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### **OPERATIONS EFFICIENCY REVIEW AND COORDINATION**

**Action Requested:** Receive reports on steps taken and progress made towards operations efficiency review and coordination as requested by President Miles in a statement issued December 16, 2009.

**Executive Summary:** President Miles directed that this institutional review would include, but not be limited to, (1) the recommendations contained in the *Iowa Efficiency Report*, (2) the recommendations adopted by the State Government Reorganization Interim Commission, and (3) the provisions of Governor Culver's Executive Order 20. The review should also encompass the potential for greater inter-institutional cooperation that would achieve a net cost savings, as well as further cost saving refinements that can be made in benefits and compensation systems.

**Background:** In August, 2009, Public Works, LLC was hired by the Governor to perform an efficiency review of operations; the Board of Regents being a major focus. Regent institutional staff and Board Office staff provided materials to the consultants over the next several months. The scope of the review and short timeline did not allow Public Works to meet in depth with institutional staff.

On November 13, 2009 Executive Director Donley received a draft list of 19 recommendations for the Board of Regents from Public Works saying,

“Before finalizing any recommendations, however, we would like to solicit your input concerning the appropriateness and relevance of these recommendations; their potential impact/effect on the Regents and its institutions (core mission, programs, functions, operations and activities); and the projected cost savings to be achieved (one-time, annually and over a five-year span).“

Regent institutions and Board Office staff produced the document *Regent Support of and Participation In Iowa State Government Performance Review* and submitted it to Public Works on December 4, 2009. That document is available at:  
<http://www.regents.iowa.gov/news/emailcommunications/2009/120709PWCoverLetter&ExecSummary.pdf>

On December 8, 2009, Governor Culver released the report of the consultant Public Works review for efficiency and cost-savings. Consecutively, the Legislative Interim Committee on State Government Reorganization, studying similar issues, released their recommendations:  
<http://www.legis.state.ia.us/lsadocs/IntComHand/2010/IHTCM017.PDF>

The Regent institutions and Board Office staff are reviewing all recommendations to identify what continuing and new efforts can be made to respond to the Governor's, the Legislature's, and the Board's need for efficiencies and cost savings.

The 19 recommendations shared by Public Works are:

- Creation of a cabinet-level IT agency, accompanied by the consolidation of IT planning and operations
- Consolidation of all state e-mail systems
- Consolidation of wireless equipment carriers
- Increased use of “thin-client” technology
- Adoption of a statewide professional services contract for IT services
- Adoption of a statewide IT and office equipment maintenance contract
- Increased e-filing IT solutions
- Improved fleet management practices, including fleet reduction and policy changes governing mileage, take-home privileges and vehicle auction
- Required purchasing from master contracts, except in unique circumstances such as discounted pricing for educational institutions, as in the case of the Dell laptop contract
- Centralized real estate leasing and property management
- Sale of unused and other under-utilized assets, albeit contingent upon current market status and values
- Consolidation of print shops and mailrooms
- Reduction in purchased periodicals and subscriptions
- Reduction in use of and expenditure for professional consulting services such as engineers and architects
- Energy efficiency retrofits for all state buildings
- Provision of early retirement incentives
- Required use of direct deposit by all new hires
- Required family enrollment in health insurance when spouses are both employed by the state
- Elimination of health benefits for Regents employees working less than 20 hours per week

#### Initial Phase

Through the balance of December and early January, Regent institutional business and finance, purchasing and IT staff have been meeting to map out areas for exploration as they work through the efficiency review and reorganization recommendations.

#### A. IT Systems

The first seven recommendations of Public Works Iowa Efficiency Review deal with the function of Information Technology. These recommendations IT look very familiar to the universities, having implemented most of the ideas on each of the campuses with generally positive results. On December 15, 2009, the Chief Information Officers of the three public universities and other Regent staff met with their counterparts from state agencies to discuss centralization. Regent universities have significant recent history in managing this process on campus and led the discussion. The universities’ IT staff have offered their experience and expertise and are eager to discuss any initiatives that will improve the capabilities of the campus IT infrastructure as well as reduce the aggregate cost of the IT services they support.

IT staff has participated in two State IT Redesign committee meetings in January, seeking the appropriate intersection between the State IT system and the universities’.

