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Maine's Public Universities

UNIVERSITY OF MAINE SYSTEM

Arena One – New Challenges, New Directions
ADMINISTRATIVE, STUDENT AND FINANCIAL SERVICES

Submitted by the Chief Financial Officers

Janet Waldron, UM
Vice President for Administration & Finance

Laurie Pruett, UMA
Vice President for Finance

Bill Geller, UMF
Vice President for Administration

John Murphy, UMFK
Vice President for Administration

Tom Potter, UMM
Vice President for Administration & Finance

Charlie Bonin, UMPI
Vice President for Administration & Finance

Dick Campbell, USM
Chief Financial Officer

Rebecca Wyke, UMS
Vice Chancellor for Finance & Administration

Arena One Workgroups

FINANCE AND ACCOUNTING

Tracy Elliott, Director of Finance & Controller, UMS
Darla Reynolds, Director of Accounting, UMS
Miriam White, Director of Budget & Financial Analysis, UMS
Laurie Gardner, Director of HR & Administration, UMF

Janet Warnert, Assoc VP Finance, USM
Claire Strickland, Dir. of Budget, UM
Sheri Stevens, VP Administration, UMA
Campus Chief Financial Officers

INFORMATION TECHNOLOGY

Ralph Caruso, CIO, UMS
John Gregory, Executive Director IT, UM
Leslie Kelly, Director Information Srvcs, UMFK
John Forker, Director Academic End User Tech, UMS
Cindy Mitchell, Dir. Admin Syst Dev & Support, UMS
John Grover, Assoc Director Syst. Op, UMS
Jeff Letourneau, Assoc Director Network Srvcs, UMS

Lauren DuBois, IT Director, UMA
Mike Matis, IT Manager, UMM
Steve Houser, Exec. Director IT, USM
Bill Wells, CIO, USM
Mal Carey, IT Director, UMF
Gregory Curtis, Library & IT Mgr, UMPI

FACILITIES MANAGEMENT

Ed Dailide, Dir. of Facilities Mgmnt. & Planning, SWS
Alan Cyr, Project and Facilities Software Mgr, SWS
Elaine Clark, Exec. Director Facilities, UM
Steve Peary, Facilities Mgmt. – Admin. Srvcs, UM
Bill Charland, Facilities Mgmt. – Capital Constr, UM
Stewart Harvey, Facilities Mgmt. - Utilities, UM
Bob Bertram, Exec. Director Facilities, USM
David St. Peter, Director Physical Facilities, UMPI

Dave Barbour, Dir. Fac. Mgmnt, USM
Sheri Stevens, VP Administration, UMA
Peter St. Michael, Mgr. Phys. Fac., UMA
Bob Lawrence, Dir. of Fac. Mgmt, UMF
Leo Deon, Asst. Dir. Fac. Mgmt, UMF
Dick Bouchard, Dir. Fac. Mgmt, UMFK
Bob Farris, Dir. Physical Fac., UMM

PROCUREMENT

Janet Waldron, VP for Administration & Finance, UM
Kevin Carr, Director of Strategic Procurement, UMS
Bill Geller, VP for Administration, UMF
Sheri Stevens, VP Administration, UMA
Cindy Mitchell Dir. Admin Syst Dev & Support, UMS

Tracy Elliott, Dir. Finance & Contr., UMS
Gregg Allen, Dir. Bus. Srvcs., USM
Charlie Bonin, VP Adm/Finance, UMPI
June Baldacci, Dir. of Purchasing, UM
Huron Consulting Group

HUMAN RESOURCES

Tracy Bigney, Chief HR and OD Officer, UMS
Laurie Gardner, Director HR and Administration., UMF
Brenda Haskell, HR Investigations Coordinator, UMS
Karen Kemble, Director Equal Opportunity, UM
Tom Hopkins, Director Comp & Benefits, UMS
Sheri Stevens, VP Administration, UMA

Steve Weinberger, Asst VP HR, UM
Sally Dobres, EEO Director, UMS
Frank Gerry, Dir. Labor Relations, UMS
Judy Ryan, VP HR, USM
Tamara Mitchell, Exec. Dir. HR, UMFK

STUDENT SERVICES DELIVERY

Rosa Redonnett, Exec. Dir. Stud. Aff., UMS
Chris Corsello, Dean of Students, UMPI
Beth Higgins, Exec. Dir, Adv. And Acad. Resources, USM
Jon Henry, Dean of Enroll. Services, UMA
Stuart Marrs, Assoc. Prov. & Dean of Undregrad Ed., UM
Cindy Mitchell, Dir. Admin. Syst Dev & Support, UMS

Allen Berger, Provost, UMF
Bill Gellar, VP for Administration, UMF
Don Raymond, Registrar, UMFK
Chris LeGore, Dir. Of Distance Ed, UMA
Dennis Casey, Bursar, UM

REVENUE ENHANCEMENT

Rosa Redonnett, Exec. Dir. Stud. Aff., UMS
Kay Kimball, Assoc. Professor of History, UMM
Jack Kartez, Assoc. VP Research, USM
James Shafer, Dean School Business, USM
Robin Toderian, Asst VP Auxiliary Services, UM

Tom Abbott, Dean of Libraries, UMA
Chris Corsello, Dean of Students, UMPI
Bill Geller, VP for Administration, UMF
Ralph Caruso, CIO, UMS
Bob White, Dean Lifelong Learning, UM

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I. <u>INTRODUCTION</u>

Administrative, student and financial services support the core academic mission of our seven universities and perform many of the compliance and accountability functions on behalf of the Chancellor and the Board of Trustees that allow them to fulfill their governance obligations. Ensuring the most efficient and effective delivery of these services was the work of the University of Maine System's Chief Financial Officers working on Arena One of the "New Challenges, New Directions" report.

The administrative, student and financial services arena consists primarily of information technology, financial management and accounting, facilities, risk, safety and environmental management, strategic procurement, human resources and benefits management, and other support and infrastructure-related operations. The arena also includes appropriate student administrative functions such as admissions data entry and loan processing, transfer credit processing, student billing and refunds, financial aid processing, tax return verification and immunization document processing.

To assist in their work, the CFOs also engaged campus and System level leaders in information technology, finance and accounting, facilities, procurement, and human resources, student services and others. A complete list of participants appears in this document on page 2.

Primary emphasis in the Arena One work was placed on controlling costs, including those related to compensation and benefits, by harnessing economies of scale through the distribution of personnel and other resources on an enterprise-wide level, with a dual focus of enhancing services to students. A separate effort to investigate opportunities for enhancing revenue was also undertaken and is included in this report.

It should be noted that prior efforts to reduce costs have thinned staffing in many of the areas covered under Arena One. On our smaller campuses, many of the administrative, student and financial services employees perform multiple functions making it difficult to reduce a position even if a particular function could be consolidated and performed at an enterprise level. Additionally, aging information systems and a lack of standardization of processes amongst the campuses impact the ability to form data-driven decisions and leverage economies of scale. Finally, many of our policies governing administrative procedures are outdated.

Nevertheless, the Chief Financial Officers undertook their task with the belief that additional opportunities did exist and, through our efforts, we determined that significant savings are possible, but implementing that savings will require some tough decisions on the part of System leadership.

The CFOs also note that the Multi-Year Plan on which the four-year $42 million structural gap is based was developed in more prosperous times and is now nearly a year old, therefore we have committed to updating that analysis over the summer of 2009 as we begin preparations for the FY11 budget cycle.

Specifically, Arena One was charged with investigating the following:

1. **Establishment of a centralized information technology function.** To realize the potential of our PeopleSoft investment and to obtain economies of scale. This effort will investigate drawing university IT personnel into a coordinated unit which is responsive to the needs of the university system as a whole. It will also seek to establish greater commonality of definitions, equipment and processes.

2. **Achievement of greater centralization of back-office services and enhanced oversight.** Investigate the consolidation of other critical administrative and support services such as finance, facilities and human resources to leverage core competencies through standardization and clarity of processes, use of new technologies and best practices, transparency and evaluation of performance against agreed upon metrics.

3. **Management of work force, compensation and benefits.** Explore alternative, demand-linked employment arrangements; implementation of administrative staffing ratios; alignment of collectively bargained compensation, benefits programs, and terms of employment with available resources; and conduct a review of appointment terms for the management group.

4. **Establishment of a centralized procurement function.** Investigate opportunities for savings through centralization of staffing and implementation of strategic procurement practices, including periodic re-bidding of all major contracts utilizing a System-wide contract where possible.

5. **Partner with other state or public entities.** Explore opportunities to partner outside the University System to share costs and improve services.

6. **Implementation of Internet-based services to support academic and student services.** Explore greater centralization of many services such as help desks, bursars and student billing offices to create a self-service environment that provides quality, timely services to students. This work builds upon the vision for the Shared Processing Center as outlined in the SSTP/THESIS report.

7. **Enhancement of revenue opportunities.** Assess the opportunity to generate additional revenue through new and existing sources.

II. SUMMARY OF RECOMMENDATIONS

A. System-wide Services Recommendations

1. The current array of services is needed to support the campuses and should be preserved.

2. An Advisory Council consisting of the seven campus CFOs and the Vice Chancellor for Finance and Administration should provide guidance and customer input for the management of System-wide Services.

3. System-wide Services should not be billed to campuses, but should be supported by appropriations or other resources.

B. Information Technology Recommendations

1. The Hybrid IT Consolidation model should be adopted creating dotted lines between campus IT directors and the System CIO; however, the System and its campuses should continue to explore opportunities for further consolidation as technology evolves.

2. An IT advisory group should be formed to provide for academic customer input into the management of certain IT resources.

3. The ERP Competency Center should be implemented. Note that funding for this proposal has already been included in the SWS FY10 budget as approved by the Board of Trustees.

C. Finance and Accounting Recommendations

1. To achieve efficiencies, the seven campuses must work like a System in implementing technology solutions and business processes in order to take advantage of economies of scale.

2. The Board of Trustees should engage in a review of the current waivers and reevaluate the original intent against current outcomes. Many of the waivers can be tightened through needs testing by requiring the completion of a FAFSA, which also ensures the UMS becomes the payer of last resort.

D. Facilities Management Recommendations

1. Update policies and practices that govern the performance of facility management to avoid future costs.

2. Replace the existing out-dated facilities information management system to provide consistent, reliable information to assess performance, ensure accountability, and support data driven decisions. As a first step, plan for near-term replacement of existing maintenance management systems.

3. Explore options for providing energy management support to campuses. While additional costs may be incurred, the opportunity for additional savings is significant.

E. Procurement Recommendations

1. Implement the business practice refinements related to strategic sourcing consistent with the recommendations suggested in the Huron report.

2. Investigate the options for new technology that will enhance opportunities for savings through automation of procurement and accounts payable. Develop a funding and implementation plan, including any necessary realignment of staff.

F. Human Resources and Workforce Management Recommendations

1. Implement increased employee and manager self service, portal, document imaging and management, and case management tools to improve efficiency of HR delivery.

2. Adopt a Center of Expertise (COE) model for the organization of HR and EEO services to leverage campus expertise across the system starting with a pilot project for benefits administration and wellness.

3. Accelerate implementation of payroll streamlining to increase use of direct deposit and electronic advice, decrease special checks and off cycle payroll runs, and determine the feasibility and return on investment of reducing the number of payroll cycles.

4. Implement incentives for wellness, disease management and use of quality care to reduce the cost trend increase in the group health plan for employees and retirees.

5. Contain the cost of compensation and benefits at current levels over the next two year period or reduce staffing by 200 FTEs, or some combination thereof, to control the growth of the largest cost component of the budget.

6. Future compensation increases should be tied to the availability of ongoing revenue.

7. Benefit redesign must occur to bring costs in line with the availability of ongoing revenue.

G. Student Services Delivery Recommendations

1. Work in the student service areas should continue in the quest for efficiencies and commonality. As functional groups become more familiar with MaineStreet, there will be discoveries and resultant opportunities for additional centralized processing.

2. Proceed with the implementation of immunization data entry, Native American waiver data entry and Stafford exit interviews at the Shared Processing Center as these can be accomplished within available staffing.

3. Develop a robust front end portal and virtual self service center to provide an easily accessible and navigable entry point to MaineStreet allowing students to access services at their convenience.

4. Re-examine the current status of one stop service at each campus to determine the most appropriate delivery of in-person front line services in the integrated world of MaineStreet.

5. Upon completion of the portal, virtual self service center and campus one stop service re-evaluate staffing needs across all campuses and the potential for sharing additional resources through the Shared Processing Center.

6. Direct the University College/ITV/On-line Assessment Committee to include within its deliberations the appropriate delivery of services to multi-campus students.

H. Revenue Enhancement Recommendations

1. UMS System leadership must play a role in determining the strategy by which the System and its campuses meet the needs of the state and its citizens and how it supports the work of and collaboration among the campuses in achieving the desired outcomes.

2. Consider a campaign to promote public baccalaureate and graduate education and link it to the future of Maine's economy and citizenry.

3. Leverage academic and financial resources across the system to develop an enrollment strategy to meet consumer interest and economic demand through quality academic programs and innovative tuition and financial aid strategies to ensure accessibility.

4. Explore additional opportunities for recruitment such as the non-traditional, international and transfer markets, partnerships with business and industry, and new methods of educational delivery to improve the accessibility of higher education to Maine people.

5. Ensure that auxiliary operations pay for themselves and are not a drain on E & G operations.

The Last Word

A consistent question reverberated throughout the discussions held by the CFOs and the six workgroups that labored on various aspects of Arena One. It bears repeating here.

Are we a System in which we have similar goals and operations, or are we seven independent institutions?

If there is a desire to move beyond the current state of affairs and refinement of operations to seek further savings through efficiencies and economies of scale and to ensure that higher education is accessible to Maine people, then the answer to this question must be that we are a System.

III. <u>SUMMARY OF SAVINGS</u>

Even while the work on Arena One progressed, the seven campuses and System-wide Services worked to balance their respective FY10 budgets in time to be implemented by July 1, 2009. The combined efforts to balance the FY10 budget yields over $20 million in ongoing savings by FY13, however, those savings are significantly offset by declining revenues and increased costs. Nevertheless, these savings serve to reduce the structural gap in FY13 by $13.2 million.

The work of Arena One identifies opportunities for significant savings, however, it will require the clear direction of System leadership and the focused efforts of many at both the System and the campus level to bring these savings to fruition and position the University of Maine System on a fiscally sustainable path.

A summary of all of the Arena One savings identified in the recommendations and opportunities outlined in this report appear below.

	New Challenges, New Directions Arena One Savings Compilation ($ in millions)			
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<u>LOW ESTIMATE OF SAVINGS</u>				
Campus/SWS FY10 Savings	$11.5	$12.4	$12.8	$13.2
Workforce Management	6.5	14.2	14.4	13.8
Hybrid IT Model & Other Savings	0.9	1.1	1.1	1.1
Finance & Accounting/Waivers	0.4	1.2	1.3	1.3
Procurement Strategic Sourcing	0.6	0.6	0.6	0.6
Total Savings	**$19.9**	**$29.5**	**$30.2**	**$30.0**
<u>HIGH ESTIMATE OF SAVINGS</u>*				
Enterprise IT Model & high-end savings	0.3	0.7	0.7	0.7
Enterprise Procurement Model	0.5	0.9	1.1	1.3
Total Savings	**$20.7**	**$31.1**	**$32.0**	**$32.0**

*Total savings available assuming high-end estimates and adoption of enterprise models for IT and Procurement.

IV. **DISCUSSION OF RECOMMENDATIONS**

A. **System-wide Services: General Review**

While the work of Arena One was focused on exploring opportunities for further efficiencies by leveraging additional resources across the system as a whole, the CFOs also committed to a review of the existing shared services and alternative methods of funding those services.

The CFOs reviewed the proposed FY10 budget and staffing levels for both the Chancellor's Office and System-wide Services, as well as detailed information regarding the roles and functions served by both the Chancellor's Office and System-wide Services, <u>University of Maine System: Chancellor's Office and System-wide Services</u>, March 2009, prepared for the "New Challenges, New Directions" Task Force (see **APPENDIX A-1**). They also directed the Information Technology, Facilities, Procurement, Human Resources and Student Services work groups formed under Arena One to evaluate the utility of the shared services accessed by each respective group and to identify any duplication of services that may exist.

The CFOs endorsed the FY10 budget for System-wide Services as proposed, which represents a $0.2M reduction from the FY09 budget and a $1.4M reduction from the anticipated FY10 budget under the Multi-Year Plan. Additionally, each workgroup and the CFOs affirmed the need for the current array of services provided. While neither the workgroups nor the CFOs believe a duplication of services exists, they did identify opportunities for leveraging the current resources of the seven campuses across the System to produce savings and improve service.

The Chief Financial Officers also unanimously endorsed an ongoing investment in an Enterprise Resource Planning Competency Center to support our PeopleSoft investment and ensure implementation and maintenance of critical applications across the System. The ERP CC builds on the 2008 Oracle Insights report which identified understaffing in key areas. Seventy-five percent of the funding needed to create the ERP CC was identified through an internal reallocation of funds within System-wide Services. The remaining cost has been built into the campus FY10 budgets.

An alternative funding plan allocating all of the costs associated with both the Chancellor's Office and System-wide Services was developed (see **APPENDIX A-2**). While the CFOs unanimously agreed that the cost allocation plan represented a fair distribution of costs, they declined to endorse an implementation of the plan. Generally, the CFOs concluded the potential drawbacks of billing out governance functions and shared services outweighed any perceived benefit. Nevertheless, they found the cost allocation plan to be a useful tool to employ in future funding decisions should new services be added. The CFOs also committed to a review of those existing services that are currently billed out and whether the allocation of those costs represents the best method of funding in the future.

Finally, the CFOs endorsed the implementation of a System-wide Services Advisory Council to provide guidance and customer input to the Vice Chancellor for Finance and Administration. The CFOs endorsed the recommendations of the "New Challenges, New Directions" Task Force CO/SWS subcommittee pertaining to System-wide Services (see **APPENDIX A-3**), with the following exceptions: first, the CFOs strongly believe they should make up the membership of the Advisory Council as they oversee most of the campus functions that interact with SWS; second, they do not believe a system-wide review of administrative services to identify duplication is necessary as prior studies and reports have already identified the appropriate hand-off between campus and system on affected services. Instead, they believe charging the Advisory Council with the responsibility of avoiding duplication is sufficient. Finally, they strongly caution that allowing campuses to select from a menu of services that are billed to the user campus at cost will not promote economies of scale.

B. <u>Information Technology</u>

The CFOs reviewed the current IT operations, as well as two organizational options for information technology services (see **APPENDIX B**). Regardless of which model is selected, $788,296 in additional ongoing savings exists due to the retirement of the legacy system and changes in the maintenance of other applications.

The first organizational option entailed an Enterprise IT Model organized by distinct skill areas, leveraging existing resources across the system and resulting in additional ongoing savings of $950,000.

The second option, termed the Hybrid IT Model, continues current reporting lines but adds a dotted line responsibility from campus IT directors to the system CIO and focuses attention on key areas for cooperation and consolidation. At this time, the campus IT directors and the CFOs have endorsed the Hybrid IT Model with additional savings of only $300,000 to $400,000, however, they remain open to further consolidation as technology changes warrant. The opportunities for savings from the Hybrid IT Model are outlined as follows:

1. Desktop/Laptop Procurement. A System-wide inventory of the total number of desktops/laptops on each campus was taken. The models procured were found to be substantially similar. Campus IT directors agreed to work to provide more common models and buy in aggregate from a limited number of vendors. It is anticipated that annual acquisition costs can be reduced between $75,000 - $150,000 starting late in FY10.

2. Server Consolidation. Overlap was found in the servers and storage systems procured by the system office and the campuses. An inventory was compiled and all campuses are working towards consolidating their servers on a campus basis. There is also agreement to achieve an additional consolidation on a system-wide basis by further consolidating services at one of the two system data centers (Orono and Portland) pending necessary upgrades to these centers. Additionally, operational costs can be lowered as we move to technology with less demand for power. Savings will be in the range of $75,000 - $150,000 starting in FY11 for acquisition.

3. E-Mail Consolidation. Additional savings can be found in outsourcing e-Mail for students to Google and plans are underway to implement this change. A recommendation to move faculty and staff to a similar model is also being explored. Savings are anticipated to be $70,000 starting in FY11.

4. Replace MS Office with Google's Office Applications or Open Office. This recommendation in general is being explored and a detailed project plan and business case is being prepared. A number of academic units currently use MS Office in their programs, so determining the extent of the possible conversion is difficult. Savings are in the range of $100,000, or less, depending on level of adoption.

5. Common Software and Courseware Licenses. A System-wide inventory was conducted and agreement was reached to move towards a single System-wide license for these items as current contracts expire. For example, the University of Maine has agreed to use Blackboard and terminate their WEB CT (Course Management Systems) in the fall of 2011. A savings of $40,000 will accrue to UMaine.

C. Finance and Accounting

The CFOs explored a number of opportunities for savings related to financial activities (see **APPENDIX C**), including: convenience fee solutions; bill payment suite; e-refunding; electronic transactions; lockbox services; centralization of credit card data uploads and reconciliations; travel management; purchasing card administration; housing application alternatives; payroll administration; and a review of current tuition waivers.

Immediate savings are projected to be $350,000 and may grow to $428,425 in FY13 by implementing the TouchNet Convenience Fee solution at three campuses, UMF, UMM and USM. UM already employs a convenience fee. Additional savings are possible if the remaining campuses choose to implement. Other opportunities for additional savings exist and continue to be explored.

Generally, the CFOs determined:

- Standardization of practices and requiring individual accountability are the biggest areas of savings.

- One of the greatest opportunities for efficiencies and savings can be found in the utilization of our investment in PeopleSoft.

- Only minor savings can be found in pursuing each of the opportunities identified under financial activities.

- To achieve efficiencies, we must act like a System in implementing technology solutions and business processes in order to take advantage of economies of scale.

The Vice Chancellor for Finance and Administration was charged with pursuing opportunities to partner with other State or public entities to share costs and improve services. Several initial areas for consideration were identified, including: data centers, health plan and ITV.

The IT workgroup is currently exploring alternatives for our two aging and outdated data centers, including co-location with the State of Maine Office of Information Technology. The Maine OIT must relocate by the end of 2012 due to the termination of a current lease. Synergies exist such that co-locating would result in savings for both parties. However, it should be noted that this is clearly a cost avoidance issue for the UMS.

The UMS also recently participated in a review by Mercer, the State's actuary, assessing the advantages to either the State or the UMS in joining their health plans. Although much speculation has occurred over the years, the review produced no clear evidence that either party would reap a significant immediate benefit. Nevertheless, we have committed to continue working with the State to allow for this opportunity in the future should cost savings prove achievable.

As the UMS considers how to transition to online delivery of educational programs and wean itself off of ITV, it has engaged in discussions with the Maine Public Broadcasting Network. UMS has a limited window of two to four years between the time it would have to invest in digital technology for its EBS spectrum and when it can complete a transition to online programming. This coincides with a window of opportunity that MPBN has to maximize its current capacity for digital television and when it plans to use that capacity to pursue other opportunities. While no final commitments have been made, we continue to explore this limited partnership opportunity in greater detail.

The CFOs also engaged in a review of the current waiver programs within the UMS and make the following recommendations for consideration by the Board of Trustees:

North American Indian Waiver
In order to ensure that students take full advantage of all resources available, prior to being awarded the NA waiver, all students for both the waiver and the scholarship should be required to fill out the FAFSA. Summer room and board scholarships should only be awarded for those students whose academic program requires summer attendance and enrollment. These changes would result in estimated savings of $500,000 per year.

Senior Citizen Waiver
The intent behind this waiver should be revisited to determine if the reasons for its continuation remain valid. Consideration should be given to discontinuing this waiver and encouraging individuals to apply for financial aid to determine eligibility. Savings from discontinuing this waiver is approximately $160,000 per year.

USS Maine Commemorative Tuition Waiver

As a part of the expectation of students prior to being awarded the USS Maine waiver, all students for the waiver should be required to fill out the FAFSA. Savings cannot be determined at this time.

High School Aspirations Incentive Waiver

The intent behind this waiver should be revisited to determine if the reasons for its continuation remain valid or if the purposes should be modified to reflect the current outcomes. It is the belief of the CFOs that, while serving a valuable purpose, the waiver is primarily used by students who will continue on to higher education regardless.

Each campus should have the ability to limit the availability of these waivers to a threshold number. Savings would be dependent on the campus decision regarding threshold.

Veteran's Dependent Waiver

The veteran's dependent waiver is found in State law and cannot be amended by the Board of Trustees. The CFOs believe the waiver should continue but that the statute should be amended to ensure that advantage is taken of other available funds thus ensuring that the UMS is the payer of last resort. Example – "…qualifies for a waiver from the tuition and fees that remain after the application of all payments from the federal Department of Veterans Affairs." Savings is estimated to be $200,000 per year.

D. **Facilities Management**

The CFOs concluded that major opportunities for consolidation of services related to facilities management have already been accounted for in past reviews. While cost savings opportunities are few, there are still significant opportunities to coordinate activities in order to avoid future costs. Much of this work is in the updating of policies and practices that govern the performance of facilities management.

Two alternative organizational structures were considered by the facilities directors work group and presented to the CFOs, a full consolidation and a regional structure (see **APPENDIX D**). Advantages and disadvantages were considered for both of these, as well as the current distributed model. However, no option emerged that represented significant cost savings.

In contrast, concerns were raised that staffing levels in System and campus facilities management have decreased over the past ten years as square footage has increased 17 percent. Also noted were critical investments in information systems to support facility management functions that have not been addressed.

Effective facilities management is dependent on consistent and reliable information to assess performance and ensure accountability. Facilities management has historically not been able to effectively compete for IT resources. This has resulted in out-dated technology that limits the usefulness of information to support management decisions. An investment in facility information management is required to ensure and maintain data integrity, and provide consistent management information to support campus operations and accountability needs.

