

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES**

**Study Session Agenda
March 18, 2005**

Time: 9 a.m. to noon

Location: Preston Gates & Ellis
Seattle, Washington

1. Business and Financial Affairs

Resolution No. 2005-01 - *Action May Be Taken*

2. President

"Western and the State of the State" (I)

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
STUDY SESSION
MINUTES
March 18, 2005
Seattle, Washington**

CALL TO ORDER

Chair John Warner called the special meeting of the Board of Trustees of Western Washington University to order at 9:02 a.m., March 18, 2005, at the offices of Preston Gates and Ellis, 925 Fourth Avenue, Seattle, Washington.

Board of Trustees

Dennis Madsen
Kevin Raymond, Vice Chair
Phil Sharpe, Secretary
Maya Tomlin
John Warner, Chair
Betty Woods
Grace Yuan
Peggy Zoro

Western Washington University

Karen W. Morse, President
Suzanne Baker, Assistant Secretary to the Board of Trustees
Andrew Bodman, Provost and Vice President for Academic Affairs
Stephanie Bowers, Vice President for University Advancement
Bob Frazier, Vice President for External Affairs
Al Froderberg, Senior Advisor to the President
Lynne Masland, Director of the Office of University Communications
Judy McNickle, Assistant to the President for State Government Relations
George Pierce, Vice President for Business and Financial Affairs
Paula Rustan, Executive Director of University Planning and Analysis
Buff Schoenfeld, Executive Assistant to the President
Elizabeth Sipes, Secretary to the Board of Trustees
Jim Stewart, Faculty Senate President

1. BUSINESS AND FINANCIAL AFFAIRS

a) Resolution No. 2005-01, Housing and Dining System Revenue Refunding Bonds

President Morse noted for the record that Grace Yuan had recused herself from this portion of the meeting and will join the meeting after the bond discussion.

Vice President Pierce introduced Mary Carlson, Assistant Vice President for Business and Financial Affairs; Cynthia Weed, Bond Counsel; and Susan Musselman, Financial Advisor. He said that the proposed resolution would support the university's refunding of the 1999 Housing and Dining System Revenue Bonds, which was established for the Viking Union remodeling project. Further, the bond resolution will provide delegation of authority to the president or her designee to determine the method, timing, and details of the bond sale. The president would proceed with the bond sale when market interest rates are such that the university can achieve the conditions summarized in the motion.

Musselman provided an update on current market conditions. She said that due to shifting interest rates, the university would benefit from long-term interest rates on the borrowing side and also benefit from higher short-term interest rates on the reinvestment side. Most recently she said that markets have been volatile. At this point, the university is proceeding on the assumption of a competitive sale of bonds. However, she said that if the market continues to be volatile, it would be recommended that a negotiated sale method be used.

Trustee Woods asked if the resolution would give the president the authority to proceed with the bond sale by either a negotiated or a competitive method. Musselman confirmed that the resolution would provide that authority.

Trustee Madsen inquired about short-term interest rates. Musselman clarified that at the time of the bond sale the rates would lock on both the borrowing side and the investment side and that short-term rates could be locked in for five years.

MOTION 3-1-2005 Betty Woods moved that the Board of Trustees of Western Washington University, upon the recommendation of the president:

1. Adopt Resolution No. 2005-01 authorizing the issuance of Housing and Dining System Refunding Bonds, Series 2005:
 - a. To provide for the refunding of certain bonds of the System;
 - b. Through competitive or negotiated sale, as determined through delegation;
 - c. On or before June 16, 2005;
 - d. At a rate as measured by True Interest Cost no greater than 4.5 percent;
 - e. To achieve a net present value savings of not less than \$625,000; and,
 - f. With a total bond size not to exceed \$13,000,000.
2. Resolution No. 2005-01 will authorize the president or her designee to:
 - a. Sign the necessary documents for the execution and delivery of the bonds; and,
 - b. Make other determinations relative to the bond financing, including the manner of sale, as described and summarized in the Bond Resolution.

The motion passed.

Resolution No. 2005-01 will be on file in the Offices of the President and the Vice President for Business and Financial Affairs.

2. PRESIDENT

Western and the State of the State

Chair Warner said that the topic of discussion is assessing long-term goals for the university within the context of the state environment. He is concerned that the State of Washington is falling behind in public education funding. He also suggested that the public comprehensive baccalaureates should advocate their abilities to expand and provide quality graduates for Washington State.

