

Target = 2.0 Ideas Implemented per Person

- # Ideas Generated per Person
- # Ideas Implemented per Person

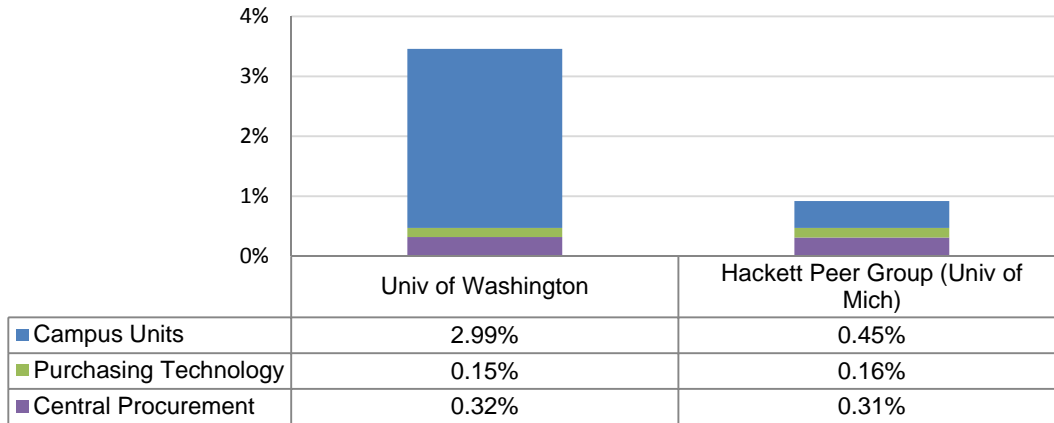**% Organization Participating in Lean**

Target = 100%

100%

C2

2.1.3   Procurement Services, Financial Accounting & Tax

Benchmark

Components of Procurement Costs As a Percentage of Spend

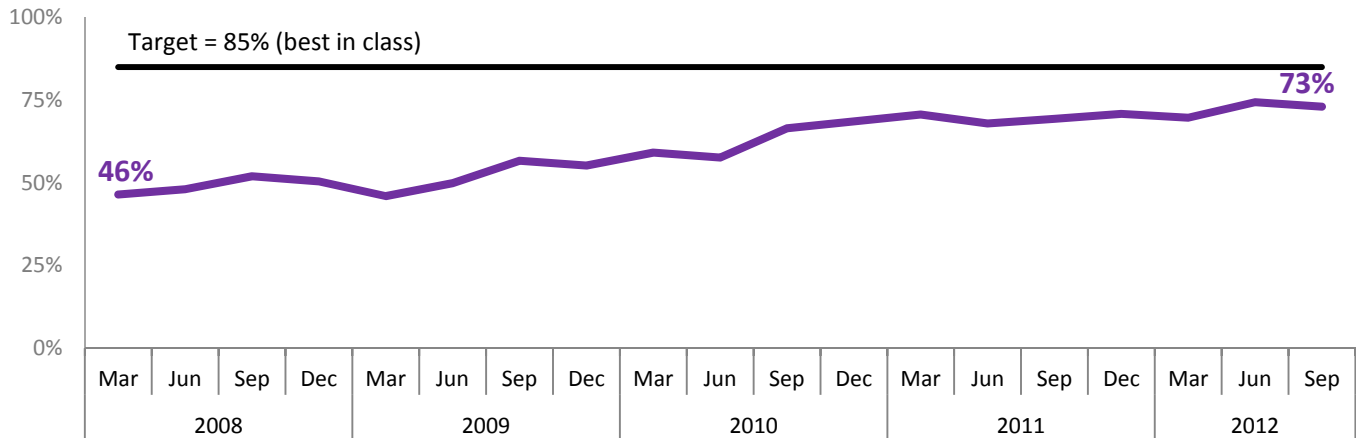|	Univ of Washington	Hackett Peer Group (Univ of Mich)
■ Campus Units	2.99%	0.45%
■ Purchasing Technology	0.15%	0.16%
■ Central Procurement	0.32%	0.31%

Based upon a campus-wide benchmarking study performed in 2011, UW employees in campus units spend more time on procurement than peer institutions that use more modern and centralized procurement systems. Accordingly, all UW purchases are migrating into more efficient systems (eProcurement) to help ease this burden. The functionality of eProcurement has been expanded to facilitate the migration.

Saving Campus Money Through Better Pricing
% of University Purchases that fall under a Master Contract Established by Procurement Services

Target = 85% (best in class)

46%

73%

Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
2008				2009				2010				2011				2012		

Saving Campus Money Through Better Pricing
Annual Savings from University-Wide Contracts

Millions

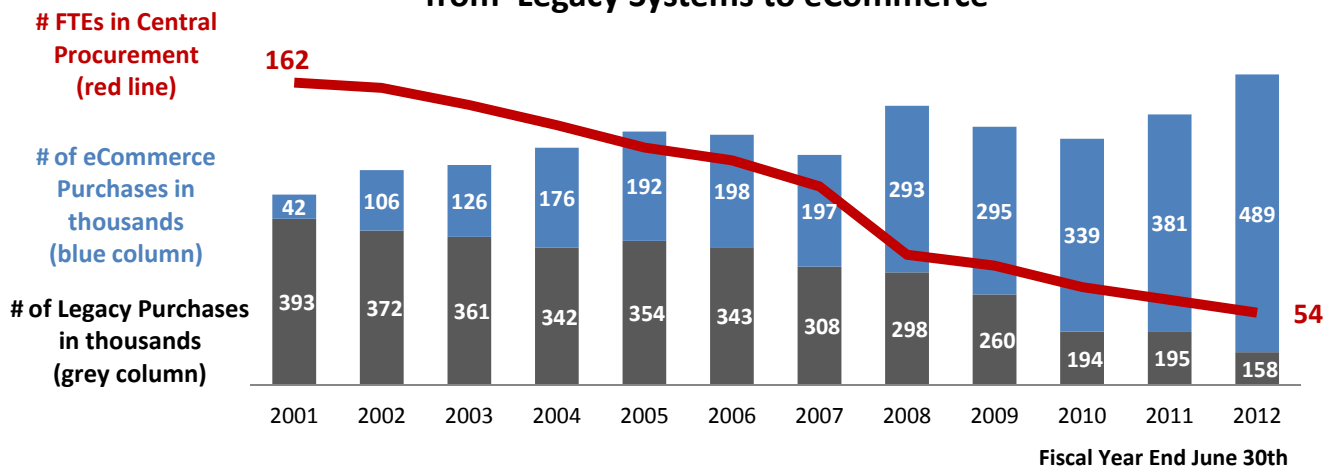| FY09	FY10	FY11	FY12
$14.8	$19.1	$25.0	$31.4
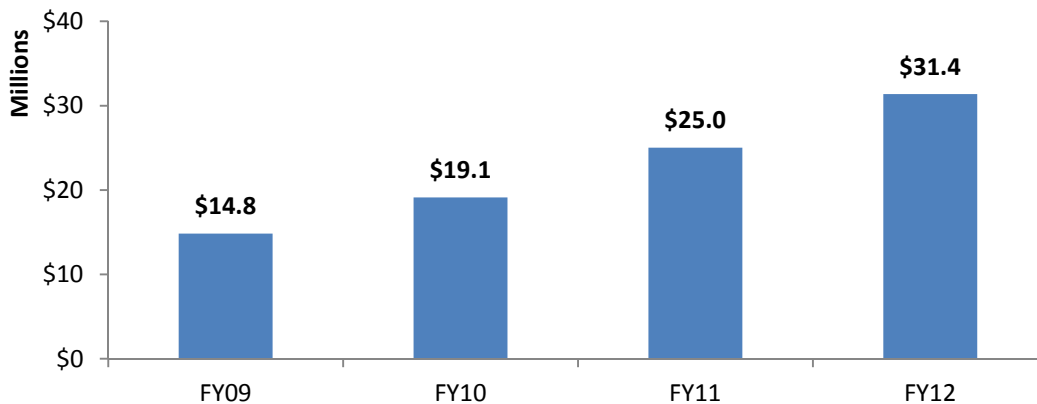
The top chart shows that the percentage of total UW spend made under University-wide contracts has steadily increased over the past three years. The bottom chart shows purchases made under such contracts result in greater savings for the buyer. These contracts also provide better legal protection for University units and departments.
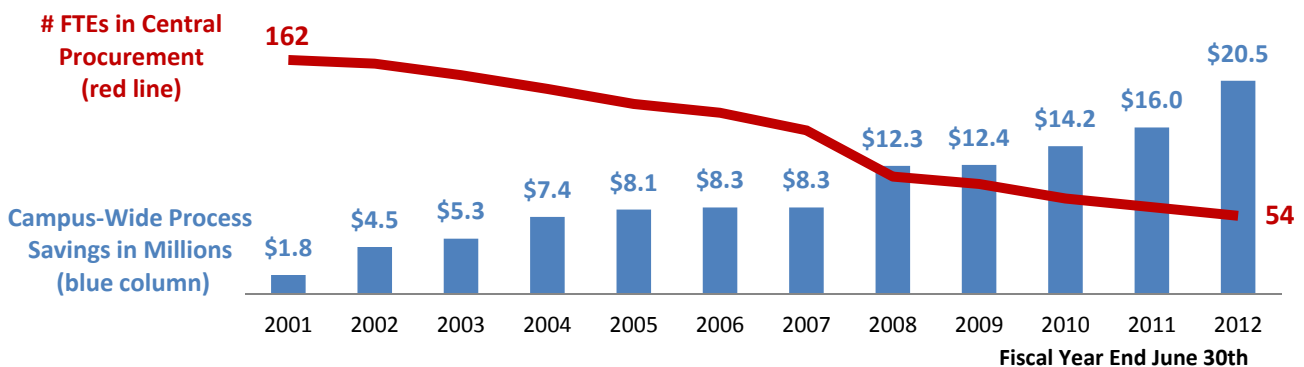
Significant process savings have been achieved by adopting more efficient procurement systems. The University (campus departments as well as central procurement) save $42 per transaction in labor costs when a purchase is made via an electronic method. This shift to new tools is critical as purchases done electronically allow the University to save money and reduce FTEs, as displayed below.

In addition, the University has saved approximately $100K in postage, check stock, and processing costs related to its electronic payment initiative. **UW is the number one** electronic payment program among all of Bank of America's government sector customers nationwide, and is in the **top 15 nationwide** for all sectors.

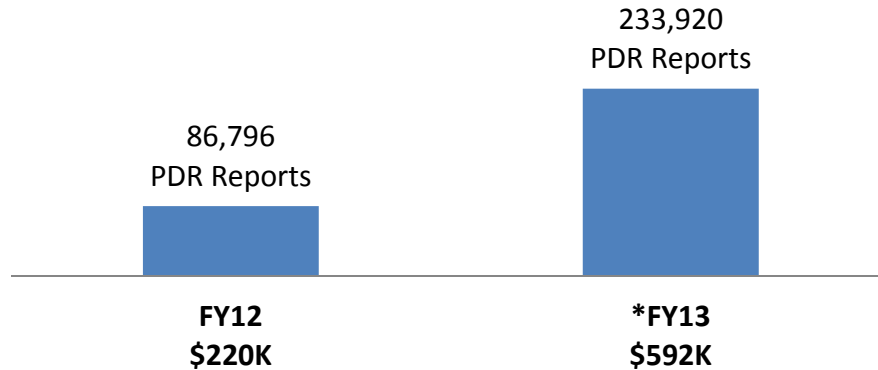## FTE Savings Generated by Migrating Purchases from Legacy Systems to eCommerce

 # FTEs in Central Procurement (red line)

# of eCommerce Purchases in thousands (blue column)

# of Legacy Purchases in thousands (grey column)

162 ... 54

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
eCommerce	42	106	126	176	192	198	197	293	295	339	381	489
Legacy	393	372	361	342	354	343	308	298	260	194	195	158

Fiscal Year End June 30th

Campus-Wide Process Savings and Central Procurement FTE's Reduced
Migrating Purchases from Legacy Systems to eCommerce

 # FTEs in Central Procurement (red line)

162 ... 54

Campus-Wide Process Savings in Millions (blue column)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Savings	$1.8	$4.5	$5.3	$7.4	$8.1	$8.3	$8.3	$12.3	$12.4	$14.2	$16.0	$20.5

Fiscal Year End June 30th

Procurement Desktop Report Executions by Campus and Estimated Campus-Wide Time Savings

233,920
PDR Reports

86,796
PDR Reports

| FY12 | *FY13 |
| $220K | $592K |

* Projected based upon current monthly usage

Procurement Desktop Reports (PDR) is a suite of web-based reports developed by Procurement Services and rolled out to University departments in August 2011. As of November 2012, there are 1,146 individual users. The reports provide access to invoice images and other procurement data at the department level, consolidating data from various procurement methods. PDR savings are measured by estimated time savings for campus and central Procurement due to more efficient payment tracking and issue resolution, budget reconciliation, and faster access to data necessary for informed procurement decisions.

Other Savings (Efficiencies) Generated by Procurement Services, Financial Accounting & Tax

|		
Metric #1	**Tax Savings Generated to UW and UW Employees**	
	Machinery and Equipment Sales Tax Exemption (research equipment)	$3,296,696
	High Technology Deferral (Sales tax exemption on research construction)	$12,480,541
	Property Tax Ongoing Savings	$1,110,000
	Pre-Tax Parking	
	University FICA tax savings	$1,258,852
	Employee FICA and Federal tax savings	$5,236,557
	Section 127 Plan (non-work related graduate waivers for employees)	
	University	$24,738
	Employee	$106,113
		$23,513,497
Metric #2	**Large individual item purchases (non-commodity contracts)**	**$5,069,511**
Metric #3	**Generated float savings from credit card payment program (payments made 15 days later)**	**$150,000**
Metric #4	**Saved costs from electronic payments versus paper check**	**$100,000**

Procurement Services # of Ideas Generated & Implemented
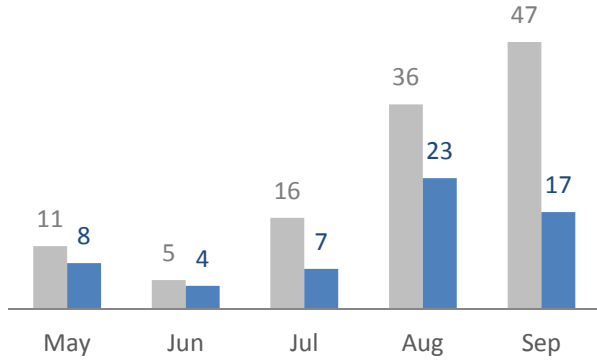
Legend:
- # Ideas Generated in Total
- # Ideas Implemented in Total

Procurement Services # of Ideas Generated & Implemented per Person
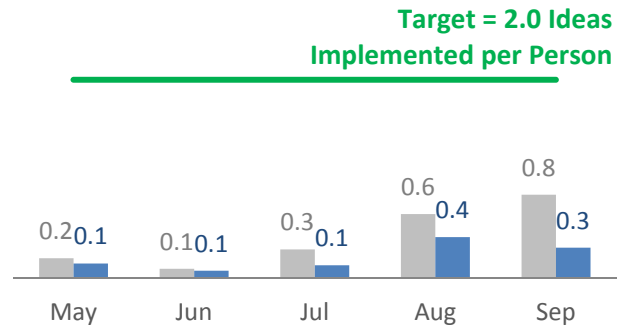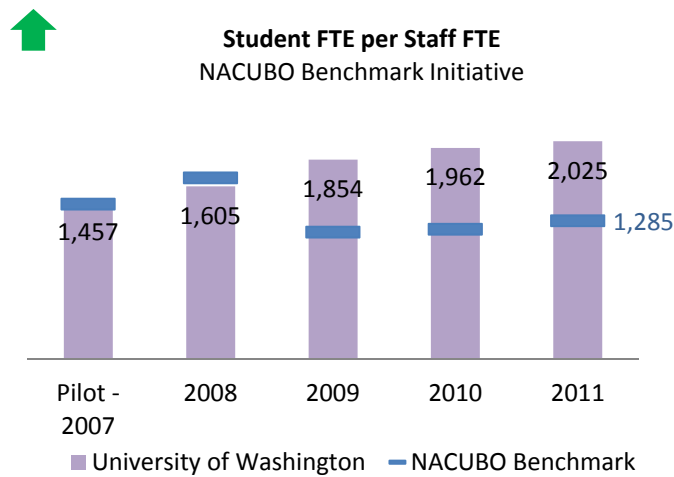
Target = 2.0 Ideas Implemented per Person

Legend:
- # Ideas Generated per Person
- # Ideas Implemented per Person

% Organization Participating in Lean

Target = 100%

100%

Procurement Services

2.1.4   Student Fiscal Services

Student FTE per Staff FTE
NACUBO Benchmark Initiative

	Pilot - 2007	2008	2009	2010	2011
University of Washington	1,457	1,605	1,854	1,962	2,025

NACUBO Benchmark: 1,285
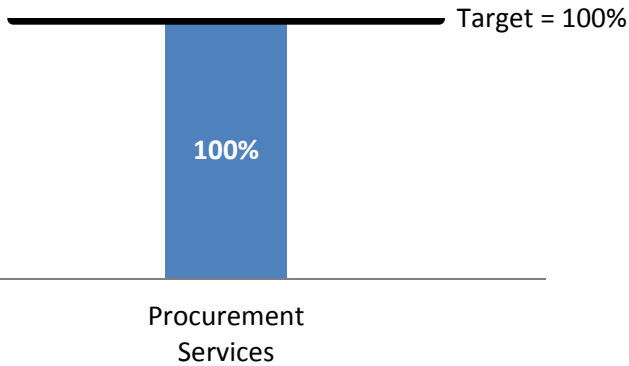
■ University of Washington ▬ NACUBO Benchmark

From FY2009 to FY2011, Student Fiscal Services (SFS) served more students per staff FTE when compared to other NACUBO[1] Benchmark Initiative peer institutions.

The NACUBO Benchmark Initiative represents the number of student FTE supported by each staff FTE within UW SFS compared to similar business operations at other doctoral/research institutions by Carnegie Classification[2]. NACUBO benchmark expanded sample size in 2009, resulting in an adjusted benchmark.

[1] National Association of College and University Business Officers (NACUBO: http://www.nacubo.org/)

[2] The Carnegie Classification of Institutions of Higher Education (http://classifications.carnegiefoundation.org/)

Overall Customer Satisfaction:
SFS Service Delivery

Target (>=) 73%

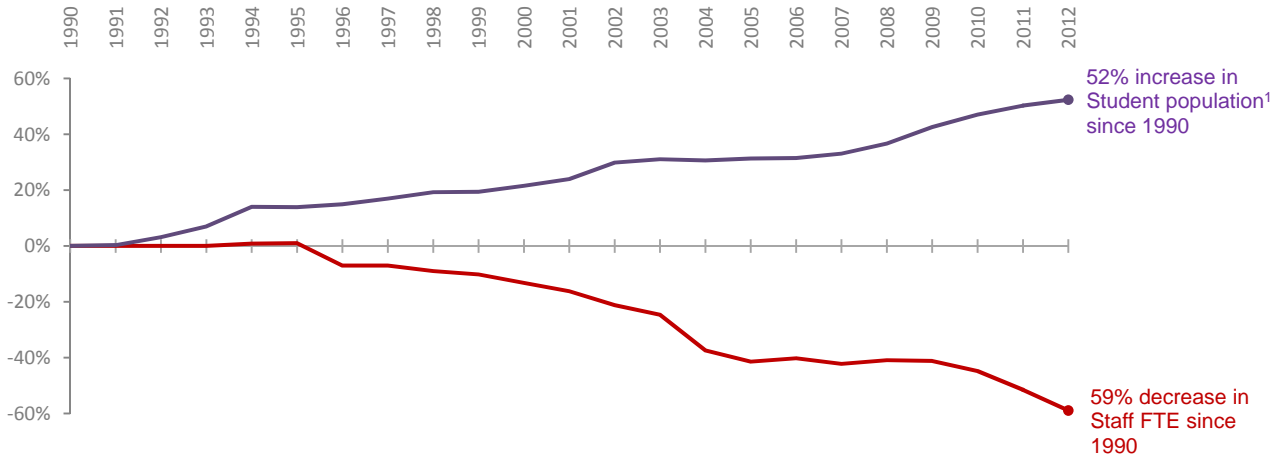|	2008	2009	2010	2011	2012
	65%	80%	79%	81%	76%
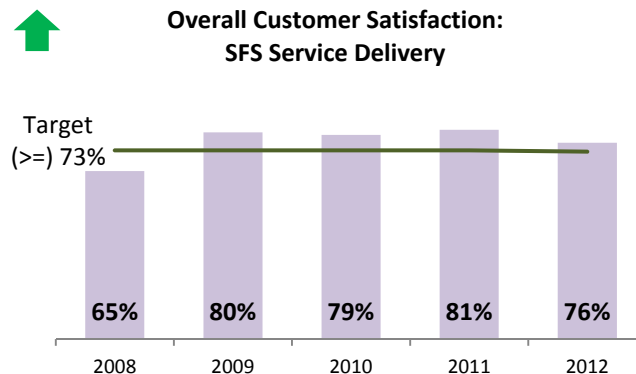
The annual SFS Customer Satisfaction Survey indicates a high level of overall satisfaction. SFS outperformed a 64% benchmark established by 2003 AAU[1] Bursars Survey over the last five years and outperformed a 73% historical 10-year average over the last four years.