Finally, the facilities directors recommended investing in a System-wide resource for energy management. It was estimated the cost of a position to serve this function on a System-wide basis would be $100,000 and that it would pay for itself through savings generated. UM offered an alternative pilot project where they would share, at no cost, their campus energy management resources with the other campuses. Campuses could also have access to UM's consultant, at cost, through the current UM contract or through a System-wide contract to be developed. The CFOs agreed to explore options for providing energy management support to all campuses.

E. <u>Procurement</u>

The procurement workgroup began work last fall under a Davis Educational Foundation grant and with the assistance of Huron Consulting Group to explore opportunities for savings through the implementation of System-wide strategic procurement strategies. The Huron report (see **APPENDIX E**) demonstrated significant opportunities for savings through business practice refinements in procurement and accounts payable and also recommended the addition of new technology and a consolidated procurement organizational model to ensure implementation and optimize utilization of resources.

The spend analysis performed by Huron suggests that significant opportunity for savings exists through pursuing coordinated strategic sourcing alone, as much as $600,000 annually. Additional opportunity exists through pursuing internal compliance, external compliance, prompt pay discounts and p-card settlement rebates and requires some initial investments in technology and changes in organizational structure to yield the full opportunity for savings. An additional positive return on investment of $1.3 million is possible by Year 4 if the Enterprise Procurement Model is fully implemented.

UM also put forward a hybrid option that would split the functions for procurement and accounts payable between UM and the system office, with UM being responsible for transactional work on accounts payable and specialty purchasing for other campuses.

The CFOs believe that significant opportunity exists in pursuing strategic sourcing immediately. They are also eager to explore the enhanced opportunities for savings through the application of new technology but wish to fully investigate the return on investment prior to recommending implementation. They also recommend that changes in organizational structure follow further investigation into the application and impact of automation.

F. Human Resources and Workforce Management

The HR workgroup developed a consensus service delivery model for sharing expertise and resources across the system called Centers of Expertise (see **APPENDIX F**). The Centers of Expertise (COE) would overlay the current System/university organization. Campus and system HR/EO staff would serve in the COE's as either team members or contributors. There would be COE's for each of the following five areas: Total Compensation, Employment Services and Equity, Labor Relations, Organizational Effectiveness, and Human Resources Information and Reporting Systems. A COE may be led by a campus or the system office. Employees in a COE may be co-located or geographically dispersed. Campus HR staff with special expertise in a specific area will have a system-wide role in that function through the COE. The HR workgroup proposed to pilot the model with an initial effort in benefits administration and wellness under the Total Compensation COE.

The workgroup also focused on key technological investments and other actions that would generate efficiencies. These include: increased employee/manager self service; increased usage of direct deposit, electronic advice and other actions that reduce the need for printed documents and paper handling; and focused efforts on reducing the cost of the group health plan through incentives for wellness, disease management and use of quality care.

Although no initial savings were identified, the opportunity for future cost avoidance in the implementation of these recommendations is significant.

The CFOs also reviewed information regarding the UMS workforce and its package of compensation and benefits. For the FY10 E & G Budget, compensation and benefits account for 74% of all expenses. Simply put, there is no way to bring spending in line with available resources without impacting this line of the budget. "New Challenges, New Directions" charged the CFOs with exploring alternative, demand-linked employment arrangements, implementation of administrative staffing ratios, alignment of collectively bargained compensation, benefits programs, and terms of employment within available resources, as well as a continuing review of appointment terms for the management group. This represents an ongoing effort on the part of CFOs.

The consultant for the "New Challenges, New Directions" Task Force, National Center for Higher Education Management Systems, provided valuable information on administrative staffing ratios to the Task Force in its May 20th presentation. A comparison of each campus to its peers suggests that, for the most part, our seven universities fall in the middle of the range for FTE students per full-time administrators. While no data is available for comparison of system-wide administration, NCHEMS suggested that 80% of public universities are in systems and that adding the SWS operation to the data they offered would not skew the results in any significant way.

In FY09, the average salary of a UMS employee equaled $45,106 and the benefit rate was 47.8%, for a total average cost of $66,667. For FY10, the average salary of a UMS employee equals $47,886 and the benefit rate is 49.3%, for a total average cost of $71,494. This represents a 7.25% increase year over year in the average cost of an employee. Increased costs for compensation and benefits are simply not sustainable at this rate.

Assuming UMS was able to contain compensation and benefit package costs at the current level for the next two years, we would yield an ongoing savings by the end of year two of nearly $14 million. Alternatively, if this savings had to come entirely from reductions in the workforce it would require the elimination of almost 200 full time positions.

The CFOs understand that to gain control of expenditures, UMS must engage in the proactive management of its workforce and how it is compensated. The benefit rate is nearly 50% and efforts must be made to both control costs through wellness incentives, disease management and use of quality care, as well as slowing the rate of increase in benefits costs or paring back the level of benefits.

G. Student Services Delivery

The task of the Student Services Delivery work group was to identify any near term cost savings or efficiencies related to MaineStreet operations involving admission, student records, student accounts and financial aid (see **APPENDIX G**).

The CFOs found that further opportunities to achieve significant savings are neither easy nor obvious, and that any movement beyond the current state is predicated on resolving broader organizational decisions that require more commonality in business processes and a willingness to manage these functions as a system versus seven independent campuses.

In 2002, the UMS began a migration from its legacy software to what we now know as PeopleSoft. A key factor in that discussion and planning was a definition of "System" and how PeopleSoft would be set up to accommodate whatever definition ultimately emerged. Although the PeopleSoft system was intended to be a "vanilla" implementation (e.g. little or no modification), it soon became apparent that the campuses were limited in their ability to agree on consistent policy and process applications in many situations; this resulted in a definition of "System" in which the operating procedures of the past (e.g. seven independent campuses with seven different ways of doing business) were protected.

The final module, Financial Aid, of the MaineStreet Student Service Areas (Campus Solutions) came on-line in February 2009. It takes an entire cycle of a functional implementation in order to develop an understanding of how PeopleSoft works and how the various functional areas intersect, limiting the ability to realize any efficiencies until a more comprehensive knowledge of the software develops for the users. Likewise, until all functional area modules within an integrated system are implemented, there is limited knowledge as to changes and efficiencies that can result from cross-functionality.

The original assumption was that back office functions could be handled in a centralized manner. A Shared Processing Center (SPC) was developed to begin this process. Opportunities for additional work for the SPC require that the centralized function lend itself to consistent policy and practice and all end users must agree. Additionally, current capacity of the SPC is limited by what can fit within the "off cycle" of admissions processing, such as immunization processing, North American Indian waiver data entry and Stafford exit interviews. Adding additional capacity to the SPC depends on eliminating equal or greater staffing capacity at the campus level in order to present a valid business case.

For small campuses, certain staff members are responsible for multiple functions. Thus, while a reduction in the cost of delivery can be achieved, a reduction in the campus' bottom-line is often not achievable because small fractions of a person make it difficult to identify savings. Even when a reallocation of duties on the campus is possible, minimal savings result. No matter what the distribution of personnel across the campuses and the organizational structure, it takes a certain number of personnel to deliver the service our students require and our campuses expect. Remaining opportunities for savings through consolidation of services at the SPC require a broader System-level view to delivering student services.

It is clear that UMS is significantly behind our competitors in terms of the delivery of streamlined, robust self service capability for our students. We also know that our students consistently report the need for more "one stop" student services, delivered both in actual service locations and virtually.

A "virtual" robust self service environment is essential for our students, and has the potential of reducing or, minimally, avoiding cost in the long term while increasing student satisfaction. Investment will be needed to move the UMS to an easily navigable, accessible student self service entry point.

Portals are being developed at institutions across the country as a way to deliver a broad range of student services but also to greatly expand the virtual ability of a student to manage their entire academic career (including their academic portfolio). Numerous "virtual" student services could be combined into a front end portal through which students could receive any number of services beyond those this workgroup was researching. The development of such a portal is an expensive proposition for any individual campus and even for the System but, in the long term, this sort of development is needed if we are to both deliver the kind of service our students expect and remain competitive. A workgroup has been formed to assess the design parameters for a UMS portal.

Based on the work of THESIS, the formation of campus based one stop service locations was recommended strongly and was supported by the campuses. However, this development stalled in recent years. Theoretically, the key component of such one stop operations is a cross functionally trained staff that can more effectively and efficiently manage the delivery of service across the entire academic year, and can potentially result in cost savings (or, again, cost avoidance) as the knowledge base of the staff matures.

Finally, it is very clear that the service delivery to multi-campus students is a major issue for such students and for those who serve them, regardless of the current number of students who are so categorized. As campuses potentially offer more collaborative degrees, this number will only grow. Additionally, with the increase in the numbers of students accessing on line coursework, the different learning modes of the students will increase as well. Absent any changes in how we currently define the System and assuming that our current mode of many different ways of doing business holds, developing a broad based solution to the appropriate delivery of services to these students is critical. The University College/ITV/On-line Assessment Committee, chaired by President Allyson Handley, is conducting a review of the future use of technology for distance education in the University System. The CFOs recommend that this review include recommendations to resolve the many barriers confronting multi-campus students.

H. Revenue Enhancement

This workgroup was charged with identifying and evaluating areas of revenue enhancement and recommending actions that will be pursued (see APPENDIX H). These areas included but were not limited to: tuition and fees (to include dining and residence fees), enrollment, grants and contracts (including F & A cost sharing/ indirect cost recovery), collaborative arrangements for revenue sharing with outside agencies/organizations, continuing education/lifelong learning outreach, sales/services, other auxiliary revenue areas, and others as appropriate.

Federal, state, and local policy makers recognize that policy decisions are influenced by the demographics of their respective populations. The CFOs of the System understand this. Since 1990, New England's population has grown by just 8% compared with 22% for the nation as a whole. While Maine's population has grown 7% over this timeframe, the expected number of high school graduates within the next decade is expected to decrease by 16%. Currently about 50% of those students going on to a four-year college have gone out-of-state. Because Maine's public universities rely principally on this traditional source for its students and therefore its primary revenue source, because the campuses of the UMS are limited in their resources to be able to aggressively recruit these and other populations, and because there is increasing competition with Maine's Community College System campuses for this declining student population base, there are real limits to revenue growth for the campuses.

The UMS has invested substantial resources to understand and manage its expenses and track revenues. However, it has not made the parallel investment to understand, or the policy decisions to manage, enrollment.

In addition, there exist unrealized potentials for the System to act in ways that support the campus-level core efforts by connecting public higher education to the quality of life of Maine people and to the economic development of the state.

Learning accrues over a lifetime, and the many opportunities presented by the University of Maine System build that foundation and that future for Maine's people. However, the UMS has not been as effective as it could have been in promoting these core values, developing a strong reputation or in expanding the support for public baccalaureate and post-baccalaureate education in Maine.

UMS leadership and the Board of Trustees must address one fundamental question:

"What is the role of the UMS/System leadership in determining the strategy by which the System and its universities meet the needs of the state and its citizens and how then does it support the work of and collaboration among the universities in achieving the desired outcomes?"

Further, the UMS leadership and the Board of Trustees should consider whether tuition is set in order to achieve a balanced budget or whether is it set to achieve student access.

The current funding model of our campuses suggests that we believe we can continue to grow enrollment year after year. In reality, enrollments have been dropping over the past few years and this appears to be an ongoing trend. While a discussion of revenue enhancement "around the edges" is possible, more pressing questions demand attention.

Enrollment increases in direct proportion to consumer interest in and awareness of the programs offered. To sustain, expand or grow enrollment is largely a function of programs offered but is also impacted by cost factors including tuition, the availability of financial aid, as well as qualified faculty and staff. The UMS has not heretofore engaged in a strategic review of existing programs in light of state need, nor have the campuses worked collaboratively to establish new programs responsive to state and regional needs, and student interests.

Increasing the number of students pursuing a baccalaureate and graduate education at our seven universities will require a System-level tuition and financial aid strategy, as well as investment in a common campaign for UMS that raises the reputation and perception of UMS campuses and public higher education as a good and cost effective choice.

The CFOs believe that threshold issue for future success of the UMS is indeed the public's understanding and reputation of the UMS as a whole entity, and how its programs contribute to the economic development of Maine. We need to foster a collaborative approach across the campuses in all of our work that enables us to improve our image, serve our mission, and ensure financial sustainability. In the current model, our campuses cannot all thrive and some may only barely survive; the constant reductions in budget, staff and programs to meet costs with no comprehensive strategy to improve revenues only serves to plunge our campuses towards mediocrity. A new model must emerge which ensures that all campuses can succeed in whatever role makes the most sense for them in the collective future of the System. While there may be opportunities for some enrollment growth, it will not be sufficient to resolve the needed revenue in the current construct of the UMS.

As seven independent campuses which compete with each other, our campuses have not traditionally been encouraged to "share" students, programs or resources. As a System, we should be thinking about the collective welfare of the campuses and how together we can best meet the needs of our students and our State.

University of Maine System

Chancellor's Office
&
System-wide Services

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INTRODUCTION

The University of Maine System Office is comprised of the Chancellor's Office and System-wide Services. The System Office provides overall leadership and administrative support in two major areas:

- Governance and Leadership

- Shared Administrative Support Services for all 7 Universities

The **Governance and Leadership** aspect of the System Office, often referred to as the "Chancellor's Office", includes the Board of Trustees, the Chancellor, Academic Affairs, Student Affairs, University Counsel, Governmental Relations, and External Affairs.

The **UMS System-wide Services** works with the universities of the System to develop improved approaches to business processes and student and employee services. The goal of the UMS System-wide Support Services is to maximize the value of the System's investment in technology, engage in business process redesign and build on economies of scale in order to realize budgetary savings through collaboration and shared services across all seven universities, reducing the administrative burden on the universities and allowing them to focus on their primary missions related to teaching, research, and public service.

SYSTEM GOVERNANCE AND LEADERSHIP

Primary purposes of governance and leadership structures are to:

- Provide broad visions and planning for state's educational, economic, and policy needs
- Address, recognize, and promote regional needs in a holistic manner
- Empower universities within the limits of their respective missions
- Ensure the quality of and access to higher education
- Advocate for resources and partnerships
- Depoliticize competition among universities
- Provide oversight and accountability
- Provide cost-effective coordination and management

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BOARD OF TRUSTEES AND CHANCELLOR

In 1968, the State of Maine created the University of Maine System . The governing body of the University of Maine System, as outlined in the charter, is comprised of the Board of Trustees who appoints a Clerk, Treasurer, and Chancellor. Specifically, the Charter of the University of Maine System empowers the Chancellor and his staff members to:

- Provide leadership to the universities in the system in addressing the State's highest priority needs
- Establish a vision and planning for the system that:
  (1) Provides quality education that is affordable and accessible for the students of this State; and
  (2) Strengthens the State's economy for its citizens
- Promote system planning, in collaboration with university presidents, for academic affairs, student affairs, outreach and community services programs, financial operations, capital plans and resource allocations
- Prepare all operating and capital budgets, appropriation requests, and bond issues
- Take an active role in the nomination, appointment, and evaluation of persons to head the universities and to serve in other major staff positions in the system
- Develop and implement an effective statewide public relations and legislative program
- Provide a centralized management oversight of services
- Coordinate University of Maine System academic offerings to avoid duplication with private and public institutions in this State
- Develop a method to transfer academic credits to all universities within the University of Maine System

In accordance with the Charter, the Chancellor and Board of Trustees are the governing and planning body to provide leadership, governance, and coordination of operations and reporting for the System as a whole. **The current responsibilities of the functional areas responsible for advising and assisting the Chancellor and Board of Trustees with their duties are detailed in the remainder of this section.**

ACADEMIC AFFAIRS
- Conduct program review and new program approval
- Set Academic Program Planning parameters and initiate System-wide collaboration among Chief Academic Officers
- Provide oversight for library services, administration, staff, and collections, and maintenance of the Digital Library
- Assist with the planning, development, and advocacy for Sponsored Research
- Oversee and administer system scholarships, in collaboration with the Finance and Accounting and Human Resources departments
- Collect and analyze data related to student retention, remediation, and graduation rates
- Coordinate annual tenure and faculty promotion recommendations for review by the Board of Trustees and Chancellor
- Respond to public queries and other matters regarding Academic Affairs

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- Monitor and oversee process for approval of Libra and Trustee Professorships
- Organize and distribute materials related to Academic Affairs for the Board of Trustees
- Provide Institutional Research capabilities including monitoring and analyzing areas such as trends in enrollment, student composition, finances, etc.
- Perform policy analysis to determine the impact of both internal and external events on the System
- Monitor the Maine economy in areas such as budget, demographics, emerging markets, research and development, labor productivity, etc.
- Conduct research and produce reports on the University of Maine System to be used in better understanding the System and for policy and strategic decisions
- Provide recommendations on issues of higher education policy based on research and analysis

STUDENT AFFAIRS
- Conduct strategic planning and implementation planning related to Student Affairs
- Provide System-wide leadership to enhance and promote student success through collaborative efforts within the System, with other higher education institutions, and through PreK-20 initiatives within the state
- Plan and initiate System-wide collaboration among the Chief Student Affairs Officers
- Plan and initiate System-wide collaboration in the implementation of Campus Solutions (student administration modules) of MaineStreet;
- Provide oversight for the Shared Processing Center
- Provide oversight for the administration of the Native American Waiver
- Provide oversight for the State Approving Agency for Veteran's Education
- Coordinate periodic student affairs updates and required policy updates (such as the Student Conduct Code) for the Board of Trustees
- Provide oversight of student support services including coordination of student health services and risk management

UNIVERSITY COUNSEL
- Provide timely, preventative legal advice and professional services (i.e. drafting and review of contracts, University policies, real estate documents and transactions, etc.) predominantly by direct involvement with the responsible campus office, administrator or official. Provide a similar function to UMS offices or System-wide Services in the performance of its UMS responsibilities and as it provides support to the campuses
- Prepare legal issues for their best possible outcome should they become contested matters
- Provide legal representation, as necessary, before regulatory agencies (i.e. Maine Human Rights commission, Equal Employment Opportunity Commission, Office of Civil Rights, etc.)
- Engage all outside legal services and monitor performance and billing
- Manage, advise, and participate with outside counsel in litigation and other adversarial proceedings
- Advise the Chancellor and Board of Trustees on all legal matters affecting the University of Maine System and engage in a continuing program of education in legal issues for employees, offices, departments, and other UMS constituencies

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GOVERNMENTAL RELATIONS

- Serve as Legislative Liaison and advisor to the Board of Trustees and Chancellor concerning legislative action at the state level
- Interface with the Executive and Legislative branches of government on issues that relate to the University of Maine System and its universities
- Coordinate and manage legislative activities including issues that are or may become subjects for legislative action generated by the University System or by outside legislative interests
- Inform the Trustees, Chancellor, Presidents, and University constituencies about legislative affairs that are current or in the developmental stage
- Monitor legislative developments and efforts at each university
- Advise Chancellor and senior staff on legislative strategies
- Compile and analyze data and information to discover facts and impact of pending legislation

EXTERNAL AFFAIRS

- Provides UMS-related planning and implementation directly and indirectly pertaining to communications, marketing, and legislative program
- Assist with the planning and provide support for advocacy efforts involving state, federal, and public initiatives
- Assist university administrators in coordinating enrollment- and advancement-related initiatives that affect both UMS and individual universities
- Develop and coordinate marketing strategies that promote enrollment and support for Maine's public universities and which complement the marketing strategies of the individual universities
- Commission and coordinate market and opinion research to improve the efficiency and effectiveness of the universities' student recruitment and relationship-building activities
- Develop print, electronic, and digital resources and software tools for universities to customize for their purposes to communicate with key constituencies and audiences
- Undertake branding initiative that creates greater institutional identity and clarity

NOTE: The Office of External Affairs is in the process of being phased out, with some of its duties being absorbed by the Office of Governmental Relations.

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SHARED SYSTEM-WIDE ADMINISTRATIVE SUPPORT SERVICES

The various components of System-wide Services and their associated duties are detailed in this section.

INFORMATION TECHNOLOGY

Information Technology is responsible for providing system-wide networking capabilities, managing mainframe operations, overseeing the development and management of all enterprise administrative applications and databases, and operation of a state-wide Wide Area Network providing access to university courses through Distance Education.

Administrative Systems Development and Support
- Develop, manage, and/or maintain all enterprise administrative applications and enterprise databases
- Design, develop, manage, and maintain security for enterprise administrative applications
- Provide user training and consulting services
- Provide end-user reporting tools for self-service so that non-technical personnel can produce necessary information without the need for departmental technical personnel
- Routinely extract and supply central data to campuses for further reporting refinement
- Provide additional consulting services, risk assessment, and cost analysis to collaboratively acquire system-wide standard software packages for ancillary and other services in order to obtain the best price and product
- Provide common e-commerce services

Academic Technology
- Maintain and support interactive television (ITV) transmission infrastructure to campuses, centers, and sites including microwave and satellite uplink/downlink
- Maintain and support ITV broadcast and video conferencing rooms on all campuses and networks and computers at distance learning locations
- Provide Help Desk Support.

Communications and Network Services
- Design, build, and operate a state-wide advanced optical network using the latest technologies serving the university system, K-12 school, public libraries, state government, and other educational, research, and non-profit institutions
- Manage network security
- Design, build, and operate network infrastructure and technical support for more than half the universities
- Provide telephone services to some of the campuses and many of the outreach centers and cooperative extension offices
- Provide and coordinate video conferencing and other distance learning technology for the Department of Education
- Provide collaborative assistance with Campus Help Desks
- Advise and assist the State's research institutions in developing and deploying cyber-infrastructure in support of research and education

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Systems and Operations
- Manage and operate UMS datacenters and provide datacenter services to campuses
- Design, maintain, and administer hardware systems supporting enterprise software such as MaineStreet, Blackboard, Document Imaging, and State and System Libraries
- Implement, maintain, operate, and support enterprise infrastructure software such as email, document imaging, room scheduling, identification management, and course management (Blackboard)
- Design, maintain, and operate an enterprise level backup system and develop processes to ensure enterprise critical data is backed up safely and securely.
- Assign necessary ID's for faculty, staff, and students, maintain usage information, and provide support to helpdesks in resolving user id issues.

FINANCE & ACCOUNTING

Although each university has staff that processes daily transactions, conducts banking activities, and coordinates financial planning at the university level, the role of System Finance and Accounting encompasses overall treasury operations, audit functions, policy development, budgeting, and accounting expertise and compliance, tax reporting, consolidated internal and external financial reporting.

- Working with the Board of Trustees Investment Committee and an external consultant, manage operating, endowment, and retirement funds including related accounting
  - Act as liaison and accounting expertise for third party investments in the managed investment pool
  - Manage relationships with investment managers including contracts, wiring of funds, and remittance of fees
- Provide cash management, banking, and treasury services for operating funds
- Implement and oversee e-commerce functionality including items such as common credit card processor and process
- Coordinate gift management and reporting which includes administering the UMS' charitable gift annuity program and related tax filing
- Administer sponsored programs activities including drawing down federal grant funds, processing federal cash transaction reports, and performing general ledger setup functions
- Coordinate annual audits and filing required by the Office of Management and Budget (OMB) Circular A-133 and Government Auditing Standards
- Prepare federal Facilities & Administrative (F&A) and benefit rate proposals and negotiate with the federal government
- Issue University revenue bonds, analyze financing alternatives, and manage compliance with bond agreements
- Manage and account for the State of Maine capital bond proceeds approved for the UMS
- Administer tax reporting for the following areas:
  - 1098-T reporting for all students
  - 1042-S Non-resident alien reporting
  - 990T Unrelated business income
  - Monthly sales tax

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- Administer complex accounting transactions and maintain integrity of the UMS' general ledger which supports internal and external financial reporting
- Provide accounting guidance and oversight to campuses, including responding to questions daily
- Prepare internal and external financial reports as required including producing data and reports for the Board of Trustees information and action
- Prepare annual UMS audited financial statements required by a variety of sources including bonding agencies, federal government, State of Maine, and accreditation agencies
- Develop administrative policy
- Oversee engagement of internal audit services
- Manage monthly processing of benefit charges to departments, calculation of facilities and administrative costs, and a host of other standard system-wide accounting entries and processes
- Provide operational support for all fixed asset accounting
- Coordinate the preparation, administration, and control of the annual operating budget
- Prepare multi-year financial planning, biennial and annual appropriation request, and state bonding requests
- Gather, compile, maintain, and analyze information relevant to the administration of the University's resources
- Prepare fiscal impact statements for proposed legislation that may impact the UMS
- Prepare analytical responses to requests for financial information from entities such as the Legislature, media, collective bargaining units, etc.
- Compile and maintain a comprehensive student financial aid database utilized for financial aid analysis and reporting
- Maintain PeopleSoft General Ledger and Position Management Budgeting systems and implement upgrades and enhancements as needed

FACILITIES, RISK, AND SAFETY & ENVIRONMENTAL MANAGEMENT

The Office of Facilities Management and Planning is responsible for providing uniform oversight, guidance, and expertise to the universities in all aspects of real property management including, planning, acquisition, project management, capital construction, maintenance management, safety and environmental management, and energy management. The Office also provides support and guidance to the universities on risk management issues, which include safety and environmental management and loss control and liability management in addition to providing centralized processing of insurance claims. Specific services provided by the System Office of Facilities Management and Planning include:

- Maintain and manage a real property inventory
- Provide architectural and engineering support
- Guide development of campus capital and master plans
- Prepare capital appropriation requests, bond requests, and budget
- Develop comprehensive UMS Capital Plans integrating campus requirements
- Provide BOT oversight and accountability for System's $2 billion real property portfolio
- Manage system-wide real estate and lease documents and transactions
- Develop and maintain project management guidance and documentation

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- Provide direct construction contract management support
- Provide data to internal management and external agencies including asset values, deferred maintenance backlog, insurance claims/trends, and facility usage
- Provide central management of facilities software programs and encourage collaborative usage.
- Consolidated energy management education, advice, and services in areas of energy procurement, conservation, alternative sources, and energy audits
- Preventative consultation, advice, and information on risk management issues
- Manage all property and casualty insurance programs and claims administration
- Provide direct preventative safety and environmental education, advice, and services
- Liaison with outside regulatory and legislative entities

STRATEGIC PROCUREMENT

Purchasing is responsible for the oversight of substantial purchases to insure that quality products are acquired at the lowest price. Purchasing is also responsible for acquiring bulk goods and services for all universities in order to fully maximize the System's economies of scale.

