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**IOWA'S PUBLIC UNIVERSITIES
COST-SAVINGS AND EFFICIENCIES REVIEW PROJECTS**

Action Requested: Consider approval of the proposed inter-institutional cost-saving and efficiency review projects.

Executive Summary: At the March 24, 2010 Board of Regents telephonic meeting, President Miles acknowledged the significant work Regent institutions have done to increase efficiency and enhance productivity and, with support of the Board, directed the institutions to continue their pursuit of excellence. The Regent institutions are to explore further inter-institutional initiatives for cost savings and efficiencies and engage in effective collaborations and consolidations in the areas of Information Technology (IT), Purchasing, Human Resources (HR), and Facilities. Several proposals are being presented for Board consideration and approval.

PROJECT	TIMELINE	PROJECTED SAVINGS
Information Technology		
Software Licensing	6-12 months	\$25,000 - \$50,000 annually
Joint Software/Hardware bids	3 months	\$34,000 - \$85,000 annually
Consolidated E-mail	3-6 months	\$100,000 - \$150,000 annually
Purchasing		
Joint Purchasing Contracts	By Fall 2010	Minimum \$700,000+ identified
SciQuest Spend Director/Sourcing Manager	3-4 months	Minimum \$275,000
ProTrav Procurement/Travel system	3-4 months	TBD
Human Resources		
Leave Management	6 months	TBD
Workers Compensation	4-6 months	\$400,000 - \$700,000 annually
Life and AD&D Products	2-4 months	TBD
Facilities		
Standing Contracts for Equipment	3-6 months	\$50,000 annually
Electronic Bid Documents	6-12 months	\$500,000-\$600,000 annually
Alternate Delivery	3-6 months	\$5,000,000 annually

TBD – To Be Determined

Background: University personnel and Board Office staff convened two inter-institutional retreats to share best practices and discuss ideas on collaborations/consolidations based on the March directive and guidance.

Statement: The Regent Universities continue to enthusiastically support collaborative initiatives that yield efficiencies within and between the Regent institutions. The Regent universities will continue to effectively engage in efforts to substantially reduce university costs and/or enhance the quality of services and programs. The principles and process will guide the evaluations of proposed initiatives and focus each using data to drive decisions. This will ensure that limited resources will legitimately produce substantial savings, and/or enhance quality of services and programs.

Guiding Principles:

- Collaboration/consolidation efforts must maintain or improve the quality and effectiveness of each university.
- Collaborations/consolidations should not introduce complexities or risks to infrastructure, business processes, or end-user experiences.
- No university should pay more for a service or product than they could otherwise obtain on their own.
- Collaborations/consolidations should occur where they make sense. Given the differing missions of the universities, some projects may only involve two institutions.

Process:

- A limited number of projects will be selected for evaluation, based on the interinstitutional assessment of a project's likelihood for success.
- Each proposed project will be evaluated for:
 - Potential cost savings and time to recoup investment
 - Impact on staff effort to complete project
 - Project timeline
 - Impact on existing infrastructure
 - Impact to university business processes
 - Impact to students, faculty, and staff
 - Impact on Board of Regent policies, state statutes, existing contracts with vendors, and organized labor agreements
- Selection of projects for implementation will be approved by each university; funding and staff will be identified, and a detailed work plan will be developed to achieve the specified outcomes.

Leaders from each of the major operating units (IT, Purchasing, HR, and Facilities) evaluated the following project recommendations for potential savings/efficiencies based on the guiding principles. A third retreat was held with Vice Presidents of Business and Finance, University Directors and Board Office staff to discuss and prioritize the proposals.

Presented in the following pages by operational area is background information on recent efficiency efforts and proposed new projects. Timelines and potential savings are estimates as sufficient information is not yet available to make reliable projections.

INFORMATION TECHNOLOGY

Information Technology is deeply integrated into the core missions of the universities: teaching, research, and service. The technology required to support cutting-edge research or provide engaging educational experiences for tens of thousands of graduate and undergraduate students is complex and unique. In order to be successful, the universities must design, develop, integrate, and operate their systems in ways that are tailored to and focused on their core missions. IT also plays a critical role in patient care and the efficient operation of the University of Iowa Hospital and Clinics.