[1] Association of American Universities (AAU: http://www.aau.edu/)

Growth in Student Population[1] Compared to SFS Staff Support
(1990 Base Year)

52% increase in Student population[1] since 1990

59% decrease in Staff FTE since 1990

[1] Student population is estimated based on 10th-day census counts for autumn quarter enrollments

SFS has seen a decline in the number of staff to handle an increasing number of UW students. SFS has maintained a low staff to student ratio while continuing to sustain a high degree of customer satisfaction.
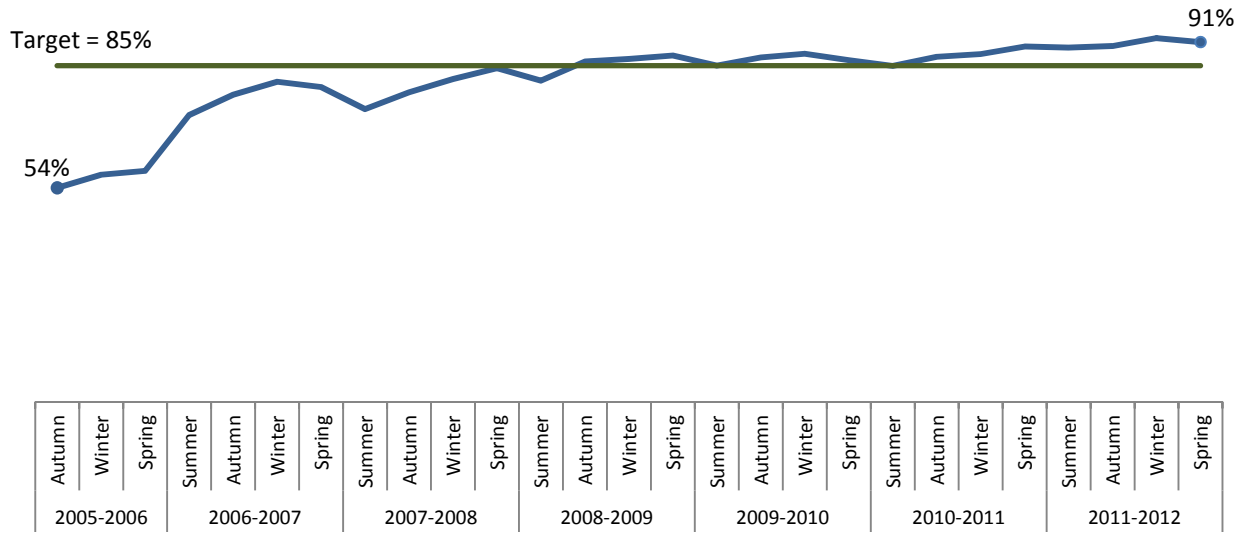
% Change in SFS Staff Productivity
(Fiscal Year)

Base Year

% Annual Change   % Change Since 2005
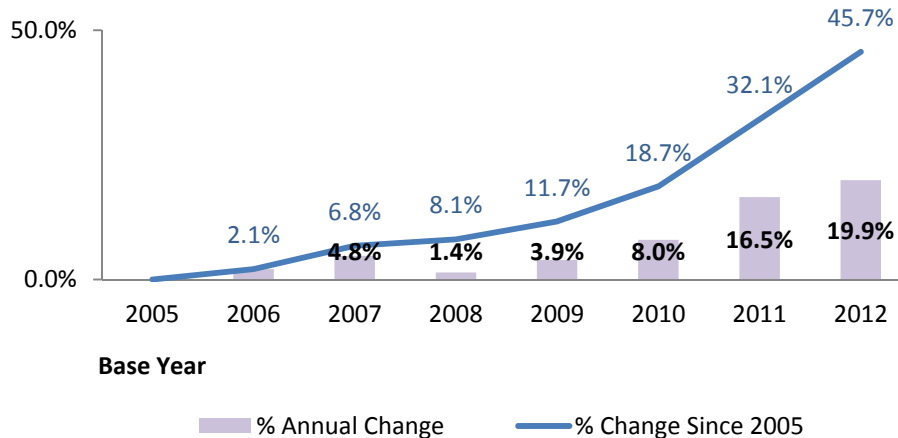
SFS productivity is calculated by active student account per SFS FTE. Productivity has increased annually, with large gains in the last two years due to the adoption of Lean and major Lean projects which have helped streamline core processes.

% Payments and Disbursements/Refunds Processed Electronically/Remotely
(Web Check, Credit Card, Wire & Lockbox Payments | Direct Deposit Aid Disbursments and Refunds)
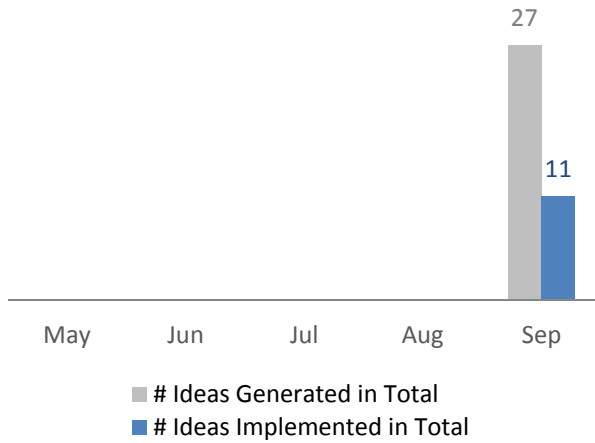
Target = 85%

91%

54%

Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring
2005-2006			2006-2007				2007-2008				2008-2009				2009-2010				2010-2011				2011-2012			

SFS offers a variety of payment methods to students and parents. The most convenient for users and the most cost effective for the UW, are those available remotely (no need to come into the office to wait in lines). Starting in late 2005, SFS began a concerted push to market these remote payment channels aggressively through outreach efforts, staff monitoring the lobby during the first three weeks and providing verbal reminders, lobby signage, handouts and reminders appended to emails notifications of tuition statement availability. These mostly stressed the web check payment option. Outreach efforts also stressed direct deposit sign up and, whenever a check was requested, students were reminded of the availability, security and speed of direct deposit services and encouraged to sign up. These marketing efforts have made, and continue to make, a dramatic difference. Students making use of these channels allows SFS to continue to service more students with fewer staff at a lower cost per transaction while retaining high customer satisfaction.
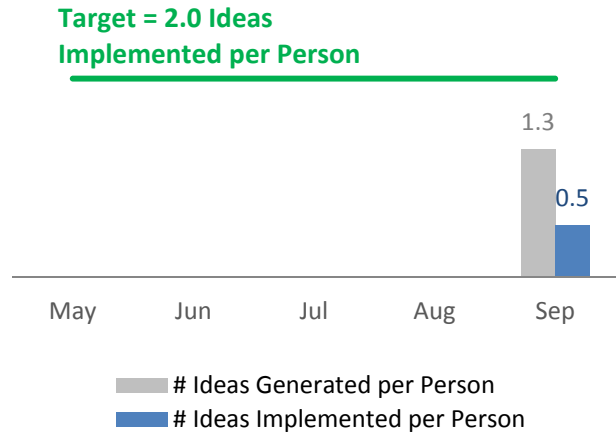
SFS started idea counting in September 2012.

SFS # of Ideas Generated & Implemented

27

11

May   Jun   Jul   Aug   Sep

■ # Ideas Generated in Total
■ # Ideas Implemented in Total

SFS # of Ideas Generated & Implemented per Person

Target = 2.0 Ideas Implemented per Person

1.3

0.5

May   Jun   Jul   Aug   Sep

■ # Ideas Generated per Person
■ # Ideas Implemented per Person

% Organization Participating in Lean

Target = 100%

100%

SFS
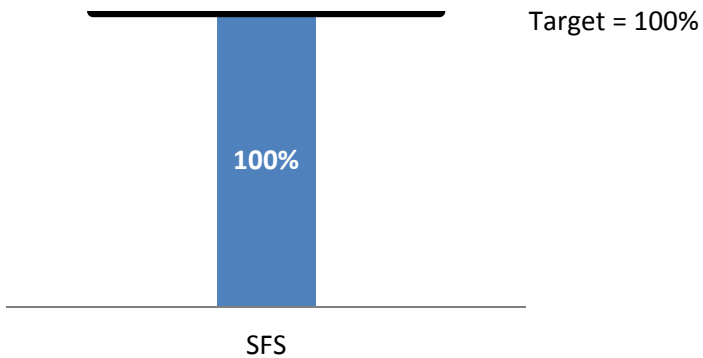
2.1.5   Payroll

Cost per Paycheck
Data as of 2010

Washington	$1.00
Davis	$1.42
Los Angeles	$1.49
San Diego	$1.88
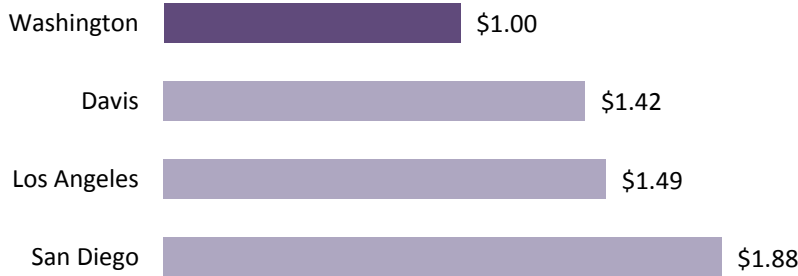
This chart compares UW's cost per paycheck with schools in the University of California System.

Over 92% of active employees receive paychecks using direct deposit. Through a campaign to increase direct deposit enrollment in 2010, overall participation increased by 2%. On average, enrollment for direct deposit is 80% among most universities.

Cost per W-2

Legend: Washington — Davis — Los Angeles — San Diego
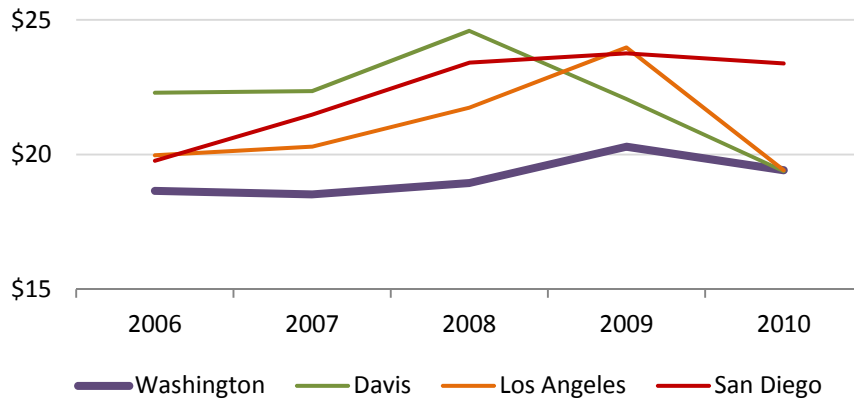
The cost per W2 form is calculated by dividing the number of forms produced each year by the allocated budget for the report year. In 2010, the cost per form was reduced due to an increase in the number of forms produced while expenditures remained constant. The increase in number of employees reflects the elimination of the State hiring freeze.

Payroll Customer Satisfaction Survey

85% 92% 100%

2006 2008 2010

Customer service satisfaction ratings among UW Payroll Coordinators surveyed increased 15% in the past five years. Responses to the survey indicate that Payroll is viewed as an organization that treats campus customers with respect, follows through on commitments, and is extremely knowledgeable regarding payroll systems and services. Payroll staff members are perceived to be courteous, helpful, and effective service providers.

Payroll has worked to improve the areas with the lowest scores. Scores increased in some areas as much as 20% from past surveys. Areas improved are:
- Improving Payroll Coordinator meetings
- Reducing response time to calls and e-mails
- Placing more information on the department's web pages

Efficiency

Employees Served per Staff FTE

2012
2,521 Served/FTE

1993
1,193 Served/FTE

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013
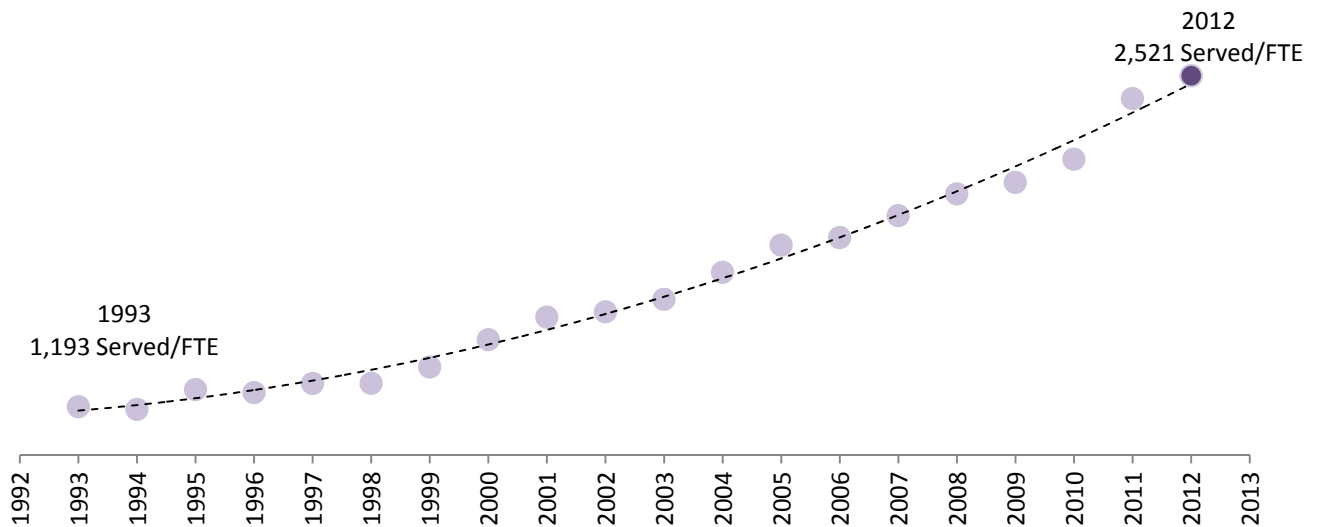
The number of employees served per staff FTE has increased over 111% while compliance requirements and volumes have increased. Through improving processes, Payroll has maintained a 100% customer satisfaction rating while reducing FTE.
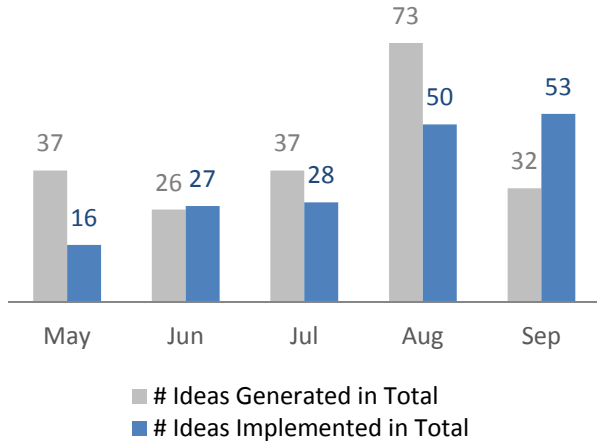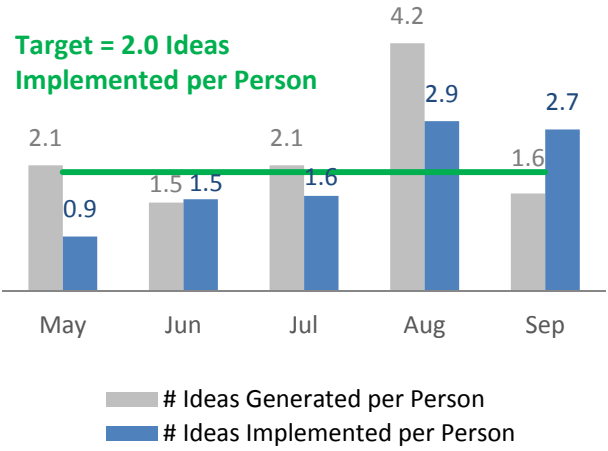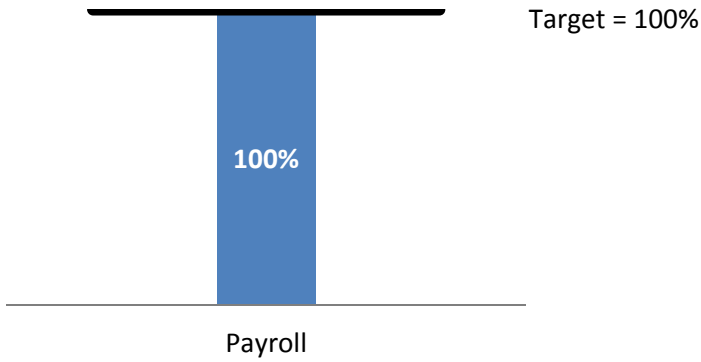
Payroll # of Ideas Generated & Implemented

Legend:
- # Ideas Generated in Total
- # Ideas Implemented in Total

May: 37, 16
Jun: 26, 27
Jul: 37, 28
Aug: 73, 50
Sep: 32, 53

Payroll # of Ideas Generated & Implemented _per Person_

Target = 2.0 Ideas Implemented per Person

Legend:
- # Ideas Generated per Person
- # Ideas Implemented per Person

May: 2.1, 0.9
Jun: 1.5, 1.5
Jul: 2.1, 1.6
Aug: 4.2, 2.9
Sep: 1.6, 2.7

% Organization Participating in Lean

Target = 100%

100%

Payroll

2.1.6   Management Accounting & Analysis

F&A Rate Adjustments by HHS

Annual recovery for each 1 point: **$3.1M**
Annual impact of 2.9 point change: **$9.0M**

(1.6)   University of Washington

(4.5)   West Coast Peer Medical Schools

(4.5)   National Average [1]

(5.0)   (4.0)   (3.0)   (2.0)   (1.0)   0.0
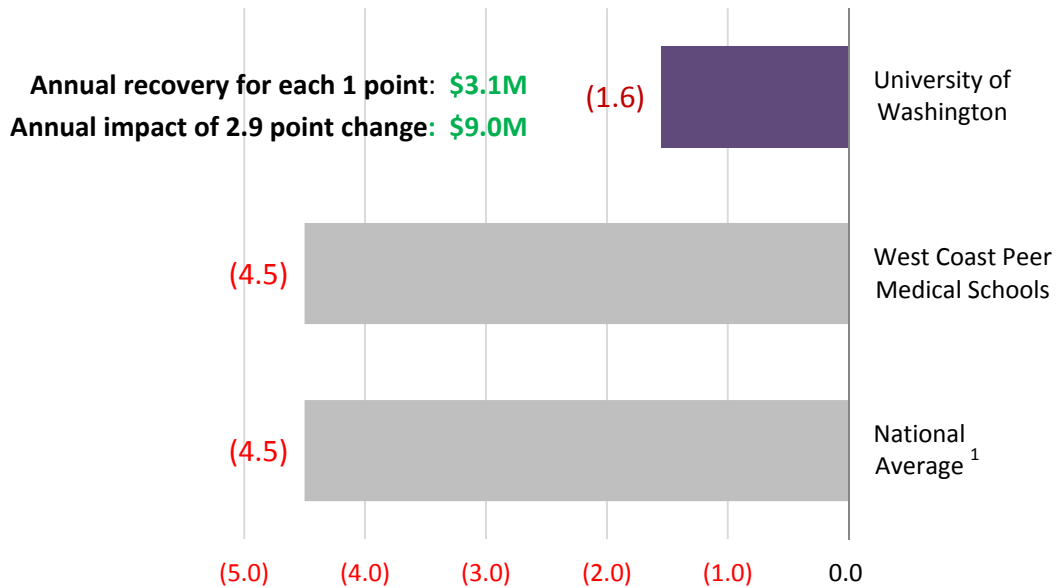
[1] In 2010, the Government Accounting Office (GAO) issued a report quantifying the average adjustment between a university's proposed and negotiated F&A rates. For the study period, the average adjustment by Health and Human Services Division of Cost Allocation (HHS DCA) was approximately 4.5 points. This is also consistent with recent actual experience of peer medical schools on the West Coast.

