Finance/Facilities Committee


Present by Polycom: Trustee Committee Members: Samuel Collins (at UMPI), Gregory Johnson (at USM), and Marjorie Medd (at USM). Other Committee Member: Ray Albert (at UMFK). Presidents: Kate Foster (at UMF). Other Attendees: Dick Campbell (at USM).

Committee Members Absent: Michelle Hood, Paul Mitchell, Victoria Murphy, Karen Barrett, and Colin Buttarazzi.

Trustee Fournier, Chair, called the meeting to order and welcomed everyone. He thanked the Outcomes Based Funding Review Team for participating in the meeting.

Outcomes Based Funding Review Team Recommendations. Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer presented the Outcomes Based Funding Review Team (Review Team) Recommendations. The Outcomes Based Funding Project (Project) was carried out by a Review Team lead by Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer. Other members of the Review Team include: Kate Foster, President at UMF; Miriam White, Director of Budget at UMS; and Ryan Low, Executive Director of Governmental and External Affairs. This effort was supported by System and campus staff, the Office of Organizational Effectiveness and third party consultants to assist as needed with benchmarking, best practices, modeling and audit functions.

The Project followed the four stage change process. Deliverables for the Plan Analysis and Design (Stages 1 & 2) include: key performance indicators and measurement methods, a description of the recommended funding model that includes a performance/outcome based methodology for allocation of revenue, a policy risk and impact analysis for adopting recommended metrics, a financial risk and impact analysis for adopting recommended metrics, an implementation and communication plan, and audit milestones. Implementation (Stage 3) begins following Board approval of the Plan Design, and Stage 4 follows the schedule of audit milestones. The budget for the project is $50,000.

The Review Team recommends there be a one year moratorium in fiscal year 2013-2014 on the Strategic Investment Fund (SIF) during which time this program will be reconstituted and resubmitted to the Board of Trustees for implementation in fiscal year 2014-2015. The SIF reconstitution will be done in a manner such that existing payout commitments for FY2014 will be honored and that new applications for FY2015 will be considered in FY2014.
As outlined in the Final Report, the Review Team recommends an outcomes-based funding component as part of the overall approach to the allocation of State E&G appropriations that has the following characteristics and parameters:

a. For fiscal year 2013-14, the funds designated for distribution through the outcomes mechanism will equal 5% of the 2013-14 State appropriation to UMS for E&G support of System institutions. Additionally, any new funding amounts in excess of the 2013-14 level will be distributed through the outcomes based allocation mechanism. In the first year, the remaining 95% of State E&G appropriated funds will be allocated on the same pro rata basis as has been the historical practice in prior years.

b. To minimize the unintended consequences of any anomalies in a given year, while also rewarding institutions in a timely manner for achievements, the model utilized three rolling years of data. Currently the model incorporates the three most recent years of data available (FY2010-FY2012). The Review Team also recommends that all data used in the model be UMS data extracted directly from MaineStreet.

c. The model is designed to promote institutional achievements in the priority areas enumerated earlier in this report. The priorities and recommendations regarding the associated metrics are as follows:

1. Increase the education attainment levels of the working-age population of the State.
   - Outcomes to be rewarded are credentials granted during the fiscal year, such as:
     - Industry recognized certificates – The recommendation requests that the Chief Academic Officers establish a process to review all certificates and recommend to the Presidents’ Council what credentials would qualify as “industry recognized.”
     - Associate’s degrees
     - Bachelor’s degrees
     - Advanced degrees
   Additional points are assigned to Associate’s and Bachelor’s degrees awarded to:
   - Adults – individuals who are 30 years of age or older when the degree is awarded. This incentive reinforces the Board’s priority to better serve adults and recognizes the reality that Maine cannot reach competitive educational attainment levels solely by educating more recent high school graduates.
   - Students who transfer 30 or more credits into the degree granting institution – this promotes accepting transfers from community colleges and other institutions, as well as from other campuses within the UMS. Only the degree awarding institution receives the premium, except in the case of “feeder programs” which are being considered by the Review Team.

