UNIVERSITY SHARED SERVICES WORK GROUP
AUGUST 15, 2013

MINUTES

Work group members present: Co-Chairs Bob Davies and Ed Ray; Presidents Michael Gottfredson, Wim Wiewel, and Mary Cullinan (SOU).

Campus and Chancellor’s Office staff present: Lita Cooligan (OIT), Mary Ann Zemke (OIT), Glen Ford (OSU), Jock Mills (OSU), David Reese (PSU), Eric Yahnke (WOU), Steve Sheck (WOU), Ryan Hagemann (CO), Denise Yunker (CO), Louise Melton-Breen (CO), Charles Triplett (CO), and Marcia Stuart (CO).

CALL TO ORDER
Co-Chair Bob Davies called the meeting to order at 1:05 p.m. and suggested that they adjust the agenda slightly to begin with the report on the August 9, 2013 meeting of the vice presidents.

AGENDA

REPORT ON AUGUST 9, 2013 MEETING WITH VICE PRESIDENTS

Vice Chancellor Jay Kenton provided the presidents’ work group with a summary of the shared services survey results discussed among the vice presidents and presented an associated categorization of services for their consideration. The five categories suggested by the vice presidents included: 1) prime candidates for shared services; 2) additional services that might be included as shared services; 3) services that are not candidates for shared services as they have governance implications; 4) services that are not candidates for shared services due to the fact that they are presently done by campuses or due to a lack of interest; and services that may be handled by self-directed collaborative work groups, shifted to the HECC or handled in other ways to be determined by provosts, vice presidents, or student affairs officers.

Dr. Kenton provided examples of shared services in each of the categories presented and noted that benefits, labor relations with SEIU and risk management are currently required by SB270 until June 30, 2015. He also noted that all services highlighted by the vice presidents as candidates for shared services, assume that they are cost-effective, responsive to the customers, and are available on a fee for service, “opt in – opt out,” basis.

Among the three groups of services required until June 30, 2015, the vice presidents discussed the transition implications on the institutions and their staff. Consensus among the vice presidents is that employee benefits are the most complex and demanding of immediate attention. Related to employee benefits, Dr. Kenton reported that the vice presidents discussed staff fee privileges currently enjoyed by system employees and in an informal poll of the seven universities, all agreed to continue shared privileges for the time being.

Kenton also noted that substantive changes to SEIU bargaining that might be contemplated beyond the statutory required 2015 deadline would rely on employee requests to change the current bargaining unit authorized by the Employment Relations Board (ERB).
Among the services reported as “prime candidates,” Kenton described a group of services that functioned more like cooperative services than shared activities. These include risk management and the internal bank and are distinctive because of a different cost/benefit structure wherein the price is predicated upon the results of the activity. They are also distinctive in that they currently operate with high levels of campus management through their engagement on the risk and investment boards.

Kenton described a number of services that the vice presidents categorized as “additional services that might be included” as options available for an optional fee: accounting consulting, non-financial data collection, national survey responses, and contracting services. These are services that do not enjoy consensus support and there are mixed feelings on continuing.

Dr. Kenton reported that there was general consensus on the services that are not candidates for sharing due to governance implications. Services that are tied to governance should be separate. Internal audit, fiscal monitoring, legal services, and advocacy are in service to the entity and are not good candidates for sharing across separate legal entities. Other services that are not candidates for sharing are those that are currently done by campuses or don’t enjoy an appropriate level of interest.

Finally, Kenton described a group of services that vice presidents felt should be self-directed through collaborative work groups or shifted to the Higher Education Coordinating Commission. These included student support activities, academic program support, and purchasing services.

Kenton reported that staff are working to tender a cost analysis and proposal for how future costs might be allocated. The goal is to present a couple of scenarios for consideration and to try to work towards the most equitable scenario. Identifying cost drivers for each of the services under consideration will better determine if campuses remain willing to participate in any given service. Kenton acknowledged that it’s challenging to cost out all items due to a variety of factors. For example, it’s difficult to cost out temp appointments for services like financial reporting. The service takes approximately six months of the year. What do you do with the employee for the remaining six months?

President Wiewel noted the distinction between cost and price, and asked Kenton to consider comparisons with privately contracted service providers as recommendations were developed. He suggested that a second set of data points would be useful for the presidents to consider. Kenton agreed and shared that Vice President Rimai is beginning to research some of those issues for the group.

Co-Chair Davies asked the work group if the five key areas identified are the right categories to consider. “Is this a good framework for the December draft recommendations?” Work group members were supportive of the categories and of the general direction of the vice presidents work but noted the difficulty in agreeing to any particular group of services until the cost analysis is complete. Members discussed the need to examine the cost drivers on groups 1 and 2 but also the importance of understanding the effects of saying “no” to the remaining categories of services. Describing the financial impact of opting out of a particular service and the impact to other campuses is a part of the charge of the work group that will need to be included in the legislative report.

Vice Chancellor Kenton concluded the summary of the vice president meeting by noting that staff continue to work on costing out particular services for analysis. The current Chancellor’s Office operates under a mix of service and governance. Staff are working diligently to separate the governance pieces as we move forward and as proposals are presented for the work groups consideration, we will attempt to provide options. For example, costing out payroll services can be done under different assumptions such
as cost by number of payees or cost by number or deductions. Work group members requested that Kenton and the vice presidents continue to work towards costing out service delivery options and present their recommendations for the presidents to consider.

Work group members discussed options for contracting out other pieces of the work and noted the RFI for the optional retirement plan transition. Presidents asked the vice presidents and Dr. Kenton to consider other parts of the planning work that might be given to consultants.

Kenton reported that the next vice presidents’ meeting is scheduled for September 6, 2013 and offered his commitment to working towards a successful transition for all campuses. Presidents thanked Dr. Kenton and the vice presidents for their work and noted the exciting opportunities and challenges of developing a new shared services model.

Presidents noted that it would be useful at the next work group meeting to hear from general counsels on pros/cons of various legal entities that might manage a shared service enterprise. They acknowledged that it was still early in the process but a better understanding of possible entities would be helpful as details begin to take shape. Kenton agreed and noted that while they’ve focused on functions to date, an entity has to recover its own costs. He described a small entity with a director, administrator, book keeper, etc. and noted that the overhead for those operations would have to be accounted for. A resolution on the form of the entity would help to cost things out further.

NEXT STEPS

1. Vice Presidents are scheduled to meet again on September 6, 2013 and will report back to the work group following that meeting.
2. Vice Presidents will begin to explore additional consulting opportunities to support the work group and develop cost comparisons with private service providers where applicable.
3. General Counselors will present pros/cons of possible shared service entities at next meeting.

PHASED TRANSITION

Co-Chair Davies introduced the next agenda item, a discussion of phasing the shared services transition.

Members felt that it was too early in the process to begin the discussion in earnest but acknowledged that a couple additional months of work would help to determine if June 30, 2014 is a reasonable timeline. There was general agreement to proceed with deliberate speed but remain sensible and open to options. Members discussed the need to know more about potential shared services and their costing before moving to determine any negative effects on individual universities. As this process continues, it’s likely that services will continue to move categories. Presidents discussed the impact of subsidies in the current system and the need to move to a different model. They agreed to the collective responsibility of the work group to figure out the details and to develop a rationale for the pricing of services that mitigates deleterious effects. There was agreement among the work group that all universities provide a valuable service to the state and that unequal cost driver across the state make the task challenging. Members agreed that additional information on the cost of each proposed shared service was essential to moving forward.

ADJOURNMENT