During UW's last Facilities & Administration (F&A) rate negotiation, UW's adjustment was 1.6 points, compared to the national average adjustment of 4.5 points. The difference of 2.9 points between UW's adjustment and the national average equates to approximately $9.0 million per year of additional cost recovery for UW.

Point adjustments reflect the quality of proposal submitted to HHS for research overhead reimbursement (lower points the higher the quality).

MAA Customer Satisfaction Survey 2010
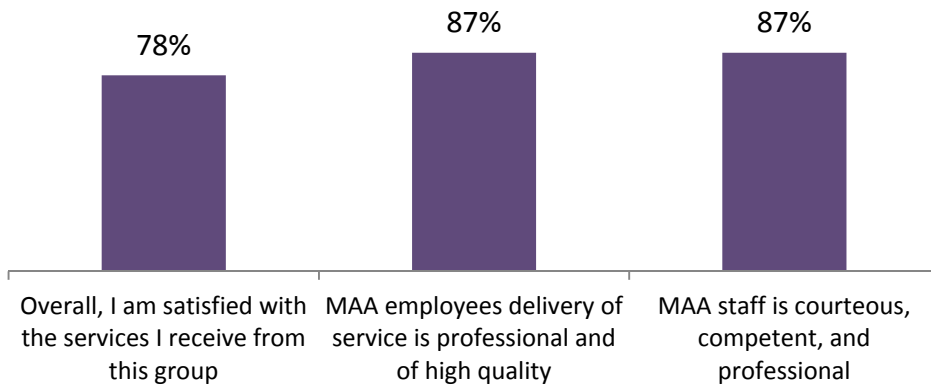
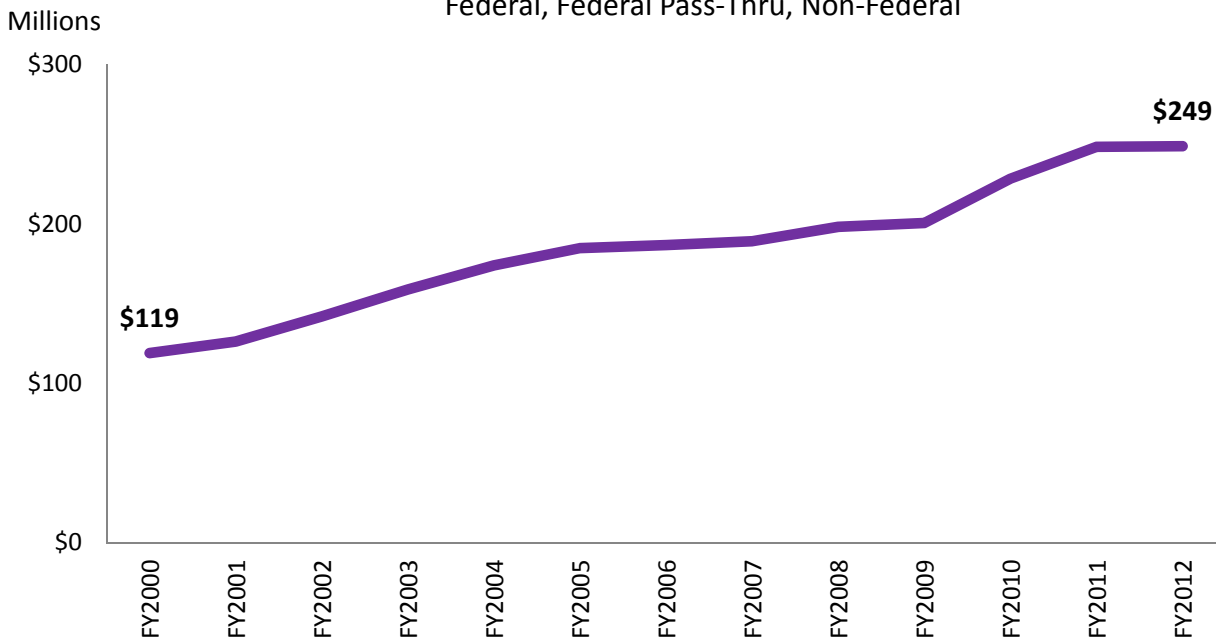|		
78%	87%	87%
Overall, I am satisfied with the services I receive from this group	MAA employees delivery of service is professional and of high quality	MAA staff is courteous, competent, and professional

Customers were surveyed regarding satisfaction with the level of services received based on a five-point scale. The graph represents the combined responses of "strongly agree" (5) and "agree" (4).

Total F&A Recovery
Federal, Federal Pass-Thru, Non-Federal

Millions

$300

$249

$200

$119

$100

$0

FY2000 FY2001 FY2002 FY2003 FY2004 FY2005 FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

This graph represents the F&A (indirect) cost recovery realized from sponsored agreements for fiscal years FY2000 ($119 million) to FY2012 ($249 million). These are the dollars that support the infrastructure costs associated with sponsored research and other sponsored activities.

% Faculty Effort Certification (FEC) Reports Submitted On-Time and # of FEC Reports

Legend: —— # of FEC   —— % of on-time FEC
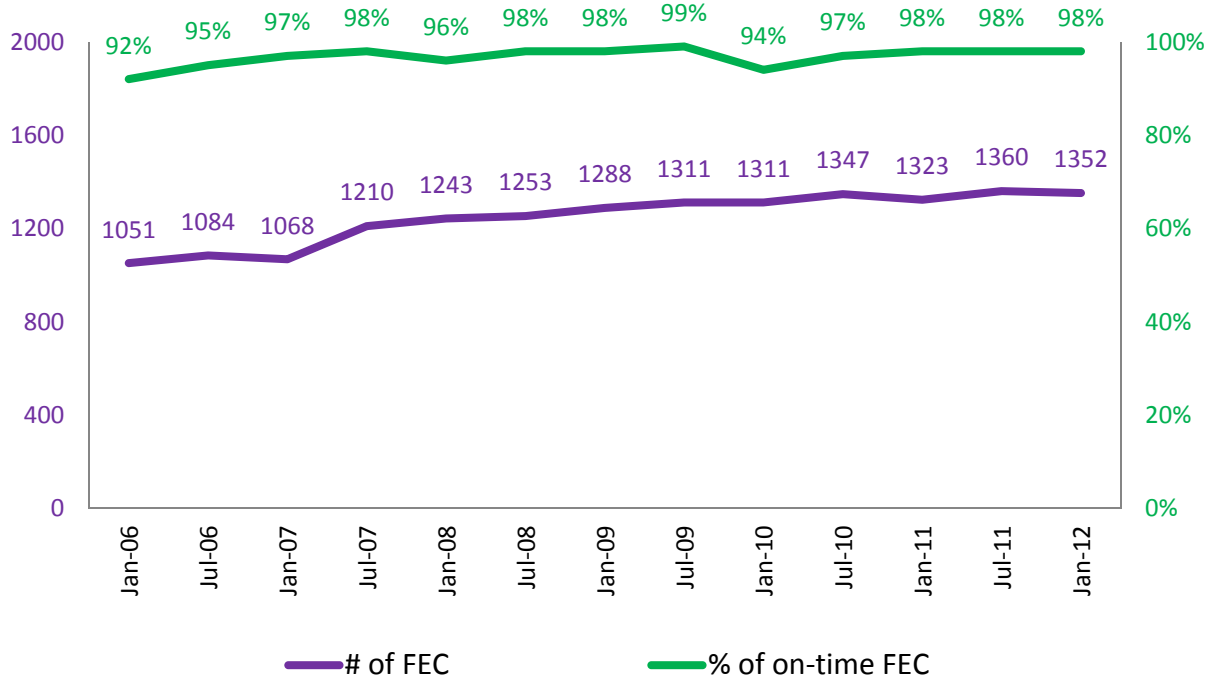
This graph represents the number of faculty effort certification (FEC) reports generated for calendar year based schools by FEC cycle and the percentage that were certified by the designated completion date. Timeliness of the completion of these reports is critical as it represents one of the audit criteria for an acceptable effort reporting process.
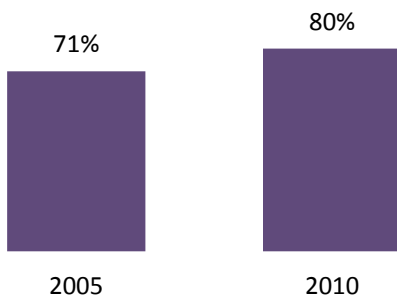
Engagement

% Organization Participating in Lean

Target = 100%

100%

MAA
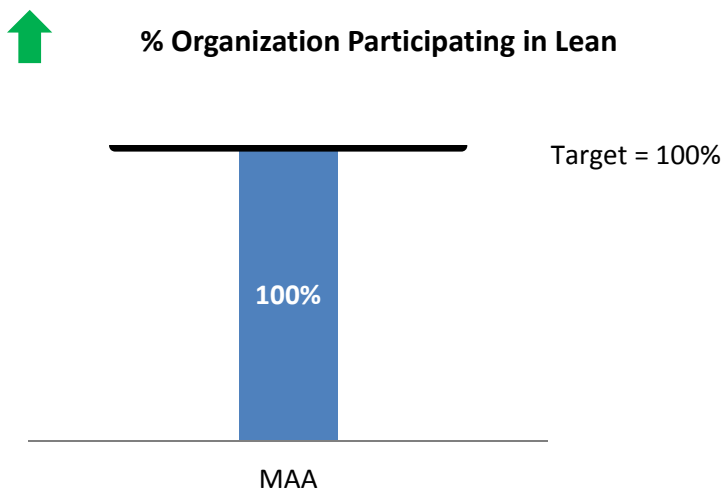
2.1.7   Travel

Travel Office Customer Satisfaction Survey

71%   80%

2005   2010

Customer service satisfaction ratings among UW departments working with Travel increased 9% in the past five years. Travel improved their overall satisfaction rating by improving their service delivery and transaction processing time, increasing value to customers, and delivering knowledgeable travel services.
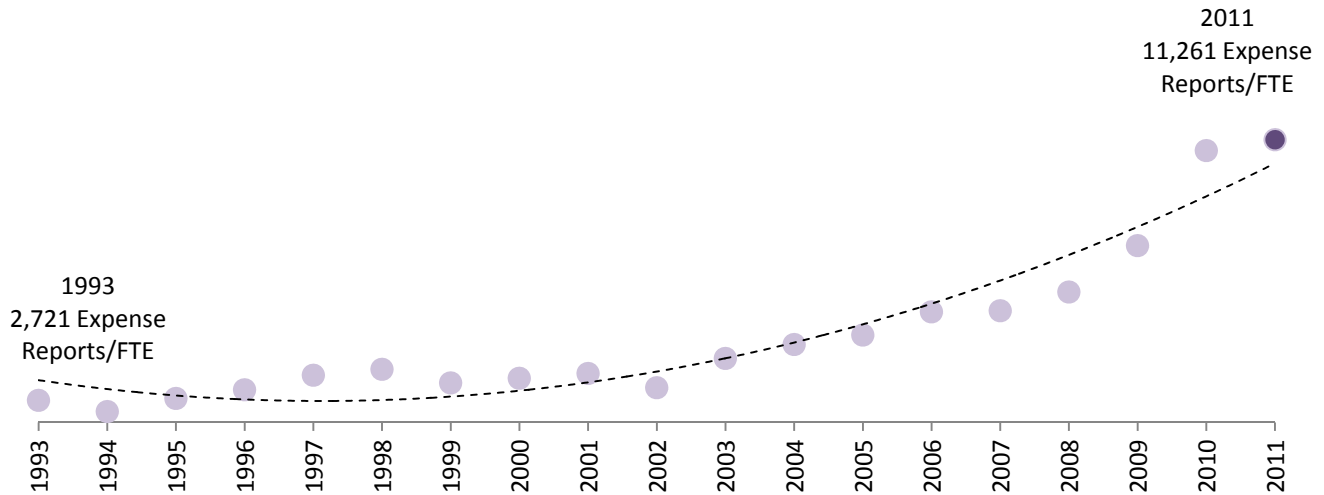
Efficiency

Travel Voucher Processing Time

30 Days

5 Days

1 Day   1 Day

1990   2009   2010   2011
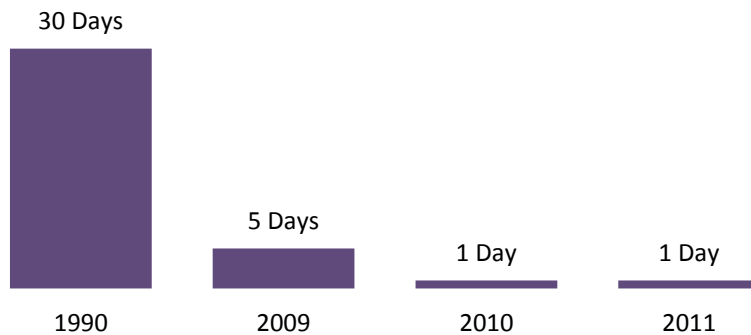
Process improvements have decreased the overall processing time for a travel voucher from 30 days to 1 day.

The new electronic reimbursement process, eTravel, was fully implemented in June 2010.
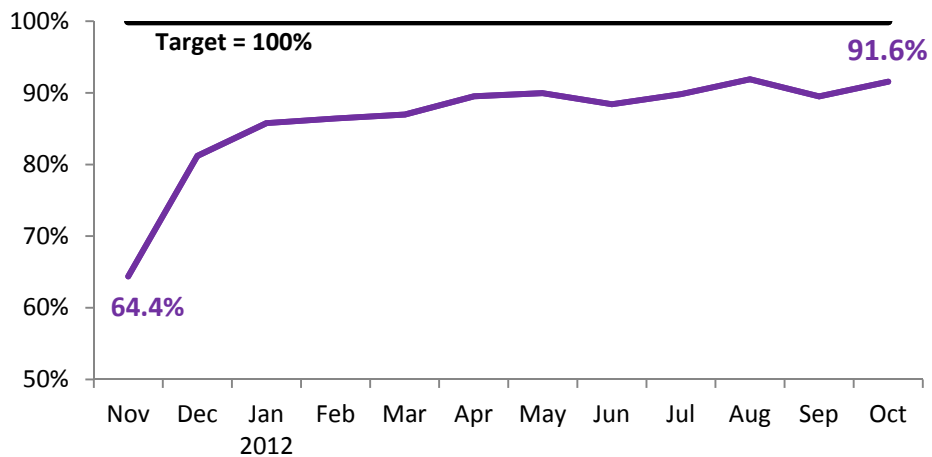
Expense Reports Processed per Travel Office FTE

2011
11,261 Expense
Reports/FTE

1993
2,721 Expense
Reports/FTE

1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

Beginning in 2010, travelers began submitting their travel expense reimbursements electronically. The automation, eTravel, allows the Travel Office to process more expense voucher with fewer people. Since the implementation of eTravel, the Travel Office has reduced FTE by 50%.

% Elgible Travel Reimbursement Paid via Direct Deposit to UW Employees

Target = 100%

91.6%

64.4%

100%

90%

80%

70%

60%

50%

Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct
2012

Direct deposit for employee travel reimbursements went live November 2011. Direct deposit saw a strong adoption rate during the first few months of launch. Monthly utilization rates typically range from high-80% to low-90% with an October 2012 rate of 91.6%.

Benefits for direct deposit include:
- Reducing the number of checks reported lost or misplaced
- Eliminating trips to the bank to deposit checks
- Decreasing processing costs and time

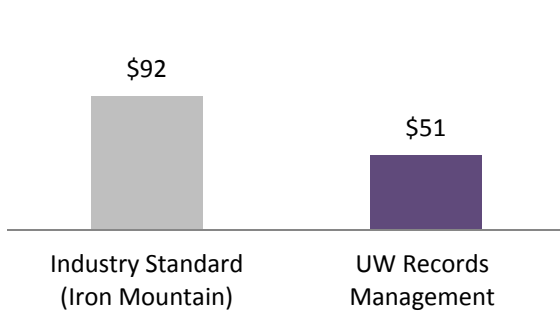% **Organization Participating in Lean**

Target = 100%

100%

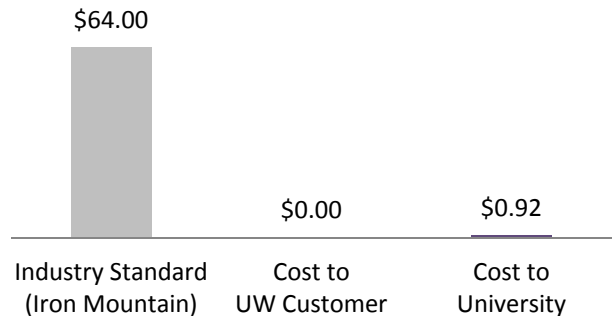Travel
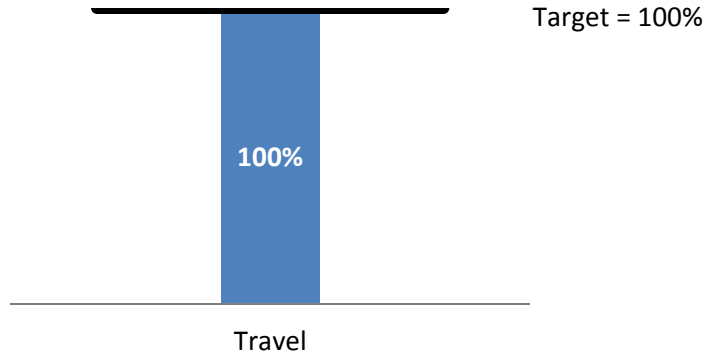
2.1.8 Records Management

Benchmark

⬇ **Cost to Bring One Box to Storage**
Initial processing cost (review, prepare, pickup, shelve, etc.). Zero cost to UW client to maintain storage

⬇ **Cost to Store One Box**
Based on a one year retention

$92 — Industry Standard (Iron Mountain)	$51 — UW Records Management

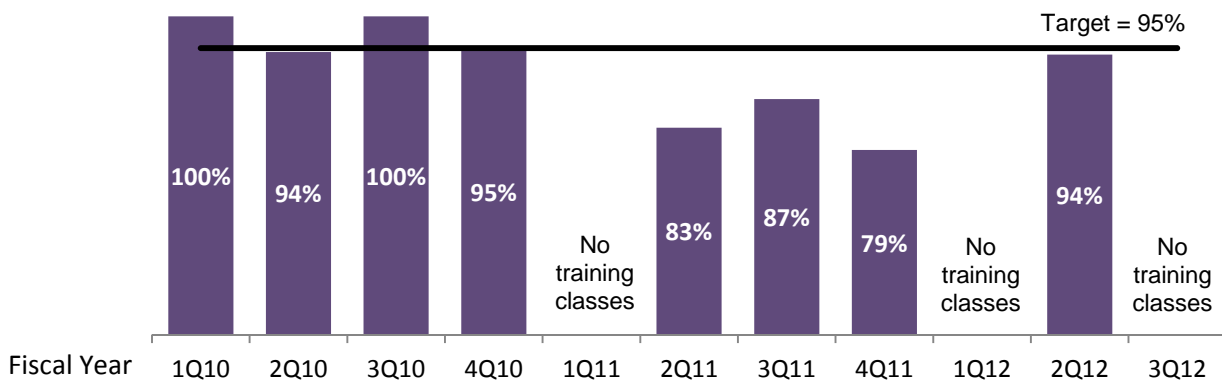|		
$64.00 — Industry Standard (Iron Mountain)	$0.00 — Cost to UW Customer	$0.92 — Cost to University

These measures compare the cost of providing in-house storage to using an outside vendor; the industry standard. These costs were compared in two ways: the cost of bringing one box into storage and the charge of storing that box for one year.