The universities are successfully managing information technology and keeping pace with the explosive growth and use over the last 10 years. This has been accomplished with essentially flat budgets by constantly employing new efficiencies and increased effectiveness. Long term, the most value will be in the continued collaboration and avoidance of future costs through reducing duplication of effort, sharing solutions and ideas, and jointly implementing new technologies.

Recent efficiencies in IT include:

- *BOREAS-Net* – SUI and ISU, along with the University of Minnesota-Twin Cities, and the University of Wisconsin-Madison have developed a very high-speed regional optical network to support education and research. *BOREAS-Net* provides connections between the universities and national research networks as well as access to low-cost Internet bandwidth in Chicago. The Regent universities supply bandwidth to the state’s ICN thereby allowing the ICN to reduce costs.
- Server Virtualization – Virtualizing a traditional server can save hundreds to thousands of dollars in initial costs and several hundred dollars a year in operational costs. Virtualization can result in a 20-to-1 or higher reduction in the number of physical servers, which significantly decreases costs for maintenance, support, and utilities. Current annual savings for each of the virtual servers is estimated to be about \$1,000. The use of servers across the three campuses continues to grow and currently exceeds more than 400.
- PC Bid – Working with purchasing departments, this award to Dell resulted in desktop PC prices more than 50% below standard higher education discounted prices, and about 20% less than any other government or purchasing group pricing to which the universities have access. At this discount level, it is estimated this single joint contract saves the three universities more than \$14 million annually.

Another indication of efficiency can be found in comparison with peer institutions, where all three universities consistently rank near the top in terms of productivity and efficiency. .

Measure	UNI Rank	ISU Rank	SUI Rank
ITS <u>funding</u> per faculty, staff and student	2 nd Most Efficient of 9 Peers Reporting	3 rd Most Efficient of 11 Peers Reporting	2 nd Most Efficient of 8 Peers Reporting
<u>Headcount</u> supported per FTE ITS worker	3 rd Most Efficient of 9 Peers Reporting	2 nd Most Efficient of 11 Peers Reporting	1 st Most Efficient of 8 Peers Reporting
<u>Computers</u> supported per FTE ITS worker	3 rd Most Efficient of 9 Peers Reporting	2 nd Most Efficient of 11 Peers Reporting	1 st Most Efficient of 9 Peers Reporting

Proposed Projects

1. Software Licensing

Project - Technology is used on each of our campuses that allows for select software titles to be licensed based on concurrent usage, instead of requiring that a license be purchased for each computer on which the software is used, thereby lowering software acquisition costs. Not all vendors allow this type of licensing, but it generally works well for software that is more expensive or used only occasionally, making it hard to justify purchasing copies for low use. Examples include: graphic design packages like Adobe Photoshop, statistics packages like SPSS, and Computer-Aided Design packages such as AutoCad.

This project will assess the feasibility of using a Regent-wide shared pool. Savings may be increased if universities can expand the number of software titles licensed this way, as well as the number of users sharing in the pool. The universities additionally propose to investigate whether a Regent licensing system could be expanded to benefit Iowa's community colleges and private colleges and universities as well.

Timeline - The assessment of this project is expected to take between 6 and 12 months.

Savings – The incremental savings on the Regent campuses could be in the \$25,000-\$50,000 range but has the added benefit of making more software available to people who do not have access to it now. If it is technically and legally feasible to expand to the community colleges and private higher education institutions, the benefits and cost savings could be exponential.

2. Collaborative IT Purchasing and Contracts

Project - The Regent IT and purchasing departments currently collaborate and jointly bid major IT purchases for products used on all three campuses and, as a matter of standard practice, include provisions to pass on pricing obtained by individual institutions to the others. Examples of recent joint bids include the annual Microsoft Campus Agreement licensing, annual bid for PC purchases, a bid for CISCO networking gear, and the Dell PC bid outlined above.

This combined IT and purchasing project would examine extending collaboration on joint competitive bids to other software and hardware purchases that make sense and increase the likelihood that new contracts meet the requirements of all institutions.

Timeline – It is expected that a review could be completed in 3 months.

