AGENDA

1) Call to Order

2) Update on OUS Legislative Concepts (Hagedorn)

3) Presidential Evaluation Criteria (Pernsteiner) .............................................................................. 1

4) Shared Services Draft Principles (Pernsteiner) ............................................................................. 3

5) Shared Services Outline (Pernsteiner) .......................................................................................... 7

6) Next Steps
The Board has charged the Governance and Policy Committee with determining the categories for use by the Chancellor in evaluation the presidents of the universities. In addition, the Committee considers those items that will commonly be presented by presidents during their sessions with the Board considering their performance and that of the universities they are charged with leading. Last year, the Governance and Policy Committee prescribed that seven categories would be used in the evaluation of presidents for the 2011-12 year, with the expectation that the use of these categories would continue in future years. The seven categories were:

1. Leadership
2. Financial Management
3. Enrollment
4. Degrees
5. Degrees in Shortage Areas
6. Research
7. Representation of the University and the System

In addition, the Committee agreed with the Chancellor that presidents would address the following topics in their annual evaluation discussion sessions with the Board:

1. Progress toward meeting Board goals and 40-40-20
2. Connections with other universities, K-12, and community colleges
3. Progress meeting the president’s own goals for the year
4. Big issues on campus in the past year
5. Chief achievements in the past year
6. Chief challenges in the past year
7. Opportunities for the future
8. Clouds on the horizon
9. Hopes and goals for the upcoming year

One of the university presidents has proposed that an additional topic be discussed by each president during the annual evaluation discussions with the Board: a five-year financial forecast for the university. This forecast would take into account, among other factors, expected enrollment, anticipated state investments, possible levels of tuition pricing and revenue, the mix of resident and nonresident students, and university and state cost drivers. This information would provide the Board with a better understanding of the finances, the market, the student demographics, the mission, the plans, and other aspects of each university and place that understanding into a multi-year context that would allow the Board and the president to discuss how best to meet state and institutional goals.
Since a multi-year financial forecast is an obvious part of financial management a new
evaluation category is not needed. However, such an item could be added to the list of topics to
be addressed by presidents in their annual evaluation discussions with the Board.

STAFF RECOMMENDATION TO THE COMMITTEE
Staff recommends that the topics for discussion by presidents during their annual evaluation
discussions with the Board be expanded to include multi-year financial forecasts, with the
expectation that the time period of such a forecast would be at least five years and that the
assumptions and key drivers of costs and revenue be clearly disclosed in the discussion.
A draft of the tenets of shared services was discussed at the November 2012 meeting of the Governance and Policy Committee. The comments at that meeting, as well as the subsequent designation of a shared services enterprise in the governance proposal of the Oregon Education Investment Board (OEIB), inform the following draft principles that can be used by the Committee as it considers how to approach shared services for public universities in Oregon and, possibly, to extend them to other educational entities in the state.

The November 2012 Committee docket provided a background statement that is reproduced here.

“Shared services is a way of organizing functions to optimize the delivery of cost-effective, flexible and reliable services to all ‘customers.’ The primary focus of shared services is on service excellence/quality, high performance, cost control, and continuous improvement. Typically, these services are overseen by a customer board or other advisory group to ensure that services remain relevant and focused on critical needs. The funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider. The key is the idea of ‘sharing’ within an organization or group. The provider can be one of the institutions providing service to the other institutions/System office or the System office providing service to the institutions or a third party providing service to all members. <The last sentence was modified from the November draft in the interests of grammar and clarity.>

“Attributes of areas that might be candidates for shared services include areas with: high costs compared to benchmarks, a transactional/administrative focus, a high potential for standardization, a high transaction volume, and comprised of simple and repeatable tasks. The benefits of shared services fall into four primary areas as follows:

- **Economic**—high productivity leads to lower costs, reduce systems/infrastructure needs, and leveraged investments.
- **Strategic**—customer focused, lower cost services delivered by fewer employees, achievement of process standardization, enabling new/re-organized entities.
- **Quality**—improved information for decision-making, better service to key stakeholders, reduced error rates, development of centers of expertise and innovation.
- **Speed**—reduced cycle times for authorization, payments, sourcing, etc.”

This background statement is useful but not exhaustive and may limit consideration of new opportunities that fall outside traditional administrative functions. As the Committee heard from the Huron Consulting Group representative at an earlier meeting, modern information
technology offers opportunities that were not available in the past. Although his primary example (modern procurement tied with accounts payable) sounds like a traditional shared service, technology allows sharing in other arenas, as well, including advising and education. These opportunities should not be ignored and may be more significant sources for holding down costs to students than even the administrative functions.