The University has chosen not to use the records center as a revenue generator and instead uses it as an incentive for voluntary compliance with State and Federal rules, statutes, and regulations regarding the management of information. The industry standard charges include a monthly ongoing storage fee in addition to a monthly administrative charge.

Quality

⬆ ## Effectiveness of Training

Target = 95%

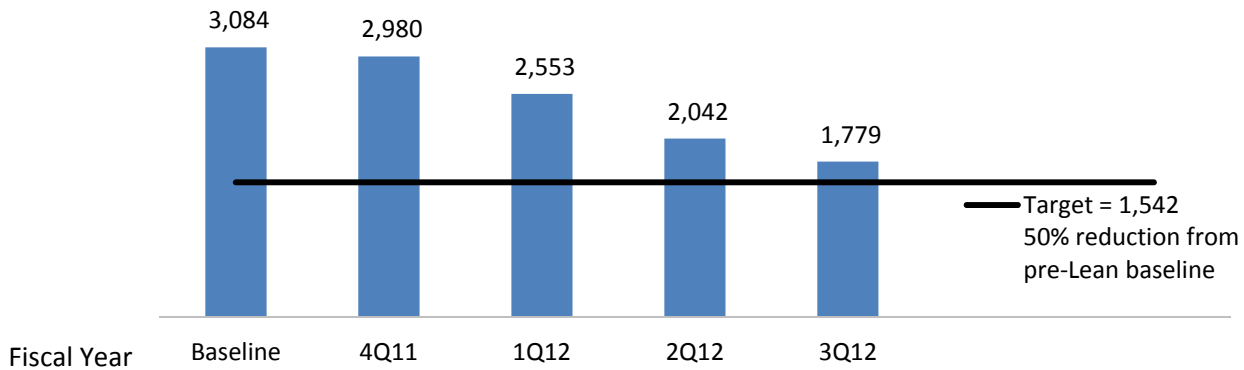| Fiscal Year	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
	100%	94%	100%	95%	No training classes	83%	87%	79%	No training classes	94%	No training classes

Records Management provides quarterly training classes to employees on all three UW campuses. Attendees are surveyed regarding the usefulness of the training on a five-point scale. The graph represents the combined responses of "strongly agree" (5) and "agree" (4).

As of 1st quarter FY2012, State requirements for the scanning of paper records changed. In response, Records Management Services developed Scanning Best Practices for the University, constructed new training and exclusively held classes on this new process for the University.
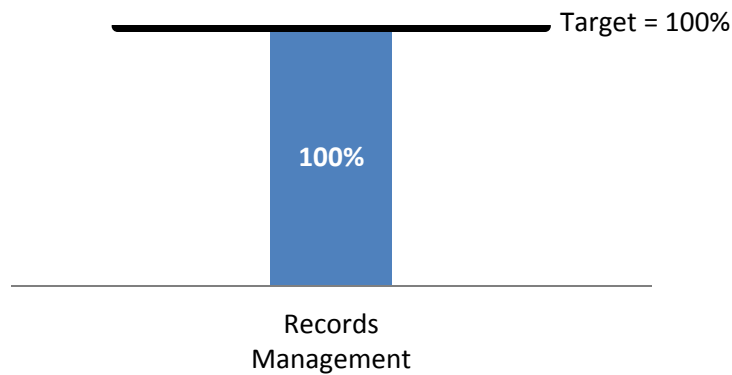
Efficiency

Record Series

3,084   2,980   2,553   2,042   1,779

Target = 1,542
50% reduction from
pre-Lean baseline

Fiscal Year   Baseline   4Q11   1Q12   2Q12   3Q12

Records Management determined that combining unique records by function would greatly simplify compliance for the UW community. There were 3084 record series at the beginning of our Lean process, with a goal to reduce by 50%, or 1542 active record series. Currently there are 1779 active series.
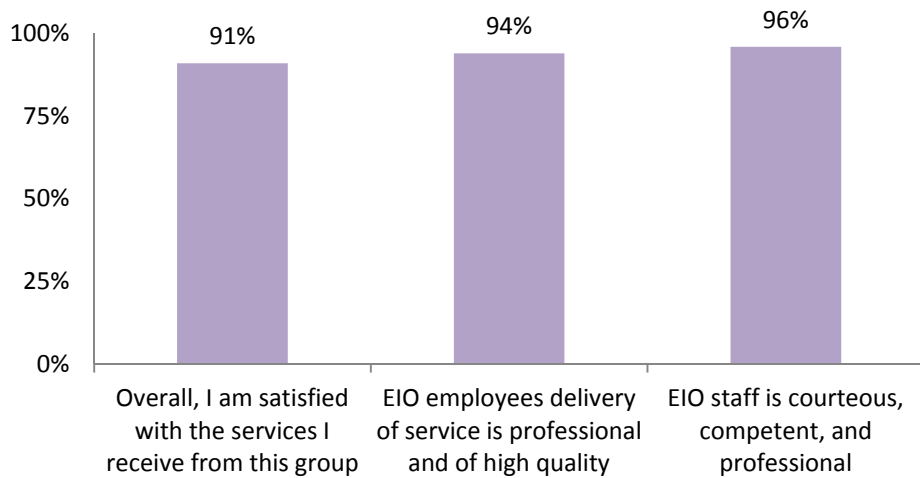
Engagement

% Organization Participating in Lean

Target = 100%

100%

Records
Management

2.1.9   Equipment Inventory Office

Quality

EIO Customer Satisfaction Survey 2010

Bar chart showing three categories:
- Overall, I am satisfied with the services I receive from this group: 91%
- EIO employees delivery of service is professional and of high quality: 94%
- EIO staff is courteous, competent, and professional: 96%

Y-axis: 0%, 25%, 50%, 75%, 100%

Efficiency

Items Tracked per FTE

Line chart by Fiscal Year from 2000 to 2012.
- 2000: 8,739
- 2012: 16,142

Y-axis: -, 5,000, 10,000, 15,000, 20,000

Fiscal Year: 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
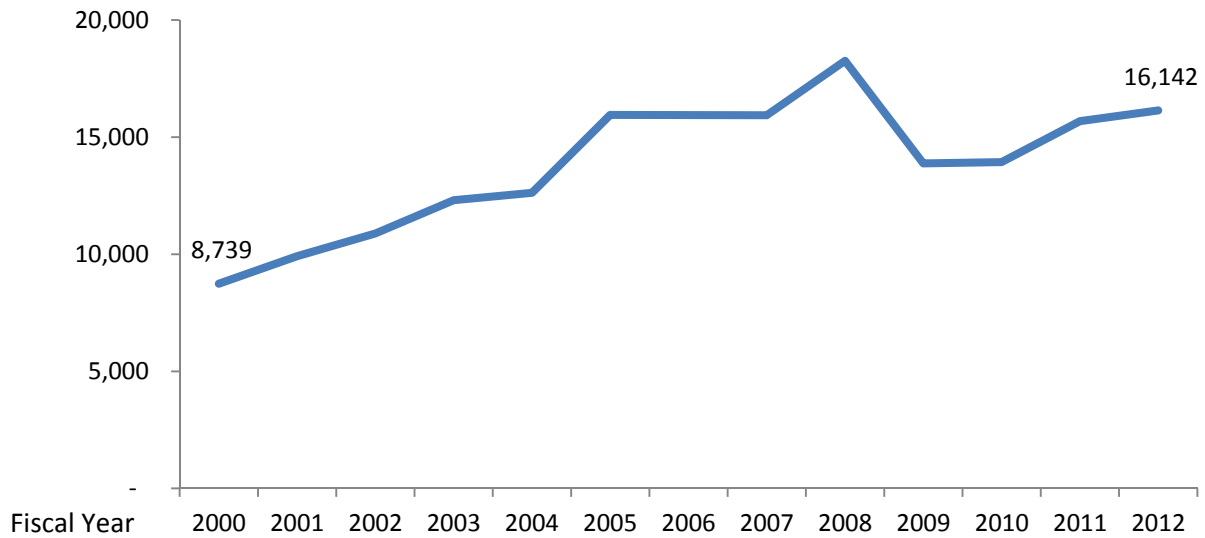
Customs Letters Prepared by EIO

Fiscal Year	2006	2007	2008	2009	2010	2011	2012
	75	127	178	208	231	63	Zero Customs Letter Issued in 2012

Lean launch
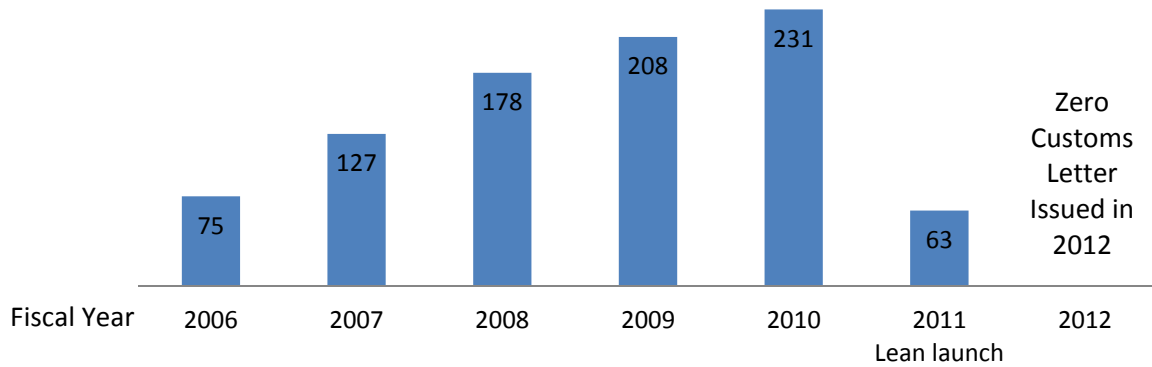
Prior to Lean implementation, departments were required to submit a request to Equipment Inventory Office (EIO) for a notarized Customs letter when travelling with UW equipment outside of the U. S. (process time of approximately 1-2 days). Post-Lean, departments have multiple options for supporting documentation: creating and printing a Customs letter using an on-line template (eliminated process wait times); using an original or copy of the purchase receipt (eliminated process wait times); or using Customs-recommended forms.

Reduction in Hours to Process Equipment Transfer Out
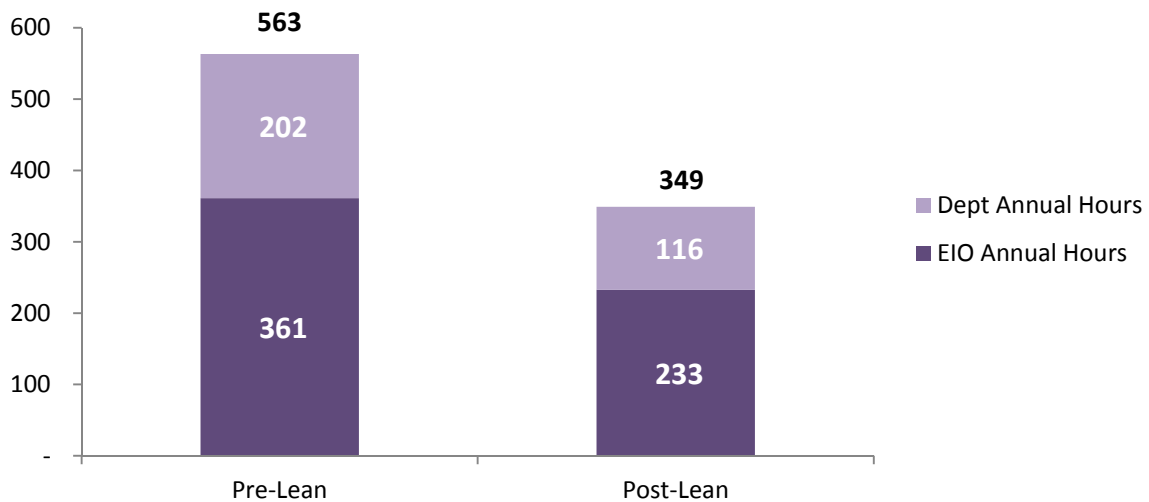
EIO's Lean process resulted in time savings for departments and EIO. Pre-Lean, when a researcher and the new institution were interested in purchasing State titled equipment from the UW, both the department and EIO facilitated the communication between them and the Surplus Property Office. Post-Lean, the researcher and their new institution work directly with the Surplus Property Office.
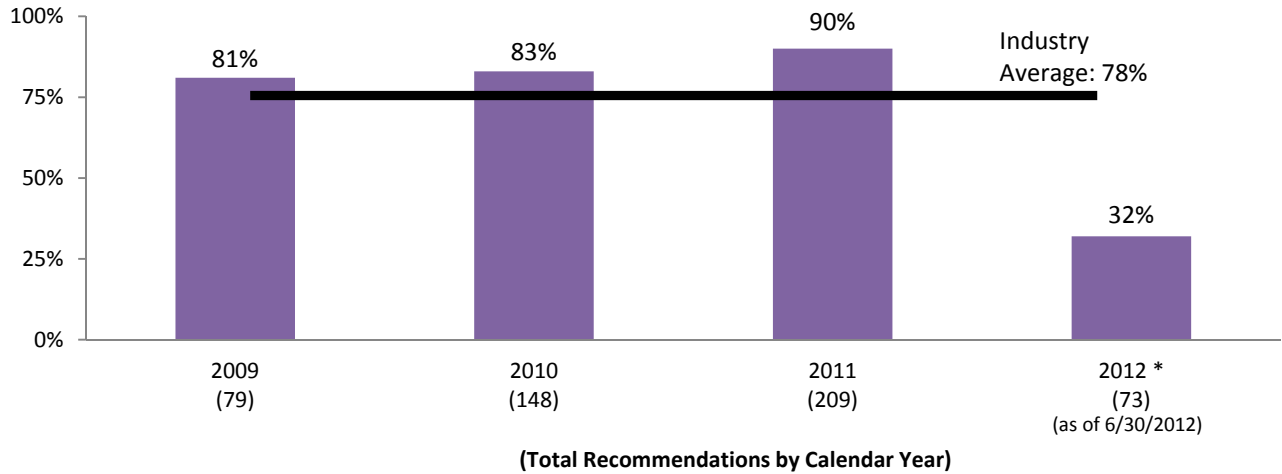
% Organization Participating in Lean

Target = 100%

100%

EIO
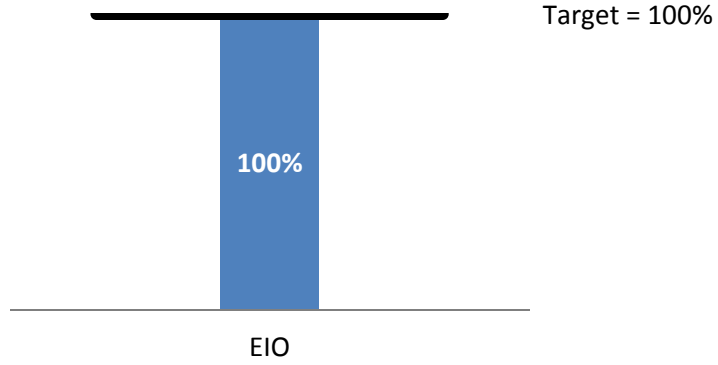
2.2 Internal Audit

Percentage of Audit Recommendations Implemented

* Measurement of audit recommendations implemented occurs six months after the end of the calendar year. Partial data is available for 2012 as of June 30, 2012.

Average Training Hours per Auditor
Calendar Year

Average Required for Professional Certification : 40 hours
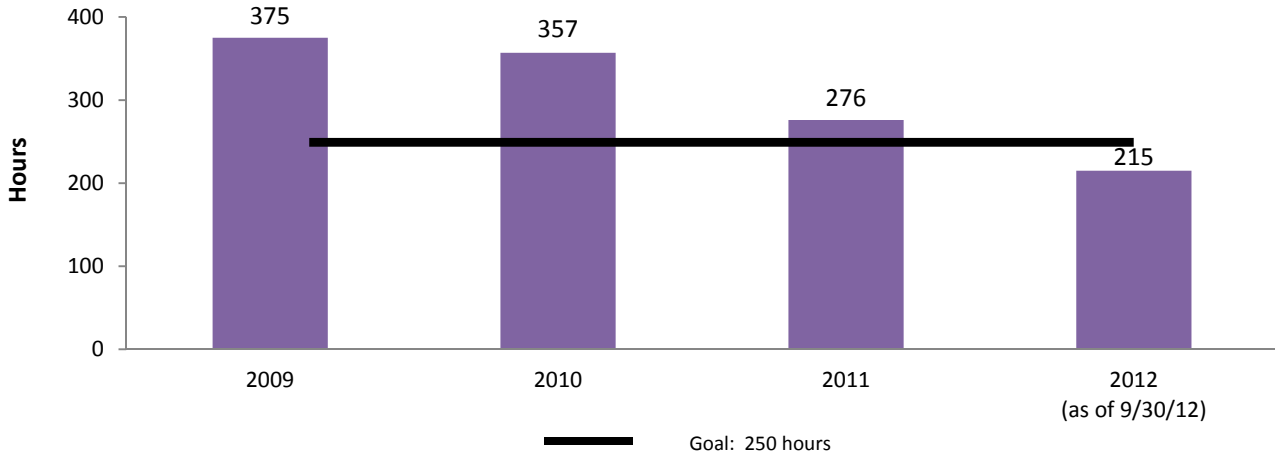
Industry Average: 52 hours

Industry Average Source: The Global Audit Information Network (GAIN) 2007 Annual Benchmarking Study, dated Sept. 15, 2008, which includes the Association of College and University Auditors sector (ACUA).

Internal Audit Client Satisfaction Survey
Top Box Results

Goal: 90%
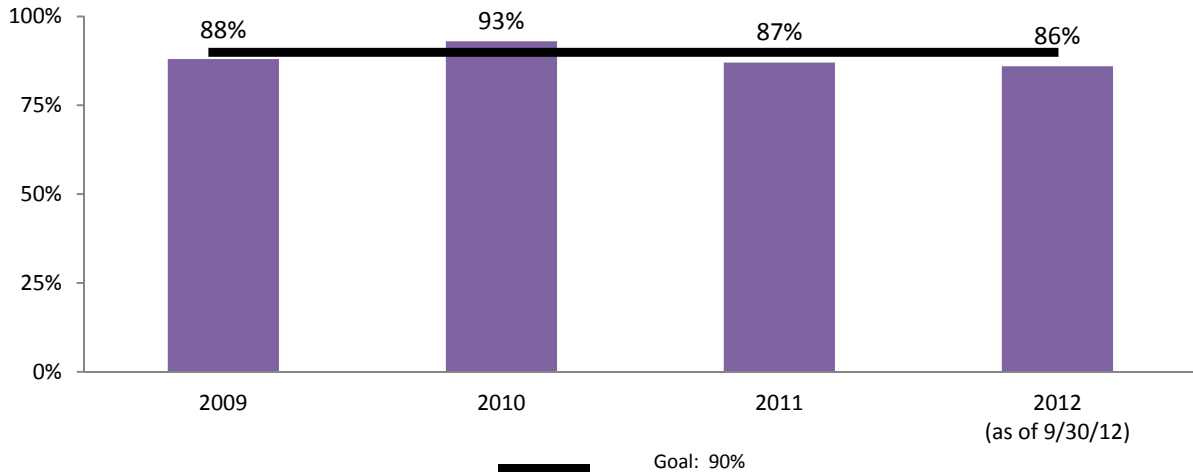
Hours of Risk Mitigation Training
## Provided to University

Goal: 250 hours

The top graph represents the combined responses of "strongly agree" (5) and "agree" (4) to survey questions worded as positive statements, using a five-point scale. Excluded from the above graph are "neutral" (3), "disagree" (2), and "strongly disagree" (1) responses. Customers were asked to respond to the question: "Overall, did the comments and recommendations made during Internal Audit's (IA) review of your department assist you in improving your operations?"

