Governance & Policy Committee
Oregon State Board of Higher Education

7/13/2012
9 a.m. – 12 p.m.
ASRC 515, 1800 SW 6th Avenue, Portland, Oregon
Agenda

1. Call to Order
2. Shared Services Provided by the System Office
3. Adjourn
BACKGROUND
As the Board contemplates governance changes, including institutional governing boards, information was requested about the effect this may have on the achievement of Board goals, the efficiency and effectiveness of the System and the sharing of services among the campuses. The following excerpt comes from the June 1, 2012 Board docket The Recommendation of the Governance and Policy Committee Regarding Institutional Governing Boards:

“The Board’s goals are to increase the education attainment level in Oregon, to ensure that high quality educational programs are offered, to provide high quality research that advances the frontiers of knowledge and contributes to the economic vitality in Oregon, and to support vibrant communities throughout the state. The state’s goals, as codified in SB 253, include that 40 percent of its adults will have at least a baccalaureate degree by 2025. The state’s goals will be amplified further in compacts between the Oregon Education Investment Board and the State Board of Higher Education and the presidents of the universities. Any governance change must be assessed in terms of how it contributes to better achievement of these public purposes. Another guiding principle of the Committee’s work has been that institutional boards should not harm the University System and its universities. The impact of any governance change on both the achievement of Board and state goals and on the quality, efficiency and effectiveness of the System and the campuses must be assessed. The Committee has not yet undertaken that assessment or how a “no harm” principle might be achieved. It is the assumption of the Committee that the University System will remain a single entity for legal purposes. ...

The Committee has not yet taken up several related topics that could form the basis for future recommendations: how to effect the “no harm to the System and other universities“ principle, the basis upon which an institution might become eligible to be governed by an institutional governing board (e.g., management and financial capability, commitment by donors of resources for student financial aid, and increased support for instruction and support programs), and the sharing of services among campuses to maximize revenue and reduce cost in order to provide more resources for education. The Committee will begin work on these matters in coming months.”

Before we get into the discussion of current and potential future shared services, it might be helpful to review the attributes that make shared services possible. In a 2009 publication,
Deloitte\(^1\) reported that within the private sector, shared services have focused on transactional process consolidation. However, Deloitte found that within government organizations there is real opportunity to consider a broader suite of services, such as:

- Transaction processes, such as revenues and benefits administration, payroll and human resources administration, and finance transaction processing (e.g., accounts payable and accounts receivable).
- Professional support services such as human resources and organization development, legal services, and procurement/contracts management.
- Frontline services such as customer service, etc.

Deloitte goes on to say that in each area, there are opportunities to exploit synergies between organizations, though they may be subject to constraints such as physical location or technology systems. In determining what to share, Deloitte recommends applying the following filters:

- **Fit** – it could be delivered by a third party with or without specialized knowledge.
- **Applicability**:
  - It is rule based;
  - It can be commoditized; and
  - There is limited internal skills and capability within this function.
- **Uniqueness**:
  - It is not unique to the university; and
  - It does not require a high level of strategic input.
- **Technology** - it can have standard systems to support/enable it.
- **Feasibility**:
  - Is scalable;
  - Is repeatable for other universities; and
  - There are third parties with a track record for delivering similar services.

To begin to probe the impact any governance change would have on the efficiency and effectiveness of the System and the sharing of services among the campuses, various consultants and staff were asked to analyze these issues and report to the Governance Committee. In all cases, these consultants and staff were asked to address the following three scenarios:

1. Continue current situation—OUS as one system with seven member institutions working together;
2. One legal entity, yet with local institutional boards; and
3. Separate legal entities with unique boards.

In addition, in some cases we will comment on how exploring other potential shared services arrangements may lead to more efficiencies or greater effectiveness than we have today.

We will start this review by examining the shared services that are financial or human resources in nature. The proposed order in which we plan to proceed with this review and some background regarding the presenters is as follows:

1. Audits:
   a. External audit
      i. Review of audit price quotes from Scott Simpson, Partner at Moss-Adams, our former audit firm. Includes financial statement and federal A-133 audits
   b. Internal Audit
      i. Report from Patrick V. Reed, retired Chief Audit Executive from the University of California System

2. Financial statements associated accounting and reporting policies and other shared services:
   a. Presenter: Mike Green

3. Banking (capital finance, for example revenue bonds, pooled investments/liquidity management, treasury operations)
   a. Presenters: Mike Green and June Matte, Managing Director, PFM Group

4. Payroll processing and reporting:
   a. Presenter: Mike Green

5. Employee benefits:
   a. Presenter: Denise Yunker
   b. Retirement plans managed by OUS
      i. Presenter: D. Scott Dunbar, Managing Director of Advisory Services, Arnerich and Messina, Inc.
   c. Staff tuition
   d. PERS,PEBB, and OSGP deferred compensation
   e. Prospective health and welfare benefits
      i. Presenter: Don Heilman, Senior Area Vice President Gallagher Benefit Services, Inc.