The shared services effort requires careful consideration of a wide range of complex topics. One of the last steps is to dive into what the services themselves might be. Instead, efforts to develop a framework for how to consider the topic and how to develop an appropriate shared services enterprise should be undertaken. In order to make that effort more effective it may make sense to consider and adopt some principles that would underlie the work and guide its conduct. The draft principles noted below expand upon the tenets suggested in November and take into consideration the comments received concerning those tenets. Obviously, the principles can be modified and others added.

DRAFT PRINCIPLES FOR CONSIDERATION

1. Shared services should be encouraged to the point that efficiencies are garnered and effectiveness and quality improved. The primary measure of whether to share or not share a service should be its impact on cost, revenue, and quality to the totality of the enterprise’s members.

2. The shared services entity would be most effective as part of a single legal entity that included all its university members. Sharing services among multiple legal entities will be more difficult, will limit which services can be shared, and will be more expensive. However, the definition of the single legal entity need not impinge on the operational and policy autonomy of members except in accordance with the rules of the shared services enterprise. In other words, being part of the shared services enterprise does not, in itself, abridge institutional autonomy although the degrees of freedom available to members of the enterprise may be restricted by the statutes governing or the rules and practices pertaining to the shared services enterprise. A variety of federal laws make the consideration of shared services through a single legal entity the most likely or, in some cases, the most practical way that some services can be shared.

3. Standardization of information, processes and functions is critical to cost-effective operations and providing the lowest cost at any specified quality level.

4. The shared services enterprise should implement best practices in each service area and focus on lowest cost for the quality of the service desired. Dimensions of quality also include timeliness and ease of accessing services.

5. A shared services enterprise should be overseen and each of its major service areas advised by groups of its members and should enter into service level agreements with customers that specify levels of quality and cost.

6. Certain services may be mandatory in order to satisfy legal requirements or because the savings from mandatory services to the entire enterprise are significant.
7. An institution that proposes not to continue in a pre-existing non-mandatory service must (a) establish that it can provide or acquire the service more effectively or economically in a method other than through the shared services enterprise, (b) demonstrate that its doing so will not increase the costs or diminish the quality of service for the other institutions within the shared services enterprise, or (c) that it will provide sufficient ongoing financial support to the shared services organization to offset the higher costs that the other participants in the shared services enterprise likely would incur if the institution were to opt out of the service and that it will pay the costs it incurs in segregating itself from the existing services.

8. Services not currently provided would be subject to the provisions of 7(a) and 7(b) in terms of whether or not a member of the shared services enterprise would participate in a given service. However, no institution need provide financial support to the shared services enterprise for any foregone anticipated savings of the other participants for any service not currently provided or acquired centrally.

9. The shared services enterprise is considered to be an ongoing entity and it and its participants must take a long view of its operations so that it can make appropriate investments in technology, systems and other long-lived assets or practices in order to provide high quality, timely, and cost effective services.

10. Inclusion of a service within the shared services enterprise does not determine which entity (the shared services enterprise, one of its members, or a third party) will provide any given service.

11. In addition to the shared services it offers or facilitates the shared services enterprise may provide a convening function to allow discussions about topics of mutual interest to members and the sharing of best practices in matters not part of the shared services enterprise’s suite of services.

Each of these draft principles should be considered as part of the framework for the consideration of the issues and opportunities regarding a shared services enterprise.
1. Principles (separate document)

2. Entity
   a. Legal status (public corporation, OUS, other) (SB 242)
   b. Governance of entity
   c. Scope of entity (start with universities, per Dr. Crew)

3. Service Provision Approaches (pick and choose)
   a. Provision by SSE (Shared Services Entity)
   b. Provision by member university best equipped to do so
   c. Provision by third party

4. Mandatory services, Opt in, Opt out, Hybrid
   a. Legal considerations (federal and state)
   b. Cost savings (lowest cost principles consistent with quality requirements) (economies of scale) and revenue maximization
   c. Enabling progress toward 40-40-20
   d. Are savings considered for the totality of services for the totality of the enterprise or service by service for each member or service by service for the totality of the enterprise
   e. Shared services as enabler not hinderer

5. Impacts
   a. On cost for each service and for each member and cost for all services and for totality of members
   b. Impact on tuition
   c. Impact on information and program consistency
   d. On each member campus and its community
   e. On progress toward 40-40-20

6. Which services
   a. Administrative, back office, support (current and possible new)
   b. Education (instruction, student services)
   c. Technology core
   d. Representation and advocacy
   e. How will they be identified if they are not offered in a shared way currently?
   f. Convening and best practices
7. Expansion beyond the universities
   a. Type of entity (public education, private education, government, other)
   b. Legal issues
   c. Geographic basis or statewide basis
   d. Vary by type of service
   e. Mandatory, Opt-in, Opt-out, Hybrid

8. Seed capital for investment in new technology, new processes, new services

9. Working capital for operations

10. Ongoing funding: appropriations and rates

11. What do other universities do?