2. Meet the workforce needs of Maine employers:
• Premium points are awarded for degrees produced in the following fields:
  ▪ STEM degrees include 12 academic programs within the Science, Technology, Engineering, and Mathematics fields, sorted by Classification of Instructional Program codes:
    o 1 Agriculture, agriculture operations
    o 3 Natural resources and conservation
    o 4 Architecture and related services
    o 11 Computer and information sciences
    o 14 Engineering
    o 15 Engineering technologies/technicians
    o 26 Biological and biomedical sciences
    o 27 Mathematics and statistics
    o 29 Military technologies
    o 30 Multi/interdisciplinary studies (marine sciences)
    o 40 Physical sciences
    o 41 Science technologies/technicians
  ▪ Allied Health
    o 51 Health professions and related programs
  ▪ Other high priority fields – to be determined. Selection of any additional fields will be made in consultation with the State Departments of Labor and Economic and Community Development using state workforce data.
  ▪ A field to be determined by each institution to reflect a high priority regional – rather than statewide – need.

The recommendation suggests that the Chief Academic Officers establish a process to review STEM and Allied Health programs, as well as other high priority fields – both regional and statewide – and recommend to Presidents’ Council which programs and fields would qualify for additional points, as explained further.

3. Contribute to the State’s economic development. This component of the model as currently constructed applies only to UMaine and USM. The metrics that drive the allocation are:
   - Number of research grants and contracts received during the year, with additional points being given for awards involving Maine partners.
   - Dollar value of research grants and contracts received during the year with additional points given for awards involving Maine partners.

4. Improve the productivity of UMS institutions.
   - Productivity is defined as number of degrees awarded per $100,000 of net tuition and fee revenues and State E&G appropriations scaled by matriculated FTE.

With the exception of the productivity metric, the entries into the allocation model are actual “counts” for numbers of degrees awarded, numbers of students accumulating 30-59 credits, numbers of research grants, etc. The productivity metric is in an efficiency ratio of output per input.

The model allows for different weights to be given to these counts. The points suggested by the Review Team are as follows:
### Degrees Awarded

<table>
<thead>
<tr>
<th>Degrees Awarded</th>
<th>Recommended Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-Recognized Certificate (IRC)</td>
<td>0.25</td>
</tr>
<tr>
<td>Associate’s Degree</td>
<td>0.50</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>1.00</td>
</tr>
<tr>
<td>Advanced Degree</td>
<td>1.25</td>
</tr>
</tbody>
</table>

### Priority Populations

<table>
<thead>
<tr>
<th>Priority Populations</th>
<th>Recommended Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults age 30 or over when degree awarded</td>
<td>0.40</td>
</tr>
<tr>
<td>Transfers with 30 credit hours</td>
<td>0.40</td>
</tr>
</tbody>
</table>

### Credit Accumulation

<table>
<thead>
<tr>
<th>Credit Accumulation</th>
<th>Recommended Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-59 credit hours accumulated</td>
<td>0.25</td>
</tr>
<tr>
<td>60-89 credit hours accumulated</td>
<td>0.50</td>
</tr>
</tbody>
</table>

### Priority Fields

<table>
<thead>
<tr>
<th>Priority Fields</th>
<th>Recommended Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>STEM</td>
<td>0.2 0.4 0.6 0.8</td>
</tr>
<tr>
<td>Allied Health</td>
<td>0.2 0.4 0.6 0.8</td>
</tr>
<tr>
<td>Other Statewide Needs (TBD)</td>
<td>0.2 0.4 0.6 0.8</td>
</tr>
<tr>
<td>Regional Need (by campus TBD)</td>
<td>0.2 0.4 0.6 0.8</td>
</tr>
</tbody>
</table>

### Research & Development

<table>
<thead>
<tr>
<th>Research &amp; Development</th>
<th>Recommended Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per $100K of revenue</td>
<td>1.00</td>
</tr>
<tr>
<td>Number of Contracts</td>
<td>1.00</td>
</tr>
<tr>
<td>Maine Partners Premium per $100K of revenue</td>
<td>0.50</td>
</tr>
<tr>
<td>Maine Partners per number of contracts</td>
<td>0.50</td>
</tr>
</tbody>
</table>

