Work group members present: Co-Chairs Bob Davies (EOU) and Ed Ray (OSU); Presidents Mary Cullinan (SOU), Michael Gottfredson (UO), Mark Weiss (WOU), and Wim Wiewel (PSU).

Campus and Chancellor’s Office staff present: Mary Ann Zemke (OIT), Brad Burda (OIT), Glenn Ford (OSU), Meg Reeves (OSU), Monica Rimai, (PSU), Alan Finn (PSU), David Reese (PSU), Craig Morris (SOU), Jamie Moffitt (UO), Randy Geller (UO), Eric Yahnke (WOU), Steve Scheck (WOU), Melody Rose (CO), Jay Kenton (CO), Mike Green (CO), Jan Lewis (CO), Denise Yunker (CO), Charles Triplett (CO), and Marcia Stuart (CO).

CALL TO ORDER
Co-Chair Bob Davies called the meeting to order at 1:35 p.m. and noted the addition of two agenda items: approval of the August 15, 2013 minutes and a report on September 17, 2013 testimony to the Special Committee on University Governance and Operations.

ACTION: President Davies called for a motion to approve the September 19, 2013 minutes. President Ray made the motion; President Gottfredson seconded; motion passed unanimously.

REPORT ON USSWG TESTIMONY TO SPECIAL COMMITTEE
Co-Chair Davies provided a copy of his written testimony to the presidents’ work group in advance of the meeting but offered highlights of the Special Committee’s discussion. The legislative committee requested a presentation on preliminary recommendations from the USSWG during November legislative days (Nov. 20-22). Davies noted that legislators appeared satisfied with the current “buckets” of shared services and welcomed any preliminary thoughts on funding mechanisms. Presidents discussed whether the “prime candidates for shared services” identified in earlier meetings were still an appropriate grouping and how the opt in/opt out options might affect the groupings going forward.

Davies also noted some legislator’s interest in a “minority report” and presidents discussed the value of consensus in any recommendations that are put forward. They committed to using their best efforts to find consensus and tabled any discussion of “voting rules” or resolution strategies for areas where there is no consensus.

SHARED SERVICES ENTITY CONSIDERATIONS
OSU General Counsel Meg Reeves led the discussion on behalf of the other counselors. She reported that they collectively agreed to retain outside counsel to help with the transition. In research of various models for providing shared services, counsel hasn’t come up with a legal reason to create a separate entity at all. The majority of current shared services—if not all—could be delivered by agreement among the universities with one institution taking the lead and the others contracting with that institution to receive the service. Reeves noted that there may be a business or policy reasons for forming a non-governmental entity akin to the ORVIS model but there is no reason that the entity needs to be a governmental entity.
In response to a question regarding the administration of retirement plans and benefits by a non-governmental entity, counsel advised that benefits and pension plans could be administered by one of the institutions. Presidents discussed the advantages of a contracting model as proposed and the benefit of avoiding unnecessary overhead expense attributed to administering any new entity. Another advantage to this approach is that it takes advantage of staff and skills already in place. Discussion highlighted the complexity of a contracting approach, issues of risk allocation, and liability for errors. Counselors acknowledged the required complexity of any agreement but noted that once in place, services could be efficiently administered. Presidents opined on the value of a minimally staffed 501(c)(3) organization, with presidents serving as the Board, to serve as point on service delivery. Following discussion, Co-Chair Davies called for a consensus vote on proceeding with a minimalist approach to service delivery under agreement among universities. Work Group members agreed.

REPORT ON AUGUST 9, 2013 MEETING WITH VICE PRESIDENTS

Davies called on Vice Chancellor Kenton to report on the August 9, 2013 vice presidents’ meeting. Kenton noted that the costs outlined in the provided spreadsheet vary depending on the number of institutions that opt in. He highlighted examples of two successful shared services currently operational in the 5th site and NERO (Network for Education and Research in Oregon). NERO provides wireless access for universities as well as ESDs through a subscription fee. Presidents inquired into using similar models for other services such as financial statement compilation. Kenton replied that a campus could provide that particular service for another but the risk associated with financial statement compilation is greater than services provided by 5th site or NERO. Members discussed the use of insurance to mitigate risk and options of reassigning current Chancellor’s Office service providers to a campus as a way of continuing their good work.

Kenton continued down the list of “prime candidate” service options by describing payroll services as they’re currently provided. Campuses do their own payroll to a certain point but all back end payments: tax, benefits, retirement, etc., are done centrally. Presidents again discussed the option of keeping the payroll group intact to continue providing back end services. It was highlighted as another example of a service unit that’s right sized to the task and may provide a model for other areas as this work progresses. Kenton reported that the VPRs decided that Unrelated Business Income Tax (UBIT) and other tax preparation should be done by institutions with boards, effectively removing it from the list of prime candidates. He clarified that the internal bank and treasury costs listed in the spreadsheet already reflect the University of Oregon’s decision to opt out.

Kenton noted that the remaining shared services listed under prime candidates: risk management, labor relations, and employee benefits, are required until June 30, 2015. He described risk management as effectively functioning as a model shared service today with minor adjustments expected to accommodate separate legal entities.

Regarding the list of “lesser candidates” presented, Kenton reported that the vice presidents didn’t discuss each at length. There was general agreement that “accounting policies and procedures” is too “close to governance” and there was only minimal interest in fixed asset accounting and contracting services. All non-financial data collection is expected to transition to institutions with governing boards and OUS IR is providing scripts and compiling a list of required reports for campus IR Directors. Kenton noted that there are ongoing conversations with HECC about continuing comprehensive data reporting at a state level but those conversations are premature at this time.
Presidents inquired into the sources and uses of general fund appropriations currently supporting shared services. Kenton reported that the Chancellor’s Office appropriations for FY15 are approximately $4.8 million and at this time are expected to support governance functions and some shared services for the technical and regional universities (TRU). There was general agreement that clarifying the governance support for the TRU campuses is a positive step and that current legislation assumes that the OSBHE will govern the four until 2015. Staff committed to continue to work with the Board and other stakeholders to identify an appropriate governance structure to support the remaining institutions into 2015.

RFI RESULTS
Co-Chair Davies called on Denise Yunker to provide a brief update on the request for information on benefit plan conversions. She reported that Mercer Consulting was selected to aid in the transition to multiple-employer plans and noted the estimated cost of $350,000. Presidents clarified that under a multiple employer plan the TRU institutions would remain as one entity for the time being with a total of four separate entities in the plan. Interim Chancellor Rose asked the presidents work group how the consultant fees should be paid and noted the urgency in executing the contract by the end of the month. Presidents debated on payment options and settled on an 80/20 agreement with the three large institutions covering 80% of the contract costs and the Chancellor’s Office covering the remaining 20%.

NEXT STEPS
1. Incremental cost information from the campuses is due to Jay Kenton by October 30, 2013 to meet the draft report deadline of early November.
2. Presidents requested that VPFAs discuss an umbrella administration—person or small staff—of a uniquely named organization to oversee shared services at their next meeting.

ADJOURNMENT