Percentage of Time Spent on Internal Audit Projects

67% 65% 68% 72%

2009 2010 2011 2012 (as of 9/30/12)

Industry Average: 78%
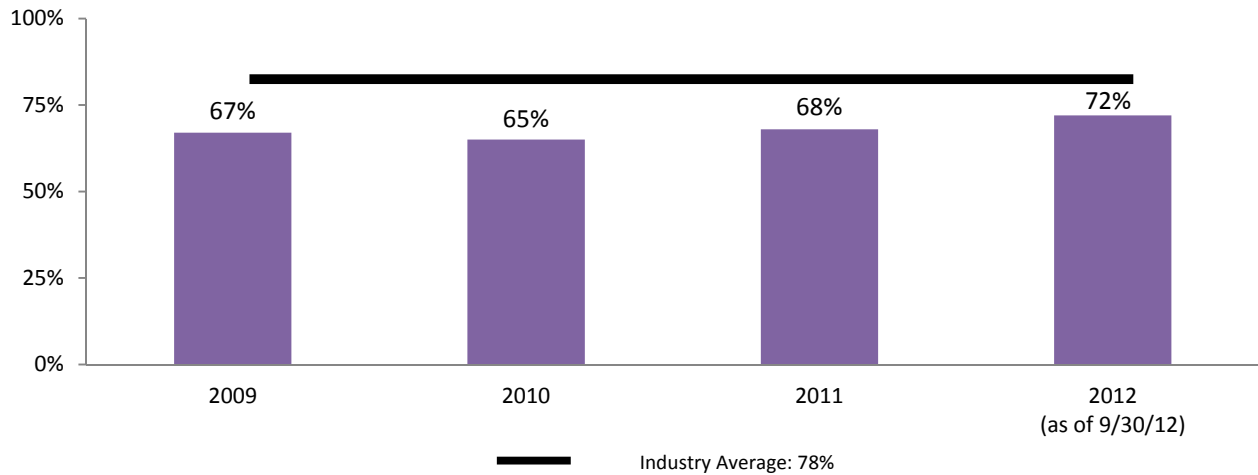
Industry Average Source: GAIN 2007 Annual Benchmarking Study, dated Sept. 15, 2008, which includes the ACUA sector.

The percentage of total hours on audit projects compared to total hours per year by IA.
IA projects include planned audits, investigations, consulting projects, and quality improvement projects.

Intern Hours Utilized

Goal: 2,000 hours

1,173 1,355

2011 2012 (as of 9/30/12)
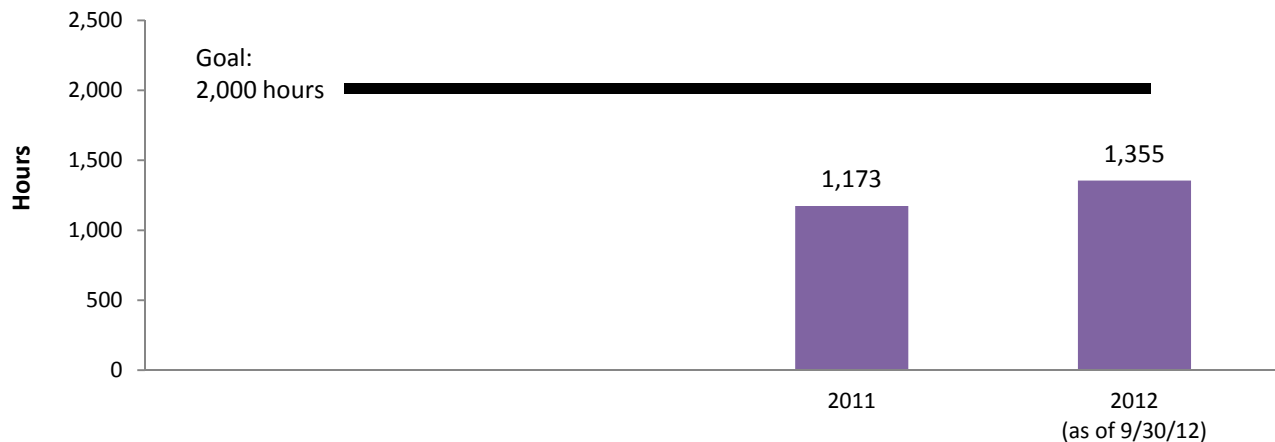
Total intern hours utilized. IA began a student intern program in mid-2011 for students majoring in Accounting or related fields. The program's goal is to hire students in the spring of their junior year, provide an opportunity to work full-time during the following summer, and provide a continuing opportunity through their senior year. Students assist in the performance of audits and audit-related projects.
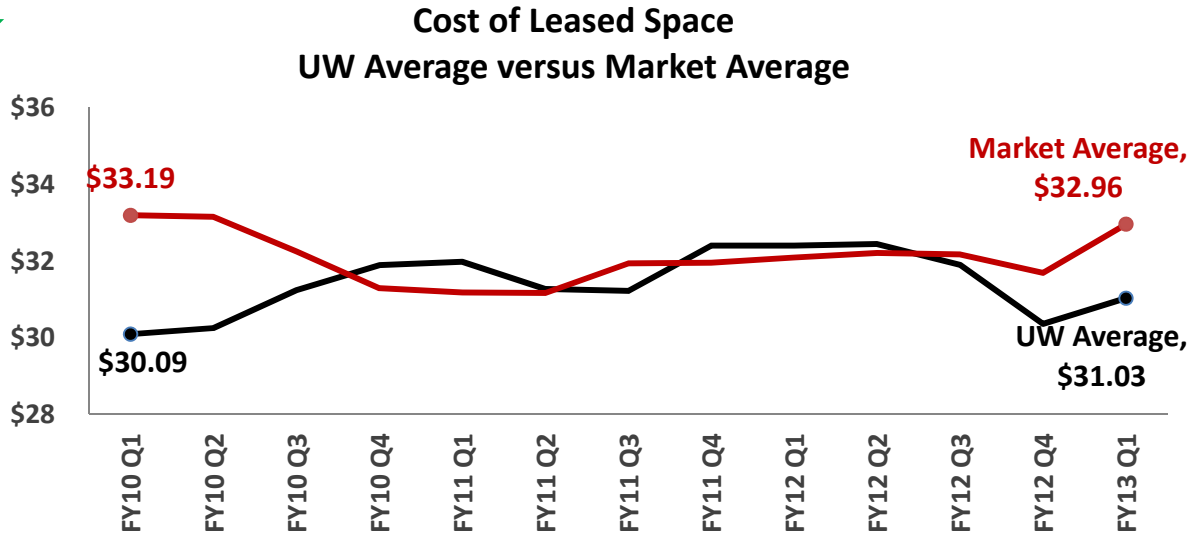
% Organization Participating in Lean

Target = 100%

100%

Internal Audit
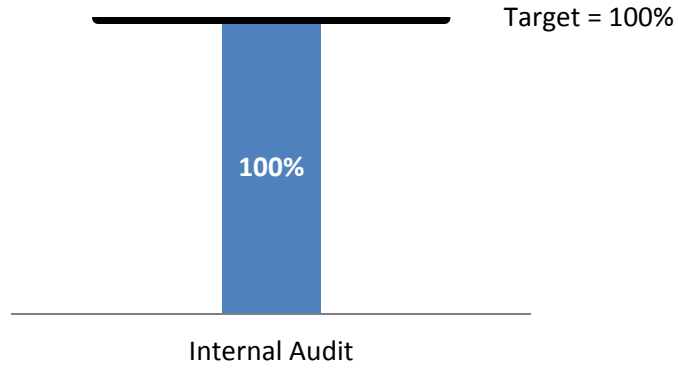
2.3 Treasury

2.3.1 Real Estate

Benchmark

Cost of Leased Space
**UW Average versus Market Average**

These annual square foot costs are compared to current market rates. Market rates are sourced from CoStar, a standard for commercial real estate information, and weighted accordingly to UW's gsf use profile (e.g., lab, office, clinic and storage/warehouse). The target is to keep portfolio costs less than the corresponding combined average market rates.

Satisfaction Rate

Overall Satisfaction* = 4.50

Target = 4.21
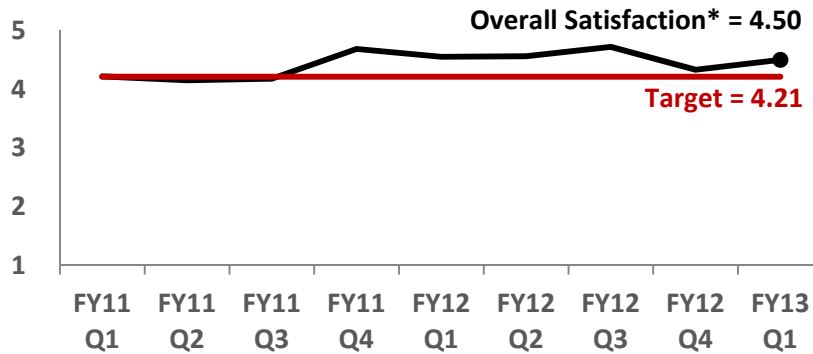
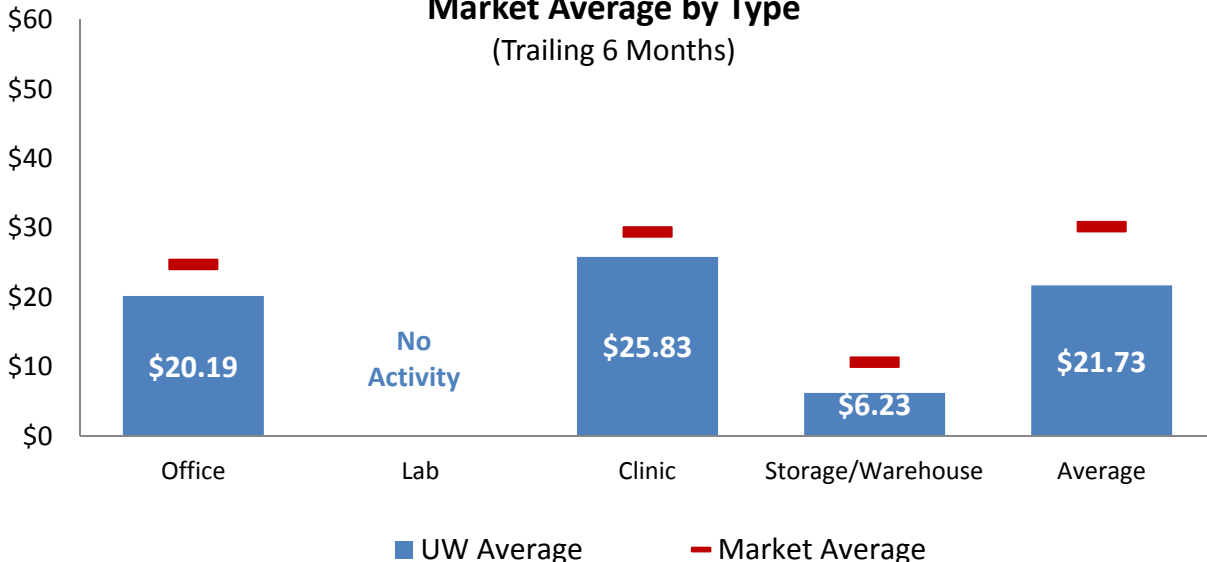| Average Satisfaction Rate Key	
Exceptional:	4.21 - 5.00
Above Average:	3.41 - 4.20
Average:	2.61 - 3.40
Poor:	1.81 - 2.60
Unsatisfactory:	1.00 - 1.80

* Average from: Timing, Budget Expectations, Communication, Clarity of Role, Coordination with Departments

Survey results measure customer satisfaction with UW's Real Estate Office (REO) at the time of service delivery of new leases, lease renewals and tenant-improvement projects. Satisfaction is measured on a five-point scale. The target is "Exceptional," with an average score of 4.21 or higher.

UW Average Lease Cost per Square Foot versus Market Average by Type
(Trailing 6 Months)

Office: $20.19
Lab: No Activity
Clinic: $25.83
Storage/Warehouse: $6.23
Average: $21.73

■ UW Average ▬ Market Average

The cost of new leased space in the University's leased portfolio is calculated by using an average of the starting rate of leases completed over the last eight month period, broken out by space type. The market rate is an average of advertised rates based on the lease-execution date, the space type and submarket (e.g., North Seattle, Eastside, SODO) in which comparable leases were executed. Market rates are sourced from CoStar, a standard for commercial real estate information.
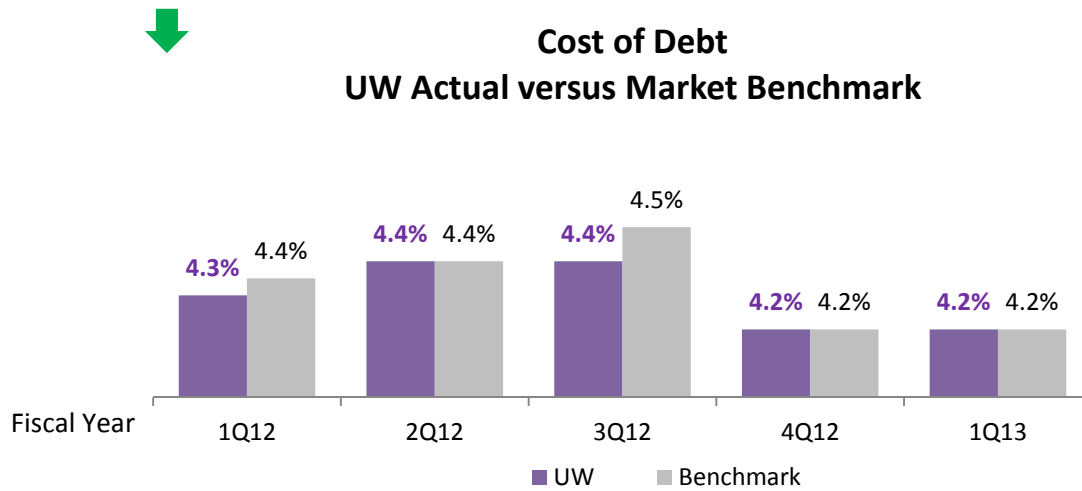
% Organization Participating in Lean

Target = 100%

38%

Real Estate
Office

2.3.2   Asset Liability Management

Cost of Debt
UW Actual versus Market Benchmark

Legend: ■ UW   ■ Benchmark

Data shown:
| Fiscal Year	1Q12	2Q12	3Q12	4Q12	1Q13
UW	4.3%	4.4%	4.4%	4.2%	4.2%
Benchmark	4.4%	4.4%	4.5%	4.2%	4.2%

The University uses various forms of debt including bonds, bank loans, capital leases and commercial paper for its financing needs. The cost of debt is expressed as an average interest rate for the University's debt and compared against a long-term, tax-exempt market interest rate.

The cost of debt is calculated each quarter by multiplying the dollar value of weighted average debt outstanding (weighted for the remaining outstanding life) by the interest rate yield to maturity for that debt. This is summed for all debt and then divided by the total debt outstanding to return the weighted average cost of debt.

The benchmark used is the 20-year Municipal Market Data interest rate with an adjustment for the University's borrowing rate. The market interest rate changes daily. The University's financial advisor provides the daily market interest rate to calculate the benchmark cost of debt.
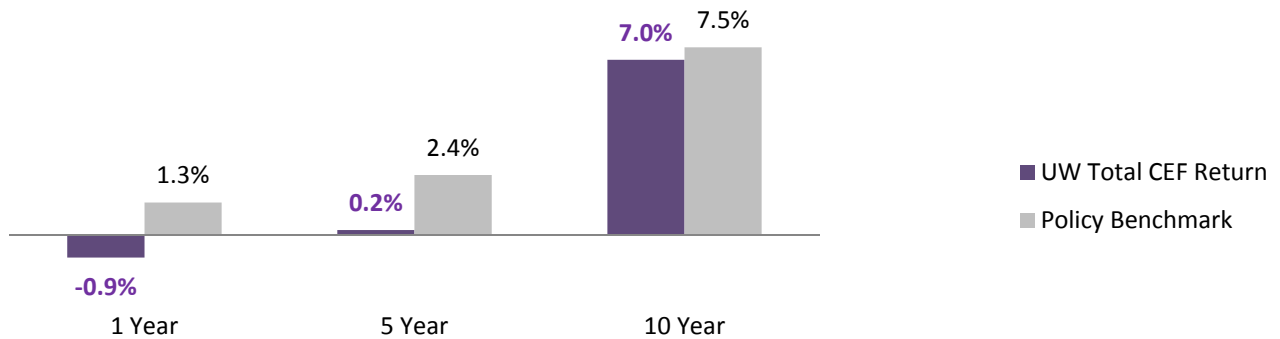
% Organization Participating in Lean

Target = 100%

33%

ALM
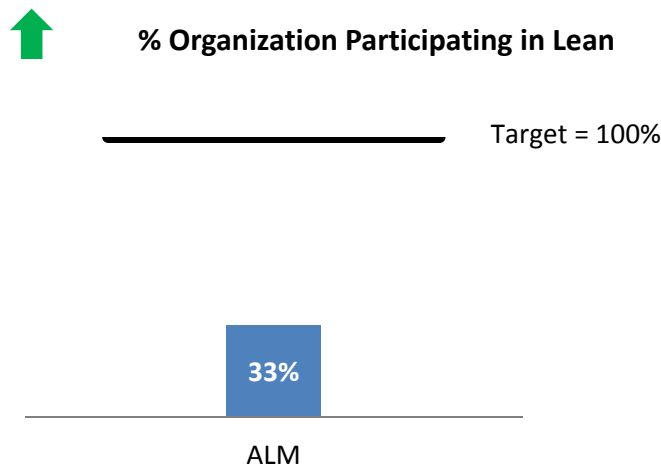
2.3.3   Investment

Consolidated Endowment Fund Performance
(as of June 2012)

The Consolidated Endowment Fund (CEF) is the investment pool of the University's endowed gifts. The CEF operates similar to a mutual fund in that each individual endowment buys units in the fund. The financial objectives of the CEF are as follows:
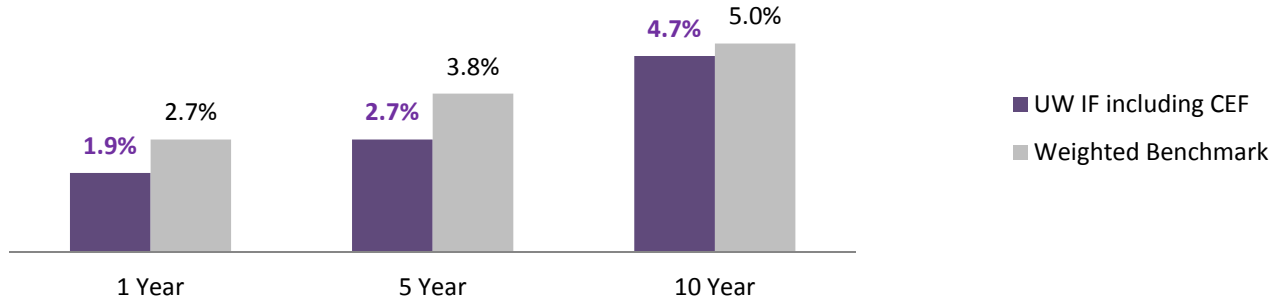
- Provide permanent funding for endowed programs
- Maintain the purchasing power of the CEF after spending and inflation
- Provide a predictable and stable source of income for endowed programs
- Provide a maximum level of return consistent with prudent risk levels

The investment performance of the CEF will also be evaluated, on a risk-adjusted basis, against an investable blend of market indices. Over the long term, the CEF's diversification is expected to generate risk-adjusted returns that meet or exceed those of blended market indices. This comparison is useful in evaluating how successfully the underlying strategies have been implemented and the effectiveness of tactical departures from the strategic asset allocation.