- Creation of a cabinet-level IT agency, accompanied by the consolidation of IT planning and operations
  - Regent universities' IT staff support the scope of this recommendation in bringing together the various state agencies where savings and/or improved services can be delivered. Having collaborated on other IT projects in the past, Regent IT believes they have a role to play. One goal of this relationship would be more comprehensive disaster recovery systems.
- Consolidation of all state e-mail systems
  - Regent universities support about 100,000 constituents with e-mail service. They are in the process, or have accomplished, moving students to free e-mail service. Moving faculty and staff e-mail to a free service is still under analysis to ensure that constituents' needs and compliance with all applicable laws and regulations are met. Actual savings are projected to be approximately \$142,000 annually. The State has only 4,000 e-mail "boxes" and is seeking consolidation of another 20,000 from state agencies. They have not identified the type of service needed or provider criteria. Regent staff has volunteered to share lessons learned that may shorten the timeframe for the state. Universities could help the State sort through options (including Google) and get to the underlying costs.
- Consolidation of wireless equipment carriers
  - A task force of purchasing and IT staff will pursue collaboration. A vendor has been identified that may help analyze vendor services, costs and billings independent of any service provider.
- Increased use of "thin-client" technology
  - Server virtualization is being aggressively pursued by all three universities. Virtualization efforts typically result in a 30-to-one ratio of virtual to physical servers. The State is still heavily invested in mainframes and discussions have begun concerning ways the Regents can assist/support the State's infrastructure, possibly by migrating State applications to whatever residual university mainframe exists in the future.
- Adoption of a statewide professional services contract for IT services
  - Regent universities don't typically employ programmers, using contracts for specialized vendor services. We are interested in working with the State on an RFP for services that Regents could access when applicable.
- Adoption of a statewide IT and office equipment maintenance contract
  - We do not believe that a single maintenance contract can provide the flexibility the Regent institutions need, but are open to exploring with state purchasing and IT.
- Increased e-filing IT solutions
  - Over the past 15 years, the Regent institutions have invested heavily in the electronic collection, processing, and reporting of information through a variety of web and portal technologies. These efforts improve service to our constituents and in some cases have saved money. We support state initiatives to increase digital technology to improve service to the residents of Iowa and will seek ways in which to help.

B. Fleet Operations

The Regent institutions seek best practices in operating a fleet. Our goal is to optimize services while achieving the lowest possible average cost per mile as determined through a series of fact-based analysis. We have made significant commitments to the Governor's initiatives on the use of alternative fuels and mileage reductions, while reducing carbon and other combustion emissions.

We will be working with DAS and DOT to identify concepts ranging from better analysis of fleet movement through GPS tracking to optimizing auction sites – on site and virtually. Verbally, Public Works acknowledged that the rationale behind the Regent's mileage standard was sound. We will work with other state fleets to explore various methodologies for retention and sale. Regent institutions have committed staff to this task force.

C. Collaborative Purchasing

The Board of Regents endorses a collaborative approach between Regents and DAS. Purchasing staff continually share opportunities for cost savings and collaborations, and meet quarterly with state agencies to review progress. The Regent institutions are committed to the success of these meetings. Current collaborations underway include:

- Vendor analysis
  - *SciQuest* – a software to monitor vendor contracts has been or is in the process of being implemented at the three public universities. Regent Purchasing staff have introduced the product to DAS Purchasing and they have expressed an interest in reviewing the software.
  - Spend Analysis – is the process of collecting, cleansing, classifying and analyzing expenditure data with the purpose of reducing procurement costs, improving efficiency and monitoring compliance. DAS is becoming familiar with the functionality of a spend analysis tool, *ARIBA*, and will give an in-depth demonstration of the product to the Regent institutions once it is being used more fully. SUI is one of ten universities working with The Advisory Board on an analysis tool called *Spend Compass*. Results of this project will also be shared. While university spend is very different from state spend, the focus would be identifying tools that can help in benchmarking.
- Emergency/Disaster Services – a task force of university purchasing and risk management staff and their counterparts with DAS and DOT are exploring agreements with strategic vendors for emergency and disaster recovery services using the combined purchasing power of all State Agencies, and reducing the amount of time and resources required by purchasing staff to negotiate such contracts in the urgency of a disaster.

This process will produce real dollar savings, since there currently are not any such contracts in place at any of the state agencies. Volume of spend in this particular category of services is not relevant, since it is rare that all agencies will require such services at the same time for the same disaster. The savings from this process will result from reducing the time required for each agency to issue an RFP and produce savings by having pre-negotiated services.
- Technology Collaboration Task Force – identified 7-8 IT vendors used in common by Regent institutions, DAS and DOT that will be approached to establish multi-year master purchasing agreements or extend existing agreements to other agencies. Until this procurement process is complete, actual savings cannot be determined, but are expected to be minimal.
- Discussions and contract comparisons are ongoing with SUI and DAS related to the Regent Express and Ground Freight contracts, and Procurement Card Agreements.