Savings –The State Technology Collaborative Purchasing Task Force identified seven vendors with potential for collaboration, representing \$38M in statewide spending. Of those seven, the largest three, representing 78% of the total spending or \$29.8M, are already under a joint Regent contract or make the master contract pricing available to the Regent universities; leaving little opportunity for further savings. Of the remaining vendors, two, representing \$1.7M annually in total Regent spending, appear to have potential for cost savings via collaboration at the Regent level. The intent is to pursue these vendors and also look for other opportunities that would be unique to the Regents (outside of the State Technology Collaborative Purchasing Task Force). Until formal vendor engagement, savings cannot be assured, but estimates in the 2-5% range would yield \$34,000 to \$85,000 in annual savings. Newly identified opportunities could also yield similar results.

3. Consolidated E-mail

Project - This effort is to identify opportunities to reduce costs by consolidating services or developing joint strategies for outsourcing. The Regent universities individually provide e-mail service for students, faculty, and staff - nearly 100,000 constituents.

Timeline – Feasibility and potential cost-savings analysis will take between 3 and 6 months.

Savings – Maximum annual savings by completely outsourcing student email is approximately \$40,000. If the most extreme solutions are implemented, that is, completely outsourcing all faculty, staff and student e-mail, the maximum annual savings is in the \$100,000 to \$150,000 range. Actual savings will likely be lower and can only be determined after further analysis.

PURCHASING

Regent universities have engaged in collaborative purchasing for many years. These continued joint contracting efforts currently produce annual savings of \$44 million. An additional \$20M in combined savings in FY 2009 was derived from strategic sourcing efforts on the individual campuses by transferring purchases to master agreements, competitive bidding, negotiating additional rebates and standardization on products. The overall dollar savings of \$64M, or 6.4% of the total combined Board of Regents purchases, is remarkably higher than the national Best Practice in Higher Education of 2% savings on annual procurement spend. In addition, it far exceeds the Average Best Practice in the Private Sector of 3.75% savings on annual procurement spend.

Over 65% of the total Regent purchasing spend is managed through strategic partnerships with vendors (strategic sourcing). On average, the Regent universities' cost to process a dollar of spend through central procurement is \$.004, under benchmarks in the private sector at one-half a cent (\$.005).

Recent purchasing efforts led to:

- Electronic procurement systems – e-Procurement is the purchase and payment of goods and services through a 100% electronic system. Efficient use of technology allows for reduction and/or reallocation of resources and increased productivity, allowing staff to respond to higher value-added activities.
 - SUI has been able to reduce staff by 5 permanent and 10 temporary FTEs over the last ten years. In addition, 6 FTEs have been reassigned and retained on increasingly higher technical tasks to support operations.
 - ISU has been able to reduce 4.25 FTEs over the same period and reassigned 2 FTEs to support these systems.
 - More efficient use of technology at UNI has allowed permanent staff reductions of 2 FTE, while purchases have increased by 44% in the last 5 years.

Productivity at the campus level has increased due to the elimination of paper-based processes. Researchers spend less time comparison shopping and can focus more time on their research.

- Procurement cards – Universities use procurement cards for low-dollar expenditures and travel expenses. Regent institutions have 5,211 p-cards spending \$93M in FY 2009. SUI's procurement card program is listed as *Best in Class* by US Bank. Renegotiation of the contract in 2008 resulted in a higher rebate rate, and a signing bonus of \$100,000. New negotiations in 2010 will extend this contract to include the Department of Administrative Services (DAS) and all political subdivisions. Additional rebate revenues of \$100,000 per year are expected.
- VMWare - A Regent-wide Enterprise licensing agreement resulted in savings of \$1.6M over five years.
- UNI and SUI jointly saved \$50,000 to \$100,000 through the joint Prime Food Vendor contract by negotiating additional discounts and standardizing on food products.
- Joint negotiations for a student housing system resulted in an additional \$40,000 for UNI and SUI.
- ISU extended their master agreement with CDW, provider of information technology products, to the other Regent Institutions and the Department of Administrative Services for an additional savings for all.
- A joint competitive bid for office supplies was completed through the Iowa BioTech Association for ISU, UNI, SUI, DAS, DOT and other private members of the IBA. The resulting master agreement will save a minimum of \$291,000 over the prices paid in 2008 and an additional annual savings of \$300,000 at SUI from reduction in cost of an onsite vendor representative.
- A joint competitive bid for bio-safety cabinets for ISU, UNI, SUI and DAS was awarded and will result in a savings of \$6,000 to \$15,000.
- Standardization and renegotiation with medical suppliers resulted in \$4.9 million in annual savings for UIHC.