- Administer all purchases greater than $50,000 for all campuses and system; assist campuses with purchases less than $50,000 when requested
- Create and manage System-wide contracts for commodity products (e.g., office supplies, scientific materials, furniture, motor vehicles, fossil fuels) and services (e.g. cost-per-copy, internet access, express shipping)
- Implement, maintain and provide training for the PeopleSoft Purchasing, Accounts Payable, and Travel Expense systems, including new e-procurement applications and electronic supplier payment platforms
- Maximize purchasing economies of scale, common commodity purchases, computer purchases procured according to standards, when appropriate, and licensing of technology products and services
- Continually investigate and implement state-of-the-art procure-to-pay practices, technologies, and lease/purchase options
- Provide oversight of the procurement card system including training compliance, self-audit, formal compliance audits, rebate management
- Collaborate with other higher-education institutions and with the State
- Establish and monitor purchasing policies and procedures
- Coordinate Systemwide out-sourced services contracts (e.g. food services)
- Minimize UMS risk exposure in the formulation of sound contract terms and conditions, seeking review and advice from UMS Risk Management and UMS General Counsel when appropriate
- Act as liaison between UMS and the supplier community

HUMAN RESOURCES

Human Resources provides support for all employment-related policies, programs, and functions. These services fall into the broad headings of labor relations, compensation and benefits, equal opportunity, payroll, employment law, human resource information, and employee development. Specific services provided by the System Office include:

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- Maintain highly specialized knowledge of the human resources arena and provide general oversight and consultation capabilities
- Negotiate labor contracts and provide guidance, training, and consultation on labor contract administration and interpretation
- Develop equal opportunity policies, provide consultation and technical assistance, and investigate formal complaints
- Design and administer employee benefit strategies and plans and assist in resolving employee problems
- Set up and operate PeopleSoft Human Resources modules
- Develop and maintain compensation programs
- Operate payroll process, including all tax withholding and reporting and deductions
- Provide leadership and coordination of wellness program

STUDENT ADMINISTRATIVE SERVICES – SHARED PROCESSING CENTER
- Provide admissions data entry support for centralized application processing to the campuses
- Provide and manage robust document management process
- Provide key processing support and management of student loan collections, including oversight of loan servicer
- Provide best practice improvements to admissions and loan processes and consult with directors to continually improve both centralized and campus-based processes
- Provide critical data to the campuses connected to admissions processing (applications, documents, overlap, turnaround, etc.) and to loan processing (default statistics, Perkins spending balances, etc.)

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SYSTEMWIDE SERVICES
E&G BASE BUDGETS & FTE POSITIONS[1]

	FY06 BUDGET	FY06 FTE	FY07 BUDGET	FY07 FTE	FY08 BUDGET	FY08 FTE	FY09 BUDGET	FY09 FTE	FY10 BUDGET	FY10 FTE
Governance										
Board of Trustees	$126,164	1.00	$113,430	1.00	$119,489	1.00	$123,184	1.00	$118,184	1.00
Chancellor	406,414	2.00	424,094	2.00	443,459	2.00	452,681	2.00	452,359	2.00
Chief of Staff	220,057	2.00	-	-	-	-	-	-	-	-
Academic Affairs	1,281,161	7.00	1,207,845	6.00	982,066	6.00	759,750	4.00	768,774	4.00
Student Affairs	-	-	-	-	-	-	91,884	0.48	91,884	0.48
University Counsel	401,862	3.00	453,674	3.00	470,481	3.00	435,390	3.00	426,708	3.00
Governmental Relations	183,266	1.75	189,736	1.75	190,353	1.75	195,790	1.75	284,032	2.75
External Affairs	737,598	3.00	672,474	3.00	560,800	3.00	449,858	3.00	172,548	1.00
Total Governance	$3,356,522	19.75	$3,061,253	16.75	$2,766,648	16.75	$2,508,537	15.23	$2,314,489	14.23
Shared Administrative Support Services										
Information Technology	9,696,426	61.15	10,412,249	64.85	11,125,965	64.35	11,098,716	62.85	11,056,386	68.60
Augusta Operations, Admin. Systems Devel & Support, CIO, Systems & Operations, Communications & Networking										
Finance & Accounting	2,172,907	18.00	2,164,777	17.00	2,286,029	17.00	2,490,678	16.00	2,469,257	16.00
Finance & Administration, Controller, Audit, Consulting, Compensation Adjustment										
Facilities, Risk, and Safety & Environmental Management	653,962	7.00	692,808	7.00	748,185	7.00	747,997	7.00	733,350	7.00
Facilities Administration & Services, Risk Management										
Strategic Procurement	552,533	7.25	611,723	8.00	554,909	6.25	527,327	6.00	507,333	6.00
Human Resources	1,861,345	23.13	2,203,425	25.70	2,162,526	26.13	2,146,420	23.13	2,086,849	22.13
Student Administrative Services - Shared Processing Center (SPC)	-	-	-	-	788,583	14.00	808,544	14.32	852,950	14.32
Office Administration	389,918	2.0	483,354	3.00	494,558	2.50	451,113	2.00	422,814	2.50
Reception, Copiers, Postage, Supplies, Technology Equipment, Motor Pool, Building Maintenance, Utilities, Custodial, Check Printing										
Total Shared Administrative Support Services	$15,327,091	118.53	$16,568,336	125.55	$18,160,755	137.23	$18,270,795	131.30	$18,128,939	136.55
Total Operations before Allocations to Campuses	**$18,683,613**	**138.28**	**$19,629,589**	**142.30**	**$20,927,403**	**153.98**	**$20,779,332**	**146.53**	**$20,443,428**	**150.78**
Allocation to Campuses for IT/SPC/Strategic Investments	(1,872,472)		(2,267,788)		(3,407,688)		(3,243,088)		(3,334,488)	
Net Operations	**$16,811,141**	**138.28**	**$17,361,801**	**142.30**	**$17,519,715**	**153.98**	**$17,536,244**	**146.53**	**$17,108,940**	**150.78**
University College (FY09-reassigned to UMA)	4,556,515		4,689,323		4,532,929		-		-	
TOTAL	**$21,367,656**		**$22,051,124**		**$22,052,644**		**$17,536,244**		**$17,108,940**	

[1] BUDGET - Excludes Depreciation - Includes Capital & Financing Activities. FTE POSITIONS - Also includes E&G Budgeted Vacant Positions

MW50Z(686) 5/12/09

APPENDIX A-2

UNIVERSITY OF MAINE SYSTEM

SWS ALLOCATION - MODEL #1

(Based on FY10 E&G Budget)

	Governance/Office Admin[1] $2,737,303		Finance & Accounting[2] $2,469,257		Facilities[3] $733,350		Strategic Procurement[4] $507,333		Human Resources[5] $2,086,849		Current IT & ERPCC $2,940,132		Remaining IT[6] $8,116,254		SPC $852,950		TOTAL[7] $20,443,428	
UM	$1,064,811	38.9%	$1,244,505	50.4%	$362,274	49.4%	$262,799	51 8%	$970,385	46.5%	$1,199,872	40.8%	$3,262,735	40.2%	$328,284	38.5%	$8,695,665	42 5%
UMA	306,378	11.2%	143,686	5 9%	33,734	4.6%	22,650	4 5%	146,079	7.0%	292,114	9.9%	852,207	10.5%	97,579	11.4%	1,896,807	9 3%
UMF	235,408	8.6%	160,502	6 5%	58,668	8 0%	32,977	6 5%	152,340	7.3%	252,433	8.6%	681,765	8.4%	87,409	10.2%	1,661,502	8.1%
UMFK	101,280	3.7%	54,324	2 2%	19,067	2.6%	11,161	2 2%	54,258	2.6%	100,304	3.4%	284,069	3.5%	27,028	3.2%	651,491	3 2%
UMM	68,433	2.5%	49,385	2 0%	22,001	3 0%	9,639	1 9%	45,911	2.2%	73,978	2.5%	202,906	2.5%	21,875	2.6%	494,128	2.4%
UMPI	139,602	5.1%	76,547	3.1%	30,801	4 2%	15,220	3 0%	77,213	3.7%	139,718	4.8%	389,580	4.8%	40,027	4.7%	908,708	4 5%
USM	821,191	30.0%	738,308	29.9%	206,805	28 2%	152,707	30.1%	640,663	30.7%	881,713	30.0%	2,442,992	30.1%	250,748	29.4%	6,135,127	30 0%
TOTAL	$2,737,303	100 0%	$2,469,257	100.0%	$733,350	100 0%	$507,333	100 0%	$2,086,849	100.0%	$2,940,132	100.0%	$8,116,254	100.0%	$852,950	100.0%	$20,443,428	100 0%

[1] Fall Student FTE - 5 year average
[2] Operating Expenses - 5 year average
[3] Square Footage as of October 2008

[4] Goods & Services - 5 year average
[5] Employee FTE - 5 year average
[6] Student & Employee FTE - 5 year average

[7] TOTAL E&G BUDGET - Currently Funded by State Appropriation, Temp Inv Income, Campus Allocations, F&A Recovery, Rebates, and Other Outside Revenue Sources

MW10(812) /23/09

New Challenges, New Directions Task Force
Subcommittee on the Expectations and Role of the Chancellor's Office and System-wide Services
DRAFT Recommendations - May 13, 2009

System-wide Services (SWS)

What are the expectations of System-wide Services and what services should it provide?

- SWS should continue to report to the Vice-Chancellor for Finance and Administration under the direction of the Chancellor.
- A formal Advisory Council should be created to ensure the campus voice is included in decision-making.
    o The Advisory Council should consist of the Vice-Chancellor for Finance and Administration and the presidents of the seven universities, or their designees.
    o The Advisory Council should foster a culture of cooperation and coordination to ensure satisfactory services are delivered at least cost.
- SWS should separate those duties that serve the **governance** responsibility of the Board of Trustees and the Chancellor to provide oversight and ensure accountability from those services that could be performed on a campus, but are **shared** at the System level to reduce costs.
- Services designated as **Shared Services**:
    o SWS should require campuses to use shared services only where economies of scale can be realized.
    o Where possible, SWS should offer a menu of shared services for campuses to choose from at their discretion. Understanding that existing shared services may be difficult to disaggregate without imposing additional costs on some campuses.
    o Campuses are encouraged to pilot new models of service delivery by purchasing services from other campuses or from other public/nonprofit partners and by outsourcing services to the private sector as appropriate. However, the System should set the policies and parameters for such relationships and should serve as the repository of information and data relating to the nature, cost and performance of such alternate delivery methods.
    o Campus customers of SWS shared services should be surveyed annually regarding their satisfaction with the services.
    o Service Level Agreements should be developed between SWS and each campus for the shared services provided and should include appropriate performance measures.
    o Annual reviews of shared services against the performance measures should be conducted by the Advisory Council, with consideration given to the campus customer survey.
    o SWS office directors providing shared services should be held accountable by the Vice-Chancellor for Finance and Administration to the performance measures established for their respective units.

Staffing?

- A review of relevant administrative services across the System should be performed to determine if duplication exists.
- The Advisory Council should be responsible for reviewing administrative services and staffing to avoid duplication of services between campuses and the SWS.
- The Chancellor should be charged with eliminating any duplication either at the SWS or at the campus level, as deemed appropriate.

Funding?

- The SWS should be funded through appropriations; however, optional services offered through a menu that campuses may choose from should be billed to the user campus at cost.

Location?

- SWS may be located separately from the Chancellor's Office.

IT TASK FORCE REPORT FOR ARENA 1

Board of Trustees

May 14, 2009

IT Overview - Total System

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TOTAL UMS & CAMPUSES IT FY09 BUDGET

Summary

- Total $25.7M gross expenditures
    - UMS   47%
    - Campuses IT   41%
    - Depts./schools   12%

- 4% of UMS Budget ($651M)
    - Compared to higher education 4.7%-5.3%*

- Headcount (positions)   231
    - IT manages   189
    - Dept/school managed   42
      (UM-33)

   *Educause Core Data Survey 2007

Conclusions

- UMS total IT capacity 20% less than industry averages

- IT capacity required to drive business process automation/end user self service/ technology based learning and research

- IT progress required to remain competitive against peer institutions

- Current IT organizational structure
  - Sub optimized
  - Cuts/reductions by unit will further degrade capacity

- System-wide IT resources must move towards consolidation

- SAVINGS FROM CONSOLIDATION DIFFICULT TO ESTIMATE WITHOUT A DUE DILIGENCE PROCESS/BUSINESS CASE – 1ST STEP

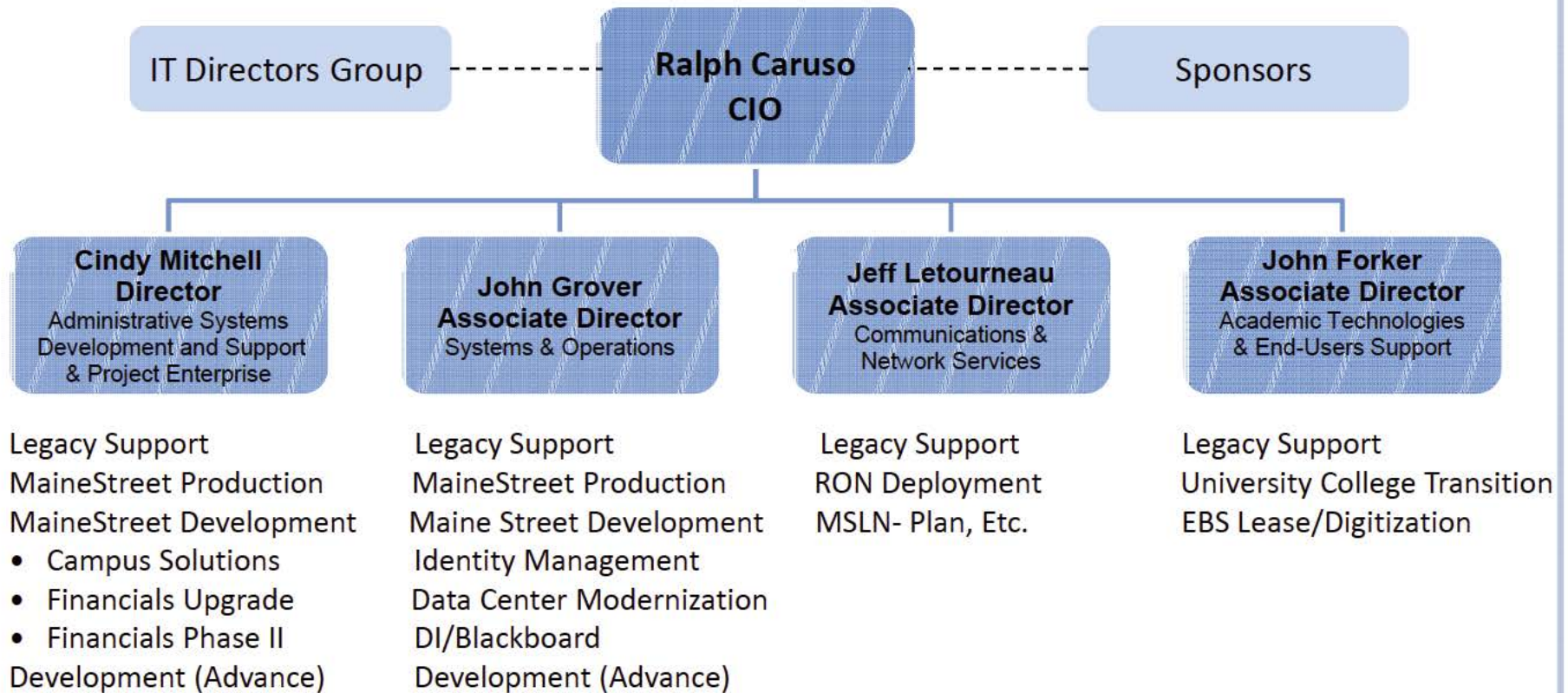- Consolidation across all industries have achieved lower total cost and better service

UMS – ITS Capacity

7

ORGANIZATION – FY 09/10

IT Directors Group

Ralph Caruso
CIO

Sponsors

Cindy Mitchell
Director
Administrative Systems
Development and Support
& Project Enterprise

John Grover
Associate Director
Systems & Operations

Jeff Letourneau
Associate Director
Communications &
Network Services

John Forker
Associate Director
Academic Technologies
& End-Users Support

Legacy Support
MaineStreet Production
MaineStreet Development
• Campus Solutions
• Financials Upgrade
• Financials Phase II
Development (Advance)

Legacy Support
MaineStreet Production
Maine Street Development
Identity Management
Data Center Modernization
DI/Blackboard
Development (Advance)

Legacy Support
RON Deployment
MSLN- Plan, Etc.

Legacy Support
University College Transition
EBS Lease/Digitization

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CRITICAL SYSTEM WIDE PROJECTS REQUIRED

- Improve support for course management system (Blackboard)

- Implement and support financial aid

- Improve student information system – records, financials

- Web portal- student/faculty

  - 71% of Higher Education Institutions have or are implementing a portal*

- Document imaging – academic processes

- Complete development (Advance) UM
  - Plan and implement other campuses

- Financial Management System
  - Upgrade to 9.0
  - Procure to pay
  - Finance phase II – grants/etc.

- HRMS improvement/ expansion
  - Portal
  - Self service

*Educause Core Data Survey 2007

9

ORACLE INSIGHT REVIEW – MARCH 2008

Recommendations 2/3 IT Strategy/Staffing

- Observations
  - Current staffing insufficient to support MaineStreet (ERP) when compared to others
  - Capacity limited to serial implementations
- Create ERP Competency Center (3)
  - Functional and Technical Experts
- Evaluate Staffing Options (2)
  - Identify potential campus resources – allocate/train (UMF)
  - HIRE & TRAIN NEW STAFF FROM OUTSIDE
  - Student Internships
  - Outsource – Operations and maintenance to third party
- If no change in staffing
  - Clear prioritization based on business case required
  - Capability and execution gap will outpace abilities of ERP group

ERP COMPETENCY CENTER
(FINANCE AND HR)

	UMS O/B	Oracle/InSite Recommendation
Director	1	1
Functional Business Analyst	1	5
Technical Staff	5	8
DBA's	1	2
System Administrator	.5	2
Training Developers	.5	1
Total	**9**	**19**

PERSONNEL COMPARISON

	University of Maine System	Syracuse University	North Dakota University System	University of Missouri System
	(34,000 students, 6287 fac.staff, $567 Million)	*(18,734 students, 4877 fac/staff)*	*(42,000 students, 13,00 fac/staff, $840 Million)*	*(63,000 students, 23,000 fac/staff, $1.9 Billion)*
HRMS	1 financial functional lead 4 developers 1 mgr/developer	1 mgr 3 developers 3 functional	1 mgr 3.5 developers	7.7 developers
Financials	*(Support group is combined)*	1 mgr 4 developers 5 functional	1 mgr 1.5 developers 2 functional	8.6 developers
Student Administration	1 functional lead 8 developers 1 mgr/developer	1 mgr 6 developers functional (many)	1 mgr 12 developers	15.2 developers
Database Administration/ Portal/Security	1 DBA lead 3 DBAs/security analyst	1 mgr 1 DBAs/security analysts	12.25 DBAs .5 mgr	10 DBAs
Training/User Support/Communications	2.5	9 (includes broader support than admin systems)	?	4.5
Reporting/Data Warehouse	1 mgr 2 developer	1 mgr 5 analysts	?	1 mgr 7 developers
Total	26.5	43	36.75	54

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POSSIBLE SOURCES OF FUNDS-UMS-ITS SAVINGS

(000's omitted)

	FY10	FY11
Legacy (Software/Hardware)	$ 288.5	$ 577.0
Legacy Data Center (Staff)	$ 59.8	$ 127.0
SunGard Managed Services Contract	$ 100.0	$ 210.0
Miscellaneous	$ 63.0	$ 63.0
Total	$ 511.3	$ 977.0

	FY10	FY11	Total
Additional Staffing			
Self Funded	5	5	10
Additional Staffing			
Requiring Funds	4	--	4
Total	9	5	14

IT ORGANIZATIONAL OPTIONS

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ORGANIZATION – FY09
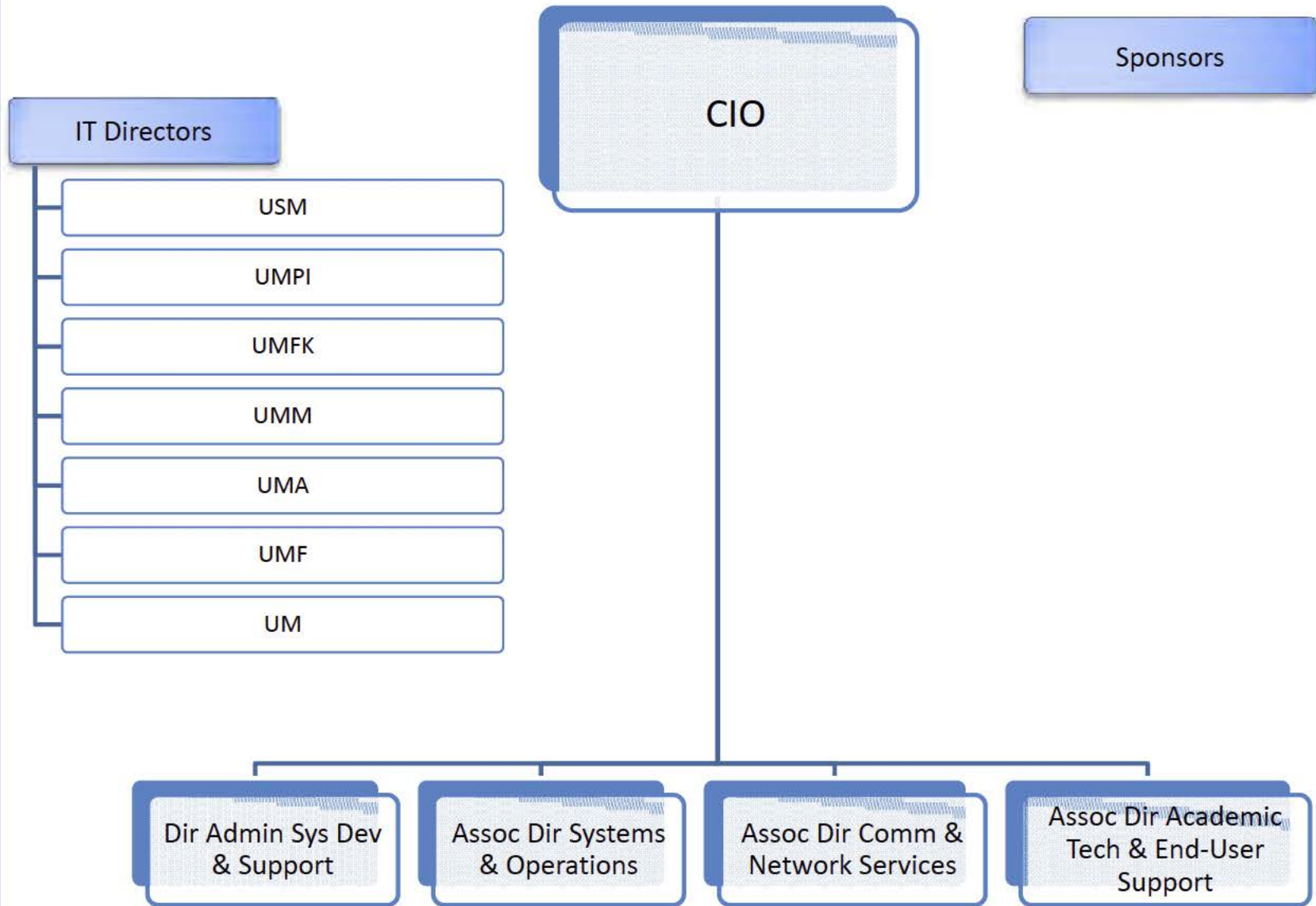
ORGANIZATION – FY09 HYBRID DOTTED LINE