Trustee Yuan joined the meeting.

President Morse provided an overview of the study session discussion and, together with staff, presented information on the three topics listed below.

A. State Policy Context

President Morse said that higher education is the largest part of the state general fund budget (12 percent) that is not caseload driven. The general fund is the largest source for higher education operations, totaling \$2.76 billion in the 2003-05 biennium. Higher education institutions had a total budget from all fund sources of nearly \$3 billion in FY 2004.

President Morse said that while Washington ranks high in educational attainment, the state ranks low in four-year participation and degrees awarded. Washington ranks 33rd among states in the number of degrees earned and the state's four-year school participation rate is 49th among other states. She said that there has been discussion in the Legislature about the need for the state to produce more baccalaureate degrees. She noted the correlation between the number of people in the labor force having a baccalaureate degree and the state's per capita income. She distributed a list of current bills of interest.

B. State Funding for Higher Education Enrollments

Provost Bodman provided a review of state funding for higher education enrollments and discussed the following three topics: Washington's higher education system shape and structure; demographic trends; and funding scenarios.

Bodman provided data from the Office of Financial Management (OFM) that projected state participation rates. The data showed that by 2010, 22,500 additional state-funded enrollment slots will be needed to allow the same proportion of the state's population to enroll in higher education. The provost said that there is data that suggests the participation rate will decline. He noted that for 2004-05, OFM projects actual enrollment will exceed budgeted enrollment by 4,755 FTE students.

The provost discussed the shift in the financing education that has moved away from state support and onto individual students and their parents. He said that over a 12-year period, student contribution has risen from 25 percent to 40 percent. The increasing financial burden for students raises questions on the need for financial aid and continued pressure on tuition costs.

Vice President Pierce provided information on capital issues and demands for new buildings.

Paula Rustan, Executive Director of University Planning and Analysis, provided information on how higher education institutions are funded by the Legislature. She explained that it is possible for new dollars to be added to an institutional budget for new enrollments. In the 2005-07 biennium budget request, Western requested funding for 120 new student enrollments per year. She said that new funding might also be given to the university for compensation increases, special initiatives, and reductions. She said that when adjusted for inflation, over the past nine years, state general fund has declined on a per FTE funding basis.

C. Tuition and Financial Aid

Vice President Coughlin provided information on student tuition and financial aid. She explained the state's current tuition policy and noted that an increasing share of the per-student cost of instruction comes from tuition rather than state general funds. She noted the conflict between the competing values of quality and access as tuition rises and more burden is put upon the student. The result of this conflict is that tuition increases have exceeded growth and inflation. She reported that tuition at Washington public institutions is less than national peers, but is greater than other western states.

Coughlin discussed Western's enrollment management policies. She said that the high quality pool of applicants made for a difficult enrollment management situation and that many high-ranking students were turned away. She anticipates that there will be continued pressure on managing enrollment to ensure a good composite and to continue Western's commitment to a diverse student population.

D. Legislative Update

Judy McNickle, Assistant to the President for State Government Relations, provided an update on current Legislative matters.

DISCUSSION:

Chair Warner asked for feedback on the presentation.

Trustee Woods commented on the data that ranks Washington high in educational attainment but ranks low in four-year degrees awarded. Warner said that the reason for a high bachelor degree ranking was due to imports or people coming into Washington with bachelor degrees. Woods asked why it was important that Washington State provide more bachelors degrees. Warner said that it is a good social policy for the state and that it is important to provide educational opportunities for the children of Washington residents. For example, under the current system, Washington residents obtain the lower paying jobs, while higher educated people moving in from out of state are getting the higher paying jobs. Warner believes this will be a long-term trend. If Washington continues to say that a bachelor's degree is not important as it is in other states, it is going to be progressively more difficult to recruit successful businesses to the state.

Trustee Madsen said to better understand the background and dynamics of the state's problem it would be good to get quantifiable data -- data that will articulate what Chair Warner was saying. Trustee Woods said that it is important to know how many people institutions turn away that want a four-year degree on a state-wide basis.

Vice President Coughlin said that there is long-term research relative to persistence to the bachelor degree that says the best way for students to persist and graduate is to start at a four-year university. The research shows that the transitions from transferring create lack of motivation and stumbling blocks to completion, so by forcing more students to community college, fewer achieve bachelor degrees.