Invested Funds Performance
(as of June 2012)

Chart: Invested Funds Performance comparing UW IF including CEF (purple) vs Weighted Benchmark (gray)

	1 Year	5 Year	10 Year
UW IF including CEF	1.9%	2.7%	4.7%
Weighted Benchmark	2.7%	3.8%	5.0%

Invested Funds (IF) is the term used to describe the investment portfolio that includes the operating funds of the University that are invested daily. The primary objective of the Invested Funds is to enable the University to meet its financial obligations as they come due. A secondary objective is to achieve investment returns above those of money market instruments.

The return for the IF is measured quarterly. Although not shown, 1-year, 5-year and 10-year returns are also measured and compared against appropriate benchmarks. Approximately one-third of the invested funds are invested in the CEF. The IF returns above include the amount invested in CEF.

As a benchmark, the investment performance of the IF will be evaluated, on a risk-adjusted basis, relative to a blend of market indices that reflect the overall asset allocation of the fund.

Engagement

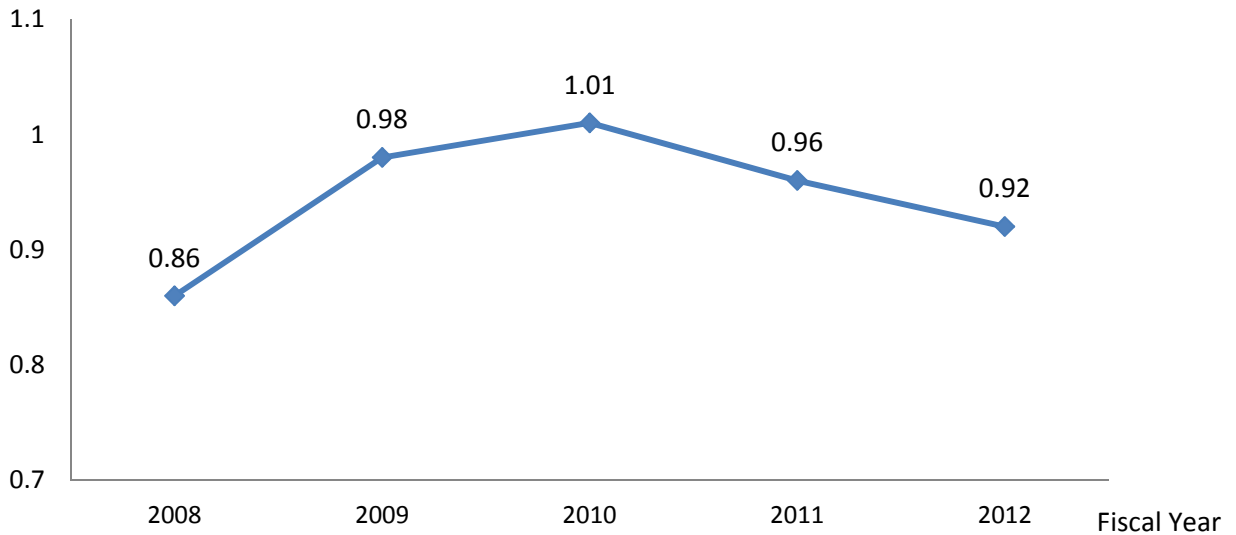**% Organization Participating in Lean**

Target = 100%

12%

Investments

2.3.4   Risk Management

Labor & Industries Experience Modifier

The University's premium for workers' compensation coverage through the State's Department of Labor & Industries (L&I) can be lowered by reducing the "experience factor," which is determined by the number of claims and the associated cost. Anything less than 1.0 results in the employer paying less than the base rate. The University's experience factor is currently 0.92 due to favorable claims experience, resulting in rates that are lower than the risk class.

Cost of Risk per $1 Expense

|	2006	2007	2008	2009	2010	2011
Total UW Operating Expenses (in Billions)	2.895	3.071	3.284	3.501	3.493	4.056
Risk Financing Budget (in Millions)	17.931	19.114	18.628	19.065	20.693	21.258
Total Cost of Risk per $1 Expense	$0.0062	$0.0062	$0.0057	$0.0054	$0.0059	$0.0052

Fiscal Year

Cost of Risk measures the effectiveness of UW's insurance and self-insurance programs. UW's claims and risk control affect the self-insurance funding, commercial insurance premiums, and Risk Management administrative costs captured in the Risk Financing Budget. The goal is to maintain low and stable total cost of risk per $1 expense in relation to the total UW operating expenses, while ensuring appropriate levels of coverage and efficient operations.
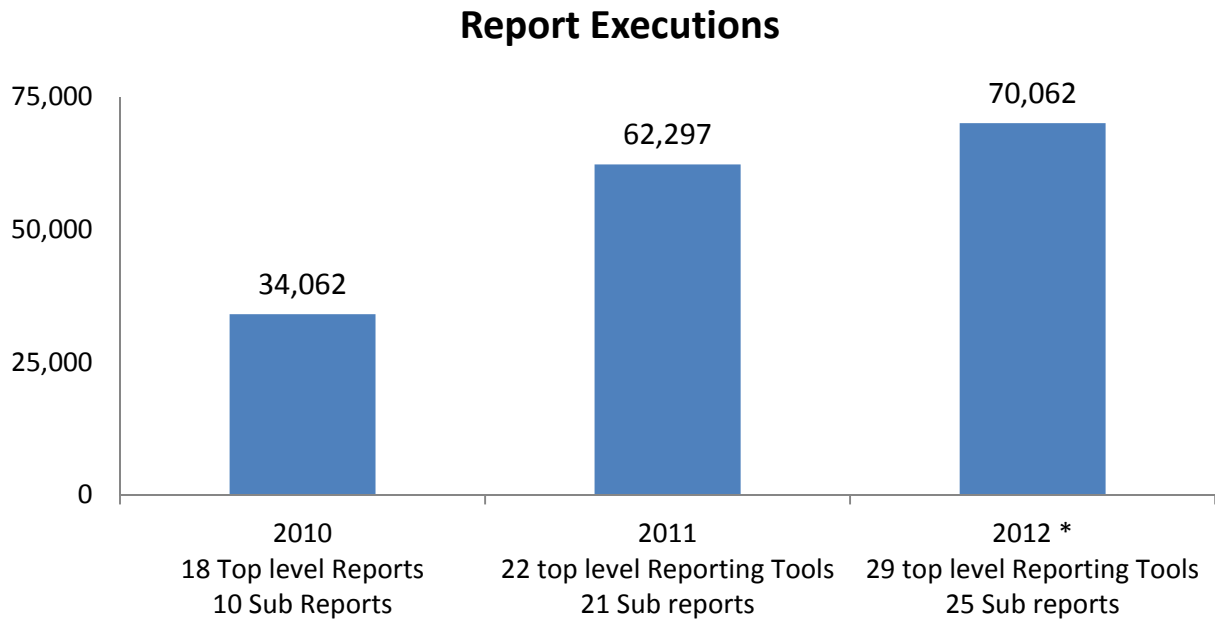
Engagement

% Organization Participating in Lean

Target = 100%

56%

Risk Management
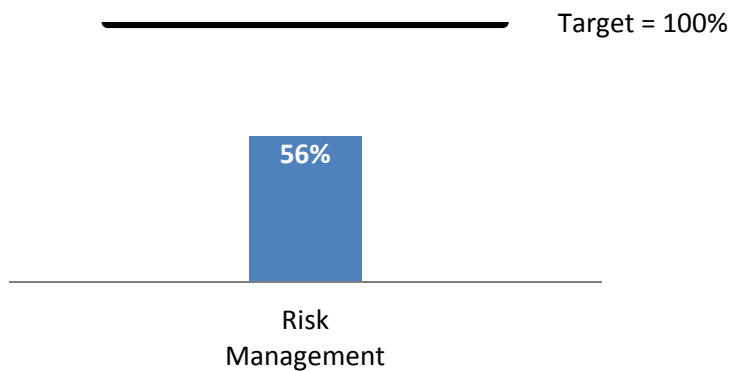
2.3.5 Decision Support Center
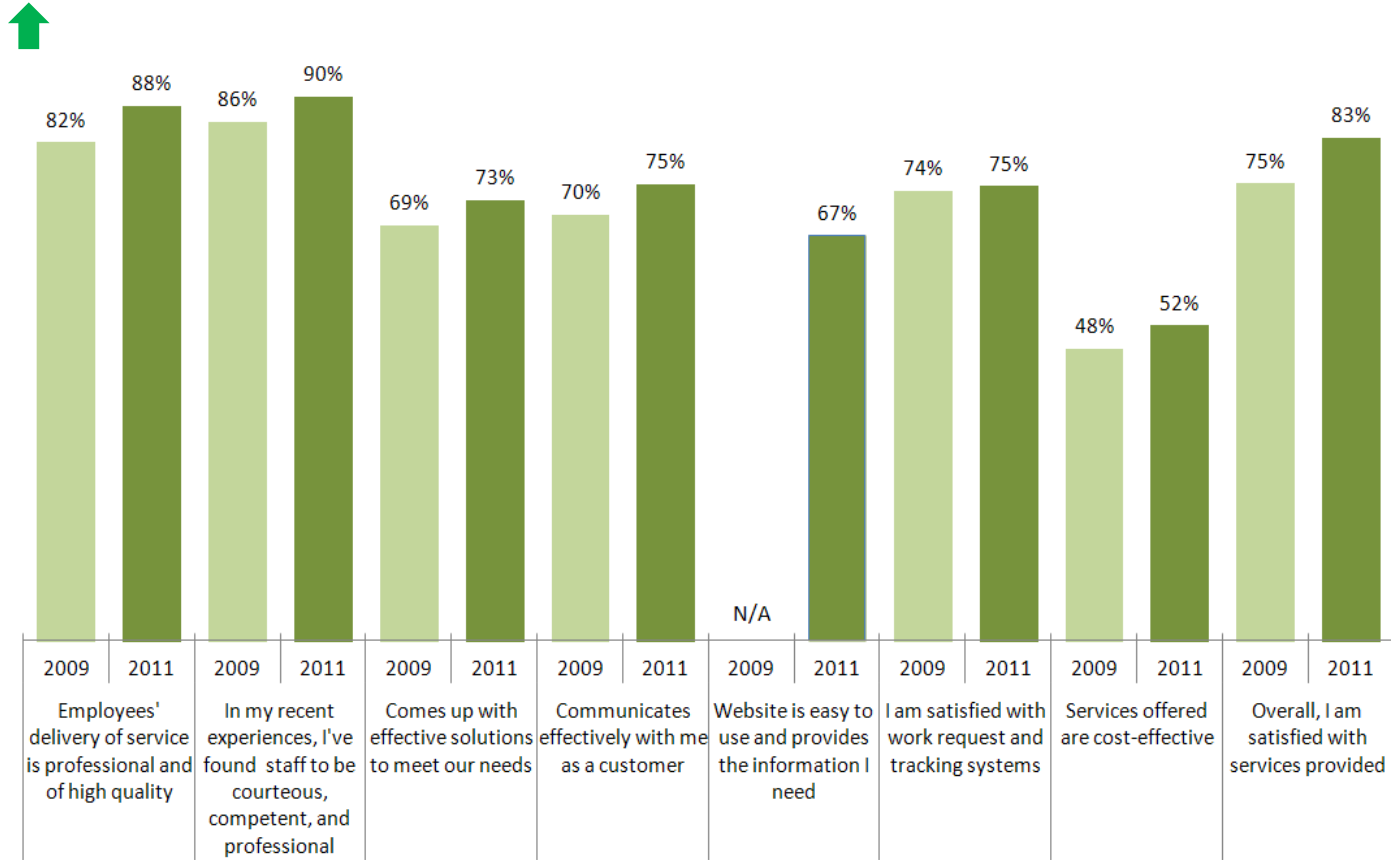
Report Executions

* 60,053 executions as of 10/26. Estimate of 70,062 for CY 2012**.**

3.0 Facilities Service

Benchmark

Facilities Customer Survey Results Comparison 2009 and 2011 (biennial survey)

	Employees' delivery of service is professional and of high quality		In my recent experiences, I've found staff to be courteous, competent, and professional		Comes up with effective solutions to meet our needs		Communicates effectively with me as a customer		Website is easy to use and provides the information I need		I am satisfied with work request and tracking systems		Services offered are cost-effective		Overall, I am satisfied with services provided	
	2009	2011	2009	2011	2009	2011	2009	2011	2009	2011	2009	2011	2009	2011	2009	2011
	82%	88%	86%	90%	69%	73%	70%	75%	N/A	67%	74%	75%	48%	52%	75%	83%

In 2009 and 2011, Facilities Services (FS) surveyed seventeen customer groups regarding satisfaction with the wide variety of services delivered by FS. Based on a five-point scale, this chart represents the percent of customers who "strongly agree" (5) or "agree" (4) with these statements. Customer feedback is used in the FS strategy for continuous improvement in these areas: process improvements, service priorities, staff training and communication with customers.

3.1   Building Services

Service Level (2010-2011 APPA[1] Survey)	Level 1 Orderly Spotlessness	Level 2 Ordinary Tidiness	Level 3 Casual Inattention	Level 4 Moderate Dinginess	Level 5 Unkempt Neglect
Institution					
University of Washington			X		
University of Virginia			X		
University of Maryland/Baltimore		X			
University of Florida		X			
University of Colorado/Boulder				X	

[1] APPA: The Association of Higher Education Facilities Officers promotes excellence in all phases of educational facilities management, including administration, planning, design, construction, energy/utilities, maintenance, and operations.

This chart shows service level ratings reported by selected members of the Association of Higher Education (APPA) Facilities Officers. Institutions shown here are Global Challenge Peer State Institutions.

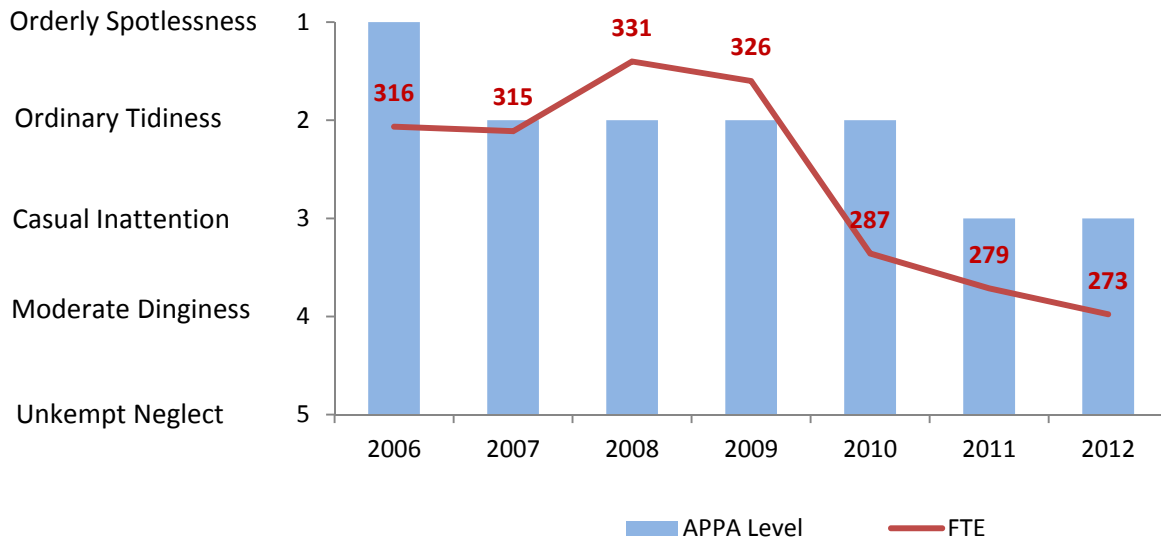## Custodial Cost per GSF (2010-2011 APPA Survey)
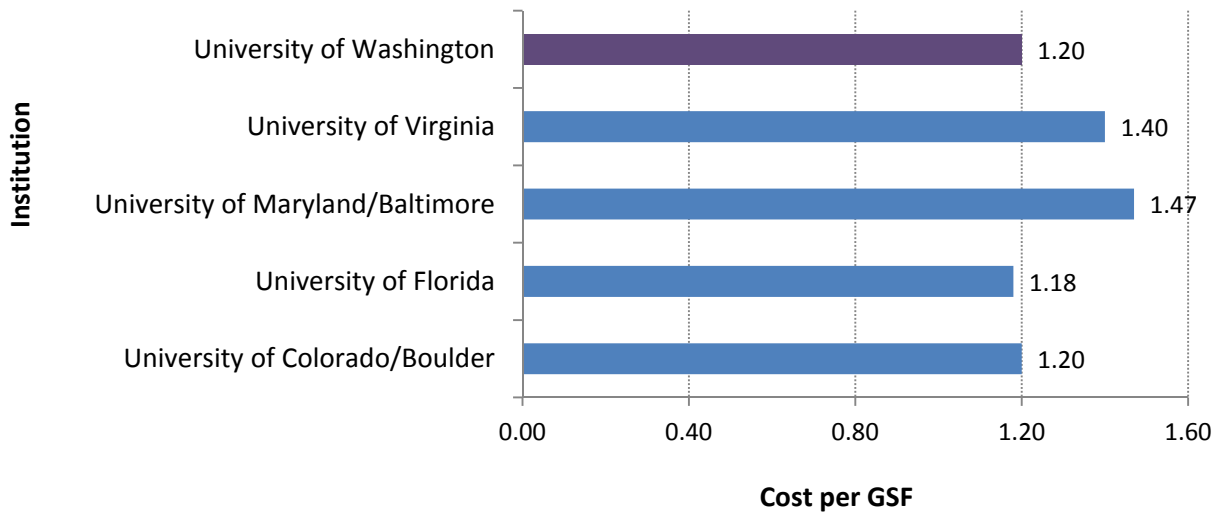
This chart uses the most recent data available from APPA to compare custodial cost per gross square foot (gsf) as reported by selected members of APPA. Cost refers to the level of operating investment.
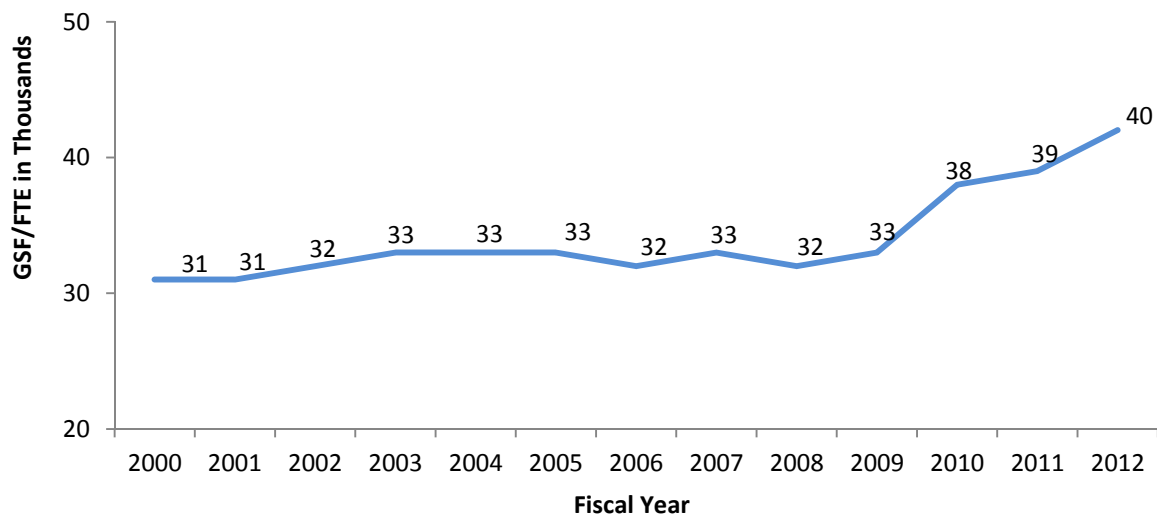- Overall average gsf cost for the above institutions is $1.29
- The University of Washington's gsf cost is $1.20

The UW's investment in custodial services dropped to $1.20 per gsf in FY2011. APPA service level dropped from Level 2 (ordinary tidiness) in FY2010 to Level 3 (casual inattention) in FY2011.

UW Custodial Services APPA Level Over Time

Orderly Spotlessness	1	
Ordinary Tidiness	2	
Casual Inattention	3	
Moderate Dinginess	4	
Unkempt Neglect	5	

316 315 331 326 287 279 273

2006 2007 2008 2009 2010 2011 2012

APPA Level ■   FTE ▬

Custodial Services GSF per FTE

GSF/FTE in Thousands

31 31 32 33 33 33 32 33 32 33 38 39 40

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
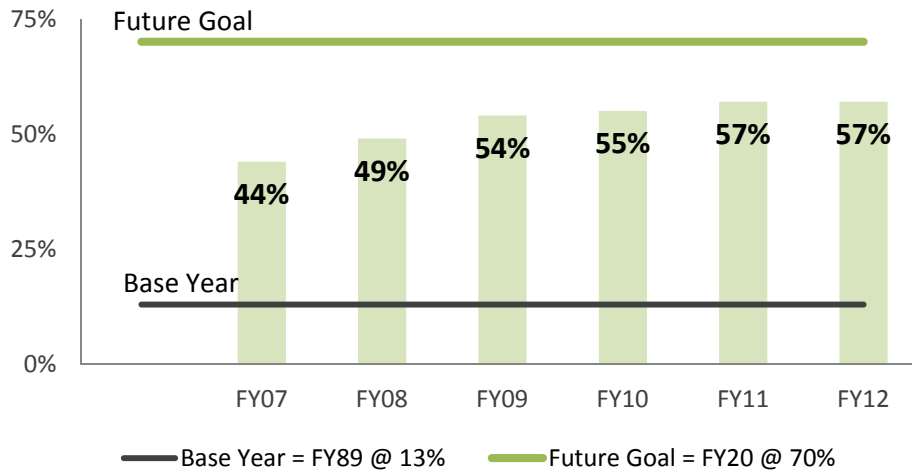
Fiscal Year

Between FY2000 and FY2009, annual custodial gsf per FTE remained relatively constant between 31,000 and 33,000 gsf per FTE. Due to major budget reductions from FY2009 to FY2012, gsf per FTE jumped from 33,000 to 40,000 gsf per FTE.

Annual Landfill Diversion Rate

Future Goal

Base Year

44%	49%	54%	55%	57%	57%
FY07	FY08	FY09	FY10	FY11	FY12

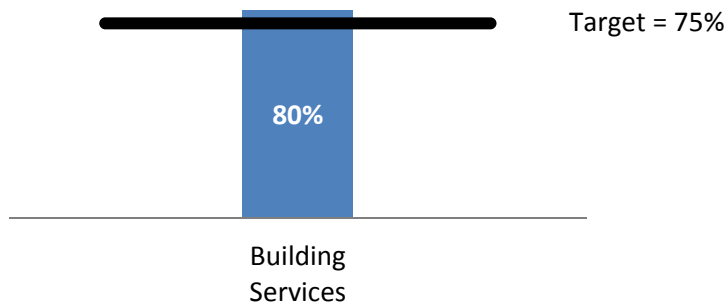— Base Year = FY89 @ 13%   — Future Goal = FY20 @ 70%

The diversion rate is calculated by dividing the total tons of material diverted from the landfill by the total tons of waste generated by the University's Seattle campus. The goal is to reach a diversion rate of 70% by FY2020.

Despite reductions in resources, the University continues its commitment to sustainability. The FS Recycling & Solid Waste (R&SW) operation supports that commitment with vigorous outreach efforts to change campus behavior and divert waste from the landfill through recycling, composting and reuse.
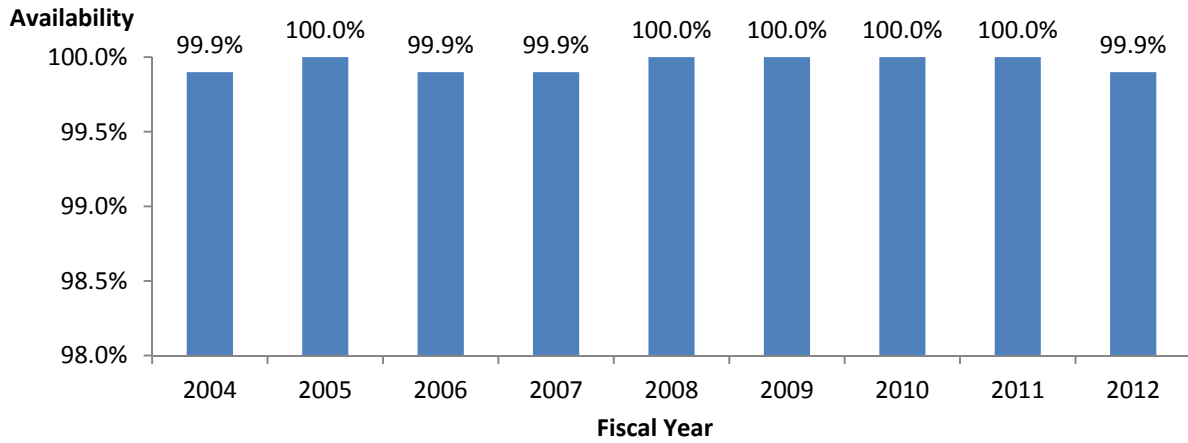
% Organization Participating in Lean

Target = 75%

80%

Building
Services

3.2   Engineering & Operations

Critical Utilities Availability

Availability

| | 99.9% | 100.0% | 99.9% | 99.9% | 100.0% | 100.0% | 100.0% | 100.0% | 99.9% |

100.0%
99.5%
99.0%
98.5%
98.0%

2004 2005 2006 2007 2008 2009 2010 2011 2012

Fiscal Year

Continuous availability of steam and electricity to the Seattle campus is essential to support world-class facilities for research and discovery. Campus Utilities consistently provides reliable service, with availability never falling below 99.9% for any of the past five years.

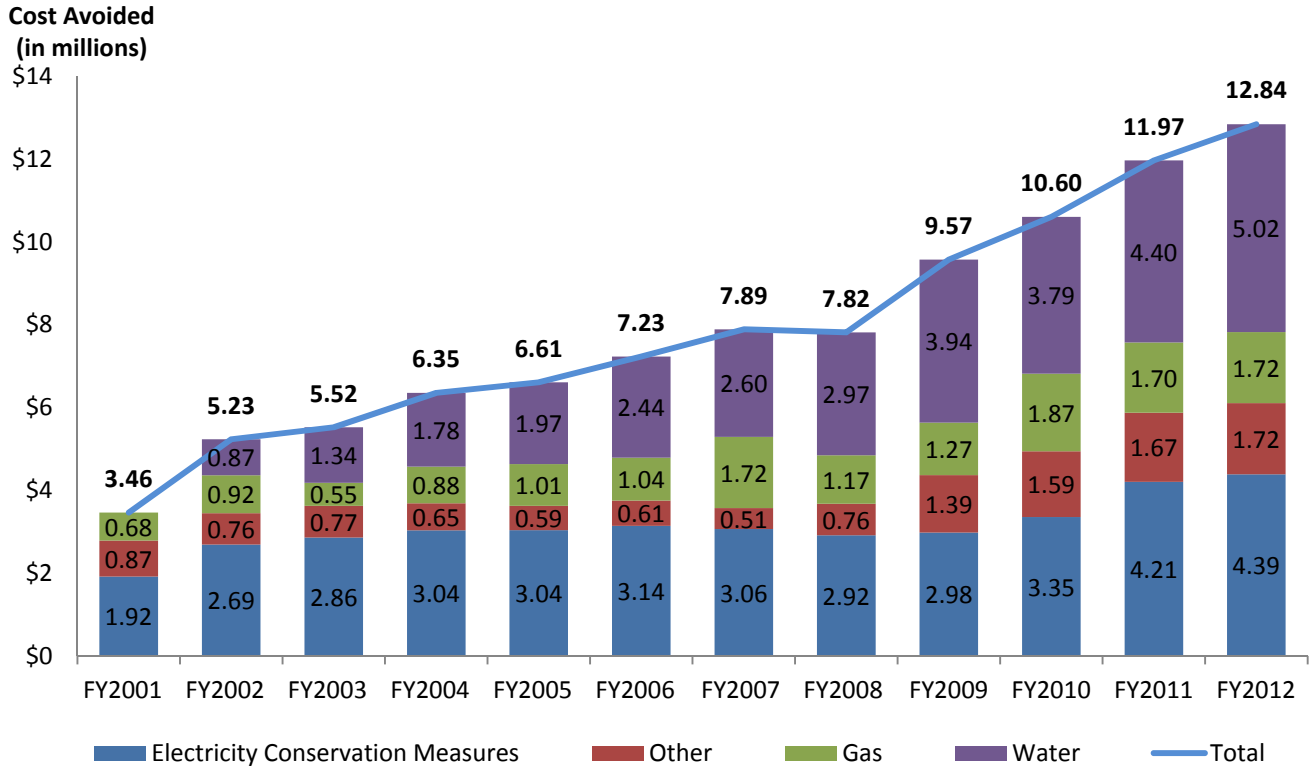**FIRE ALARM DEVICES MAINTAINED**
vs
ACTUAL FTE
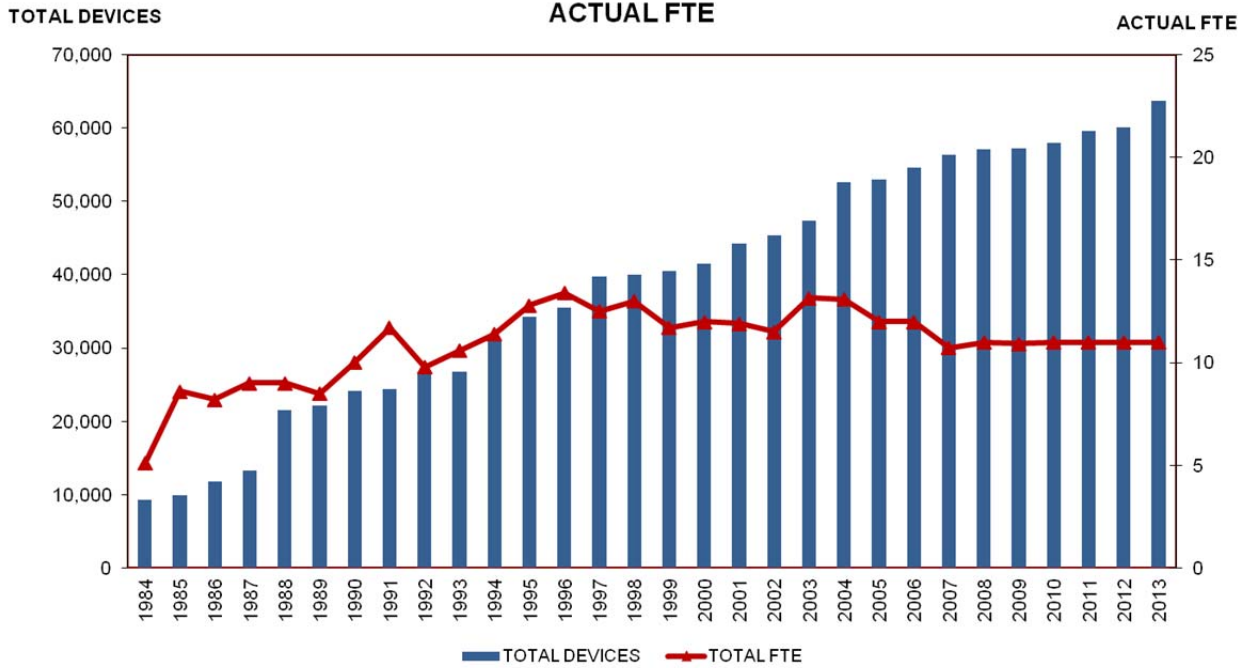
From FY1984 to FY2012, the number of fire alarm devices maintained per technician full-time equivalent (FTE) increased from 2,098 to 5,463.

Despite increases in the technical complexity of alarms and increased testing requirements since FY1984, the number of devices maintained per FTE more than doubled. Improvements in efficiency of work practices by Campus Operations fire alarm technicians have made it possible to maintain an average 3% annual increase in the number of new devices without additional staffing.

Annual Utility Costs Avoided

Cost Avoided (in millions)

Chart legend: Electricity Conservation Measures | Other | Gas | Water | Total

Chart data by fiscal year (Total shown in bold):

Year	Electricity	Other	Gas	Water	Total
FY2001	1.92	0.87	0.68		3.46
FY2002	2.69	0.76	0.92	0.87	5.23
FY2003	2.86	0.77	0.55	1.34	5.52
FY2004	3.04	0.65	0.88	1.78	6.35
FY2005	3.04	0.59	1.01	1.97	6.61
FY2006	3.14	0.61	1.04	2.44	7.23
FY2007	3.06	0.51	1.72	2.60	7.89
FY2008	2.92	0.76	1.17	2.97	7.82
FY2009	2.98	1.39	1.27	3.94	9.57
FY2010	3.35	1.59	1.87	3.79	10.60
FY2011	4.21	1.67	1.70	4.40	11.97
FY2012	4.39	1.72	1.72	5.02	12.84

From FY2001 through FY2012 the UW Seattle campus has avoided $95 million in utility costs through conservation efforts and programs. Primarily driven by FS campus-wide initiatives, utility costs avoided figures include savings attributed to the following:

- Seattle City Light tailored agreements, such as lighting retrofits and updated HVAC systems
- ESCO energy-savings program projects (ESCO: http://www.naesco.org/resources/esco.htm)
- Installation of efficient boilers and chillers
- Infrastructure improvements resulting in fewer natural gas curtailments
- Recycling

Engagement

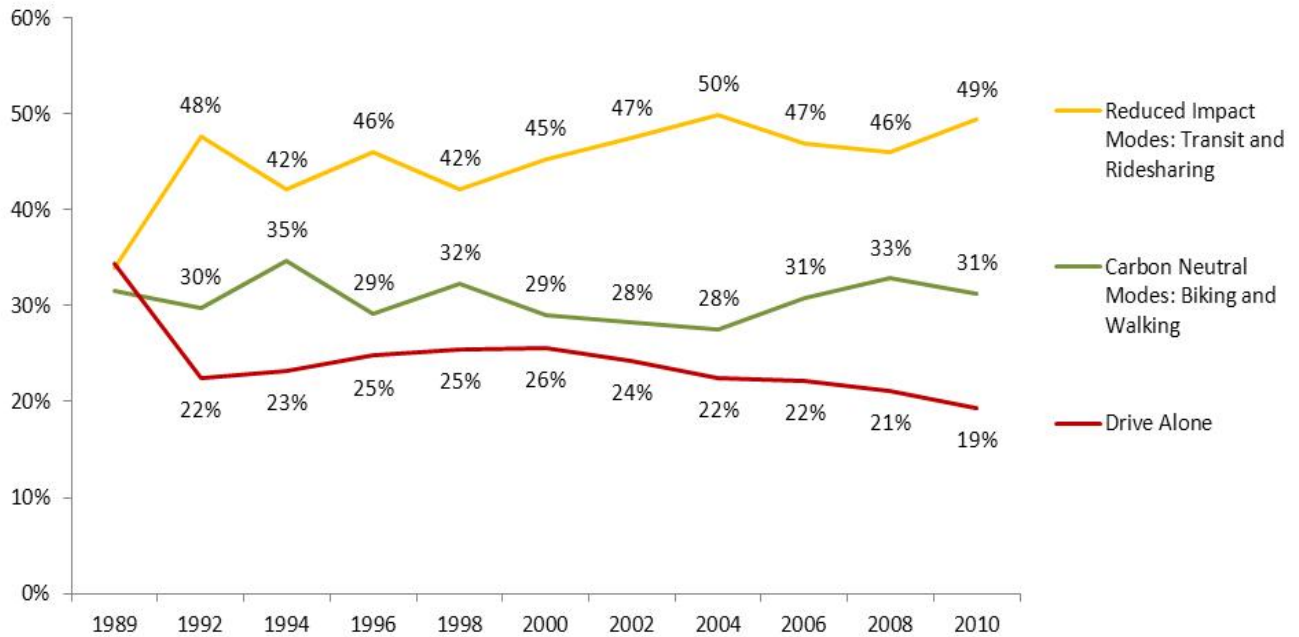**% Organization Participating in Lean**

Target = 75%

10%

Engineering & Operations

3.3 Transportation

### Fewer Commuters use High Impact Commuter Modes

% Commuting by Mode

UW Transportation Services compares commuting patterns at UW over time to assess success in reducing the environmental impacts of commuting. UW Transportation Services efforts to shift commuters away from the most polluting transportation options were enhanced by increasing U-PASS usage. This increased usage is responsible for reducing CO_2 emissions by 7,840 metric tons of CO_2 per year. U-PASS helps the University in its efforts to implement the President's Climate Commitment.

**UPASS Customer Satisfaction**
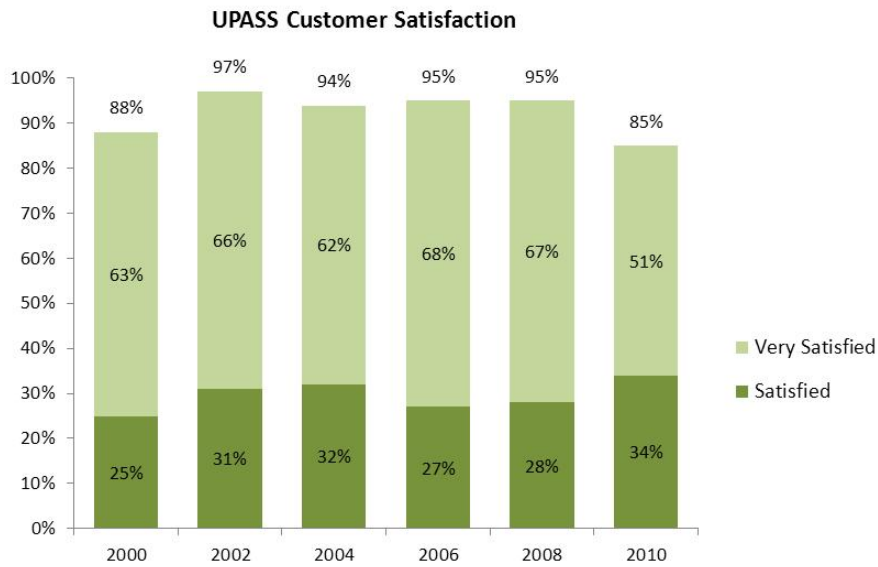
U-PASS customer satisfaction dropped to 85% in 2010. Because U-PASS is a voluntary program, maintaining high customer satisfaction is absolutely critical. Students make up the largest share of U-PASS members and also represented the least satisfied client group. Through student leadership and with authorization from the Board of Regents, Transportation Services — along with partners in UW student services implemented the universal student U-PASS in fall 2011. This change is expected to result in a meaningful improvement to satisfaction scores in the 2012 survey with results available in 2013.