**D. Real Estate Leasing and Property Management and Sale of Surplus Property**

The Regent universities support regular review of all leases, facilities and property. Board policy requires a broad overview of the facilities at each of the Regent institutions and the condition of those facilities with a focus on accountability and effective stewardship. The latest Annual Facilities Governance Report is part of the February 2010 docket, Consent Item 6j.

Regent institutions will update inventory of these assets and review the status of each. Properties will be reviewed for how they fit into campus Master Plans and anticipated future development of the campuses.

Properties with potential for sale will be brought to the Board of Regents for discussion and possible approval. Original funding sources will be identified so that handling of sales proceeds can be determined.

**E. Consolidation of print shops and mailrooms**

Regents have already taken major steps in consolidating printing and mailroom operations.

Printing functions use emerging technologies to provide core printing needs at a lower cost than the private sector. Outsourced jobs/services are competitively bid.

SUI and ISU have centralized parcel and postal services, use joint Regent and university contracts for expedited freight shipments (which are under discussion with State purchasing as noted above), and partner with the State Capitol Complex for mail going to state departments.

UNI uses both SUI printing and mailing services at a significant cost savings. SUI Printing provides copy services for the Iowa City Community School District enabling the school system to eliminate in-house print shops and a full-time position.

Consolidation beyond geographical areas would not generate savings and would not meet timeliness demands. Further collaborations with other state and local entities may be explored if excess capacity exists.

**F. Reduction in purchased periodicals and subscriptions**

Due to budget reductions, Regent universities have done this. ISU eliminated 500 periodicals/subscriptions for academic and research purposes this year despite requests for 250 new ones.

As electronic options become available, Regent universities reduce paper copies; electronic subscriptions also allow for more users simultaneously.

Further review is not warranted.

**G. Reduction in use of and expenditure for professional consulting services such as engineers and architects**

Most professional services are short-term in nature and engaged to address a particular need or project, offering expertise not available on campus.

Through an inter-institutional committee, Regent staff are investigating possible savings in consulting services.

H. Energy efficiency retrofits for all state buildings

Regent institutions look forward to collaborating with the Office of Energy Independence to review energy efficiencies and furthering efforts to reduce energy consumption per square foot and offset rising energy costs.

With a focus of low-cost, high return improvements, energy efficiency is incorporated into all construction and renovation projects. Typically, in order to produce energy savings, resources must be spent up front, which is a limiting factor to how much can be accomplished each year. The return on investment, in the way of savings, occurs five to seven years later.

The annual Campus Sustainability Plan report, targeted for April, will document progress in this area.

I. Provision of early retirement incentives

The Regent institutions adopted ERIP at the beginning of the fiscal year as a response to significant budget cuts. These programs have been non-entitlement window incentive options. Results of these programs are found in Agenda Item 14 within this docket.

Continuation of retirement programs will be considered if savings can be anticipated.

J. Required use of direct deposit by all new hires

Direct deposit participation falls between 95-98% at the Regent institutions. Savings from 100% participation would be minimal, but Regents will work towards that goal.

K. Required family enrollment in health insurance when spouses are both employed by the state

Regent institutions continue to search for cost savings in health insurance. There are difficulties in tracking spousal choices at different state institutions/agencies and developing enforcement procedures.

For those employees in the AFSCME union, the Regent institutions are obligated to comply with health insurance plans as negotiated by the state. We look forward to working with the state in lowering these costs. An initial review of those state-covered employees within Regent institutions indicates an increase in employer cost for family enrollment.

Each of the Regent institutions provides coverage through self-insurance plans based on the mix of employees within each university; the University of Iowa has some plans tied to medical care provided at the UIHC. These self-insured plans would likely not realize savings for the state.

L. Elimination of health benefits for Regents employees working less than 20 hours per week

We support this recommendation and have previously implemented it at the three public universities; most recently at Iowa State University as of July 1, 2009.

There are some exceptions. At the University of Iowa, the Campaign to Organize Graduate Students (COGS) union contract extends health benefits to covered employees who work 10 or more hours per week. Approximately 1,000 COGS-covered employees fall between 10 and 20 hours per week.

Exceptions may be given for unusual circumstances and at the request of a department.