IT Directors

CIO

Sponsors

- USM
- UMPI
- UMFK
- UMM
- UMA
- UMF
- UM

Dir Admin Sys Dev & Support

Assoc Dir Systems & Operations

Assoc Dir Comm & Network Services

Assoc Dir Academic Tech & End-User Support

24
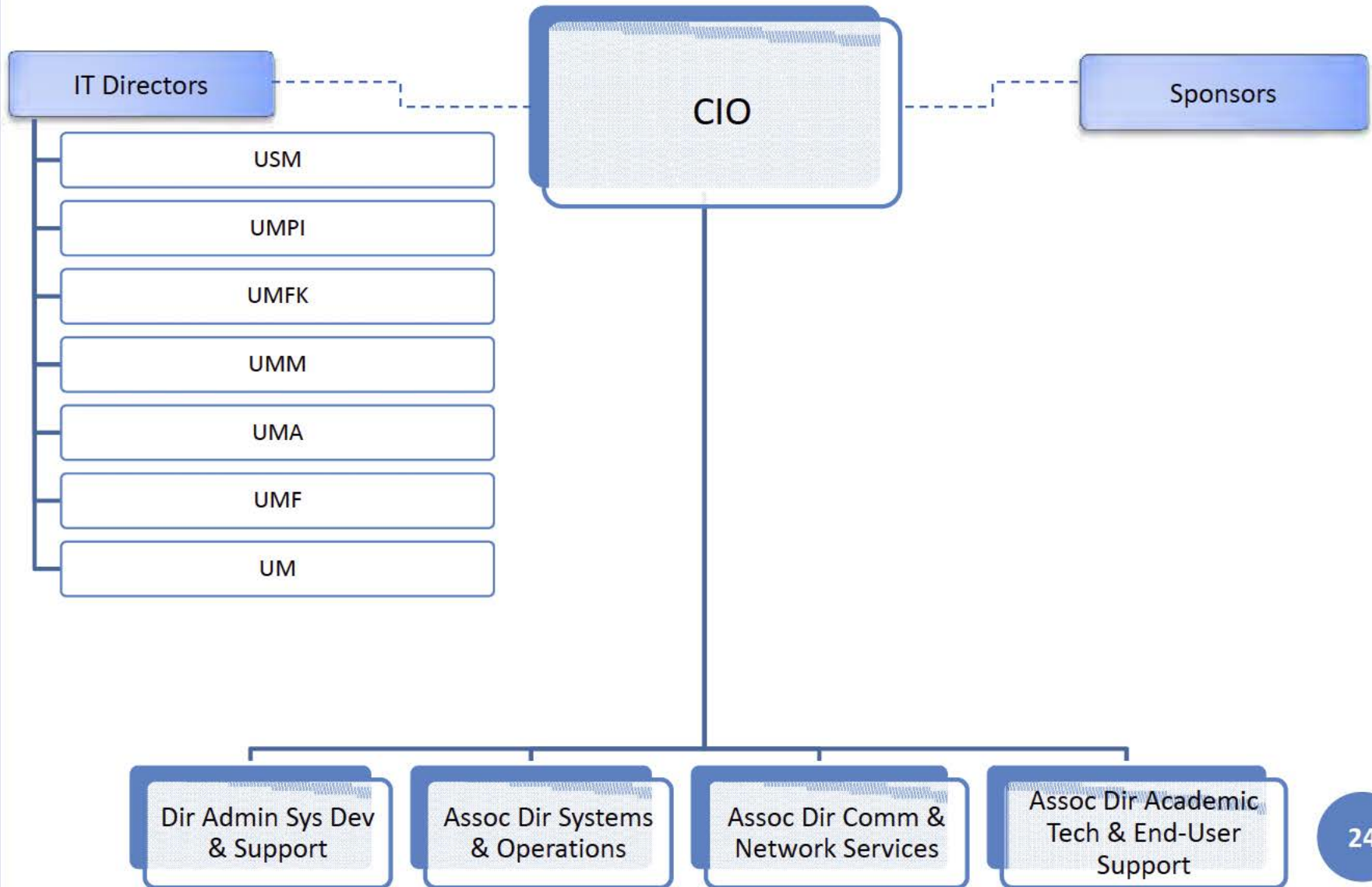
ORGANIZATION – FY09 HYBRID

- Pros
  - Should allow a better balance between Campus/System initiatives
  - Savings can be generated from current projects and future work teams
    - Savings will accrue to campuses and departments
  - Management structure is matrix based, but once ironed out will become much clearer than current model enabling better alignment of resources for essential support services
  - Over time, with consolidation of purchases, equipment, software, etc, campuses will become more and more similar in IT offerings to faculty and students
- Cons
  - Savings potential below full consolidation
  - Basic work of technical staff will change slowly over time – virtual teams may overcome this
  - IT decisions still decentralized and sub optimized

Consolidated Organization
Skills Based
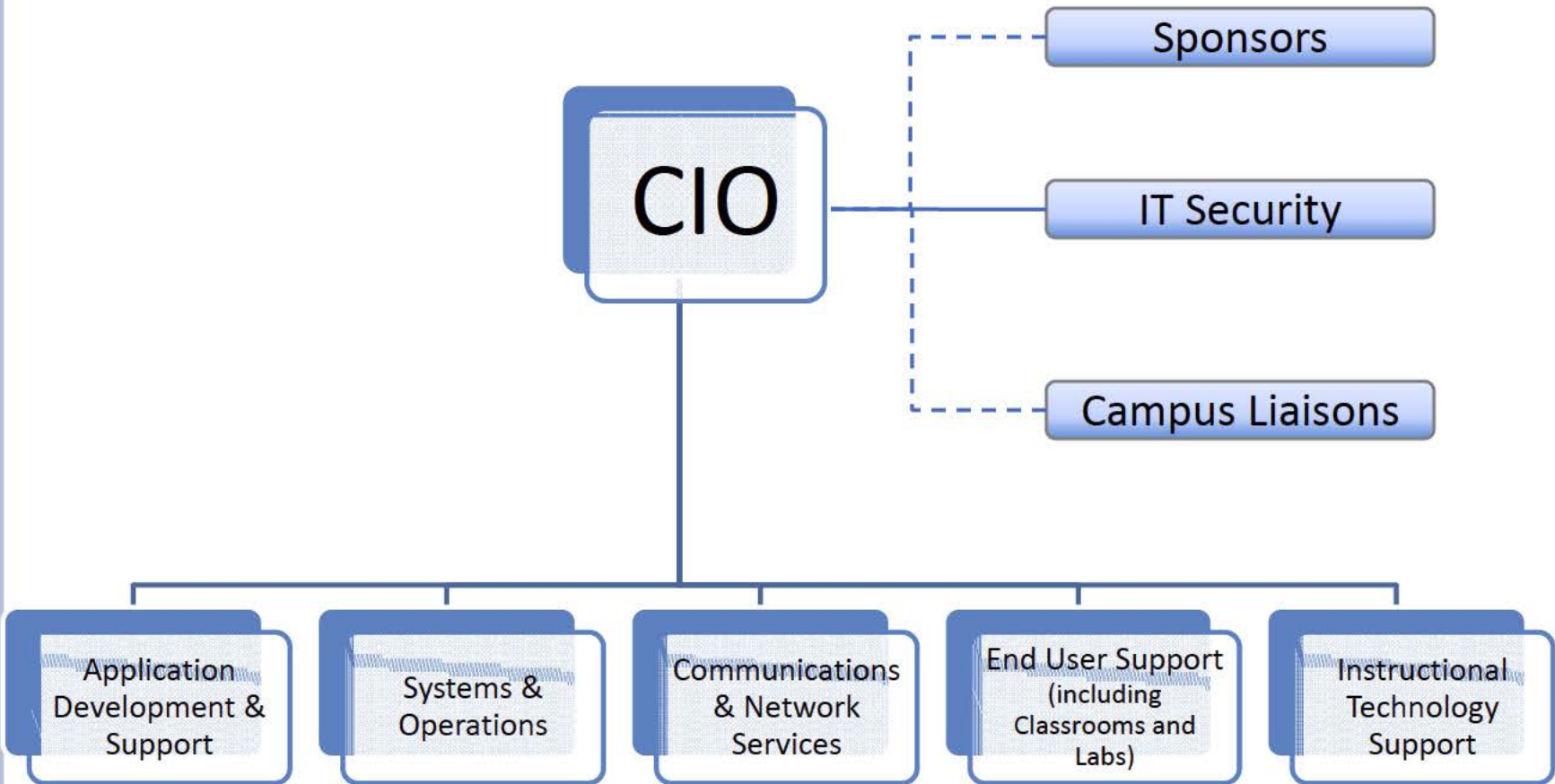
BUSINESS CASE
CURRENT VS CONSOLIDATION

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UMS – IT CONSOLIDATION VS. NO CONSOLIDATION

	FY10	FY11	FY12
IT Consolidation			
Net Savings	$ 222.4	$ 666.3	$ 691.3
IT No Consolidation			
Net Budget Increase	$ 258.6	$ 324.7	$ 324.7
Δ Annual	$ 481.0	$ 991.0	$1016.0
Δ Cumulative		$1472.0	$2488.0

IT DIRECTORS GROUP RECOMMENDATIONS/PROJECTS

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- Meetings held March 6th, March 18th, and April 9.

- Task Force reviewed IT consolidation proposal and IT capacity model prepared by System CIO

- Discussed alternative Organization Models – Bill Wells, others

- Consensus reached on the following:
  - IT service delivery involving Campus and System units needs to change.
  - Full consolidation based on skills not recommended.
  - Hybrid model recommended.
    - New IT Governance Structure required
    - CIO Responsibilities
    - IT Directors Group will be formalized – dotted line to CIO

- Current UMS Services/Budget
  - No recommendations made

IT Assessments 09/05-10/08

- 08/05 – Financials post go-live   Internal audit
- 12/05 – Financials post go-live   Internal audit
- 05/06 – Admissions and Shared

  Processing Center pre go-live   Cedar Crestone $10,000
- 12/06 – Shared Processing Center post go-live   Cedar Crestone $10,000
- 07-12/06 – Information Security/IT Security   Internal Audit
- 08/07 – Data Center   Forsythe Inc. $40,000
- 10/07 – Financial Aid pre go-live   PWC $45,000
- 01/08 – Student Records pre go-live   Cedar Crestone $10,000
- 03/08 – Oracle Insight Review   Oracle
- 05/08 – Advance pre go-live security   PWC $50,000
- 10/08 – Financial Aid pre go-live Cedar   Crestone $10,000

ADMINISTRATIVE SYSTEMS UPDATE

Board of Trustees

May 14, 2009

FINANCIALS UPGRADE

- Very successful—non-event
- E-Payables implementation
- Travel and Expense Direct Deposit implementation

FINANCIAL AID IMPLEMENTATION

- Milestones to date:
  - Download FAFSA data
  - Package accepted student awards and send notifications
  - Package continuing student awards and send notifications
  - Students accept awards
  - "Header schools" (UMA/USM) begin processing loans and disburse aid

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CHALLENGES FOR FINANCIAL AID

- Feds very late finalizing PELL levels (ARRA)
- Student Load industry turmoil: lenders dropping out leaving students and aid offices scrambling
- Header schools have a very compressed schedule from award to disbursement

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NEXT STEPS FOR FINANCIAL AID

- Finish awarding aid to continuing students
- Mid summer—disburse aid for fall

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2009 Initiatives

- Usability and Productivity
  - Enhancements to Faculty and Student self-service
  - Bill Payment Suite
  - Convenience Fee (three campuses)
  - New housing software (three/four campuses)
  - Updates to Faculty and Student self-service
- Retire the Mainframe
- Upgrade Tools and Database to current release level

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PORTAL DEMO

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Board of Trustees

May 14, 2009

DATACENTER READINESS & CONSOLIDATION

Board of Trustees

May 14, 2009

Facility Readiness

- Facility Assessment
  - 2006 – Began assessment of 2 UMS datacenters to:
    - Identify critical vulnerabilities
      - Business Capacity
      - Reliability or Business Continuity
      - Security or Business and Data safety
      - Energy efficiency
    - Prioritize by importance to the mission and business of the UMS
    - Develop remedies to address vulnerabilities
    - Develop preliminary budget

FACILITY ASSESSMENT

- Orono Datacenter at UM
  - Facility built in 1976 – few changes since then.
  - Mechanicals
    - Single UPS is 12 years old and at capacity. At end of life (no parts avail.)
    - Air Conditioning (A/C)
      - Only 2 of 3 units operable
      - 1 unit over 19 years old
  - Equipment arrangement not optimal
    - Requires changes to air distribution system to optimize cooling
  - Fire Suppression & enhanced room and equipment monitoring needed
  - Create dedicated storage area to remove items from machine room.
  - Other – floor tile replacement, door security, security cameras, raised floor grounding, clean room ceiling tiles, signage

FACILITY ASSESSMENT

- Portland Datacenter at USM
  - Single A/C unit 22 years old
    - Overhead ducting must be installed to achieve adequate cooling airflow
  - Single UPS (8 yrs old)
  - "Window wall" should be replace with solid, fire-rated wall.
  - Enhanced room and equipment monitoring needed.
  - Other – Emergency power off, raised floor grounding, door security system, floor tiles, clean room ceiling tiles, signage, work space relocation

Facility Renovation Costs

- Orono – 2,500 ft² machine room space
  - 75 watts/ft² - $3,065,000
  - 40 watts/ft² - $2,125,000

- Portland – 700 ft² machine room space
  - 20 watts/ft² - $710,000
    - N.B. This wattage density is too low and will be increased.

- Work can be phased to spread costs over time and address highest critical needs first.

DATACENTER CONSIDERATIONS

- Exploring colocation with State of Maine Office of IT
  - OIT must be in new datacenter by end of 2012
  - Synergies exist such that colocating could mean savings for each party
- Exploring development of datacenter at former Old Town paper mill
  - May be able to partner with researchers on MTI grant (pending) for costs to develop space ($3million)
  - Green, inexpensive, on-site power could provide cheapest overall operational costs.
  - Other paper mills may also be interested

CONSOLIDATION

- Use secure, safe, efficient datacenter environments to hold critical campus and system servers and storage
- Colocation to datacenters helps deploy more robust backup, consolidation of system administration, inventory of data for response to eDiscovery
- Provides for true DR capabilities

SUMMARY

- Updating our datacenters is the key to
  - Continued and improved safety and security of electronic information
  - Continued and improved reliability (uptime)
  - Continued capacity growth
  - Reducing costs over time
 - Enhanced and improved Business Continuity

MaineREN

Board of Trustees

May 14, 2009

STATUS UPDATE

- Phase 1
  - Bar Harbor to Portland operational since July 2008
- Phase 2
  - Portland to Cambridge
    - Fiber route complete - July 2009
    - Network Equipment Installation
      - Portland to Portsmouth – May 2009
      - Portsmouth to Cambridge – August 2009
  - USNH Agreement in place
    - Sharing capital and operational costs Portsmouth to Cambridge
  - Portland to Brunswick expansion
    - Fiber build complete
      - USM
      - Bowdoin
      - Two collocation facilities
        - 340 Cumberland
        - Nexus

NORTH EAST CYBERINFRASTRUCTURE CONSORTIUM

NECC Fiber Map v.4a
— Proposed NECC fiber
--- Existing fiber
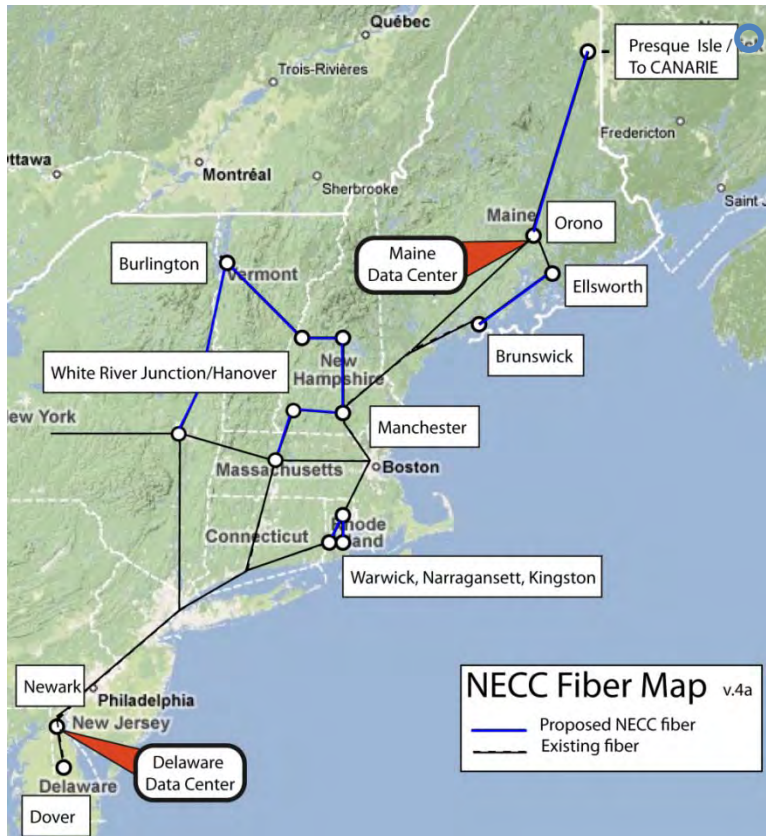
Two Pending Proposals

- National Science Foundation Research Infrastructure Improvement Track 2
  - Submitted Jan. 2009
  - Maine - $1.35M
  - Two new fiber routes
- National Institute of Health / National Center for Research Resources
  - Submitting May 2009
  - Maine - $1.2M
  - Equipment to light two new fiber routes

ATLANTICA

The International Northeast Economic Region

> A region bounded on the east by the Atlantic Ocean, on the north and west by Lake Ontario and the St. Lawrence River, and on the south by Highway I-90 to Buffalo and the southern borders of the states of Vermont and New Hampshire (http://www.atlantica.org)

Maine

New Hampshire

Vermont

Upstate New York

New Brunswick

Prince Edward Island

Nova Scotia

Newfoundland

Southern Quebec

ATLANTICA FIBER BACKBONE

American Recovery and Reinvestment Act Proposal

- Three regional interconnected fiber rings (red, blue green)
  - Focus on unserved /underserved regions
- Open access to all public/private
  - Exploring collaboration with GWI, MMC, Oxford Networks, Pioneer Broadband
- Coordinating with other northeast states

EBS/ Distance Education Update

Board of Trustees

May 14, 2009

UC/ITV/Online Assessment Committee

- UMA president leading 25 member team
- Reviewing distance learning trend data which shows decrease in ITV and increase in online
- Reviewing 19 recommendations made by UC
  - Increase online and videoconference
    - --Have provided CAOs quantity and cost data for increasing videoconference units (for Arena 2)
  - Over 2 years decrease ITV to 2 channels (via landline only)
  - In 2 years, cease ITV to sites where enrollments are too low

EDUCATION BROADBAND SERVICES SPECTRUM UPDATE

o Analog EBS currently used for ITV

o FCC mandate digital by Oct 2010; Filed plan with FCC to self-transition

o Excess capacity lease potential (market unsettled)

o Need to deliver educational content to retain licenses

o Current recommendation is to phase-out EBS at end of 2010-2011 academic year

o Currently talking to UMaine for transmitting research data

Maine's
Public
Universities

UNIVERSITY OF MAINE SYSTEM

ARENA 1 – FINANCE

EXECUTIVE SUMMARY

Conference calls were conducted with each campus CFO to discuss and gather feedback regarding the initial list of brainstormed ideas for cost savings and/or efficiencies in the area of finance and accounting. Campuses also provided additional ideas for savings. Ideas were further vetted at CFO meetings and recommendations were made.

Based on initial conversations, the following concepts had the most support for further investigation:

1. Implement a convenience fee solution for credit cards
2. Student Bill Payment Suite
3. E-refunding solution
4. Miscellaneous receivables - billing & collections
5. Monitor accounts payable credits - either obtain refund or have credits applied
6. Minimize check writing at campuses
7. Explore single checking account for campus check writing
8. Explore utilization of lockbox
9. Centralization of TouchNet credit card data uploads and reconciliations
10. Travel – explore possible savings through economies of scale
11. Purchasing card administration
12. RMS housing alternative – this idea was brought forward by some campuses
13. HR/Payroll related matters
14. Evaluate merchant acquirer potential for savings

The following comments may best express the general theme of our conversation with campuses:

- Standardization of practices and requiring individual accountability are the biggest areas of savings.
- One of our greatest opportunities for efficiencies and savings is concentrating on using PeopleSoft wisely and timely. We need to fully implement and understand PeopleSoft capabilities before we make more modifications.
- Overall, implementation of any or all of the Arena1 – Finance Brainstorm Ideas may result in only minor savings.

- To achieve savings, we need to act like a System when implementing technology solutions/systems and business processes. In this regard, we need to adopt strategic directions, particularly when implementing software. This means, that while all campuses may not be able to immediately move to common software solutions, when they are at a point of change, they will adopt the agreed upon solutions.

In general if a function was to be considered for centralization, most campuses preferred the function be centralized at the System Office rather than at another campus.

2

AREAS FOR CONSIDERATION

1. **PayPath Convenience Fee solution** –
   o The UMS collectively spends nearly $500,000 annually on credit card discount fees related to the acceptance of credit cards for student accounts payments:

	Credit Card Fees
UM	$0
UMF	$66,000
USM	$262,166
UMM	$23,152
UMFK	$34,100
UMA	$63,388
UMPI	$50,000
	$498,806

   o UM adopted a convenience fee solution with Sallie Mae in 2003.
   o Explored reducing credit card fees by providing a third party convenience fee option related to the acceptance of credit cards for student bills. Interviewed two providers – TouchNet and Sallie Mae. TouchNet was recommended as the provider as they offer an integrated product, which reduces implementation expenses and ongoing maintenance and they offer a real-time solution. UMF, UMM, and USM have agreed to implement TouchNet for fall semester 2009 and will realize approximately $350,000 in savings annually.
   o The TouchNet implementation fee is $4,000 per campus.
   o The convenience fee is 2.75% per transaction and is charged to the cardholder not UMS.
   o UM has one year remaining on their Sallie Mae contract. When the contract expires in one year, UM will implement the TouchNet solution.
   o UMFK and UMPI are not implementing at this time largely due to the fact that Visa is not accepted under the convenience fee model:
      ▪ VISA is not accepted as that company does not allow a percentage based fee.
      ▪ As Visa is widely used in Canada and as UMFK and UMPI have a significant number of Canadian students, the payment options for Canadian students would be limited.
      ▪ Payment options are already limited for this population as there are issues with ACH ability between Canadian and US banks.
      ▪ Alternative solutions to meet the challenges of Canadian student payment mechanisms will be sought.
   o UMA is not implementing at this time because of concerns regarding the nature of their student body and the ability to pay the 2.75% convenience fee.

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- Because a convenience fee solution is the 1st step in considering a set of available student finance solutions, the convenience fee solution needed to be considered in a larger context: refunding, bill presentation, and payment plan options. The results follow.

2. **Student Bill Payment Suite** - To achieve greater student service, and achieve greater processing efficiency, we reviewed a TouchNet and Sallie Mae solution to bill payment.
   - Currently we have issues with bill presentation & payment:
     - No electronically viewable historical bills,
     - No self-service registration for payment plans,
     - No recurring payments in payment plans, &
     - No third party (parental) access.
   - All 7 CFO's agreed to move forward with TouchNet's Bill Payment Suite for use in Fall 2010 (Cost is $66,000 annually; $36,000 one time implementation fee).

3. **E-refunding** - Considered the HigherOne e-refunding solution and recommended implementation.

   - The UMS produces and distributes over 44,000 student refund checks annually at an average cost of $1.30 each for production and distribution (does not include campus-based costs related to check delivery and customer service). The majority of these checks are currently printed and distributed by SWS in Bangor.

   - HigherOne offers a service for providing electronic (ACH) and paper check refund disbursement directly to students. The cost is $.40 per disbursement.

   - Savings are estimated at $21,120 annually.

   - HigherOne also offers a student payroll disbursement which needs to be explored further by HR, Finance, and IT.

   - CFO's unanimously approved implementation of HigherOne for student refunding. The CFO's agreed to implement the product with uniform business processes and set the expectation that any resistance to uniformity be brought to their attention.

     (Note: Subsequently learned that TouchNet's Bill Payment Suite provides a refunding component. While it does not offer the same features as HigherOne, it does offer refunding through ACH. This solution will be further explored and compared to HigherOne.)

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4. **Miscellaneous Receivables** – this function cannot be efficiently centralized until an enterprise-wide billing/collections module is implemented. We agreed that if and when such a module is implemented, we would need to explore business process redesign and require that all miscellaneous billing be done through the new system.

5. **Monitor Accounts Payable (A/P) credits** – As of April 13, 2009 UMS collectively has over $1 million in A/P credits. There was a general sense that credits are well managed; nonetheless, detailed credit reports were issued to each campus so that further analysis could be done.

6. **Minimize check issuance at campuses** – Over the years the campuses have reduced the number of checks they write from their imprest accounts; however, all agreed that they should review this area to see if use can be further reduced. We agreed that some check writing is needed at each campus to address emergency or unexpected events.

7. **Explore single checking account for campus check issuance** – Determined not viable due to logistics of projecting cash flows for funding the account, would require a new banking relationship as the System's primary bank is not present at all campuses, and the amount of money already invested in the present check stock versus monthly cost of having several bank accounts.

8. **Utilization of lockbox** – Used at UM and UMA. Generally, there was no interest in expanding. We are also not sure of the impact the convenience fee solution under item #1 above will have on the number of lockbox transactions.

9. **Centralization of TouchNet credit card data uploads and reconciliations** – Determined that this would not generate significant savings as it would not result in a reduction in campus staff. This is just one of many tasks the responsible campus person is performing.

10. **Explore possible savings in travel costs through economies of scale** – This will be pursued through the subcommittees working on the Huron Recommendations related to the *UMS Procurement Assessment and Spend Analysis Engagement*.

11. **Purchase card administration** – There are organizational structure recommendations in the Huron report which will be reviewed through that committee.

12. **RMS housing alternative** – UMS is currently exploring implementing the Academe Solutions housing module. UMF, UMFK, UMPI, and potentially UMM would like to implement this module in the Spring of 2010. This module is fully integrated with PeopleSoft. Although there will be one-time license fees and implementation costs, campuses implementing Academe Solutions will realize savings in annual maintenance and may realize improved data quality. UM, UMM, and USM currently utilize RMS housing and have campus card systems that utilize RMS data. These campuses agreed to explore uniform card system options and determine whether moving to an RMS platform makes sense for them.

   - One time license fees for 3 campuses is $75,625
   - Annual maintenance under Academe Solutions begins at $4,900 with modest increases (of 3%) after the 3rd year.
   - Each campus will pay $24,500 for full service implementation ($73,500 for three)
   - If 5 campuses were to implement Academe Solutions, replacing RMS, a projected Return on Investment (ROI) for this project would be approximately 4 years. The ROI calculation will be redone once the final number of campuses wanting to implement the system is known.

13. **HR/Payroll related matters** – The CFO's have asked for a list of areas where savings might be obtained but where HR needs CFO, President, and/or BOT guidance/approval to obtain movement.

14. **Evaluate Merchant Acquirer potential for savings** – UMS currently pays approximate $1 million in credit card fees annually to Global Payments, UMS' Merchant Acquirer. Work with UMS' bank to determine savings potential if UMS were to go thru a Merchant Acquirer Request for Proposal process.

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New Challenges, New Directions

Facilities Management Report

Table of Content

Evaluation of Facilities Management Functions and Organization

Purpose

This report is submitted in response to the charge to review of the delivery of facility management services across the System and to make recommendations regarding the consolidation and integration of those services.