### Productivity Recommendation

Degrees per $100K of revenue from State Appropriation and net tuition and fees – scaled by matriculated FTE

Points are calculated by multiplying the counts associated with each metric by the weights assigned to each metric. For example:

\[\text{Points earned for associate degree awarded} = \text{number of associate degrees awarded} \times 0.50\]

Points calculated in this manner are then aggregated separately for each metric:

- Completion – Degrees (includes adults and transfer populations, including priority fields)
- Credit accumulation
- Research and development
- Productivity

To complete the calculations:

- Proportional weights are assigned to each category. The weights recommended by the Review Team are as follows:
Because the University of Maine and University of Southern Maine are primary research institutions, their outcome allocation incorporates research and development activity. Metric weights for completion, productivity, and credit accumulation remain proportional to the metric weight for the 5 other institutions.

- Once the total point values have been calculated for each metric by institution, the metric weight is applied to derive the weighted points by metric per institution.

**Recommendations Regarding Implementation**

The Review Team recommended the following approach to implementing the model:

- The outcomes-based funding pool will be 5% of the base year State E&G appropriation in year one of the implementation and will be increased 5% per year until the pool equals 30% of the base year E&G appropriation in year six. This means that the size of the outcomes-based funding pool, assuming a flat State appropriation, would be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$7,773,892</td>
</tr>
<tr>
<td>2</td>
<td>$15,547,784</td>
</tr>
<tr>
<td>3</td>
<td>$23,321,676</td>
</tr>
<tr>
<td>4</td>
<td>$31,095,568</td>
</tr>
<tr>
<td>5</td>
<td>$38,869,460</td>
</tr>
<tr>
<td>6</td>
<td>$46,643,352</td>
</tr>
</tbody>
</table>

In addition, any funds appropriated to the UMS in excess of the base year allocation will be added to the outcomes-based funding pool and distributed in accordance with the outcome allocation.

It is important again to note that the numbers above assume the current level of appropriation from the State remains at FY13 levels, pre-curtailment. Decisions made by the State Legislature around curtailment and FY14-15 funding levels will impact the size of the pool.

- A stop-loss provision of 2% will be applied in the first year, increasing by 0.5% each year and phasing out after the fourth year. This means that for the first year, for all institutions, the total E&G appropriation can be no less than 98% of the prior year’s allocation, again assuming a flat State appropriation across two consecutive years.

- The Vice Chancellor for Finance and Administration will be responsible for reviewing the model on an annual basis and making recommendations for any material modifications that might be necessary to the Board of Trustees.

On a motion by Trustee Turner, which was seconded by Trustee Hadyniak, the Finance/Facilities Committee agreed to forward this item and proposed resolution to the Consent Agenda for Board approval at its January 28, 2013 meeting.
That the Board of Trustees approve the Outcomes Based Funding Model as presented and discussed by the Finance/Facilities Committee at its January 15, 2013 meeting and that there be a one year moratorium in fiscal year 2013-2014 on the Strategic Investment Fund (SIF) during which time this program will be reconstituted and resubmitted to the Board of Trustees for implementation in fiscal year 2014-2015. The SIF reconstitution will be done in a manner such that existing payout commitments for FY2014 will be honored and that new applications for FY2015 will be considered in FY2014.

**Recommendations for the Redesign of Information Technology Service Delivery.** Ms. Wyke & Mr. Richard Thompson, Chief Information Officer, thanked the Information Technology Review Team (Review Team) and other staff who participated in the process and reviewed the recommendation for the redesign of Information Technology Service Delivery.

The Administrative Review of Information Technology began in July of 2012. The Board directed the Review Team to use internal resources to perform a self-evaluation of Information Technology (IT) systems and processes, with the product being a set of recommendations to enhance system quality, improve efficiency, and realize savings while maintaining or improving IT service.