Proposed Projects

1. Joint Purchasing Contracts

The Regent universities have a long history of cooperative contracting efforts that began in 1989. Joint Regent contracting became a focused priority in 1992 at the Board's direction; since then purchases through joint contracting efforts have grown rapidly. In FY 2009, combined Regent contract spend through joint contracting totaled \$256 million, an increase of 152% over the previous ten years.

As multiple cooperative contracts have been developed over time, fewer opportunities exist as candidates for further collaboration. Spend analysis by each institution shows that only a small amount of spend may be a candidate for new cooperative contracting, and at most would result in a conservative savings of an additional \$700,000 of joint Regent contract savings spread over multiple projects, each with relatively smaller individual savings. On a conservative basis, the resource commitment increases by a factor of 4 for collaborative efforts and must be weighed against the need to respond appropriately and in a timely manner to campus customers.

Over the last five years, Regent purchases on Department of Administrative Services state contracts have doubled to almost \$10 million per year. In the same time period, Regent purchases from Iowa Prison Industries have tripled to over \$2 million annually.

Joint Purchasing Contracts to explore:

Joint Contract	Participants	Completion Date	Savings
Bio safety cabinets	All	Awarded	\$6,000-\$15,000 annually
VM Ware software	UNI, SUI, ISU	Awarded	\$1.6 million over 5 years
Office supply contract	UNI, SUI, ISU, DAS, DOT	Final contract negotiations	Minimum of \$291,000
Procurement card services	UNI,SUI, ISU - Adding DAS and political subdivisions	April 30, 2010	\$100,000 additional rebate for DAS
Emergency Disaster Services	UNI, SUI, ISU, DAS, DOT	April 30, 2010	TBD
Green cleaning supplies and trash bags	UNI,SUI - ISU under contract	April 30, 2010	TBD
Maintenance service contracts	UNI, SUI, ISU, DAS	June 30, 2010	TBD
Strategic partnership for furniture	UNI, SUI -ISU under contract	Fall 2010	TBD
Cell phone service contracts	UNI, SUI, ISU, DAS	October 31, 2010	TBD
Maintenance, repair and operations(MRO)	UNI, ISU - SUI under contract	June 30, 2010	TBD

2. SciQuest Spend Director and Sourcing Manager

Project -

- o *Spend Director* is a third-party software that is designed to host existing master contracts and provide a market place for purchases. This system is currently operational at ISU and SUI. Both DAS and UNI are interested in this technology. Discussions with the vendor will continue to determine if a joint pricing model would result in additional savings.
- o *SciQuest Sourcing Manager* is a third-party software designed to provide an end to end electronic bidding system. SUI currently uses this system. Both DAS and UNI are interested in this technology; ISU already has an internal solution. Discussions with the vendor will continue to determine if a joint pricing model would result in additional savings.

Timeline – Feasibility to be determined by July 31, 2010.

Savings – Net savings is defined as total increased revenue plus contract compliance savings less software license fee. Projected savings for Regent institutions are:

Regent Institution	Net Annual savings
University of Iowa	\$150,000
Iowa State University	\$75,000
University of Northern Iowa	\$50,000

3. **ProTrav – SUI Procurement and Travel System**

Project – Review procurement management software.

ProTrav is an SUI internally-developed application designed to manage procurement card and travel expenses. A group of individuals will be assigned to review the system capabilities, determine if the system could be made portable and delivered to ISU, UNI and DAS for their custom use.

Timeline - Feasibility to be determined by July 31, 2010.

Savings – Conservative estimate of savings for UNI is \$11,000 annually. Savings to be determined for DAS and ISU.

HUMAN RESOURCES

Recent cost-savings for Human Resources have come from the following:

- Early Retirement Incentive Programs – The FY 2010 programs attracted 663 participants. Estimated savings are \$127M over 5 years.
- Employer Retirement Fund Match – The employer contribution for TIAA-CREF retirement program was lowered from 10% to 8% yielding a projected savings of over \$13M in general education funds over the effective period (FY 2010 & 2011)
- For SUI, overall health, dental, life and disability coverage modifications being phased in over three years, and culminating in calendar year 2011. These modifications will lower the fringe benefit rate for the next year by \$2.4M in general education funds and \$10M over all funds.

Proposed Projects

1. **Leave Management**

The most common Best Practice in leave management being implemented across all industries is a Paid Time Off (PTO) program. According to 2009 data, nearly one-third of U.S. companies now use a PTO bank for annual leave as opposed to overseeing separate accrual and use programs for sick, vacation, personal days, and in some instances, named holidays. Progressive companies have gravitated to PTO solutions in that it offers employers clear financial and administrative advantages including reducing unscheduled absences and providing employees with enhanced flexibility - an important driver of employee satisfaction and engagement.

Project - The universities will explore alternative policies and procedures for leave management. Currently all institutions follow the Iowa Code for sick leave accruals. Vacation leave accruals conform to collective bargaining agreements or Board of Regents policies. A study of a Paid Time Off model for paid leave as a method to control costs while maximizing flexibility and benefits for both the employees and the universities could be a good alternative. The universities will research best practices, models, pros and cons, considerations of the various employee groups, legal issues, and unique needs of each university, and determine if it would be feasible to move forward with a recommendation to pursue developing parameters for

a modified leave management plan.

Timeline - A preliminary assessment is expected to take 6 months. Concurrently, the universities will engage in the design and implementation of educational training at the three institutions on appropriate use and administration of various leave benefits.

Savings – To be determined.

2. Workers Compensation

Reducing administrative layers, communication loops, rework, and needless complexity can often lead to an improved business process, both in terms of greater efficiency and lower cost. An analysis of the current state workers compensation system has the potential to yield a less bureaucratic model at a lower cost per institution, while delivering a quality service and case management outcomes.

The universities and all other state agencies currently participate under the State of Iowa Department of Administrative Services workers compensation program which is managed by a third-party vendor, Sedgwick. The State sets the rate for each university, which is based on claims, adds an administrative fee, Attorney General fees, and a factor for total payroll.

Project - The project will assess the feasibility of moving to a Regent system using a common vendor specifically for the Regent institutions to produce financial savings and greater effectiveness. Additionally, the project will identify the necessary steps required to accomplish this change.

Timeline – This study is expected to take between 4 to 6 months.

Savings – Projected savings for the three universities is \$400,000-\$700,000 annually.

3. Life and Accidental Death & Dismemberment (AD&D) Products

The universities currently use a common insurance vendor, Principal Financial Group, for life insurance with unique design features under each university plan. All three universities contribute towards the cost as follows: UNI \$274k, ISU \$2.06M, and SUI \$9.9M annually.

The universities have unique funding arrangements with Principal Financial Group on its insurance products. For example, under the UNI and SUI's plans, an annual dividend and interest payment is received based on actual experience. This return has proved advantageous to UNI and SUI over the years vs. the reduced-rate option that ISU has selected to fit their respective needs. All three schools wish to find a future funding model with the most potential to successfully hold institutional costs down at each respective institution.

Working with Principal Financial group, the universities will determine if there are potential advantages to combining into one large group for rating purposes, and whether any change would yield significant financial savings. There is interest in evaluating a reduction to the life insurance benefits for faculty and staff. The primary obstacle to a reduction in benefits is union contract language.

Under AD&D, ISU and UNI use Principal, while SUI uses Zurich. SUI has a voluntary plan with no employer contribution for the AD&D plan, while both ISU and UNI contribute towards the

cost. Each university has unique plan design features. There is interest in looking at a common vendor and evaluating the employer contribution practice that occurs at ISU and UNI. Currently, ISU contributes \$361K and UNI \$78.6K annually.

Timeline - Project is expected to take 2 to 4 months.

Savings – To be determined.