Process

The review was conducted by a team comprised of facility representatives from all of the campuses and System staff. Team membership included:

UMS	Ed Dailide	Michael Sauda	
	Alan Cyr		
UM	Elaine Clark	Bill Charland	
	Steve Peary	Steward Harvey	
USM	Bob Bertram	Paul Kuplinski	
	Dave Barbour		
UMA	Sheri Stevens	Peter St Michael	
UMF	Bob Lawrence	Leo Deon	
UMFK	Dick Bouchard		
UMM	Bob Farris		
UMPI	David St Peter		

The team:
- Identified functional elements that constitute the practice of facility management
- Reviewed the provision of those service from both the campus and SWS perspective
- Identified functions that may be able to provide enhanced delivery of services through a more centralized approach
- Developed alternatives and recommendations based on a more detailed review

Note: Risk Management unit is located within the System Office of Facilities Management. However, the team review process did not include Risk Management because an independent review of Risk Management was conducted separately by an outside consultant. The consultant's findings and recommendations are included in this report covers Risk Management.

Summary of Findings

The team's overall assessment is that opportunities for significant cost savings under the delineated premises are minimal. Major opportunities for consolidation of services have already been accounted for by past reviews and budget reductions.

There are some opportunities to increase efficiency and effectiveness but the net effect will be more in the area of cost avoidance versus cost savings. Most of these are in the review of policies and practices that govern the performance of facility management.

There are alternative models for the delivery of some of the functions that can successfully provide the services as demonstrated by their existence in other organizations. Each has advantages/disadvantages that are discussed below. No recommendation on the selection of a model is provided as that is governed by a decision on the future structure of the System-wide Services (SWS) office.

There is a concern regarding existing staffing levels. Past budget reductions have reduced staff capacity and capabilities at the campuses and SWS. At the same time, the size of the real property portfolio increased. In the past ten years, the square footage of our facilities increased by 17percent. The reduced staffing levels directly impact the ability to affect change from several aspects:
- Many positions perform multiple functions making it difficult to separate/consolidate those functions as they represent a partial FTE.
- Campuses that have a capability may not have the staff capacity to expand their services to other campuses.
- Limited staff capacity will impact the ability to develop, revise, and implement improved business policies and procedures to improve accountability.

There is a need to improve the information technology supporting the facility management functions. System focus on implementation of PeopleSoft has diverted resources from support and upgrade of technology that is essential for the governance, accountability, and management of the $2 billion in building assets and the delivery of services.

Analysis
The following is a listing of the functional elements that comprise the universe of facility management.

- Facilities Planning
  - Facilities Master Planning
  - Space management
  - Capital Planning
  - Real Estate Management
- Architectural and Engineering Services
  - In-House design
  - A&E Design Services
- Construction Contract Management
- Facilities Operations and Maintenance
  - Utility services
  - Facilities Maintenance
  - Custodial Services
  - Ground Services
  - Transportation
- Energy Management /Sustainability
- Facilities Management Information Systems
- Safety and Environmental Management

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- Risk Management /Insurance

There are Board of Trustee and System policies and procedures that govern these functions. Campuses exercise a great degree of local autonomy in performing the functions under established guidance. SWS has a governance responsibility to ensure compliance with established policies as well as regulatory items.

From this review, it is apparent that many of the existing policies and procedures are not current and need revision to reflect best business practices, to incorporate PeopleSoft implementation, and to strengthen accountability.

The following table identifies the FTE assigned to the performance of the individual functions. Of note is that many functions are assigned fractional FTE indicating multi-tasking of individuals.

Function				Totals		UM	USM	UMA	UMF	UMFK	UMPI	UMM	UMS
				FTE		FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
Office Management				16.75	2.96%	5.80	1.50	2.25	2.00	1.00	2.00	1.00	1.20
Facilities Planning													
	Facilities Master Planning			0.40	0.07%	0.20	0.10		0.10				
	Space management			0.30	0.05%	0.20			0.10				
	Capital Planning			0.65	0.11%	0.20	0.10		0.10				0.25
	Real Estate Management (leases/property)			0.55	0.10%	0.20			0.10				0.25
	Condition Assessments			0.60	0.11%	0.20	0.10		0.30				
Architectural and Engineering Services													
	In-House design			2.00	0.35%	1.00	0.50		0.50				
	A&E Design			0.50	0.09%	0.50			0.00				
	A&E Services			1.90	0.34%	0.50	0.50		0.40				0.50
Construction Contract Management				9.50	1.68%	4.50	3.50		1.00				0.50
Facilities Operations and Maintenance	(1)												
	Utility services			16.00	2.83%	12.00	4.00						
	Utility Infrastructure			6.30	1.11%	6.00			0.30				
	Facilities Maintenance												
		Preventive Maintenance		5.50	0.97%	4.00			1.50				
		Maintenance Trades		87.60	15.48%	40.00	29.00		10.00	2.50	6.00		0.10
		Alterations		11.60	2.05%	9.00	2.00		0.60				
	Custodial Services			321.00	56.73%	150.00	83.00	16.00	33.00	12.00	15.50	10.00	1.50
	Ground Services			38.50	6.80%	23.50	7.00	3.00	3.00	1.00		1.00	
	Transportation												
		Maintenance		15.50	2.74%	10.00	1.00	4.00	0.50				
		Operations		2.20	0.39%	1.00	0.50		0.70				
Safety & Environmental Management	(2)			5.80	1.03%	3.00	1.00		0.80				1.00
Energy Management / Sustainability Program				3.00	0.53%	2.50	0.50						
									0.40				
Facilities Information Management													
	Software Applications												
		Maint Mgt		3.30	0.58%	1.50	1.00		0.80				
		VFA		0.40	0.07%	0.10	0.10		0.10				0.10
		Insite		0.85	0.15%	0.25	0.10		0.00				0.50
		Energy Watchdog		0.80	0.14%	0.50	0.10		0.10				0.10
	Budget/Accounting			7.75	1.37%	4.00	2.00	0.75	0.80				0.20
	Drawing /Cad Files			1.70	0.30%	1.00	0.50		0.10				0.10
	Certifications (Boiler/elevator)			4.50	0.80%	4.10	0.10		0.10				0.20
			Total	565.85		285.75	138.20	26.00	57.40	16.50	23.50	12.00	6.50

Noters: (1) Includes E&G and Auxilliary Services
(2) Excludes Safety and Environmental Departments at UM and USM

Review of staffing levels indicates:

- Limited functional capability in certain areas at smaller campuses. Capabilities are focused on provision of day-to-day services
- Limited capacity for expansion of services at more capable campuses
- Many facility services at the campus level are for provision of local day-to-day services not suitable for a centralized delivery model (FTE assigned to maintenance, custodial, grounds, and utilities is 89% of total within Facilities Management)
- Most facilities functions are delivered locally at the campus level which makes them less suitable for consolidated delivery. However, this does not preclude a review of whether functions are being efficiently or effectively performed. That level of review was outside the scope of this report.
- Personnel assigned to facilities information management systems, safety and environmental management, risk management, energy management, delivery of architectural and engineering (A&E) services, and construction management represent 5% of the total facilities management FTEs. These 28.1 FTEs represent functions that present opportunities for a more consolidated approach to delivery of services as evaluated by the team. That small number of FTEs is the primary basis for the conclusion that significant cost savings are not available.

Evaluation of Functional Elements
Facilities Information Management Systems
Safety and Environmental Management
Delivery of Architectural and Engineering (A&E) Services
Construction Management

Currently campuses exercise a great degree of local autonomy in the performance of the functions. That is partially the result of decentralization actions over the past several years. There are Board of Trustee and System policies and procedures that govern their actions. Development of those and monitoring their implementation is one of the primary responsibilities of SWS in addition to supporting the campuses.

Simply declaring an expectation does not mean they will be consistently implemented and deliver results. There will always be a need for a comprehensive process for assessment and improvement. A feature of SWS Office of Facilities has been to package helpful, consolidated service to the campuses while also providing oversight on behalf of BOT policies, UMS procedures, agency regulations, or statutory requirements. This oversight is not often thought of as a service to campuses but was recognized as an essential role by the campuses during the review.

Specific services provided by the System Office of Facilities Management and Planning include:

- Provide BOT oversight and accountability for System's $2 billion real property portfolio
- Liaison with outside regulatory and legislative entities

- Develop and maintain project management guidance and documentation
- Provide direct construction contract management support
- Maintain and manage a real property inventory
- Manage system-wide real estate and lease documents and transactions
- Develop comprehensive UMS Capital Plans integrating campus requirements
- Prepare capital appropriation requests, bond requests, and budget
- Provide data to internal management and external agencies including asset values, deferred maintenance backlog, insurance claims/trends, and facility usage
- Provide central management of facilities software programs and encourage collaborative usage.
- Develop system-wide risk management best practices, guidelines and tools to identify, understand, assess, manage and monitor risk challenges facing the System
- Oversee risk financing programs for property and liability exposures, including commercial insurances and university funded risk management programs
- Administer system-wide workers' compensation program, including regulatory compliance, guidelines, and claims administration
- Manage State and Federal grant programs for loss prevention and recovery, including Homeland Security
- Provide consultation, advice, and information on risk management issues
- Provide direct preventative safety and environmental education, advice, and service

 A discussion of the functions of: facilities information management systems; safety and environmental management; energy management; delivery of architectural and engineering (A&E) services; construction management and risk management follows

Facilities Information Management Systems

Effective facilities management is dependent on consistent reliable information to assess performance and ensure accountability. Currently campuses in the System use five separate function-specific software systems for data and capital asset management. These systems include:

1. Maintenance management system - MP2 (Infor Global Solutions).
2. Capital asset planning system - VFA.facility (VFA, Inc.).
3. Facilities inventory system - Insite (Insite OFMS, Inc.).
4. Energy information system - Energy WatchDog (Utilivision, Inc.).
5. Performance measurement and benchmarking system – Sightlines.

A review of the information management systems supporting facility management functions identified the following overarching problems:

- Data integrity issues limit usefulness of information to support management. This is primarily the result of definition inconsistency between functional areas, lack of configuration and control in the management of data elements, and inconsistent implementation of software across the seven campuses.
- Limited integration between software solutions prevents sharing of common information. This results in duplicative data entry, data integrity problems, and inefficiencies.
- Because of out-dated technology, inadequate support and functionality issues arise as software suppliers drop support of older product versions. This results in degradation of functionality over time and higher operating costs. Dated technology also lacks needed capabilities available in newer software.
- Inadequate support from Campus or System IT has contributed to encountered problems. Facilities management has historically been considered a secondary function making it difficult to compete for IT resources.

An investment in facility information management is required to provide a robust, web-based, intuitive and integrated solution that addresses the above problems and optimizes stewardship of the capital asset portfolio for each campus. The successful system must address the interoperability and functionality issues discussed above, be scalable to the needs of a campus, yet be consistently implemented to ensure and maintain data integrity, and provide consistent management information to support campus operations and accountability needs.

A Requirements Document (Tab A) has been developed detailing the desired functionality of an integrated software solution. This document should be used to select an integrated software solution and the resources needed to be programmed for a phased replacement of existing software. This is a longer term solution.

In the interim, there needs to be an effort to improve data integrity issues caused by inconsistent data element definition and their application. Additionally there needs to be continued support of the legacy systems until their replacement to maintain functionality. A discussion of specific functional information management systems follows.

Maintenance Management System

Performs the functions of work reception, planning & estimating, prioritization, scheduling, assigning, performance monitoring, evaluation, and reporting.

MP2 (Infor Global Solutions) is the designated software solution to support the function of maintenance management. Usage of MP2 for this function is primarily limited to UM, USM and UMF. The other campuses have developed stand-alone systems to manage this function. Issues impacting the effectiveness of MP2 include:

- Interface/integration problems with PeopleSoft
- No investments in software upgrades have resulted in technical support issues
- Software not scalable to smaller campuses
- Not web-based, restricts user access
- Not integrated with other facility databases
- Difficult to use

Alternatives:

1. Continue support of MP2 through reinstatement of maintenance service agreement until fully integrated facility information software system is installed.
    a. Funding to be provided by user campuses (UM, USM, UMF).
    b. Campuses that do not use MP2 continue utilize local systems for maintenance management.
2. Program near-term replacement of existing maintenance management systems pending a future decision on a fully integrated facility information management system.   The estimated implementation cost of a replacement maintenance management system is in the order of $225-250 thousand.
3. Review data definitions used in PeopleSoft and campus maintenance management systems to resolve inconsistencies and improve data integrity.

Recommendations:

Recommend acceptance of alternatives 2 and 3.
- An effective maintenance management system is critical for the efficient provision of services and accountability of operations. While the vision of a fully integrated facility information management system should not be abandoned, it is essential that the existing systems be replaced with one that is user friendly and easily interfaces with PeopleSoft.
- Development and implementation of consistent data definitions will improve data integrity and support accountability.

Capital asset planning system

Performs the function of identification and collection of facility deficiencies and requirements, identification of capital requirements, prioritization of requirements,

development of multi-year capital plans, and supports development of resource requirements.

VFA.facility (VFA, Inc.) is the designated System software solution to support the function of capital asset planning. VFA was chosen to be the software system to support development of deferred maintenance resource requirements, identifying and managing maintenance deficiencies, and to support the development of capital renewal requirements. VFA is a recognized industry leader. Complete and consistent implementation of VFA across the System would provide necessary capabilities to support capital planning at the campus and System level.

Issues impacting the effectiveness of VFA include:

- Implementation not consistent across the seven campuses.
- Smaller campuses have better populated data elements because of direct System office resource support during implementation and follow-on data management.
- Larger campuses do not appear to use it as a management tool. Review of reported data show significant gaps and inconsistencies
- No systematic requirement/process to keep information current.
- Features and capabilities that could make it a more effective management tool have not been implemented.
- Difficult to integrate multiple facility deficiencies into a single project.
- Integration with other facility data bases is limited.

Alternatives:

1. Develop and implement consistent policies and procedures to support effective capital asset planning. This would include requirement to collect and maintain supporting facility information. This is necessary regardless of the software solution chosen to manage the information.
2. Keep VFA as the software solution to preserve the current investment in information and management support while requiring all campuses to fully implement it
3. Keep VFA as it is currently implemented pending identification of an integrated facilities management software solution.

Recommendations:

Recommend acceptance of alternatives 1 and 3.

Facilities inventory system

 Accounts for the inventory of real property assets including real estate, buildings, facilities, improvements, and leases. Maintains facility inventory information including: valuation, building history, acquisition dates, floor plans, space configuration, and usage. Inventory is used to support Indirect Cost Recovery calculations.

Insite (Insite OFMS, Inc.) is the system-wide software solution to support the facility inventory function. Issues impacting the effectiveness of Insite include:

- No investments in software upgrades have resulted in technical support issues.
- Not web-based restricts user access.
- Not integrated with other facility databases.
- Inconsistent data definitions
- Inconsistent training of new users

Discussion:

Utilization of Insite by campuses is limited because of software accessibility issues. Only UM, USM and the System have direct access to Insite. Other campuses rely on the System office to input and retrieve data because of technical difficulties accessing the database.

Newer versions of Insite are web-based which would provide greater access to all campuses. The vendor has offered to upgrade the software and do the necessary data conversion at no additional cost because UMS is the only client using the older version of software. Insite has found that it is not cost effective to continue to provide technical support to UMS. UMS IT is currently reviewing the proposal from the IT support perspective.

There are impacts and costs associated with the conversion to a web-based version. The conversion would require us to review our current process to input/output information to fully utilize the increased capability. Some of the data entry tasks could be shifted to the campuses. As more people have direct access, processes need to be developed and implemented to ensure data consistency. People will need to be trained in using the software and the facility inventory processes. These would have to be considered in a decision to convert.

Alternatives:

1. Convert to the web-based version of Insite after UMS IT technical review of their proposal as an interim solution pending migration to a fully integrated facilities software suite.
2. Keep the current version of software.

Recommendations:

Recommend acceptance of alternative 1.
- There will be minimal in-house implementation costs to develop new work processes and provide user training. The extent of those costs is dependent on

Energy information system
Used to collect energy usage data. Energy WatchDog (Utilivision, Inc.) is the system-wide software solution for this function. UM has been a primary user of this service to help facilitate allocation of energy costs to users on campus. UMS adopted the service to facilitate consistent energy data collection and access from all campuses. This has eliminated the need to request data from campuses each year when the State, Board of Trustees, or other interested parties requests consolidated energy data.

Issues impacting the effectiveness of Energy WatchDog include:
- Not integrated with PeopleSoft and other facility databases.
- Requires manual data input.
- Implementation not consistent across the seven campuses.

Alternatives:

1. Continue using Energy WatchDog as an interim solution pending migration to a fully integrated facilities software suite that includes energy consumption and cost data collection.
2. Address inconsistency issues between campuses.

Recommendations:

Recommend acceptance of alternatives 1 and 2.

Performance measurement and benchmarking
To ensure efficient and effective management of the facility operations, including the stewardship of the assets, a performance measurement system is essential.

Discussion:
With the exception of UM, campuses do not employ a standardized performance management system to measure performance of the facility operations and program management. This makes difficult to analytically assess efficiency and effectiveness of the facilities operations. Currently UM uses Sightlines to provide this capability.

Sightline annually reviews and analyzes data; provides verifiable measurable indicators; allows the assessment of the results of management decisions, produces management reports, and enables benchmarking against peer universities and industry standards. Over 250 campuses and 7 university systems use Sightlines and constitute the benchmarking database. Sightlines uses a consistent methodology to ensure comparability between campuses. This methodology consists of:
- An initial site visit to collect five years of data; analysis and review of the data to identify inconsistencies.
- Preparation of performance measures
- Comparison of performance metrics against peer organizations.
- Development of recapitalization requirements
- Production/presentation of management reports.

The information is accessible to the campus on a website. An annual collection and review of data is performed and performance measures are updated. The annual reports provide performance trends that allow the assessment of impacts of management decisions. Sightlines also produces capital reinvestment requirements and actual funding comparisons as part of the analysis. These are benchmarked against peer institutions or other university systems. This information would help support requests for additional recapitalization funding.

Alternatives:

1. Expand the use of Sightlines to all campuses to provide a consistent analytical review of the efficiency and effectiveness of facility operations, including the stewardship of the assets. It would allow for benchmarking against peer institutions outside of the System and against other systems. The data driven reports could be used to support budget requests.
    a. Attached is a scope of work and proposal from Sightlines (Tab B). Page 9 has a proposed fee for the initial data collection at the 6 campuses ($110K) plus the annual update and maintenance fee for all seven campuses ($118K). The first year total fee is $205K since UM is already funding the annual updates.
2. Limit the expansion to interested campuses.

Recommendations:

Recommend acceptance of alternative 2 at the current time. While there is a recognized need for development of performance metrics and the value benchmarking, the highest priority is the replacement of the maintenance management systems.

Facility Information System Summary Recommendations

Process Priorities:
1. Support the long term vision of an integrated facilities information management system that provided consistent reliable information to assess performance, ensure accountability, and support data driven decisions.
2. Develop and implement consistent definitions, policies and procedures to support effective capital asset planning and maintenance management.
    a. This would include requirement to collect and maintain supporting facility information.
    b. This is necessary regardless of the software solution chosen to manage the information.

Software Priorities

1. Program near-term replacement of existing maintenance management systems that is in alignment with the long term vision of a fully integrated facility information management system. The estimated implementation cost of a replacement maintenance management system is in the order of $225-250K.
2. Convert to the web-based version of Insite after UMS IT technical review of their proposal. There will be minimal implementation costs.
3. Identify methodology to collect and maintain supporting facility condition information to support capital planning.
4. Consider future expansion of Sightlines to all campuses to provide a consistent analytical review of the efficiency and effectiveness of facility operations, including the stewardship of the assets. First year total cost is $205K with an annual fee of requirement of $118K.

Safety and Environmental Management

Background

The University of Maine System in conjunction with the 7 major organizational units (i.e., campuses) has established safety and environmental management systems designed to manage, train, and respond to legal and regulatory issues and support the complex needs of campus academic and research communities. (See Trustees Safety and Environmental Management Policy: http://www.maine.edu/system/policy_manual/policy_section1002.php) and Administrative Practice Letter II-E (http://www.maine.edu/pdf/II-ESafetyandEnvironmentalManagementSystem.pdf)

University of Maine (UM) and University of Southern Maine (USM) have separate safety and environmental management offices with specialized staff. The remaining operational units (campuses) have safety and environmental coordinators, often the head of facilities management, which act as a point person on safety and environmental compliance for the entire organizational unit. UMS System-Wide Service has a single staff member to support all operational units with emphasis on campuses without full time technical staff.

Individual departments on campuses may also have safety coordinators. This is usually an outgrowth of the size of a department or complexity of a particular operation (e.g., research, laboratories, or unique processes).

An integral part of the safety and environmental management system is qualified personnel with specialized education, insight, and experience to address over 350 safety and environmental regulatory requirements affecting the University. Campus safety and environmental management offices and coordinators work closely with on-campus departments to support individual departmental missions. (e.g., human resources, facilities management, departments with laboratories, risk management, research and sponsored programs, etc.).

Failure to provide a safe environment has the potential to cause reputational loss, financial loss (e.g., fines, penalties, loss of funding, loss of buildings or equipment), death or injury of faculty, staff, students, or visitors. Safety and environmental management services and programs enhance a university's ability for growth through a safe and healthy work and learning environment, active management of risk, penalty and fine avoidance, and promoting a positive image both locally and nationally.

Often these efforts focus upon the regulatory requirements mandates by multiple; state, local and federal agencies. A direct outcome of these efforts is the establishment of safe learning environment that benefits students and visitors and provides opportunities to grow and transition to life beyond our universities.

To explore how to best maintain and enhance our current safety and environmental systems, the following outline identifies key functions of safety and environmental management.

Key Functions of Safety and Environmental Management
- Audit, oversight, and recordkeeping

- Develop and continually improve safety/environmental policy and procedures
- Develop and implement employee and supervisor training
- Investigate workplace injuries and illnesses
- Manage Indoor Air Quality concerns/illnesses
- Review ergonomics/workplace design and function
- Emergency management and planning
- Environmental management which includes:
  Asbestos/Lead Management
  Biomedical Waste Management
  Hazardous waste management
  Radioactive material management
  Universal waste management
  Note: Environmental management also includes permitting such as air emissions, site location of development, storm water, and underground storage tanks, which are currently and logically under the domain of facilities management across the system.
- Laboratory Safety Management (teaching, research, and process laboratories)
- Support for safety and environmental standards set by grant writing agencies (e.g., Department of Defense, Association for Assessment and Accreditation in Laboratory Animal Care, National Institutes of Health, American Heart Association, and Homeland Security.)

Discussion:
As charged by the New Challenges, New Directions initiative, reviewing the safety and environmental function shows that any centralization of any portion of this function has already occurred out of necessity. No major cost savings (i.e., reduction in personnel) may be generated by consolidating existing services across the system. Safety and environmental management is a local function and responsibility that requires common policies and procedures with local implementation. Oversight is already centralized and collaboration has occurred due to the limited number of safety and environmental staff members across the system.

Currently, UM has the largest number of specialized safety and environmental management support personnel both in a central department and incorporated into a few specific departmental locations. Using ratios, UM has approximately 1 full time safety and environmental management staff member for 578 UM-based employees and 926 UM-based students. The lower ratio at UM is necessary to meet the many specialized safety and environmental management requirements related to its advanced research activities, industrial cooperation agreements/partnerships, remote sites functions and the large volume of hazardous waste generating activities. UM has 1 full time safety and environmental management staff member for every $4.4 million of annual research expenditures (FY07).

USM has approximately 1 full time safety or environmental staff member for every 1,072 USM-based employees or 3,048 USM students. USM has 1 full time safety and environmental management staff member for every $6 million of annual research expenditures (FY07).

The remaining 5 campuses have no full time safety or environmental staff members for their combined 3,701 employees, 10,352 students, and $1million in research

expenditures. These campuses utilize coordinators (additional duties on already established non-safety and environmental management positions) along with assistance from the System-wide services which has approximately 1 full time safety and environmental staff member. UM and USM also use the safety coordinator model to help augment their existing staff. There has also been occasional support from safety and environmental staff at the two larger campuses to the smaller campuses without local expertise. Contracting with third parties has also been occasionally approached when funding is available.

 As a whole, across the system there is 1 full time safety and environmental professional for every 867 employees and 1,908 students. The use of ratios is not a good yardstick in comparing across 7 different organizations since the complexity, geography, and types of facilities all play into the need for safety and environmental services. The most important aspect of safety and environmental personnel is to provide service in addition to oversight through training, evaluation, and control of safety and environmental issues. Although some of these services may be outsourced, there is a necessity to building relationships and trust within the various campus cultures that improves communication and ultimately oversight.

When analyzing either total centralization of the function or total decentralization of the function, neither extreme provides the combined benefit of service and oversight using a limited number of staff people. In fact, either model could generate discussion for increasing staff which is not an option in the current environment.

Recommendations:
Although the review of the functions of safety and environmental management did not show any large savings in centralizing the function, there are opportunities for increased efficiency and improved consistency in the application of safety and environmental management.

1. Pool resources to provide efficient support of development and implementation of SEM policy and procedures

2. Establish system wide SEM steering committee with representative from each organizational unit (campus)

3. Expand on-line training which automatically records training on MaineStreet across system. (This exists at UM)

4. Formalize communication outside of e-mail of safety and environmental issues to ensure all campus coordinators are aware of system issues and concerns.

5. Establish a uniform safety and environmental audit/tracking management system/database to assist in managing risks.

6. Support local safety and environmental service presence at the larger campuses.

7. Provide opportunities for best practices joint seminars which shares internal expertise with campuses without internal expertise

8. Develop and provide specialized train the trainer opportunities for campuses (example: NIMS/ICS Training)

9. Improve coordination with Risk Management in the area of loss control.

Energy Management

There are two distinct aspects to energy management: procurement, and managing demand (energy efficiency). While there is synergy between them, they are distinct functions.

Demand side management and improving energy efficiency lies within the realm of facilities management and recommendations for improving that function are offered. The function of energy procurement logically falls under the purview of the team evaluating procurement. Because of the interdependence, the facilities team offers thoughts for consideration by the procurement team.