The Review Team included the following individuals: Richard Thompson, System Chief Information Officer; Fred Brittain, IT Director, UMF, project consultant; Stephen Houser, IT Director, USM, project consultant; Leslie Kelly, IT Director, UMFK, project consultant; Jeff Letourneau, Executive Director, Network Maine, project consultant; and Chancellor James Page, sponsor. Four input teams were created, each with up to six additional members. The leaders were: Lauren Dubois, UMA; Mike Cyr, SWS; Peter Gunn, UM; and William Wells, USM.

The four input teams were tasked with analysis and development of recommendations. The subjects evaluated were:

- End User Technologies
- End User Support/Help Desk
- Unified Communications (Voice, Video, Data)
- IT Standards and Procurement

Anticipated outcomes included:

- Flexibility and innovation operationalized at the campus level but managed to common standards
- Transparent IT research and development processes for new tools/applications
- Resource redundancy only where necessary
- Cost savings/efficiencies while maintaining or improving service

Detailed data has been difficult to assemble and is inconsistent. Nevertheless key reported data, aggregated across the System identifies:

- 225 FTE – IT personnel in both central IT departments and within non-IT departments
- $ 24.2 million – IT Costs through central IT departments
- $ 7.5 Million – Estimated IT spend within non-IT departments
- 55% of expenditures are salary and benefits costs of employees

The teams worked with key stakeholders, primarily from campus IT organizations. Each had an individual charter, identifying its charge, expectations and deadlines. The expectations were:

- Development of a Review Scope document
This document will comment on the charter’s scope and provide a more detailed task plan. Team members can seek guidance from other team chairs, or the Chief Information Officer.

- Collect and assemble information as determined in the scope
  - Interview/engage contributors and others to obtain and verify information collected
- Evaluate the information collected
  - Provide data to support analysis
  - Identify opportunities for action where appropriate
- Prepare a report of findings addressing the three basic improvement criteria
  - Service quality
  - Efficiency/effectiveness
  - Cost savings

Input teams gathered information and recommendations were developed by the Steering team. These were presented in early December as a draft report to the Chancellor and the Office of Organizational Effectiveness. Chancellor Page acknowledged the effort the group put into this work, but determined the report did not meet the expectations as articulated by the original Charter. He cited a lack of analysis and resultant design of what could be considered an optimal, forward-looking, client-centered IT resource for UMS. Moreover, the listed categories of investigation, anticipated level of efficiencies, and the estimated savings were insufficient to meet the intent of the review. Therefore, the Chancellor reissued a revised charter with more concise expectations. The revised charter directed the Chief Information Officer to take direct responsibility for successful completion of the analysis and design stages of the administrative review and to develop recommendations to achieve optimal governance, management and operations to best serve students, faculty and administrative clients. The initial Review Team members were to act as project consultants as needed. The recommendations were to include efficiencies resulting in savings of at least 10% of current operating budgets.

The final report contrasts two alternatives to the current state. The first is a series of recommendations drawn from the IT Review Team. While some recommendations are innovative, the first series of recommendations did not meet the expectations as articulated by the original Charter. The second alternative builds on the first but is designed to achieve optimal performance and savings going forward. The choices are:

- Alternative 1: incremental improvements which are limited in efficiencies and savings potential but do not require major institutional change, or;
- Alternative 2: transformational redesign of IT service delivery that establishes a framework which provides accountability, high engagement and oversight from campus leadership. The design incorporates commitment to efficiencies, savings, and a greater focus on academic programs and activities.

Alternative 2, a redesign of IT service delivery, is the recommendation of the Chief Information Officer. This redesign requires a new approach to governance in order to achieve the savings identified and establishes that the Chief Information Officer has authority to manage all UMS IT resources, make commitments and decisions, and be responsible for meeting outcomes in service and performance. The detailed recommendations with estimated savings follow:

1. Implement alternative leadership and governance structure – *FY 16 structural savings $410K*
2. Establish policies and practices to provide management oversight and inform leaders, administrators, technology staff and innovators – *No direct savings estimated*
3. Actively pursue cloud or “software as a service” sourcing of enterprise systems; Pursue advantages of best practice implementation and uniformity, support and training – *FY 16 structural savings $50K*