FACILITIES

University facilities staff engage in effective facilities and utilities collaborations and consolidations regularly. Collaborations that are already in place include:

- Arc Flash requirements
 - On-going collaboration to develop arc flash procedures and develop hazard risk categories for affected job classifications. Potential exists for developing a single joint contract for personal protective equipment, arc flash clothing, and high voltage tools. Preliminary evaluation of joint contract arrangement indicates potential savings of \$20,000 to \$30,000.
- Water treatment
 - The BOR institutions spend \$1M annually for water treatment chemicals and on-site chemical related services. A single joint contract has been developed to purchase these chemicals and on-site services. This contract saves the BOR institutions about \$75,000 annually.
- Ash disposal monitoring
 - The BOR institutions spend \$1.5M annually for ash disposal services. There is on-going collaboration in the monitoring of a common ash disposal site in Blackhawk County. All costs are shared by the institutions and this enhances consistency and cost efficiency in developing monitoring plans, paying for monitoring wells and coordinating ground water testing. This collaboration has resulted in about \$20,000 in savings this year.
- Combined Heat and Power (CHP) power plants
 - All three institutions operate combined heat and power plants. These plants operate in a cogeneration mode, which is 20-30 percent more efficient than traditional power plants that supply only electricity. This results in higher efficiencies, lower costs, and lower emissions.
- ISU and UNI share capital project collaboration software
 - ISU and UNI use capital project collaboration software to manage capital projects and to coordinate design documents, construction documents, correspondence, and other interactions between the owner, architect, engineer, and contractors. This software allows for reduced paper and enhanced interactions in the management of capital projects. ISU has collaborated with UNI to share this software product, with ISU hosting. This has resulted in an estimated \$200,000 in combined savings for ISU and UNI by reducing software licensing fees and personnel savings resulting from increased efficiency. ISU has met with both the Iowa DOT and Iowa DAS to

demonstrate how project collaboration systems can be used to increase efficiencies and share best practices.

- Sustainable Design and Construction:
 - The Regent's institutions developed an inter-institutional goal to ensure that sustainability is incorporated into all construction and renovation projects. Committing to the LEED standards for the environmentally sustainable design, construction and operation of buildings reduces the total cost of ownership for these buildings by lowering operating costs, increasing project quality, and reducing energy consumption.

Proposed Projects

1. Standing Contracts for Equipment

Project - Equipment and services used by all of the Regent institutions includes custodial equipment, lawn equipment, maintenance tools, valves, meters, high voltage cables, limestone, ash disposal, engineering services, recycling services, etc. By identifying the types of tools and equipment purchased, and combining quantities for bids in collaboration with purchasing operations, the universities may be able to achieve lower prices and quantity discounts based on total estimated purchase volume.

Timeline – Assessment is projected to take 3 to 6 months.

Savings - Based on preliminary estimates, this may save \$50,000 annually.

2. Electronic Bid Documents

Project - The trend in the market has been to move to electronic bid documents and away from printed sets. Savings may be realized if bidders are provided with electronic documents downloaded from a web site. Significant savings are anticipated from vendor and specialty contractors who only need to print a few pages for their bids. This project will assess best practices at peer institutions, the market's receptiveness to change, and the potential cost savings. This would require a revision to the Iowa Code.

Timeline - The assessment is expected to take between 6 and 12 months

Savings - The potential savings is estimated between \$500,000 and \$600,000 annually.

3. Alternate Delivery

Project - Iowa is one of only a few states solely requiring a design-bid-build process for public capital improvement projects. The Regent institutions would like to explore expanding construction delivery methods to maximize the value of construction investments, shorten project timelines and better manage risk as a way to minimize costs. This would include such approaches as integrated project delivery, design-build, construction manager-at-risk and other delivery methods used in higher education.

With multiple delivery strategies, the universities would be able to use a "best fit" approach to

meet the needs of a wide variety of construction types and customer requirements. This item would require a revision to the Iowa Code.

Timeline - The inter-institution exploration of the expansion of construction delivery methods is anticipated to take 3 to 6 months.

Savings - Cost savings of \$5 million per year are possible.

SUMMARY

The scope of the proposed reviews focuses on enhancing the operations of the Regent universities, with projects chosen for their savings potential. Further review of operations will continue as the Regent institutions explore cost-savings and efficiencies.

Several operations, including Fleet, Printing and Risk Management, continue to participate in collaborative arrangements which are an integral part of our cooperative efforts. These collaborative and cooperative efforts have been in place for several years, and the larger cost reductions have already been realized.

As a result of this recent cost savings initiative a more specific review was conducted by the three universities. At this time the savings opportunities are minimal; however the universities will continue to pursue collaborative arrangements whenever the opportunity exists.