Energy Procurement – The energy market has become more complex and dynamic in recent times.
- The deregulation of electricity and the volatile fossil fuel market make optimal procurement decisions more difficult.
- Campuses make independent procurement decisions based on their understanding of the markets which may vary greatly depending on in-house and externally obtained expertise.
- UM uses an energy commodity consultant to support their procurement decisions and to monitor the market.
- Decentralized approach fragments the total energy portfolio which minimizes potential for bulk discounts and cost stabilization created by a diversified energy portfolio.
- Decentralized management places the financial risk on the campuses.

Considerations should be given toward:
- Expanded use of specialized energy commodity consultants.
- Defragmentation of the energy portfolio.
- Management of the energy portfolios as system-wide commodities. Establishment of portfolio based utility rates by the system would balance the risk across system and provide cost stabilization to the campuses.

Demand Side Management – An essential element of energy management is reducing consumption. Facilities management plays a key role in the reduction energy usage in facilities through management of operations and application of technologies in design and construction of facilities. There are System policies requiring the consideration and application of efficient energy technology during renovation and construction of university facilities. Implementations of these polices and individual campus initiative have resulted in UMS being the owner of the greatest number of LEED certified buildings in the State.

Maintaining this leadership position will be difficult in the future because of the following:

- Construction and renovation funding appear to be in decline
- The field of energy technology is in a constant state of flux making it difficult to keep abreast of emerging technologies.
- Opportunities for external funding energy efficiency measures continues to evolve. Gaining access to resources requires a thorough understanding of the market and constant vigilance.

- The System office does not have the dedicated resources necessary to effectively keep current on the latest developments in energy efficiency, to effectively communicate the information to the campuses, and to coordinate a central energy program.
- Campuses have varying levels of technical expertise. With the exception of UM, energy management is an additional duty of a person within the facilities department.

Alternatives:

1. Establish baseline design standards for energy efficiency for all new construction and major renovations across the system; and
2. Establish a dedicated system-wide energy manager to establish a System Energy Program that provides support to all campuses and actively liaisons with external (governmental and industry) energy organizations to keep current with new developments. This position would also support the energy procurement function and be funded by the System; or
3. Assign the responsibilities for providing System-wide energy management support to UMaine assuming that their current staff has capacity for this expansion of services without additional cost to other campuses; or
4. Continue the current level of support with the understanding that there will be lost opportunities for reduction of operating costs or external funding.

Recommendations:

Recommend acceptance of alternatives 1 and 2.
- There was strong support for a dedicated energy manager position. It was the opinion of the team that the position would be self supporting from the energy savings achieved across the system and from the increased opportunities to access external energy funding.
- Consideration of assigning System-wide energy manager responsibilities to a lager campus was considered but not recommended because of concerns regarding the capacity of existing staff to assume broader responsibilities.
- Estimated cost for the position and a program budget is $100K.

Construction Management & Engineering Services

This function consists of the processes and procedures necessary for the successful accomplishment of a capital project including design management, construction management, contract management, and resource management.

Discussion:
In the 1990s the management of these functions was centralized within the System Office with established policies, procedures and staff to accomplish and govern the work. Additionally the System Office staff of 12 included 8 professionals (3 registered professional engineers and 2 registered architects) that provided direct architectural and engineering design services for smaller projects to the campuses on a non-reimbursable basis. By 1999 when these functions, including budget control, were decentralized, the professional staff capabilities had been reduced. System resources not necessary for governance and oversight were distributed to the larger campuses.

UM, USM, and UMF have limited engineering and design expertise and assigned construction management staff (UM 6.5 FTE, USM 4.5 FTE, UMF 1.9 FTE). They have engineering expertise, but provide little actual design activity. Their efforts are primarily involved in providing oversight and management of professional design activity and project management. The other campuses rely on the System office staff (1.5 FTE) to provide similar oversight of design and project management. All campuses primarily rely on use of contracted professional services for their architectural and engineering needs. Use of outside firms has resulted in increased costs to campuses as they previously received some direct support for smaller projects from the System office on a non-reimbursable basis. There also are response time and consistency of fee issues related to contracting for these services.
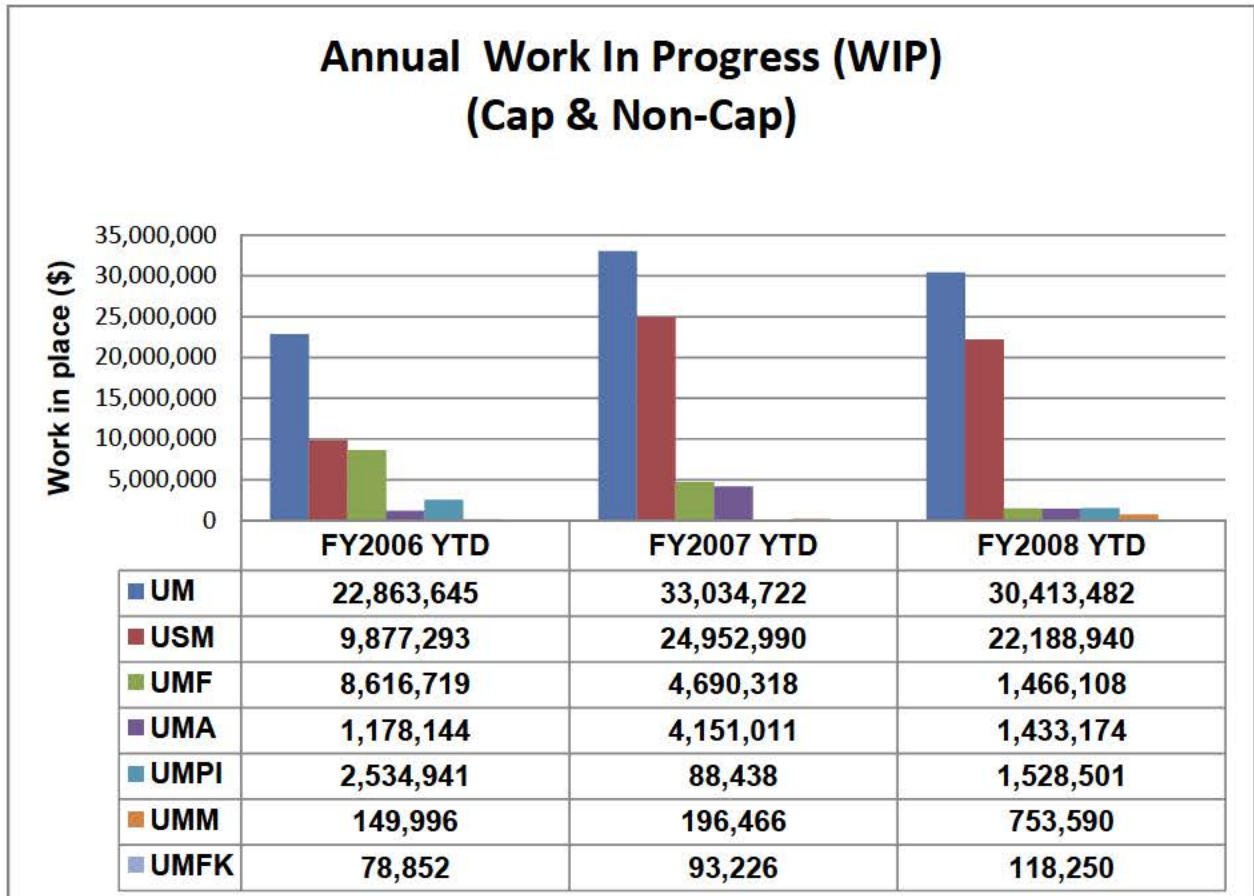
Contracting for these services individually can delay responsiveness and incur additional project costs. To improve the delivery and reduce costs of required services, the establishment of open-ended architectural and engineering consulting service contracts with pre-priced options for smaller projects is recommended. These centrally managed and funded contracts would enable campuses to order work without having to individually go through the contracting process, especially for smaller projects. Procurement of these services for larger projects or to address specialized requirements would be contracted individually.

Project management and professional service procurement procedures have not been reviewed since decentralization to ensure their management effectiveness in the decentralized environment. They have not been adjusted to incorporate financial accounting changes resulting from the implementation of PeopleSoft and GASB45. UMS Board of Trustees expectations for greater accountability reinforce the need to review and revise and strengthen project management procedures. An internal audit of that function is currently in progress as part of year's work plan using the services of Price Waterhouse Cooper.

Decentralization also created situations where specialized expertise may be limited to a single individual at a campus. While a degree of collaboration exists, there are no established processes to access and share available technical expertise. Sharing of

resources also raises the issue of cost reimbursement for services due to the internal financial competitiveness that exists between individual campuses.

Another factor to consider in reviewing this function is the variability of the capital project workload. The following figure represents the annual amount of capital and non-capital project work accomplished by each campus. Workload fluctuations, at smaller campuses, supports the need for a centralized delivery of construction management and engineering services. A model where staff capacity and expertise can be assigned/managed based on actual workload and changing need across the system could reduce costs associated with the fluctuations in project workload.

Annual Work In Progress (WIP) (Cap & Non-Cap)

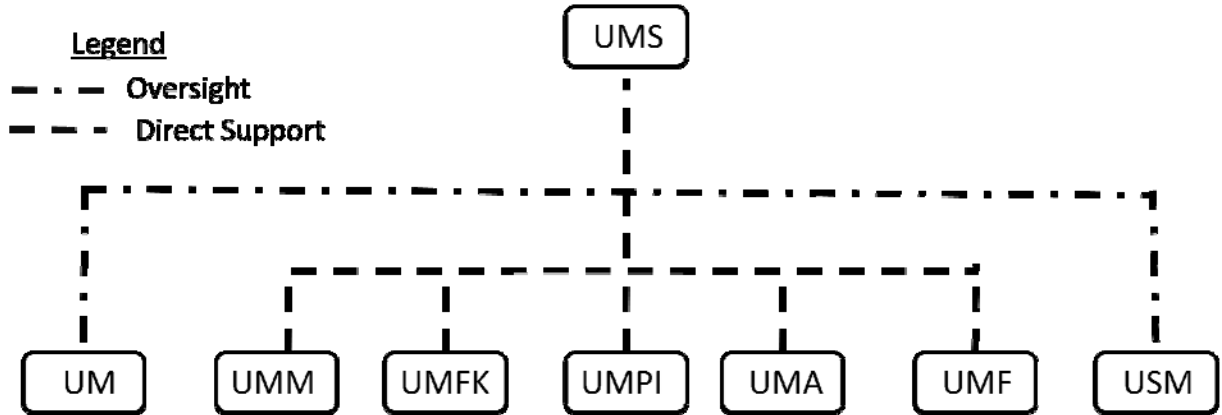|	FY2006 YTD	FY2007 YTD	FY2008 YTD
UM	22,863,645	33,034,722	30,413,482
USM	9,877,293	24,952,990	22,188,940
UMF	8,616,719	4,690,318	1,466,108
UMA	1,178,144	4,151,011	1,433,174
UMPI	2,534,941	88,438	1,528,501
UMM	149,996	196,466	753,590
UMFK	78,852	93,226	118,250

Alternatives:
1. Update the policies and procedures governing the functions of construction management and engineering services to ensure management effectiveness, accountability, and reflect financial accounting changes due to PeopleSoft implementation.

2. Develop a prequalification process for obtaining professional services to increase accessibility and streamline the acquisition process.

3. Restructure the delivery method for construction management and professional services. Several organizational structures that can support the performance of these functions are discussed below.

- Each can provide effective management and control of the capital construction process.
- Each has advantages and disadvantages.
- None provide significant near term cost savings.

Recommendations:

There was team consensus on adopting alternatives 1 and 2. No recommendation on alternative 3 is provided. The team's consensus was that a decision on the overall structure of the System-wide Services (SWS) office should be made first. Then a more in-depth review of the alternative structures would need to be made. Campuses were polled to get a sense of preferences. All campuses chose alternative 1 as their first choice which would preserve the current structure. As a second choice, the smaller campuses preferred alternative 3 which would provide support from a SWS directed organization. The two larger campuses preferred alternative 2 as their second choice which retains their current level of autonomy. There were concerns expressed about existing capacities to provide support to the other campuses.

Alt – 1 Current Structure

Legend
— · — Oversight
— — — Direct Support

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Description:
- UM and USM function as standalone units performing project management and professional services functions with oversight and governance from UMS.
- UMS provides oversight and governance and direct project management and professional services support to all other campuses.
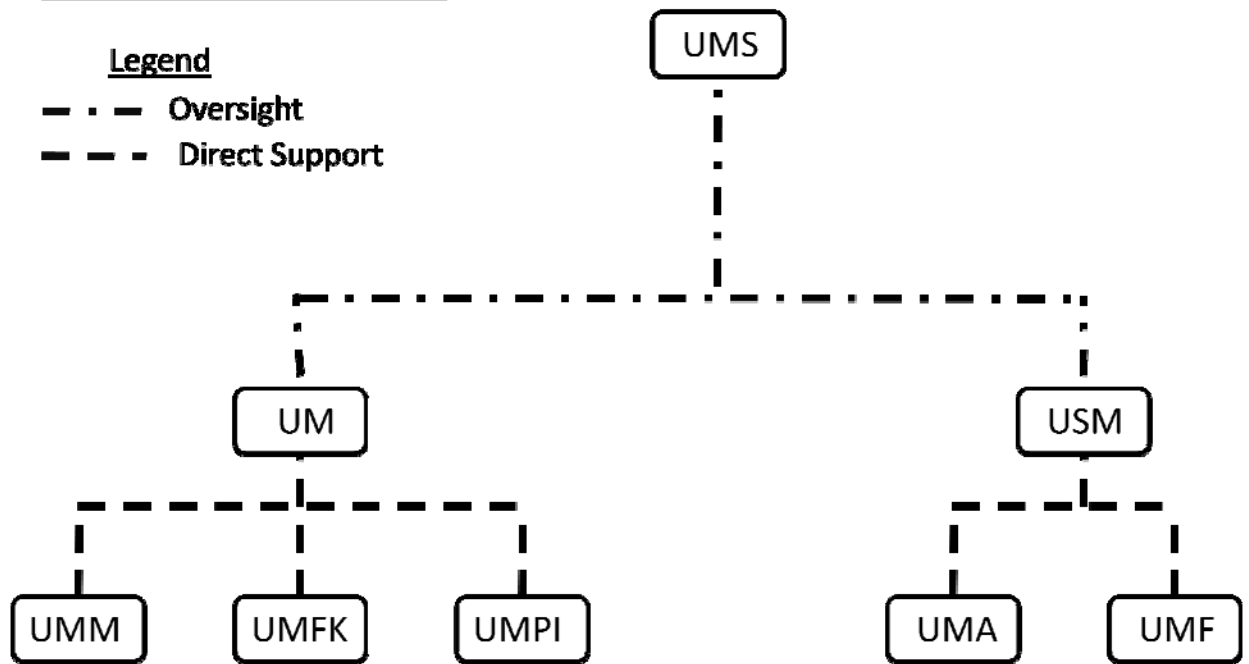
Advantages:
- Minimal organizational disruption.

Disadvantages:
- Limited UMS resource capacity to provide direct project management support and perform governance role concurrently.
- Does not allow balancing of resources to address future variations in workload.
- Governance and oversight complicated by independent reporting lines.
- Difficult to share technical expertise between campuses because of reimbursement issues.
- Limited opportunity to realize any efficiencies.

Issues:
- Need to develop formalized processes to share specialized technical expertise.
- Need to address provision of effective professional services.
- UMS resource capacity to provide direct project management support and perform governance role concurrently.

Alt – 2 Regional Structure

Legend
— · — Oversight
— — — Direct Support

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Description:
- UM and USM act as regional centers providing construction management and professional services to campuses.
- UMS provides overall governance and oversight of the functions.

Advantages:
- Able to more effectively balance varying project workload.

Disadvantages:
- Difficult to readily share technical expertise between campuses.
- Workload balancing limited to within each region.

Issues:
- Resourcing structure
- Development and monitoring of service agreements.
- Concerns about capacity at UM and USM for increased workload.
- Concerns about equitable distribution of available support services. USM and UM capital priorities may take precedence over small campus projects.

Description:
- UMS provides overall governance and oversight of the functions, and management of support through line authority over regional offices which are System-wide Services assets .
- Regional Construction Management Service Offices provide construction management and professional services support to all campuses in a dotted line relationship to the campuses.
- Campuses retain decisional authority over project specific issues; service center staff provides delivery of construction management and professional services.
- Similar to current relationship between smaller campuses and UMS.

Advantages:
- Ability to assign and balance workload based on need across System.
- Enhanced governance of capital project management.
- Minimizes localized campus impact of project funding fluctuations.
- Technical expertise more easily shared across the system.
- Easier standardization of processes.
- Organization scalable to future changes in structure or workload.

Disadvantages
- Apparent loss of campus authority.

Issues:
- Resourcing structure.
- Development and monitoring of service agreements.
- Clarification of reporting relationships.
- Separation of functions between campus and service center staff elements.

Risk Management Programs

Background

System Office Risk Management is responsible for the development and administration of system-wide liability and property risk financing programs and practices. This includes general risk management, workers compensation administration, insurance administration, vehicle administration, and several other important areas. The overall program is administered at the System Office by two individuals, the Risk Manager and the Assistant to the Risk Manager. In addition, each of the seven campuses has designated various individuals to be responsible for the above risk management areas on their campus; these individuals work with System Risk Management at many levels, depending on the issue at hand.

In order to evaluate the effectiveness of the Risk Management programs, in 2008, a Boston consulting firm, Kevin F. Donogue & Associates, was hired to performed a risk-based assessment of the System's risk management and property-liability risk financing programs and practices. The results were presented to System Administration and campus CFOs.

The consultants concluded that overall the risk management program is working successfully. However, the consultants also concluded that the University can improve the risk financing portion of the program by funding and administering more risk exposures in-house and centrally.

Implementing consultant's recommendations have the potential for significant long-term savings, greater financial stability, and improved protections for the universities against risks. Highlights and recommendations for liability and property risk management follow. The executive summary of the report is attached as Tab (C).

Liability Risk Financing Program

Problems with Current Program
- Large un-funded financial exposure (inadequate available System or campus reserves).
- Inconsistent reserve planning.
- Duplication in claim reserving (under current structure each campus has or should have a claim reserve).
- Inconsistent claims administration.

Consultant Recommended Changes
- Prudent governance to assure adequacy of reserves.
    o A single appropriately funded Systemwide claim reserve replaces multiple smaller reserves.
    o Smoother and more efficient annual budgeting requirements and process.
- Reduce negative financial impact of large losses on campuses because of a shared reserve (current exposure is up to $400,000 on general liability plus $100,000 per claim on errors and omissions).
- Develop Systemwide consistency in claims administration

Recommendations:

1. Form a committee comprised of campus CFOs representation and system staff to review:
   a. Reserve levels (consultant's recommended minimum amount or fund higher or lower).
   b. Funding strategies (initial funding and re-funding for mid-year depletion due to large claims).
   c. Systemwide claim practices/policies for use of reserve.

Property Risk Financing Program

Problems with Current Program
- Current State program restricts or voids important insurance coverages resulting in potentially costly uninsured or underinsured exposures (which are currently the financial responsibility of the campuses—some can exceed $1 million).
- Current program restricts potential for savings.
- University has no direct control of insurance program design or claims decisions (although University makes up 53% of program).
- University has no ownership of funds once paid into State pool.

Consultant Recommended Changes:
- Negotiate with State for improved and expanded coverages (reduction of uninsured and under insured exposures) and a partnership voice in program design and administration.
- Fund in-house larger retained limit (currently $100,000 per claim) in order to broaden coverages and directly control more claims.
- Consider reviewing alternative strategies for program.

Recommendations:

1. Form a committee comprised of campus CFOs representation and system staff to determine best strategies to address problems noted above and pursue recommendations.

Campus Comments

All campuses were offered the opportunity to provide comments on the final version of this report. University of Maine provided the following comments.

University of Maine Comments Addressing <u>New Challenges New Directions Facilities Management Report</u>, May 19, 2009

The University of Maine respectfully submits the following comments that focus on major findings within the above report. All of these comments were submitted in writing to System facilities management personnel during the study process.

I. Functions of UMaine System Facilities Office

The System-wide Services Facilities Management Office serves an important role in centralizing data and policies relating to construction, risk management, and safety/environmental issues. It is the opinion of the UM campus that the following services, some of which currently are provided by the System Facilities office, are of value:

1. Good, reliable, updated real estate records

2. Best practices training for campus FM directors

3. Central bond data

4. Capital asset management system– System office should maintains a central asset database rolled up from campuses (this requires funding at the campus and system levels).

Such a system would provide condition assessments; calculate paybacks from investments; calculate consequences of failure to invest in repairs and improvements; calculate energy and greenhouse gas emission impacts of facilities investments; assess security at facilities; to name a few.

Previous efforts to assemble data failed due to lack of funding. For example, UMaine has 210 buildings comprising 4.5 million square feet. Loading data into a central database will require hundreds of thousands of dollars.

5. Maintain campus metrics – rolled up from campuses. A software system or services would benchmark facilities data, showing physical profile, operations and maintenance, staffing, in relation to other comparable campuses (Sightlines model)

6. Work order system – uniform for all campuses in system

7. Construction documentation – APL's need to be modernized to include alternative delivery methods

8. Templates for Public Private Partnerships; legal and financial analysis at System

9. Liaison with Board of Trustees

10. Governance in the sense of policy/process development and oversight

II. UMaine Skills that could be shared with other campuses

Energy Procurement: UMaine Services

The Facilities Management report suggests that energy procurement should be delegated to the procurement task force group. As part of the facilities management study, UMaine offered the following services, in light of its success in locking in savings through FY 2010:

A. Energy Procurement Plan

Educate the other campuses about the organizational structure of UMaine's energy management team (which is a partnership between Facilities Management, Purchasing, and Competitive Energy Services (CES)) as well as UM's proposed system-wide energy procurement process which includes ongoing risk assessment, market analysis, and detailed budgeting by commodity, utility, and facility. Assist with analysis of utility and budgetary data.

B. Commodity Price Targets and Monitoring

Work with campuses to develop price targets and strike prices by energy commodity to help ensure that overall budget targets are met. Provide ongoing monitoring of energy commodity markets to enable rapid response to changing market conditions and mitigation of market volatility.

C. Bid and Contract Management

Identify all the available suppliers for each energy commodity for each campus. Assist with the development of contracts/agreements with energy suppliers and provide central coordination of the bidding process to ensure that energy purchases are made at the best possible time and price.

D. Design and Project Management of Energy Efficiency and Conservation Projects

Assist system campuses with design, contracting, and project management for select energy efficiency and conservation projects. Review capital construction projects to ensure a high level of energy performance using the latest technology. Share UMaine's significant expertise in the design/project management of many different energy projects (including boiler replacements, energy management system installations and laboratory renovations) with other campuses.

Sustainability: UMaine Services

A. Energy / Efficiency Analysis and Strategic Planning

Assist system campuses with analysis of past energy use and develop annual energy use targets (as well as the annual energy savings needed to meet these targets) for the next 10 years.

B. Quantitative Climate Action Planning

Help other campuses determine the GHG emissions reductions that will result from the projects that they are considering.

C. Carbon Offsets Protocols

Assist with the development of a coherent policy for the use of carbon offsets in meeting obligations under the terms of the ACUPCC. Collaborate with other campuses to develop creative ways of financing the purchase of these offsets.

D. Revolving Loan Funds for Efficiency and Sustainability

Provide guidance in establishing a revolving loan fund (similar to UMaine's Green Loan Fund) to support campus sustainability and efficiency initiatives.

III. Project Management

The final area in which UMaine offered leadership was construction management services. The following ideas were proffered:

1. Prequalifying professionals for smaller campuses

2. Developing fee structure equivalent to BGS' so that smaller campuses do not pay excessive fees (currently an issue)

3. Developing prequalified list of professionals using BGS list as a starting point, and augmenting

4. Performing procurement of CM's regionally

5. Assisting with all qualifications based selections

6. Procuring and managing an owner's representative master list to deal with peaks in work load at UM and other campuses

7. Obtaining professional insurance of a designer (stamping drawings is not recommended)

IV. Comments addressing three proposed organizational charts

With further communications and information-sharing, Alternative 1 (current model) has the potential to leverage skillsets within system campuses and improve efficiencies. Governance and oversight by the system office could expand in the areas of improved APL's, leadership in technology solutions addressing work order systems and capital asset management systems, construction documentation, real estate records, standardization of documents and creation of templates for ongoing construction work.

Alternative 3 is unacceptable to UMaine. Creating an intermediate reporting level, or requiring campus project managers to report directly to an entity that is not on campus under the jurisdiction of a campus President will result in chaos.   It goes without saying that human resource management is very complicated, and must be attended to constantly. System management of campus personnel could allow a person performing in accordance with system expectations and yet failing at other campus responsibilities to avoid being held accountable.

Time is money in construction. Creating a system where campus project managers report to a remote office absolutely will result in delays in reviewing construction documentation (requisitions, change order proposals, etc.) and will add to project costs.

Campus personnel all have other critical roles within Facilities Management and the greater institution. Severing their reporting does not respect these critical roles.

Alternative 3 does not realistically assess its own disadvantages nor was it developed in any detail during facilities management task force discussions. UM personnel do not recall any data that justified an "Alternative 3"-like approach or that supported the recited disadvantage that "governance and oversight [are] complicated by independent reporting lines."

Disadvantages identified by UMaine are: creation of a disconnect between personnel and their campuses; lack of accountability to campus; HR's lack of ability to deal with performance issues as a campus matter; and ineffective use of personnel who have multiple, varied roles on campus.

Thank you for the opportunity to comment on the report, and UMaine personnel are available to address any questions that may arise.

Back-up Tabs

Tab A Integrated Workplace Management Solution Requirements Document

This document outlines the core, peripheral, and anticipated future requirements of an Integrated Workplace Management Solution (IWMS). An IWMS will provide a solid return on investment to the University of Maine System through standardization of processes and technology, consolidation of software licensing and support costs, increased visibility across the organization, better ability to provide stewardship and increased utilization of assets, and increases in efficiency, worker productivity and system interoperability.

General requirements for the solution to be successful are as follow:

- Web enabled and not requiring a fat client to be loaded on the host machine for any functionality. Web deployed thin clients such as Java are acceptable.

- Standards based and employing service oriented architecture.

- Scalable, allowing for smaller campuses to utilize only portions of the solution and hide the rest to simplify and streamline the interfaces. This also means being able to have each campus function as its own site with configuration control and yet allow for hierarchical (rolled-up) reporting for the University of Maine System.

- The solution must be easy to use and well supported (24/7/365 phone, e-mail and web-site support with product upgrades included in maintenance agreement).

- Hosting in the solution provider's data center that meets the security, reliability, business continuity and accessibility specifications of the University of Maine System.

- Integration with enterprise resource planning (ERP) via application programming interfaces (APIs) or third-party integration middleware. At a minimum, integrate with financials, human resources and procurement.

- Accessible to third-party reporting and graphical information software.

- Full import and export capabilities for data.

- Complete audit ability, change tracking and change history for objects in the system.

- Ability to attach or link files to screens and objects within the system.

- Unlimited key-wording, aliasing and cross-referencing and user-defined classification capabilities on all objects.

- Vendor services including implementation and integration, data migration and continual training.

- AutoCAD/Microstation integration.

Core Functionality

- Asset management functionality that inventories and tracks both tagged and non-tagged assets in a hierarchy that allows for an asset's position in the building system/sub-system. Capability of using/creating different templates for different types of assets. Warrantee and claims tracking on assets. Ability to depreciate asset and run reports on value over time.

- Space management capabilities including inventory and classification by FICM and other space classifications. Space allocation, occupancy and utilization functionality. Ability to accumulate cost by space and calculate indirect cost recovery. Attribute, feature and configuration tracking. Move management capability and visual space planning tools.

- Inventory management of parts, equipment, tools and services that allows for check-out/check-in of reusable inventory, issues and receipts management and supplier/vendor/manufacturer management. Ability to reserve inventory for work orders and kit assembly for maintenance tasking.

- Personnel management including P/R input, job-costing, multiple wages and rates, training and certification administration. Employee scheduling and performance management functionality.

- Maintenance and operations management that allows for the creation of tasks that can be automatically generated on schedules for preventative/predictive maintenance (inspections, calibrations, consolidated/shadowed tasks).

  - Work requesting via web portal for self-service customer requests with a robust notification capability at a minimum allowing e-mail notifications and updates to be automatically sent to requestors.
  - Work order functionality that encompasses workflow definition, templates for various types of work, parent child work orders and work order history. Work planning, estimating and scheduling abilities.

- Capital planning that allows for facilities condition assessments that include cost modeling and keeping an inventory of requirements that can then be assembled into project to be executed in other parts of the system.

- Procurement management including the ability to handle blanket/standing purchase orders, contracts, direct purchases (purchase cards), vouchers (3-way matching), restricted blanket/standing orders, retro charges and change orders.

- Utilities management that allows for meter management, routes and readings, purchasing & contracts, accounts payable and billing, accounts receivable, rate setting and charge backs, and budgeting and analysis of data.

Peripheral Functionality

- Custodial services management that allows for cleaning requirement to be assigned to location and resourcing requirements to be derived from that. Inspection scheduling and documentation for evaluation and continuous improvement.

- Keys and locks management including key assignments, pinning and key cutting information.

- Resource scheduling that allows for reservation and scheduling of space and equipment and associated charge backs.

- Fleet management of rentals, including reservations, scheduling, servicing and repairs. Vehicle and fuel management and driver information management.

- Inventory management advance functions like hazardous materials management, standards and safety procedures for space entry, LOTO, etc.

- Project management capabilities that include project budgeting, project costing, contract management, risk mitigation, project document management, cash flow projection and other essential project management functionality.

Future Functionality

- Procurement management including e-commerce, that allows direct connection to supplier catalogs for ordering and purchasing direct to work orders.

- Real estate management capabilities that allow for holdings to be managed for ownership, contract and regulatory compliance, lease management, net worth and depreciation. This functionality creates much more data transparency and visibility across the organization and captures information that is at present challenging.

- Performance management that includes scorecards for continuous improvement initiatives, workflow optimization, enterprise portals and key performance indicators (dash boarding).

- Platform agnostic support for wireless and mobile devices.

- Barcode and radio frequency identification (RFID) capable.

- LDAP and/or Active Directory integration for authentication and single sign-on.

- Interoperability with access control, building automations systems, fuel management, time reporting, etc.

Tab B Sightlines Proposal

 Sightlines would suggest the following fees for services. The professional fee base is defined by the cost of the service that includes the annual data collection, the QVQ process, the Return on Physical Asset (ROPASM) modeling and analysis and the service analysis. The fee structure is divided into the following:

1. FY2009 annual fee that applies the ROPASM analysis and modeling to the latest fiscal year of data (FY2008 data), creates a website for each campus and provides each campus full access to their web-based data and the ability to benchmark their campus data to all University of Maine campuses covered in this proposal and the entire Sightlines database.

2. One-time historical fees that cover costs of data collection, analysis and modeling of four years of historical data (FY2004 through FY2007) at each campus. *The First Year total cost includes the one-time historical fees and the FY2009 annual fee.*

FY2009 annual fee includes updates the ROPASM analysis and modeling for each campus updates the data posted on the individual campus website and enables each campus full access to their web-based data and the ability to benchmark their campus data to all other University of Maine campuses covered in this proposal and the entire Sightlines database.

	Annual Update Cost		Historical Data Collection		First Year Total Fee
UMA	$14,950		$17,977		$32,927
UMF	$14,950		$17,978		$32,928
UMFK	$14,950		$16,958		$31,908
UMM	$14,950		$16,958		$31,908
UMPI	$14,950		$17,978		$32,928
USM	$18,950		$23,333		$42,283
UM	$24,950		$0		
Subtotal	$118,650		$111,180		$204,880

The proposed fee structure does not include the cost of travel and other reimbursable expenses for the project. Travel reimbursement costs for the first year will not exceed $30,000 for first year for the 6 campuses and will not exceed $17,500 for the 7 campuses to be updated annually beginning with FY 2009 data. Travel will be reimbursed in accordance with policies set by the State of Maine.

Tab C Risk Management Review
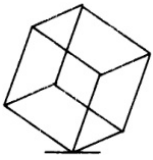
Kevin F. Donoghue & Associates

Risk Management Consultants
190 High Street   Boston, Massachusetts 02110-30.31
V 617 482 7015   F 617 5564030
www.kfda.com

April 10, 2008

Mr. Edward Nobles
Risk Manager
University of Maine System
16 Central Street
Bangor, ME 04401

RE: Risk Management Audit Executive Summary

Dear Mr. Nobles:

Thank you for our opportunity to provide the University of Maine System with our analysis of its Risk Management Program. Overall, we believe that the Risk Management program of the System is reasonably well-structured. In summary, our primary recommendations are to:

(1) Increase retentions (deductibles), and finance the additional exposure from premium savings;
(2) Standardize retentions over the various campuses and departments;
(3) Take control of the property insurance program; and
(4) secure as many as possible of the insurance policy language/terms and conditions we noted in our report

As you know, our report is comprehensive and addresses a number of issues; therefore, we offer the following as an outline of our major points in the following categories:

A. Risk Financing (Funding/Retentions)

We believe that the basic approach of high retentions and excess insurance is a prudent approach. While there are other alternative risk financing techniques, such as captives, risk retention groups, etc., it is our opinion that the additional benefits of such techniques do not outweigh the additional costs and believe that the basic current technique is appropriate. That said, we believe that the retentions/deductibles should, in most cases, be increased, and the cost of insurance thus reduced. Regarding the approach with each line of coverage, we offer the following:

Property/Boiler & machinery Risk Financing
We believe that the *Actuarial* Section of our report, along with the various benchmarks provided within the *Risk Management Overview* of the report, indicate that the System can move beyond the current $100,000 Deductible. At the very least, the System could adjust the Deductible up to $1,000,000 and use the premium savings to help fund the added retention.

Mr. Edward Nobles
University of Maine System

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Actuarially, we believe that $2,000,000 is a feasible retention level for the System, but the ultimate decision will have to be made based upon the cost savings of the higher retentions. Finally, as we will address under *Risk Management Procedures,* the System needs to be able to have the flexibility to manuscript coverage which addresses the ever-changing exposures of an institution of higher learning.

Along with the System assuming more risk, the campuses need to maintain "skin-in-the-game" by ensuring that there will be a financial impact for frequency losses, but the System should provide funding from a centralized fund for large losses.

Excess Liability/Umbrella Liability Risk Financing
In the *Governmental Immunity* Section, we reference various statutes which dictate the boundaries of Statutory Immunity and their effect upon tort liability within the State of Maine. We believe that the current $400,000 Self-Insured Retention dovetails quite well with the tort liability cap of $400,000. By maintaining excess coverage above $400,000, the System has not waived its right to the tort liability cap. We do not believe that civil rights violations would fall under this cap. In addition, Ch. 741 specifically indicates that Pollution Liability and Auto Liability are examples of exceptions to the immunity statute. However, we recommend that the System obtain a quote for, and consider, an increase in limit to $25 million for its Umbrella Liability Insurance Program based upon benchmarks and the potential weaknesses of the tort liability cap as we discussed in the report.

On our *Attachment A,* we have provided a recommended cost allocation per campus for general risk management costs. This attachment also outlines a Safety Incentive Program, whereby each campus is expected to incur a certain percentage of the claim frequency. If the campus performs better than expected, it may be eligible for a bonus. This could give incentives for campuses to maintain loss prevention procedures.

Based on the loss experience, we believe that the System could realize a premium savings of 10% to 15% if the program is marketed on a limited basis (since the number of insurers are limited for such a program). We believe that by having the insurer of this program also being the insurer of the Educator's Legal Liability program, it would help the System realize premium savings in both programs.

We made comments within the report on the Third Party Claims Administration. In order to control claim handling costs, it is vital to have your TPA committed to handling claims at a flat fee until the claim is closed ("cradle-to-grave"). Without having this "cradle-to-grave" commitment, we find the current charge to be high given the limited amount of claim activity.
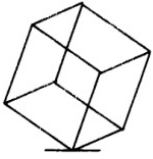
Crime/Fine Arts/Foreign Liability Risk Financing
Considering the potential severity and lack of frequency, along with each line having a premium less than
$10,000, it is cost-effective to insure these risks. Regarding Foreign Liability and the effect of
Governmental Immunity, we do not believe that the System would have Maine statutes apply to territories
outside of the United States; therefore, there is no issue with waiving immunity by having insurance

Automobile Liability Risk Financing
In that the majority of the System's fleet falls under the Excess Liability Program, we question the rationale
for the approach of fully-insuring eight automobiles. We recommend a consistent approach.

Educator's Legal liability Risk Financing
We recommend reviewing a quote for a $10M Limit. With the System having the ability to assume the
first $400,000 of General Liability exposures, we recommend funding any increase in premium from the
increased limit with the premium savings from a $250,000 Deductible, rather than the current $100,000.

B.   Risk Management Procedures

Procedures Overall
Overall, the risk management function is fragmented along unclear lines. While risk management should
be a focus of every department system-wide, we question the sometimes dissimilar approach in areas such
as: retention level choice and funding, claims reporting and tracking, settlement approval and loss
prevention/safety. Procedurally, risk management best practices should be commonly developed and
universally applied wherever possible to maximize efficacy and to minimize financial costs of risk.

From a financial perspective, fragmentation of the risk management process leads to inefficient use of
funds. Although our review did not involve examining the risk management function at various campuses,
it is our understanding that different campuses-and sometimes departments-use different
deductible/retention levels for the same risks. This is inefficient since it leads to duplicate loss funds
(budget padding). From a practical perspective, the most cost-efficient risk management method is to
internally fund frequent, low-severity losses and transfer (insure) low-frequency, high-severity losses.

Aggregating exposures (i.e. all of the campuses exposures) and applying this economies-of-scope-and-
scale approach allows for the minimization of the cost of risk. However, in order to make this method
work effectively, system-wide risks need to be viewed and financed on a system-wide scale. With a
system-wide scale, there needs to be a system-wide retention level and funding mechanism. This means
centralization of the risk financing function.
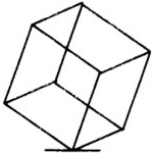
Property Procedures

Given the foregoing, we believe that the System should structure deductibles/retentions as high as prudently possible and prepare to finance losses under the selected level. It is our opinion that UMS should significantly increase its property deductible. In addition, we would recommend a number of structural changes to the State property insurance system of which UMS is part.

In addition to the deductible levels, another issue is how the Property Insurance is structured: Given the potential coverage and cost benefits to UMS, one option we would strongly consider is for the System to withdraw from the State system altogether by purchasing its own high-deductible insurance program. Our detailed report presents the actuarial backup for increasing the deductible to the $1 million to $2 million level, which we would be happy to discuss.

Excess Liability Procedures

We had been advised by you that the fund raising foundations are insured separately. In that the System and these foundations are interdependent with each other, we believe that their risk management program should be administered by your department. Aside from the standard Property and Liability coverages, these independent foundations require Director's and Officer's Liability Insurance.

C. Insurance Coverages

Although there are a number of changes we recommend, we believe that the coverages and scope of the insurance program are reasonably well structured for the System's exposures.

Property

1. Although we have concerns with the Travelers coverage form, our largest concern is with the mandates issued by the State of Maine which alter the Travelers coverage form and eliminate some of the coverage benefits:
    (a.) Rather than having Blanket Coverage up to 150% of the reported value for a particular location, the System is limited by the State to the value as reported, which is a critical shortcoming;
    (b.) There are some sub-limited coverages (i.e. property in transit) provided by the insurance policy that the State has refused to cover;
    (c.) With the System not reporting Business Income, there may be no coverage for time element losses, such as Business Interruption and Extra Expense.

2. Under the Builder's Risk Program, there is only coverage for "hard costs" and not "soft costs' (additional architect fees, legal fees, etc.).
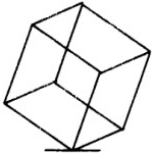
Excess Liability

Although separate Environmental Impairment Liability coverage is available in the marketplace, many Pollution exposures can be addressed in this program: Request to have the exception to the

1. There are law enforcement personnel employed by the System. The exception to the Intentional Bodily Injury Exclusion applies only if there was "reasonable force" exerted. Many Law Enforcement Liability Insurance Programs provide protection for excessive force (which by definition is not "reasonable") and assault and battery.
2. Coverage for "Abuse and Molestation" is written on a claims-made form. The program should be consistent and have this exposure written on an occurrence basis. If successful, a claim reporting tail for past claims made forms needs to be endorsed onto the occurrence program
3. Pollution Exclusion expand to at least the following:
   - (a.) Malfunction of Hearing, Ventilation and Air conditioning Equipment;
   - (b.) Laboratory Activities on Campus; and
   - (c.) Pesticide and herbicide Application by Licenses Personnel

Potential Cost Savings

Based upon the experience and exposures of the University, and as borne out by the actuarial models, it is our opinion that the long run annual potential cost savings of our recommended changes will be in the area of $200,000 to $300,000 for the property program, with another $50,000 to $100,000 from the other coverage lines.

We have enjoyed working with you on this project. We offer our services to the System on a continuous basis as exposures and the insurance marketplaces continue to evolve over time. Please contact us if you would like us to propose services in the future.

Very truly yours,

Michael E. Norek   Terrence J. Curtin, CPCU
Executive Vice President   Vice President

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Maine's
Public
Universities

UNIVERSITY OF MAINE SYSTEM

University of Maine System Procurement Assessment & Spend Analysis

Report Summary

Funded by
Davis Educational Foundation grant

March 27, 2009

Experience. **Redefined.**™

University of Maine System
Objectives of Initiative

- Conduct a thorough spend analysis to identify opportunities for cost savings based on aggregated purchasing spend

- Conduct an assessment of current System-wide procure-to-pay organization, processes, internal controls and systems

- Perform a review of comparable educational institutions to determine appropriate benchmarks

- Develop recommended improvements to organizational structures and/or business practices that reflect best practices

- Develop a business case supporting recommendations to include both short and long term identified and documented savings and implementation costs

- Develop an implementation plan and roadmap for recommended solutions

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Huron's Approach

Project Mobilization	Data Gathering & Interviews	Functional Assessment & Benchmarking	Gap & Opportunity Identification	Business Case & Implementation Plan Development	Presentation of Findings & Plan

- Reviewed spend data (AP and P-Card) from 2008, 2007 and 2006

- Reviewed policies, procedures, forms, shopping plaza, organization charts, job descriptions, academic mission statements

- Interviewed 99 individuals from all seven Maine System Universities and the System Office including executive leadership, business services, purchasing and accounts payable resources, auxiliary units, requisitioners

- Interviewed five peer Universities as selected by Huron and the Committee

- Reviewed PeopleSoft usage, roles, workflow and functionality

- Received implemented and planned upgrade product demonstrations

- Reviewed procurement technologies from Vinimaya, SciQuest, Ketera Technologies, Perceptive Software, Datacap, Emptoris and Zycus

- Benchmarked findings against internal IP and best practices to develop custom recommendations

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Executive Summary

UMS' CFO's ranked the important of business drivers in the following order:

1. Financial Savings
   - Leveraging personnel resources, financial resources (e.g., volume purchasing, increased compliance), and technology

2. Productivity Efficiencies
   - Development and maintenance of "simplified and standardized" processes

3a. Risk Mitigation and Controls
   - Internal policy and external requirements compliance
   - Accountability and responsibility

3b. Customer Service
   - Delivery of superior, proactive, and consistent services to all business units

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Executive Summary
Positive Current State Findings

- Current economic crisis creates an opportunity to transform procure-to-pay operations, tighten policy and direct spend

- Framework for collaboration across System was initiated (just not fully realized)

- CFO's and business managers are receptive to change that will better support their campuses

- System Office provides invaluable support to smaller campuses that lack dedicated purchasing resources

- Efforts have been made to implement basic purchasing and payment tools to automate processes

- Purchasing and Accounts Payable functions are combined

- Commitment to procurement study and system-wide participation shows the desire for continuous improvement

- Generally, campus users provided positive feedback on working with procurement resources at System Office, Orono and Southern Maine

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Executive Summary
Current State Challenges

- Purchasing operates, and is viewed, as a transactional organization, not a strategic one

- Lack of reporting structure among system-wide purchasing and accounts payable resources reduces efficiencies and leads to diverse policy interpretation, which may compromise controls

- Minimal activity around analysis and strategic sourcing efforts; System predominantly relies on cooperative contracts that may not present the best savings opportunities

- Spend under management is minimal due to low awareness of System contracts, lack of procurement involvement in many spend areas and multiple purchasing tools facilitating maverick spend (P-Card, SO, CO, CI)

- Implemented online requisitioning tools are underutilized due to minimal policy support, ineffective training approach/execution, and inefficient processes

- Users consistently stated that they try to use anything to get around placing a regular order via PeopleSoft

- The ability to move toward true transformation and best practice operations is limited with current technology

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Executive Summary

Functional Assessment Scorecard by Fundamentals

This assessment of Procurement Fundamentals shows that UMS has made basic strides in advancing toward procurement operations best practices. Multiple opportunities exist for advancement.

Four Critical Fundamentals	Five Core Functions	Stages of Excellence					Scores	Rating
		Stage 1 Challenged	Stage 2 Basic	Stage 3 Intermediate	Stage 4 Advanced	Stage 5 Leading		
I. Vision & Strategy	A. Source		■				2	
	B. Enable		■				2	
	C. Procure			■			3	
	D. Settle		■				2	
	E. Analyze	■					1	
	I. Vision & Strategy (Max Score = 25; Max Rating = 5)						10	2.0
II. Organization, People & Culture	A. Source		■				2	
	B. Enable		■				2	
	C. Procure		■				2	
	D. Settle		■				2	
	E. Analyze	■					1	
	II. Organization, People & Culture (Max Score = 25; Max Rating = 5)						9	1.8
III. Policies, Processes, & Procedures	A. Source		■				2	
	B. Enable		■				2	
	C. Procure		■				2	
	D. Settle		■				2	
	E. Analyze		■				2	
	III. Policies, Procedures & Processes (Max Score = 25; Max Rating = 5)						10	2.0
IV. Technology, Systems & Tools	A. Source	■					1	
	B. Enable		■				2	
	C. Procure		■				2	
	D. Settle			■			3	
	E. Analyze	■					1	
	IV. Technology, Systems & Tools (Max Score = 25; Max Rating = 5)						9	1.8
	Totals: (Max Score = 100; Rating = 1-5)						38	1.9

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Executive Summary

- Sourcing strategy: establish methodology; designate and train resources; obtain broader commodity reach; focus on key relationships and continuous efforts

- Enablement strategy: establish system-wide access to contracted items/pricing and streamline enablement through eProcurement solution implementation; establish vendor enablement methodology and communications

- Procurement strategy: establish system-wide purchasing efficiencies and streamline processes through eProcurement solution implementation

- Settlement strategy: establish system-wide settlement efficiencies and streamline processes through eProcurement solution and AP imaging implementation; further leverage ePayables/PayMode technologies to achieve prompt pay discounts and rebates

- Customer relationship strategy: develop SLAs; demonstrate value in new areas; establish focus groups, road shows, user surveys and internal communications

- Controls strategy: identify key areas of risk and develop comprehensive controls strategy; utilize technology to enforce controls

- Analysis strategy: establish methodology; encompass all elements of performance; designate and train resources; utilize technology

- Reporting strategy: develop system-wide data and reports strategy; utilize technology

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Executive Summary
Policy and Process Recommendations

- Utilize implementation of procurement tools to revise policies and strive for uniformity in interpretation

- Leverage vendor relationships to support policies

- Create web-based FAQs for purchasing policies and a web-based procurement "How-to-Buy" guide

- Source and establish best price contracts for system-wide goods and services

- Educate users on contracts and enable contracts in eProcurement solution

- Utilize technology to limit paper-based processes

- Consolidate order types; limit and clarify use of Standing Orders, Confirming Orders and Confirming Invoices

- Utilize implementation of procurement tools to update training approach and materials; develop job-aids for chartfields, PO types, P-Card policy, queries/reports

- Establish consistent workflow approval levels across campuses

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Executive Summary
Policy and Process Recommendations

- Establish a consistent travel strategy and program across all campuses

- Revisit the roll-out of the PeopleSoft Expenses self-service module

- Continue to utilize and leverage implemented automated payment tools for efficiencies and additional vendor discounts

- Utilize P-Card settlement through eProcurement solution with a rebate distribution policy that funds eProcurement and/or benefits all campuses appropriately

- Direct all vendors, via PO language and communications, to submit invoices to central location

- Implement imaging technology that integrates with purchasing tools to streamline approvals and access to records

- Cleanse vendor data and revise current vendor location approach

- Work with business managers to understand reporting needs; develop and implement a reports training curriculum to better meet the needs of the campuses

- Develop approach and schedule for comprehensive procurement performance analysis (e.g. spend analysis, vendor performance, internal/external compliance, technology usage, resource workloads, etc.)

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Executive Summary
Internal Controls Recommendations

- Restrict AP Entry (Payables) role to designated AP resources only

- Restrict vendor profile creation and manipulation (Create_Vendor) role to a centralized core team at System level; develop and implement a uniform process for requested additions/changes to vendor profiles

- Establish clear resource separation between AP Entry (Payables) and vendor profile creation (Create_Vendor) roles

- Restrict the ability to add/update users and roles to a central team; a single designated resource at each campus works in conjunction with System Office to serve as part of this central team; develop and implement a uniform process for requested additions/changes to user profiles (e.g. portal form)

- With implementation of eProcurement solution, eliminate requisition authority/proxy by extending Requisitioner role to more campus users

- Redirect P-Card commodity spend to eProcurement solution and tighten controls on P-Card policy by further restricting commodities that can be purchased using P-Card; lower P-Card limits; utilize established audit processes with clear steps for disciplinary action for violations

- Implement true encumbrance functionality that prevents negative account balances

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Executive Summary
Benchmarks – Key Findings of Peer System Study

- Peer Systems interviewed include the University System of New Hampshire, Indiana University System, North Dakota University System, University of Missouri System and University of Colorado System

- Four of the five systems interviewed have a centralized system procurement department supporting system-wide procurement

- Direct or dotted-line reporting relationships between system and campus procurement resources exist among three of the five institutions

- Systems with implemented eProcurement solutions are actively seeking to reduce P-Card programs and create an AP shared services model

- Three of the five systems maintain the vendor database at a central location

- The top themes for strengths included:
  - Ability to collaborate across campuses
  - Investment in professionalizing staff
  - Focus on customer service

- The top themes for challenges included:
  - Matching staff capabilities and skill sets to needs in a strategic environment
  - Access to spend data and lack of commodity categorization
  - Ability to pursue strategic sourcing and competitive negotiations
  - Insufficient technologies or implemented technologies not fully leveraged

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Executive Summary
Technology – Current State Procurement Tool Gap Analysis

| Source | Enable | Procure | Settle | Analyze |

Leading Practices - Procurement Technology

eSource/ eRFX	Contract Authoring	Contract Repository	Supplier Enablement	Catalog Loading	Shopping	Requisition/ Workflow	Electronic Order	Invoice/ eInvoice	Automated Matching	Payment/ eSettlement	Spend Analysis	Supplier Perf Mgmt	Compliance

Current State

| UMS Website | PSFT Vendor Database | | PSFT Purchasing | | PSFT Payables | ePayables PayMode Checks | Discoverer |

Gaps

| eSource/ eRFX | Contract Authoring | Integrated Repository | Supplier Facing Portal | Shoppable Catalogs | Automated Order Dispatch | Data Automation | Multi-Level Analysis | Supplier Perf Mgmt | Compliance Monitoring |

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Executive Summary
eProcurement Benefits

✓ **Cost Savings**
- Drive savings and reduce maverick spending via negotiated preferred vendor catalog pricing
- Lower administrative costs by reducing manual and paper processing
- Leverage prompt pay discounts and other ePayable driven opportunities
- Enhance future strategic sourcing efforts through improved data

✓ **Purchasing Efficiencies**
- One-stop shopping and vendor catalogs increase order accuracy
- Automate approval workflows
- Submit orders electronically
- Reduce cycle time between requisition, receipt of goods and payment
- Easy access to transaction history

✓ **Controls and Compliance**
- Custom workflow reflecting internal controls
- Increase vendor compliance through consistent and correct negotiated pricing
- Complete audit trails and record retention

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Executive Summary
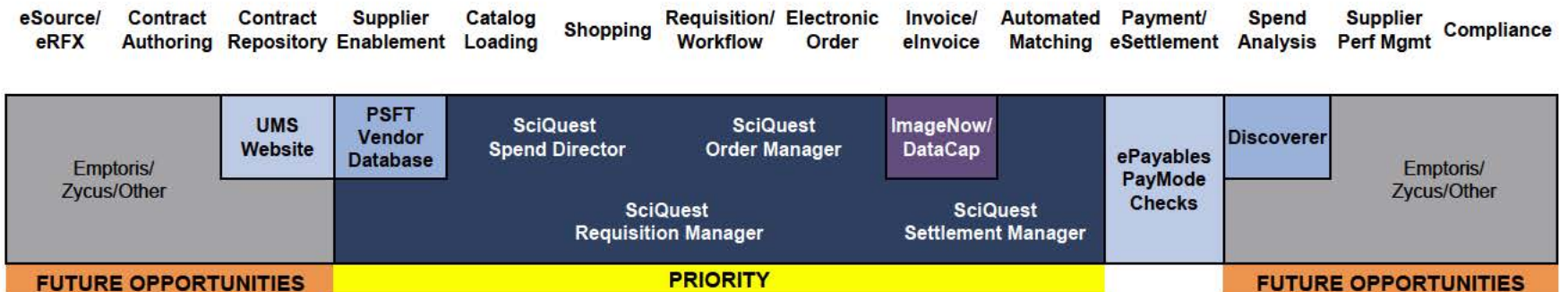## eProcurement Solution Recommendations

- SciQuest full suite implementation of Spend Director, Requisition Manager, Order Manager and Settlement Manager modules are recommended for UMS.