6. Other financial services (time permitting)
   a. Presenters: Hillary Bounds and Mike Green
      i. Purchasing and contracting
      ii. Back office functions such as accounts payable, accounts receivable, and fixed asset accounting
      iii. Other

In addition, we are happy to report on other financial services, risk management, legal services, collective bargaining, and other shared services at the next Committee meeting.
BIOGRAPHIES OF EXTERNAL PRESENTERS

PATRICK V. REED
Independent Consultant

Prior to becoming an independent consultant in 2010, Patrick served as the University of California System University Auditor from 1994 to September 2009. Reporting to The Regents as University Auditor, he managed the audit program for the $21 billion university system. Patrick oversaw a 140 auditor program consisting of audit directors and staff at nine campuses (five campuses having medical schools with a total of eight hospitals), three national laboratories, and the Systemwide office. During his tenure at the University of California System, Patrick also lead and participated in numerous quality assurance reviews including the University of Texas, Texas A&M, Texas Tech, Cal Tech, the University of Georgia, University of Minnesota, DePaul University, University of Virginia, and the University of Georgia System.

Patrick's audit experience also includes partner in charge for KPMG Peat Marwick, LLP from 1971 to 1993 in charge of financial institutions, government and not-for-profit clients for the Phoenix, Arizona Office.

His most recent consulting clients include the University of Washington, American University, and the University of California (various campuses). His consulting projects have included chancellor and other senior official transition reviews, investigations, operational review of controller's office, and organizational review of business and finance operations.

In addition to his work experience, Patrick served on various professional and charitable organizations. His organizational leadership experience includes serving the Association of College & University Auditors (ACUA) as president, vice president, treasurer, chair of the Audit and Accounting Principles Committee.

JUNE MATTE
Managing Director
PFM Group

June Matte is a Managing Director with The PFM Group, located in the Boston office, specializing in revenue financed and appropriation based projects including health and higher education and solid waste financings. Ms. Matte also structures lease/purchase programs for various clients, including health and higher education institutions as well as for state and local governments. She has served as Financial Advisor to the State of Washington for its state equipment and real property lease financing programs from development through implementation, and is working with the State of Wisconsin in the administration of its equipment lease program.
for state agencies. In addition, she has served as financial advisor to the Virginia College Building Authority.

Ms. Matte also assists such clients as the Rhode Island Health and Education Building Corporation, the Massachusetts Health and Educational Facilities Authority, the New Hampshire Higher Education and Health Facilities Authority, and the California Health Facilities Financing Authority and Montgomery County, Maryland in administering a competitive master lease equipment program for their participating institutions.

Prior to joining the firm, Ms. Matte was a Vice President in the Public Finance Department at Bear Stearns & Co., Inc. where she specialized in lease financings and project finance. In this capacity, she served on the Financial Advisory Team to the State of New York's Certificate of Participation Program through which the State financed the equipment and real property needs of its agencies through the issuance of tax-exempt leases. Transactions completed under this program included the $242 million lease/purchase financing of the City University of New York's campus for the John Jay College of Criminal Justice and a transaction for $32,380,000 for financing, through lease/purchase, the acquisition, construction and renovation of alternative residential care facilities (group homes) for the Office of Mental Health. She also completed Master Lease financings for a number of clients including the City of Austin, Texas, the University of Illinois, the State of Illinois, and the State of Michigan, where she was involved in all aspects of the transaction from structuring and documentation through sale of the bonds.

Ms. Matte graduated from Georgetown University with a Bachelor of Science degree in Economics from the School of Foreign Service and holds an MBA in Finance from Boston University.

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**D. SCOTT DUNBAR**

D. Scott Dunbar, J.D., C.P.A. (retired)

*Managing Director of Advisory Services*

Arnerich Massena

Scott is responsible for the management and oversight of Arnerich Massena’s advisory group, which provides investment advisory services to businesses, not-for-profit organizations, public entities, foundations and endowments, and high net worth individuals. Scott brings more than 30 years of experience advising organizations on employee benefits and investment issues and has extensive management and business development expertise. Before joining Arnerich Massena in 2010, he served as principal and market leader for Buck Consultants, with full profit and loss responsibilities for the San Francisco office. Prior to his tenure at Buck, Scott also served as senior vice president of Aon Consulting, managing director of The Dunbar Group, and vice president of M Financial Group/M Benefit Solutions.
Scott earned his Bachelor of Science, with honors, in accounting and quantitative methods at the University of Oregon and his Juris Doctorate, with honors, at the Northwestern School of Law at Lewis and Clark College. He is an inactive member of the Oregon State Bar and a retired member of the Oregon Board of Accountancy.

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DON R. HEILMAN
Area Senior Vice President
Gallagher Benefit Services, Inc.

Don Heilman joined Gallagher Benefit Services, Inc. as an area vice president in 2002. He has over 20 years of experience in the benefits industry, having served both as a benefits manager and as a consultant. Don has extensive experience in the design, financing, and implementation of comprehensive health and welfare benefits programs. In particular, he has significant experience and expertise in self-funding, and regularly advises on the design and management of integrated population health management strategies. Other areas of expertise include paid time off/disability design and retiree health. Don obtained his undergraduate degree in mathematics and has completed graduate work in statistics.

He is affiliated with a number of human resources associations, and is a frequent speaker on benefits related topics, including: International Foundation of Employee Benefit Plans; Colorado Chapter of Certified Employee Benefits Specialists; Colorado Society for Human Resource Management: College and University Professional Association for Human Resources: Public Risk and Insurance Management Association: International Personnel Management Association: National Public Employer Labor Relations Association.