4. Investigate and implement a new funding strategy to record and recover costs of shared and centralized services – *No direct savings estimated*

5. Consolidate management and delivery of campus and System support help desk services; Centralize or outsource end user provisioning, management and maintenance functions related to directly assigned devices – *FY 16 structural savings $1,040K*

6. Consolidate Data Center locations, management and operations – *FY 16 structural savings $160K*

7. Unify communications systems under one management structure provided by a single campus entity – *FY 16 structural savings $155K*

8. Restructure delivery of end user technology – *FY 16 structural savings $88K*

9. Systematically identify, review and organize IT services into a shared services model with campus IT management – *FY 16 structural savings $1,355K*

Total savings are calculated as net of any direct expense to accomplish technology conversion, retraining and consulting costs. The savings do not account for any HR costs related to staff reductions.

- FY 2014 - $174,000
- FY 2015 - $1,984,000
- FY 2016 - $3,258,000

The Finance/Facilities Committee had a lengthy discussion on Alternative 2 recommendations.

On a motion by Trustee Turner, which was seconded by Trustee Hadyniak, the Finance/Facilities Committee agreed to forward to the January 28, 2013 Consent Agenda for approval the recommendation for the Redesign of Information Technology Service Delivery.

**Report on Procurement Review Team Conceptual Design.** Ms. Wyke and Mr. Chip Gavin, System Director of Facilities Management and General Services, provided an overview of the report on the Procurement Review Team Conceptual Design. The selected key milestones to date are as follows:

- January 2012: Third-party consultant completes first year assessment of Maine Street Marketplace eProcurement tool and estimates calendar year 2011 savings at $509,225 (152% of goal). Information on calendar year 2012 savings expected prior to April 1, 2013.
- January 2012: Board of Trustees adopts formal Goals and Actions including Directive III. F to reallocate savings from administration and infrastructure to teaching, research and public service.
- July-November 2012: Review Team formed and begins work. Work includes reaching out to stakeholders, conducting research, identifying best practices and likely areas of key recommendations.
- December 2012: Team adjusts overall schedule to facilitate increased communication. Team visits each campus to share emerging recommendations and request feedback. More than 200 people participate in campus visits.
- January 2013: Update provided to Board of Trustees & Presidents Council
- February 2013: Recommendations refined and finalized. On-going communication with the University Community
- March 2013: Final Report planned for Finance and Facilities Committee and full Board of Trustees

The following are the emerging recommendations in identified key areas:
• Procurement of Specific Goods and Services
  o Improve the procurement of specific goods and services, including but not limited to travel, electricity, and janitorial products, identified by prior and current reviews. Adopt mechanisms for the continuous flow of such improvements.
  o Improve or establish mechanisms for exception process that provide flexibility for unique procurements. Develop a better process for promoting communication from shoppers about goods or services where they believe additional savings could be obtained.

• Purchasing Card Administration (Pcard)
  o Unify administration of Pcard program by redefining it as a single System-Wide program. Ensure availability of Pcard as a purchasing tool in the context of Board policy and statutory obligations that establish competitive public procurement as the standard procurement method of the University of Maine system.

• Structural Organization
  o Establish a single unified strategic procurement structure as a System-Wide service. Eliminate duplication and fragmentation of effort, reduce full-time equivalent position count, improve services and strengthen support. There are 45 positions (34 FTE) currently involved in procurement activities which the team expects could be impacted.

The Administrative Review for Strategic Procurement detailed recommendations, time line, implementation costs, and savings estimates are in progress and the Review Team expects to have those estimates when it reports to the Board of Trustees in March.

On a motion by Trustee Turner, which was seconded by Trustee Hadynaik, the Finance/Facilities Committee agreed to forward to the January 28, 2013 Consent Agenda for approval the conceptual direction of Administrative Review Team on Strategic Procurement as presented and discussed by the Finance/Facilities Committee at January 15, 2013 meeting and requests a full report be presented at the Board meeting in March 2013.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk