

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES**

**REGULAR MEETING
December 10, 2009**

I. CALL TO ORDER

Chair Phil Sharpe called the regular meeting of the Board of Trustees of Western Washington University to order at 3:00 p.m. in OM 340, Western Washington University, Bellingham, WA.

Board of Trustees

Betti Fujikado
Sarah Ishmael
Dennis Madsen
Ralph Munro
Phil Sharpe, Chair
John Warner

Western Washington University

Bruce Shepard, President
Wendy Bohlke, Assistant Attorney General
Sherry Burkey, Associate Vice President for University Relations
Paul Cocke, Director, University Communications
Eileen Coughlin, Vice President for Student Affairs & Academic Support Services
Paula Gilman, Exec. Director of University Planning & Budgeting
Sue Guenter-Schlesinger, Vice Provost for Equal Opportunity & Employment Diversity
Matt Jarrell, President, Associated Students
Dan Lerner, President, Faculty Senate
Catherine Riordan, Provost & Vice President for Academic Affairs
Elizabeth Sipes, Secretary to the Board of Trustees
Barbara Stoneberg, Administrative Assistant to the President
Steve Swan, Vice President for University Relations
Kathy Wetherell, Interim Vice President for Business & Financial Affairs

II. SPECIAL REPORTS

A. Capital Planning & Budget Process

President Shepard reported that per the Board's charge, Western's processes are becoming more open and transparent, and engage the campus community. Great progress has been made in many areas including the Operating Budget. Shepard reported that The Office of Capital Planning and Development was established to improve the efficiencies and enhance transparency of the Capital Planning Process.

Kathy Wetherell, Interim Vice President of Business & Financial Affairs, reported that when they started this project they found that Western's planning process was very complex as was the process at the State level.

Wetherell presented the redesign of the Capital Planning Process. Some of the goals are to provide better planning and scheduling, better project execution, better assessment of projects

and better project oversight. A new Capital Planning and Development website has been developed to provide more transparency. Rick Benner, Exec. Director, Office of Capital Planning & Development/University Architect, demonstrated the new site that includes Planning Principles and Guidelines, as well as a direct link to the President's 15 Initiatives and the WWU Strategic Plan. The campus planning process should be informed by the campus strategic plan and relate to those initiatives.

Wetherell reviewed the 2011-13 Five Step Capital program Process Timeline. A copy was included in the Board packet. At Step 4 in the process timeline, the University Planning and Resource Council (UPRC) considers Vice Presidential priorities and makes recommendations. The UPRC is a standing committee of the Faculty Senate, consisting of faculty, vice presidents, and representatives of students and other employee groups, that looks at all budget and finance matters. The President and Vice President will consider UPRC recommendations and other priorities and form recommendations to the Board. Wetherell said the Board of Trustees will receive a status report at every step of the process.

Wetherell asked two of policy questions of the Board:

- What do you consider the Board's role in implementing WWU's Institutional Master and Strategic Plans as they relate to capital planning?
- What approaches should be used to finance the ongoing physical development and renovation of the campus as we transition to a publicly purposed university, in the face of declining state operating and capital budgets and a growing backlog of deferred capital maintenance?

Trustee Warner said that historically the Board has approved the Capital Planning Budget and the Capital Planning Projects. The Board should have an agreement and understanding of how projects are prioritized and how they relate to the Strategic Plan.

Chair Sharpe said the Board also needs to stay on top of deferred maintenance and to take care of the existing buildings.

Trustee Madsen suggested that Western look at new ways of addressing the cost of our capital needs, i.e. using capital assets owned by others. President Shepard responded that the university is investigating ways of sharing facilities with BTC, and is also looking at expanding the capacity of our buildings by utilizing them outside the regular business hours.

Trustee Warner said Western also needs to look at ways of securing private money to offset declining state funding.

Trustee Munro said that it is important that we keep up the physical appearance of the campus. It was agreed that a sense of place is important when a student is deciding whether or not to attend Western.

Warner said it is also important to consider the technology of the future when deciding on renovations or new buildings. Buildings will not be used like they are today.

B. Activity-Based Costing

Kathy Wetherell, Interim Vice President for Business and Financial Affairs, and Paula Gilman, Exec. Director for Planning and Budgeting presented a PowerPoint on Activity Based Costing (ABC). ABC is a cost accounting approach where costs are assigned to individual activities in order to identify efficiencies and maintain quality. For example, what does it cost to deliver an undergraduate English course or program? What does it cost to hire a new employee? Shepard said this approach makes us more accountable and provides opportunities to understand the implications of the choices made in the strategic budgeting process. Shepard said that Western will develop the tools to have ABC available routinely to the Board.

Gilman said that ABC is not budgeting but is a bottom-up analytical process to enhance budgeting. It would identify efficiencies and possibly identify the needs for additional investment. Currently Western's budgeting process mirrors Olympia's. Gilman said it is difficult to measure performance when you are only looking at accounting information. ABC would promote strategic financial planning at the university; provide clear evidence of our ability to manage costs; and show how budget cuts impact quality and how spending patterns at Western match our planning priorities and mission.

Gilman said that ABC could help us be more transparent and validate that Western is clearly communicating our costs, effectiveness and efficiencies to the community; help us modify activities to produce additional efficiencies without affecting quality; better understand cross subsidies; and help us evaluate that we are delivering quality student learning at a reasonable price.

Wetherell said there are three options for implementing an Activity Based Costing exercise: 1) Status quo (manual process to cost activities with existing financial systems), 2) building ABC into Banner financial system or 3) analyze Software options.

Wetherell said there are both opportunities and challenges of Activity Based Costing. ABC facilitates better management decisions, clearly identifies higher and lower costs activities, and promotes easier benchmarking with other programs/institutions. ABC also offers some challenges in that not many higher education institutions use ABC; people substitute numbers for judgment, and it is time-intensive to implement.

Trustee Fujikado said that there are other challenges in budgeting and financial reporting for a public-purposed university -- 1) stewardship, 2) decision making/benchmarking, and 3) justification -- how will ABC be reported to the legislature, how will you present the need for more private dollars, and how will it be presented to parents and students. Fujikado reported that many health care facilities are using Activity Based Costing. A meeting with a health care facility and Western could be set up so that we could learn about the process they used to implement ABC.

Gilman said there are two forms of ABC: 1) analytic ABC where the focus is on one area (department, program, course) and we look for results to support decisions that need to be made, and 2) set up all university accounting systems so that everything is identified by ABC. Activity Based Costing is difficult to implement in higher education, but it could be done. The labor and cost of setting up would be high, but in the long run it could be a better system. Sharpe said that ABC could have application in certain parts of the university and it could be set up for a "test run." The real value of the process would be at the academic departmental level. Wetherell said that departments already of the ability to do ABC, by looking at the fine levels of detail.

Because there is a perception in Olympia that higher education is very inefficient, Munro said anything that we can produce that shows that we have looked at ways to save money and do things more effectively is very valuable.

III. EXECUTIVE SESSION

At 4:37 p.m. Chair Sharpe announced that as authorized in RCW 42.30.110, the Board would convene in Executive Session for approximately 20 minutes to consider a personnel contract issue.

Meeting adjourned at 5:00 p.m.