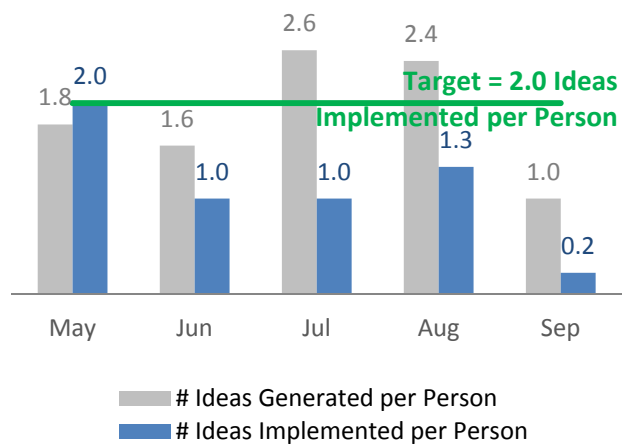**Value to Transit User of the U-PASS Program**
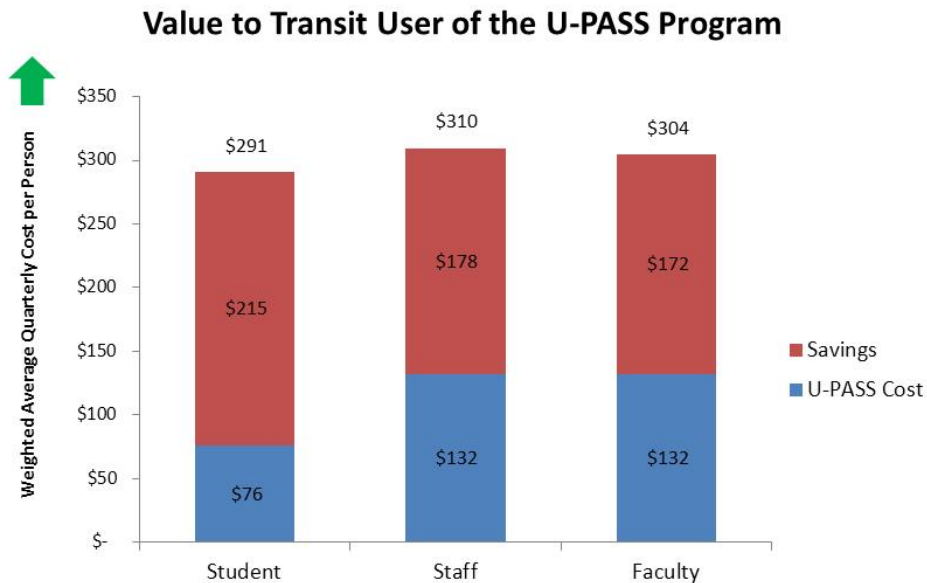
By bundling the total transit trips taken across a diverse population and partially subsidizing the cost of those trips, Transportation Services is able to offer a transit pass through U-PASS at a cost significantly below retail rates. The average staff or faculty transit rider participating in U-PASS pays less than half the cost of an equivalent retail transit pass. With the implementation of Universal U-PASS for students, students now pay just over a quarter of the retail cost of the transit pass.
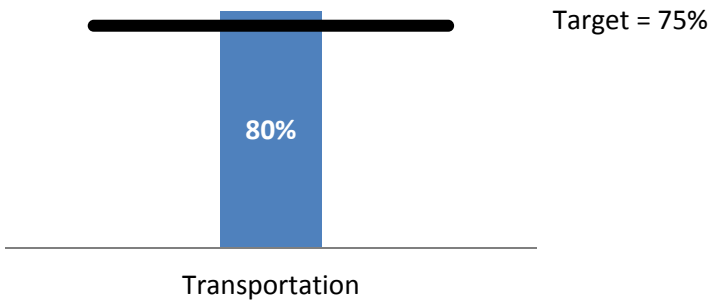
Citation Appeals # of Ideas Generated & Implemented
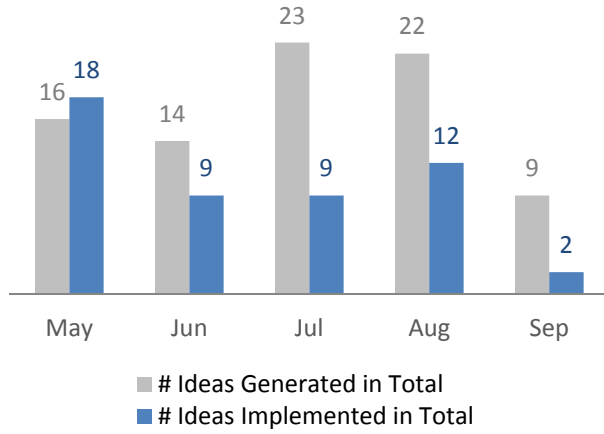
- # Ideas Generated in Total
- # Ideas Implemented in Total

Citation Appeals # of Ideas Generated & Implemented per Person

Target = 2.0 Ideas Implemented per Person

- # Ideas Generated per Person
- # Ideas Implemented per Person

% Organization Participating in Lean

Target = 75%

80%

Transportation

3.4 Maintenance & Alterations

Service Level (2010-11 APPA[1] Survey)	Level 1 Showpiece Facility	Level 2 Comprehensive Stewardship	Level 3 Managed Care	Level 4 Reactive Management	Level 5 Crisis Response
Institution					
University of Washington			X		
University of Virginia		X			
University of Maryland/Baltimore		X			
University of Florida		X			
University of Colorado/Boulder			X		

[1] APPA: The Association of Higher Education Facilities Officers promotes excellence in all phases of educational facilities management, including administration, planning, design, construction, energy/utilities, maintenance, and operations.

This chart shows service level ratings reported by selected members of APPA. Institutions shown here are Global Challenge Peer State Institutions.

### Maintenance Cost per GSF (2010-2011 APPA Survey)
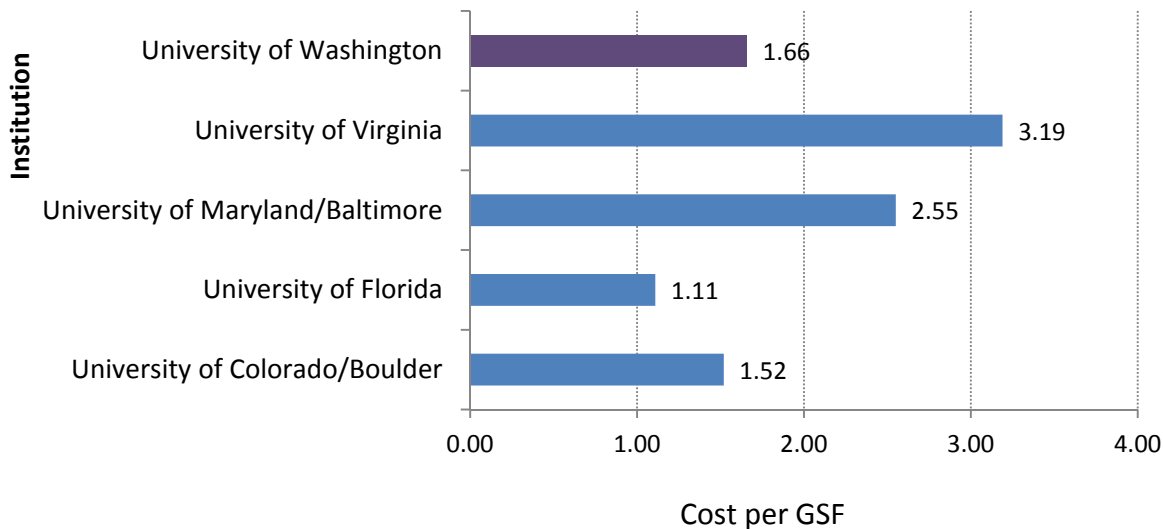
This chart uses the most recent data available from APPA to show maintenance costs per gsf (including labor and materials) reported by selected members of APPA. Cost refers to level of operating investment.

- Overall average gsf cost for the above institutions is $2.01
- The University of Washington's cost per gsf is $1.66

Funding reductions in 2010 reduced the UW's FY2011 investment in maintenance to $1.66 per gsf. As gsf is added to the UW portfolio, it will be a challenge to maintain service levels.

FS Maintenance Customer Overall Satisfaction
"I am satisfied with the services I receive"
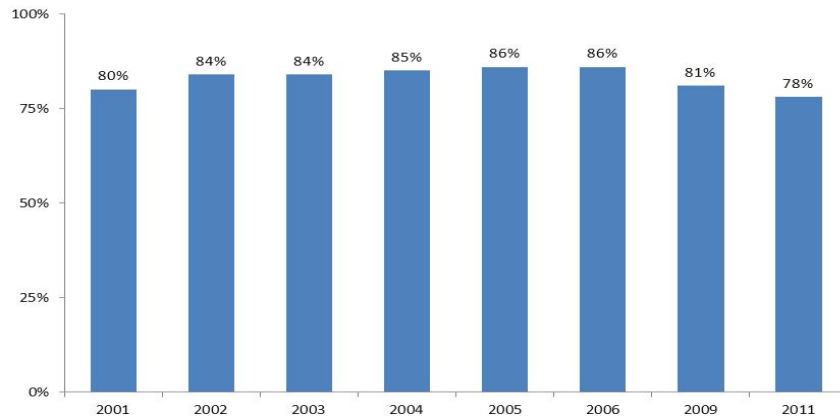
This metric shows percent of customers reporting overall satisfaction with Campus Maintenance Services. Maintenance coverage rose from 59,000 to 69,000 gsf/FTE between 2009 and 2011 due to hiring freezes and budget cuts. Customer satisfaction levels dropped during the same time period.

Efficiency

Campus Maintenance GSF per FTE
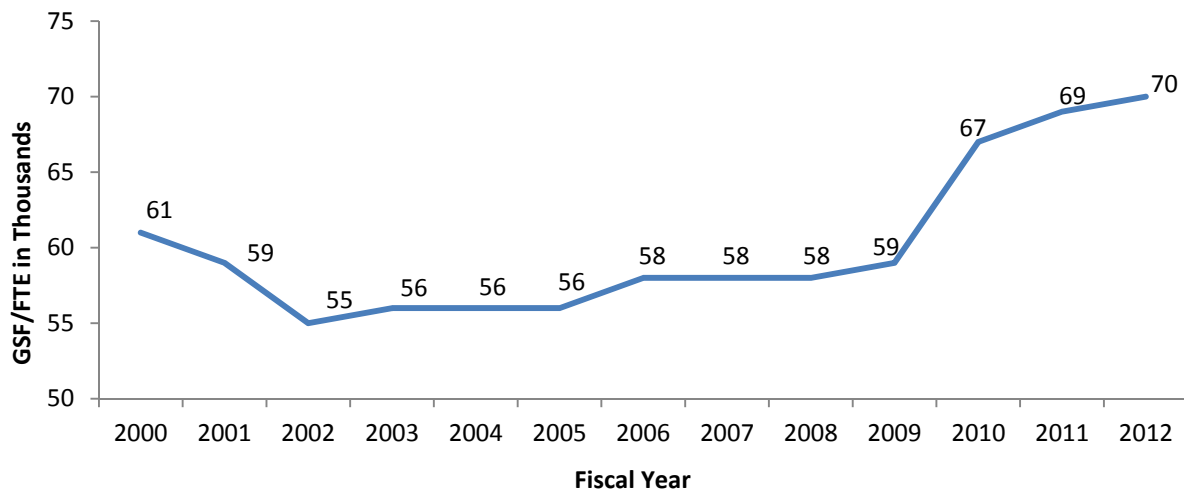
A hiring freeze in early FY 2009 and budget reductions in 2011 and 2012 resulted in an increase from 59,000 gsf/FTE in FY2009 to 70,000 gsf/FTE in FY2012. Customer satisfaction-surveys showed a drop during the same time period in satisfaction with Campus Maintenance as shown in the previous graph.

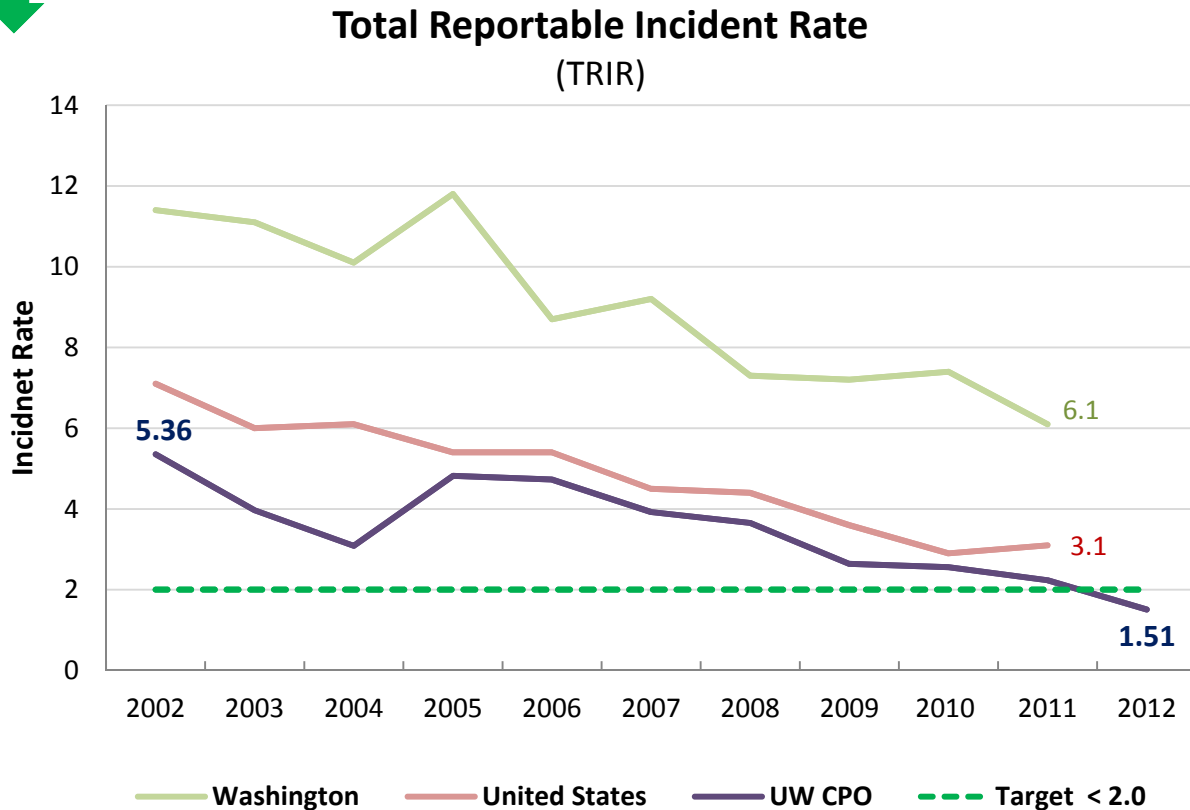**% Organization Participating in Lean**

Target = 75%

24%

Maintenance &
Operations

4.0 Capital Projects Office

Total Reportable Incident Rate
(TRIR)

Legend: Washington — United States — UW CPO — Target < 2.0

Another Record Year in Safety: Capital Projects Office (CPO) is on track to beat 2011's recordable safety incident rate, currently at 1.51 per year—well below the current State average of 6.1 and the US average rate of 3.1.

This chart depicts a comparison of total recordable safety incident rates using Washington State non-residential building construction, U.S. non-residential building construction, and the UW's CPO data. The data for Washington State and the U.S. is from the U.S. Department of Labor's Bureau of Labor Statistics (BLS). CPO's goal for a total recordable incident rate (TRIR) is less than two per year. The blue line graph is a combined total of both CPO employees and UW contractors. The continued decline represents a decade of progressive and tactical approaches to safety management that favorably impact the culture within CPO and among UW contractors.

End of Project Customer Satisfaction Survey Results
Q 9: "I am satisfied with the services I received from CPO"
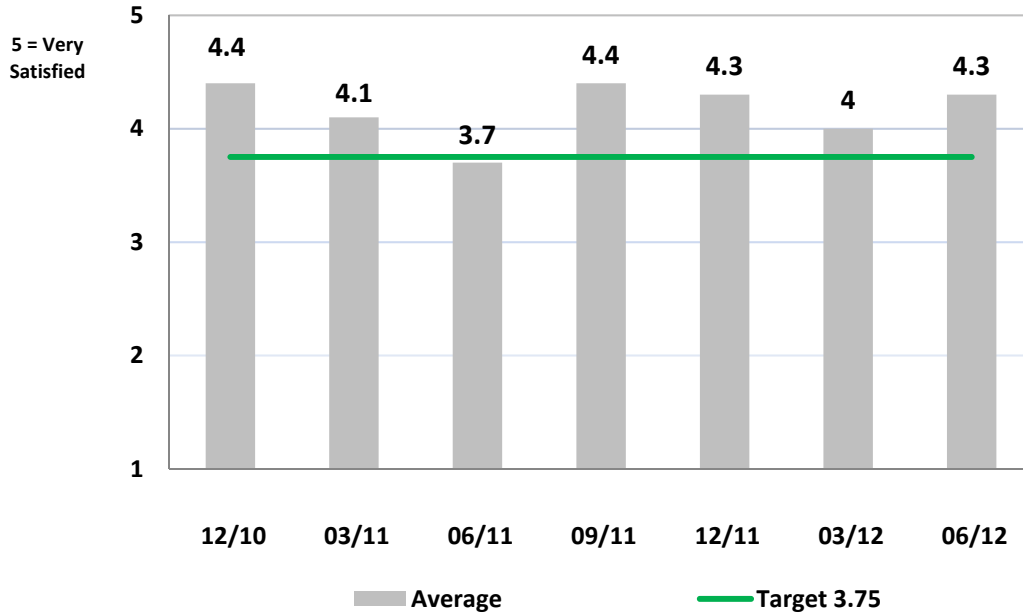
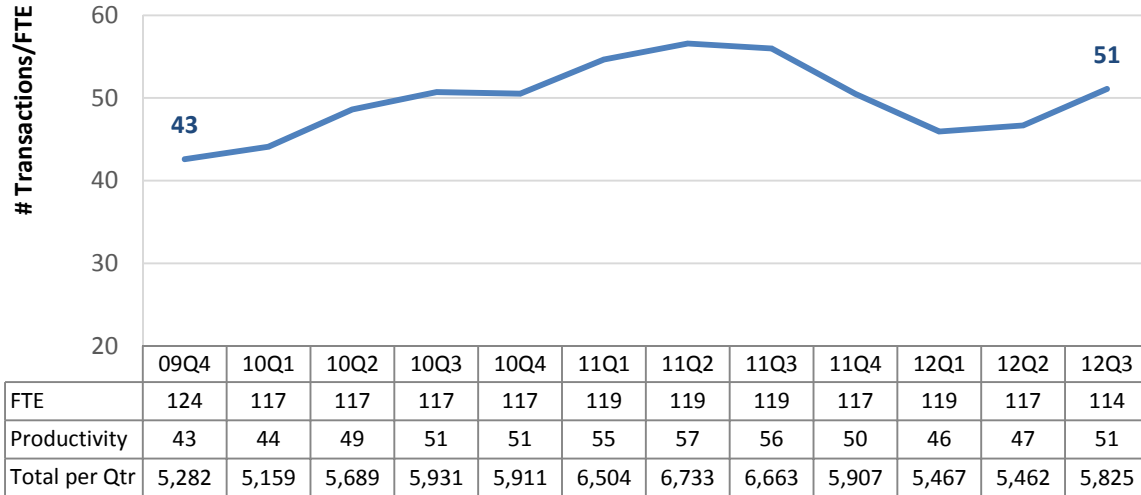**Customer Satisfaction Survey Average – Target 3.75**
(1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree)

A CPO project specific customer satisfaction survey was developed in December 2010. Since then, CPO has continuously surveyed our customers on a quarterly basis. The results are positive. In response to the question, "I am satisfied with the services I received from CPO," the average response from the most recent survey was a 4.3 (86%) satisfaction rate.

CPO Productivity for Last 3 Years
(# of Transactions/FTE)

	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3
FTE	124	117	117	117	117	119	119	119	117	119	117	114
Productivity	43	44	49	51	51	55	57	56	50	46	47	51
Total per Qtr	5,282	5,159	5,689	5,931	5,911	6,504	6,733	6,663	5,907	5,467	5,462	5,825

CPO Staff productivity is calculated using a designated number of transactions divided by FTE. Transactions are defined as change orders, closeout documentation, final acceptance documentation, invoices, new contracts, notice-to-proceed documentation, project initiation, 40-budget activity, construction inquires and design service work.

Engagement

% Organization Participating in Lean

Target = 75%

28%

Capital Projects
Office