Chair Warner asked for data from the four-year institutions that would show the number of bachelor degrees produced and what number of those are Washington State residents and what number of bachelor degrees produced stayed in the State of Washington. He also asked how many Western graduates are employed in the Puget Sound region. His theory is that the research universities produce many bachelor degrees and the students leave the state. If you consider the state's investment in higher education, they are getting far more people with bachelor degrees out of comprehensives per dollar of investment than they are getting from the research universities per dollar of investment. He would like to see the data that would support that theory. McNickle said that a similar question was recently raised by legislator. She said that annual employment surveys were used to calculate the data.

Trustee Sharpe asked that if Western were to obtain state funding for additional enrollments, what capacity would there be to accommodate it. Provost Bodman said that a five-year scenario to grow the university would be feasible and suggested two options for doing it: One would be associated with waterfront redevelopment and the second would be to grow the branch campuses and extended programs on a more significant scale.

President Morse emphasized the importance of adhering to the Strategic Plan and explained Western's enrollment targets. She said that Western would do its share in continuing our rate of participation. Although we are unable to accommodate a large number of students, we will increase enrollments enough to provide our share.

Chair Warner reviewed capacity options and scenarios.

Vice President Pierce suggested that while an additional facility could be built on campus beyond the current plan, doing so could put the character of the campus at risk. President Morse said that this is a reason why the discussion about the waterfront is so important. There is a concern that the waterfront might damage the character of the institution by fragmenting it. She said that she has requested waterfront preproposals from the campus community.

Faculty Senate President Stewart said that the faculty is concerned with some of the proposed scenarios of expanding Western on the waterfront and growing the branch campuses. He said that the branch campuses, while they carry the Western brand name, are a different entity than on-campus programs and are not consistent with academic life on campus.

Trustee Raymond asked what assumptions the state makes when determining the state fund allocations in terms of how institutions will or won't exercise their tuition authority. Does the state assume that we will increase to the maximum extent of our discretion? President Morse said that as long as there is justification to increase it, it is important to take advantage of the capacity that is allowed.

The Board discussed enrollment management issues. Vice President Coughlin said that it would be possible to enroll a few additional students. Trustee Yuan suggested shifting the ratio of transfer students admitted and enroll more freshmen. Coughlin noted the 1994 state agreement that universities enroll 35 percent of the student body as transfer students; Western shifted that percentage downward to 32 percent. Yuan questioned whether or not 32 percent is the right number and said that by admitting a significantly higher percentage of freshmen we could alleviate the capacity issue in the system. Trustee Sharpe cautioned that that type of policy would not provide opportunities for an economically diverse student population.

Chair Warner said that the objective for today's meeting is to review facts and data and develop a good understanding of the state's environment so that trustees can better articulate the strategic, long-term direction for Western Washington University. Trustee Woods asked when the Board would follow-up on the discussion. Warner said that he would like to see an agenda item for strategic planning included on every Board meeting agenda.

Chair Warner recapped the questions highlighted during the meeting:

- How many bachelor degrees are awarded at the four-year institutions and how many of those are given to Washington state residents.
- What numbers of people having received a bachelor degree stay in Washington State?
- How many students do we turn away statewide? How many students want or are capable of getting a four-year degree but are not able to because of capacity?
- How many Western alumni are employed in the Puget Sound region?
- How many non-resident students attend Western?
- What is the right number of transfer students to admit and what is the right mix?
- A long-term strategic question: What is Western's role in dealing with the need for additional capacity assuming it is funded? Consideration must be given to the Board's agreed-to-strategy to not compromise the quality of the institution.

Trustee Woods said that it would be helpful to look at a university that has similar characteristics to Western or a peer institution that has developed a strategy to grow. She said it would be interesting to know how they have grown and what innovations they embraced. In learning this, Western could obtain a better understanding of what point the niche begins to deteriorate. Provost Bodman suggested that Western's Institutional Research look at growth projections for those institutions that are listed on Western's recently approved peer institution list.

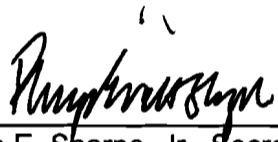
President Morse introduced Bob Frazier, Western's new Vice President for External Affairs.

The Board adjourned at 11:55 a.m.



John D. Warner, Chair

ATTEST:



Philip E. Sharpe, Jr., Secretary