- SciQuest offers a proven solution for the Higher Education marketplace and proven track record of successfully integrating with PeopleSoft Financials.

- SciQuest has enabled a large percentage of UMS' suppliers in their supplier network; no supplier subscription fees are charged.

- SciQuest's requisition and shopping tool offers a streamlined, user-friendly user interface that meets the requisitioning requirements of UMS. Shopper functionality allows the requisitioning process to be extended to all campus users while maintaining firm controls.

- SciQuest's full suite solution supports simplified catalog management, standardized commodity categorization, flexible and customizable workflow, unlimited automated dispatch (including electronic dispatch), electronic invoicing and supplier invoice portal, receipt, matching and full transaction visibility.

- SciQuest's experienced supplier enablement services relieve the UMS resources from the time consuming and resource heavy process of catalog management, multiple punchout integrations and eInvoice integrations.

- Solution implementation, training and on-going administration impact is minimal on UMS resources.

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Executive Summary
Technology – Procurement Tool Recommendations

Source → **Enable** → **Procure** → **Settle** → **Analyze**

Leading Practices - Procurement Technology

eSource/ eRFX	Contract Authoring	Contract Repository	Supplier Enablement	Catalog Loading	Shopping	Requisition/ Workflow	Electronic Order	Invoice/ eInvoice	Automated Matching	Payment/ eSettlement	Spend Analysis	Supplier Perf Mgmt	Compliance

| Emptoris/ Zycus/Other | | UMS Website | PSFT Vendor Database | SciQuest Spend Director / SciQuest Requisition Manager | | | SciQuest Order Manager | ImageNow/ DataCap / SciQuest Settlement Manager | | ePayables PayMode Checks | Discoverer | Emptoris/ Zycus/Other | |

| **FUTURE OPPORTUNITIES** | **PRIORITY** | **FUTURE OPPORTUNITIES** |

- Initial Priority: SciQuest suite
- Potential Priority: Imaging technology (vendor TBD based on desired scope of functionality); evaluate need once eInvoice technologies are operational and enablement plan is in place
- Future Opportunities: Contract Lifecycle Management, Spend Analysis (vendor TBD based on desired scope of functionality)
- Future Opportunities: eSourcing technologies - benefits do not justify investment at this time

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Executive Summary
eProcurement ROI Model – Recommended SciQuest Solution

eProcurement Financial Model - UMS ROI

Description	($'s 000s) Year 0	1	2	3	4	5	Total 5 Yr
Costs							
One Time Implementation Fee - SciQuest	($441)						($441)
One Time Implementation Resources - Other	(534)						(534)
Annual License Fee - SciQuest	(350)	(350)	(350)	(350)	(350)		(1,750)
Costs Subtotal	($1,325)	($350)	($350)	($350)	($350)	$0	($2,725)
Savings							
Strategic Sourcing		$425	590	675	785	900	$3,375
Internal Compliance		155	295	365	455	555	1,825
External Compliance		210	265	315	370	435	1,595
Prompt Pay Discounts		50	100	145	190	220	705
P-Card Settlement Rebates		0	70	140	215	300	725
Savings Subtotal	$0	$840	$1,320	$1,640	$2,015	$2,410	$8,225
Annual ROI Total	($1,325)	$490	$970	$1,290	$1,665	$2,410	$5,500
Cumulative ROI Total	($1,325)	($835)	$135	$1,425	$3,090	$5,500	

Note: Assumes a 2% growth rate; Implementation costs do not include cost estimates for data cleansing efforts, post-implementation support , or ongoing maintenance from IT resources

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Executive Summary
Organization Structure Recommendation

- Center-led purchasing and accounts payable organization at the System Office with one on-campus resource each at the Orono and Southern Maine campuses
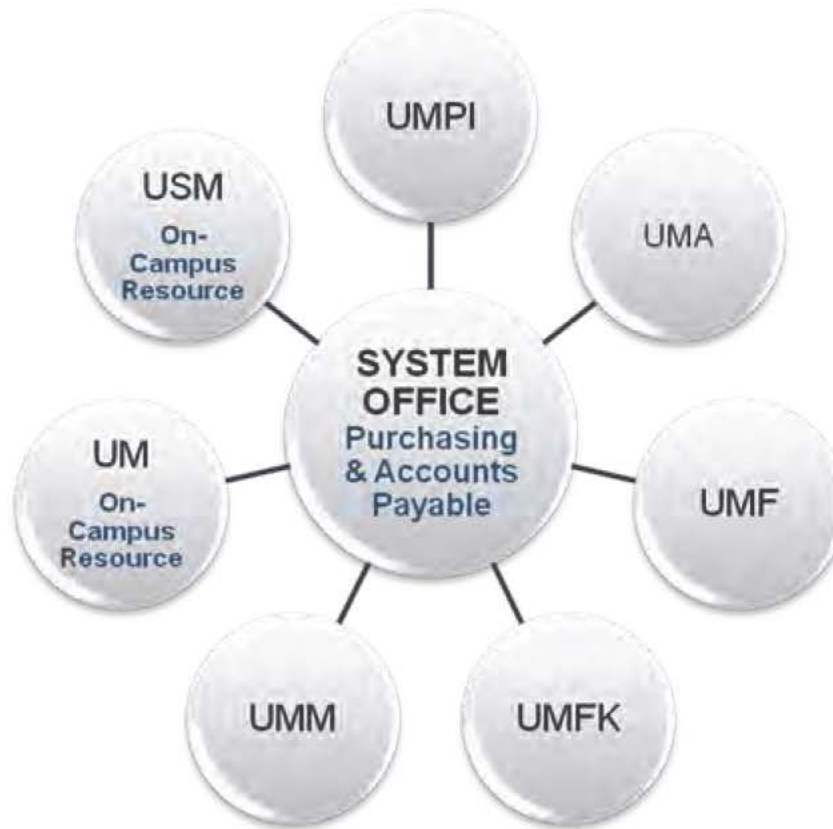
Executive Summary
Organization Model Recommendation – Supporting Evidence

- Leading procurement organizations are adopting a center-led model that combines purchasing and accounts payable

- Universities that are currently considered leaders in procurement predominantly employ or are moving to a center-led procurement structure including peer institutions (Colorado, Missouri, and Indiana Systems)

- A center-led structure leads the procurement function by providing policies, procedures, technology, superior contracts and procurement support for customers and stakeholders

- Recommended model aligns procurement organization with the strategic goals of the University of Maine System, and provides the optimal balance of savings, efficiencies, controls, and customer service

- Recommended organization model with dedicated commodity experts, combined with campus focused resources, will increase the overall service level, while better leveraging the knowledge and skills of the Orono procurement resources to benefit all campuses

- Due to the proximity of the System Office to the Flagship campus, the ability to travel onsite is not compromised; for the other campuses the model is intact with the structure that exists today but delivers additional resources and enhanced support

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Executive Summary

Organization Focus

Current State	Future State
Transactional	Strategic
Reactive	Proactive
Distributed Resources	Center-Led Resources
Dispersed Commodity Expertise	Shared Commodity Expertise
Focus on Quotes/Bids	Strategic Sourcing/Best Value Focus
Limited Analysis	Comprehensive Analysis
Customer Service	Customer Relationships
Limited Customer Contact	High Customer Outreach

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Executive Summary
Organization Model Recommendation

38.5 FTE = Current Overall Resource Level
22.0 FTE = Current P2P Core Resource Level
20.0 FTE = Recommended Organization Model
Resource Level
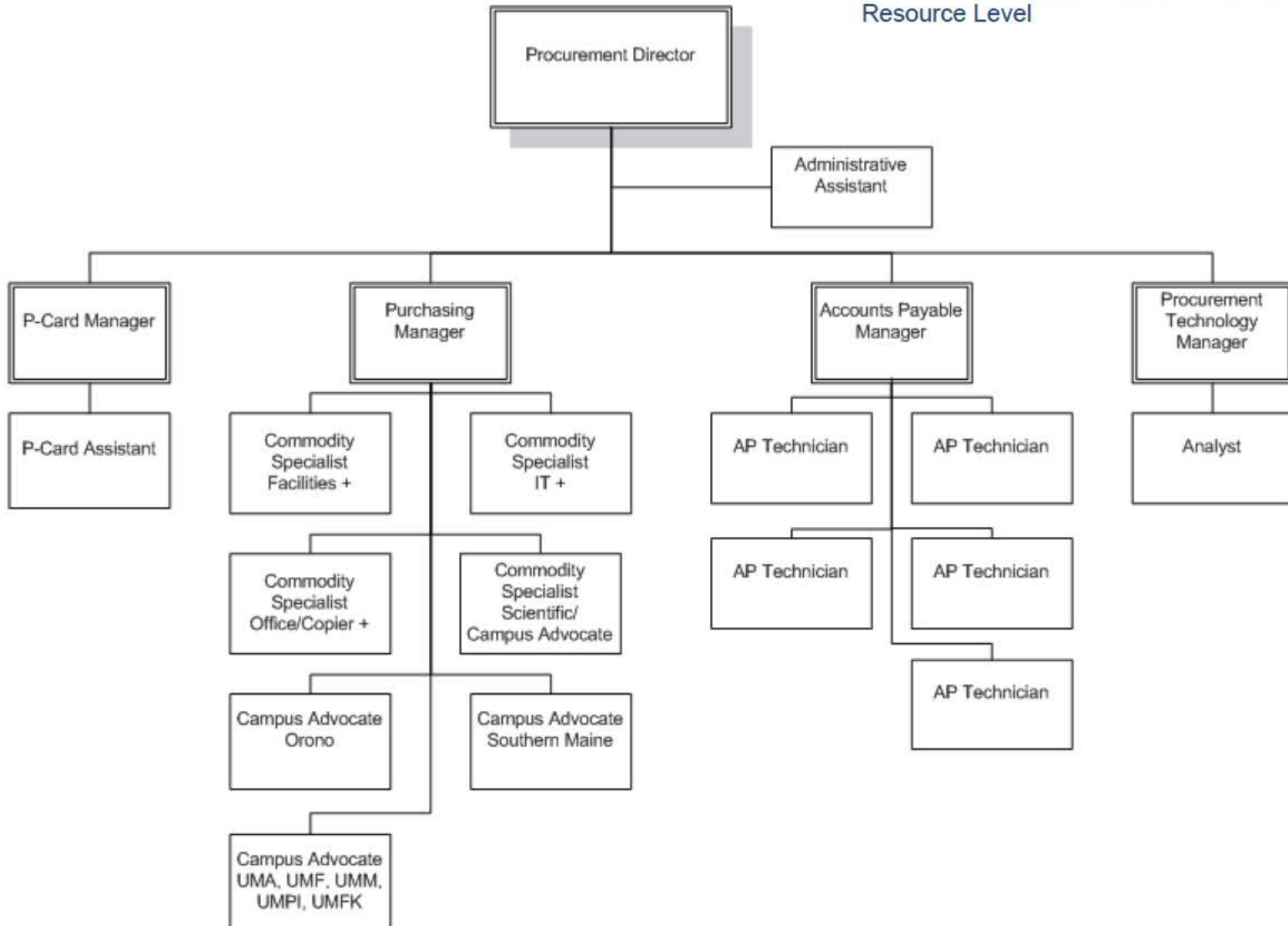
Executive Summary

- Consider closing Orono and Southern Maine campus computer stores

- Justification
  - FTE savings (currently employees 8+ FTEs-Orono and 3+ FTEs-USM)
  - Eliminate inventory carrying costs and space freed for other uses
  - Assessment of schools with computer stores that made decision to close them (Emory University, University of Florida); indicated they made the right decision in closure
  - Functions can be performed in other ways without need for store
  - Departmental needs can be addressed through purchasing established contracts and ordered via new eProcurement solution, with ability to channel towards standard configurations
  - Student purchasing behaviors have evolved since creation of computer store, more on-line purchasing and more computer savvy
  - Consolidates desktop support and standards with IT department

- Transition Recommendations and Considerations
  - Cautious transition: develop and execute comprehensive plan for addressing all provided services (see initial recommendations)
  - Move primary customer facing resource to Commodity Specialist role in procurement; potentially move 1-2 resources to IT to support configurations, service and support
  - Establish Apple "store" in Orono bookstore to maintain higher discounts/rebates
  - USM providing additional value-added services such as imaging
  - Carefully design and communicate/market benefits and process for student purchases

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Executive Summary
Strategic Sourcing Savings Summary

($'s in 000s)

Category	Total Area Size	Key Vendors	Total Spend Reviewed	Opportunity		Savings	
				Low	High	Low	High
Office Related Products	$1,920	OfficeMax	$1,335	27%	44%	$360	$590
IT Hardware	9,755	Dell	2,175	6%	12%	140	265
MRO & Custodial Supplies	2,715	Various MRO & Custodial	2,285	5%	10%	115	225
Office Equipment	1,975	Océ	970	8%	15%	80	145
Courier	2,195	UPS, Fedex	570	11%	23%	65	130
Scientific Supplies & Equipment	5,790	Fisher, VWR	1,120	2%	8%	25	90
Total 1st Year Savings			**$8,455**	**9%**	**17%**	**$785**	**$1,445**

Total Recurring Savings (Exclude $200-325K Incentive)			**$8,455**	**7%**	**13%**	**$585**	**$1,120**

Other Opportunities

IT Hardware	$9,755	IT Distributors	$4,540	4%	8%	185	380
Scientific Supplies & Equipment	5,790	Tier II Vendors	1,655	2%	7%	35	115
Books & Subscription Services	15,515	EBSCO, YBP	3,775	1%	3%	50	95
Food Related Products & Services	17,355	Sysco, Northcenter	3,825	0.4%	1%	15	30
Food Related Products & Services	17,355	Aramark	11,410	TBD		TBD	
Travel & Events	7,545	Various	N/A	TBD		TBD	
Construction	47,260	Various	N/A	TBD		TBD	

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Implementation Roadmap

Key Milestones	Now	PHASE I 1	2	3	4	PHASE II 5	6	7	8	PHASE III 9	10	11	12	PHASE IV 13	14	15	16	Future
Vision: Source, Procure, Settle, Controls		■	■	■	■													
Vision: Enable, Customer Relationship						■	■	■	■									
Vision: Analysis										■	■	■	■					
Vision: Reporting														■	■	■	■	
Source: Courier, Scientific, Books	■																	
Source: Office, IT Hardware		■	■	■	■	■	■											
Source: MRO & Custodial Supplies, Scientific					■	■	■	■	■	■	■							
Source: IT Hardware Distributors, Food										■	■	■	■	■	■	■	■	
Source: System-wide Travel program																		■
Organization: Finalize Structure/Plan	■																	
Organization: Transition		■	■	■	■	■	■	■	■	■	■	■	■					
Policy/Process: Revise APLs																		
Policy/Process: Chartfield and query training						■	■	■	■									
Policy/Process: Implement P-Card & AP strategy						■	■	■	■	■	■	■	■					
Policy/Process: Training; Vendor outreach										■	■	■	■	■	■	■	■	
Controls: Limit Vendor Create access		■	■	■	■													
Controls: Security										■	■	■	■					
Technology: ePro Solution selection; Cleanse vendor data		■	■	■	■													
Technology: ePro solution implementation						■	■	■	■	■	■	■	■					
Technology: PeopleSoft encumbrance										■	■	■	■					
Technology: AP imaging tools															■	■	■	■
Technology: Spend Analysis/Contract Management tools																		■

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Report of
Human Resources
Service Delivery Model
Task Force

April 9, 2009

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I. REPORT OF TASK FORCE

A. Introduction

This report is submitted in response to the charge to review the current human resources (HR) service model and make recommendations regarding consolidation and integration of services. The report is submitted by a Task Force formed by the HR and equal opportunity (EO) directors at the system and campus levels.   Members of the task force are:

Tracy Bigney, UMS	Sally Dobres, UMS
Laurie Gardner, UMF	Frank Gerry, UMS
Brenda Haskell, UMS	Tom Hopkins, UMS
Karen Kemble, UM	Tamara Mitchell, UMFK
Judy Ryan, USM	Sheri Stevens, UMA
Steve Weinberger, UM	C. Jeffery Wahlstrom, Facilitator

The Task Force has studied current best practices in HR service delivery, use of technology, competency based organizational structures, and shared services. We have adapted the best practices into a model that we believe will make better use of the resources available throughout UMS by aligning priorities and planning and by organizing into centers of expertise (COE) to develop initiatives for cost savings and service improvement.

The model we are recommending will maintain essential HR services and strategic advice at the campus level while consolidating service delivery in key areas. Consolidation may be led at the system or university level for various services.

The organizational model itself may over time result in modest savings in HR staff full-time equivalents (FTE). The bigger impact on cost savings will be from initiatives we propose in added technology and streamlining in the areas of payroll, benefits, and wellness.

We recommend a pilot project and several COE initiatives that require more planning, and that can be implemented at least in part in FY10.

B. Technology

The charge to the Task Force makes it clear that increased use of UMS's investment in enterprise resource planning (ERP) technology is seen as a major tool in cost containment or avoidance. The same point has been made in several outside reviews of UMS HR. (See appendix A.) Our review of best practices confirms that use of technology to deliver HR services is well established as a cost effective and quality service approach to serving today's employees. However, it is also clear that the best service is provided by the right balance of high tech and high touch.

A major element of HR service through technology is self service for both employees and supervisors. UMS HR has introduced a number of mainstream applications of self service and has worked to increase use of self service, most recently through benefits open enrollment and suppressing direct deposit advices. We will continue to explore uses of self service that HR can implement with little or no technical support. However, going further with some elements of employee self service and manager self service will require tools such as a portal and workflow. Document imaging and management have several potential applications as we move toward electronic files replacing paper files. Our ability to implement these technology tools is dependent on the availability of technical support from Information Technology Services (ITS) and software investments. We recognize the many demands on ITS and the need for additional staff and financial resources that will allow these HR initiatives, as well as initiatives in student service and finance, to go forward. We also recognize the need for HR to undertake business process review and increased emphasis on data integrity, so that data will be consistent and reliable across the system.

In summary, the following technology implementations are needed to move HR significantly in the direction of self service for employees and managers and reduced reliance on paper files.

- Portal to allow employees to easily access information through a customized, searchable data base and enable employees to find answers to most of their employment and benefits questions
- Self service for employees for additional functions, such as individual benefits enrollment at time of hire or life event, charitable giving, and for larger campuses, ability to apply for a position on-line
- Manager self service, such as the ability to recommend a candidate for hire, recommend a promotion or other personnel action on-line, view data for direct reports, etc.
- Workflow to support manager self service
- Workflow and self service combined will result in data entry at the source one time.
- Document imaging and management to increase use of electronic files and decrease reliance on paper files.
- Case management tools for staff serving employees at a distance, e.g. staff geographically concentrated in a few locations serving employees system-wide.

C. Service Delivery Model

The current model for HR service delivery is a combination of university autonomy and System centralization. HR is perhaps more centralized than other services that are part of System-wide services. UMS is a single employer. Collective bargaining is a system-wide function by law. Benefits programs apply system-wide. HR and EO have a long history of working collaboratively across the system.

However, for services that are not uniform and centralized, each university tries to maintain a full-service HR and EO function. This is not feasible within available resources, and the result is that each university has unique strengths and service gaps. The service delivery model recommended by the Task

Force would allow greater use of the talents and strengths to be applied to service improvement, cost containment and problem solving system-wide by recognizing that HR/EO leaders have a responsibility to the entire university system, not only to the universities where they are employed.

The Task Force identified and discussed two service delivery models that we do not recommend. One was a highly consolidated, centralized HR/EO organization. We believe that such an organization would weaken the ties of HR/EO to each university and thereby impair the ability of HR and EO to provide strategic guidance and problem solving to university executives and managers. HR/EO could come to be seen as not part of the university culture. That would not be conducive to effective HR and EO services. We also reviewed and do not recommend a model of having two HR/EO service centers, based at the two largest universities and each serving several universities. UMS as a whole is marginal in size to operate cost effective shared services, and a subset of the system would not have the scale to achieve efficiencies. Further, universities are very cautious about receiving services from other universities, concerned that highest priority and attention would be given to the university where the services are housed.

We recommend that HR/EO adopt a "Centers of Expertise" (COE) organizing principle. This COE structure would overlay the current System/university organization. University and system HR/EO staff would serve in the COE's as either team members or contributors as described below. There would be a COE for each of the following areas: Total Compensation, Employment Services and Equity, Labor Relations, Organizational Effectiveness, and Human Resources Information and Reporting Systems.

Centers of Expertise will provide deep subject matter expertise. A COE may be led by a university or the system office. Employees in a COE may be co-located or geographically dispersed. Campus HR staff with special expertise in a specific area will have a System-wide role in that function through the COE. For example, staff with expertise in employee and organization development will be available to provide consultation and program development at the System level as well as continuing their campus roles. Centers of Expertise represent a more modern, efficient way of organizing HR/EO. This organization will result in a coherent, comprehensive model, leveraging expertise across the system. The COE model is a way to strengthen UMS's ability to provide services to the universities. As we implement the proposed pilot project COE we will discuss and resolve outstanding issues related to staffing and funding. Because of uncertainty about the future structure and funding of UMS and System-wide Services, the Task Force is not able to recommend where COE's will report. For purposes of this report we assume that SWS will continue to operate as a service provider organization not part of any university. Any significant change in the structure of the System and of System-wide Services would have implications for the organization of HR/EO. Decisions about how System-wide services are funded will also impact implementation of the organizational recommendations we are making.

A description of how COE's would function follows.

Planning and Governance

The System Office of HR and the Employee Relations Liaisons (ERL's) from each university will participate in setting HR priorities for each fiscal year and for multi-year plans in consultation with CFO's and Presidents. Priorities for each COE will be set by the ERL's.   The ERL's will also assess the work of the COE annually. EO Officers will have a parallel role in setting priorities for and assessing the work of relevant COE's.

We assume that System-wide Services will be overseen by a System-wide Advisory Committee of presidents or their designees, as is anticipated in New Challenges/New Directions.   Where services are provided by one university or the System Office there will be a mechanism such as a service level agreement to spell out responsibilities and service levels.

Funding and Cost Allocation

Issues of funding and cost allocation are left to the CFO's to define as part of the model for funding System services. When reporting lines are changed or there is matrix reporting, funding and allocation issues will need to be addressed.

Centers of Expertise Roles

Centers of expertise will be staffed with university and system HR/EO staff. The role of an employee in a COE may be either as a "team member" or "contributor."

A team member is formally assigned to a COE for all or part of the time, reporting to the team leader. The team member may have matrix reporting to the System and campus.

A COE contributor is an ERL or EO Officer or an HR/EO staff member at a university who is nominated by the ERL or EO Officer to serve. Contributors participate in policy decisions, projects, and program design and may have a leadership role for a project or specific area. Contributors report to the university , but the COE leader may provide feedback to the supervisor about performance in the COE. Designating COE contributors recognizes that campus HR/EO staff also have a responsibility as a member of the UMS System-wide HR function.   Not every campus will have COE contributors, and a campus may have contributors in some but not all COE's.

Appointment as a contributor will normally be an ongoing part of the employee's responsibilities. Each COE will meet at least quarterly and will carry out projects as assigned through the HR/EO planning and priority setting process. Each COE will have a leader, who may be a System or campus-based employee.

Where we currently have standing or ad hoc task forces, the COE will take over the functions of those groups, such as the Employee Development Task Force and the HR Application Steering Committee.

If this model for COE's is approved for implementation, further planning will flesh out the structure, reporting relationships, designation of contributors and team members, implementation costs and timeline, etc.

Relationship of University and System HR/EO Staff

We recommend that there be a more formal relationship between university and System HR/EO staff at the leadership level. University ERL's and EO Officers will have a more formal role in planning and policy decisions and will also have more accountability as HR/EO leaders for the System, not only for their own universities.

- The university Employee Relations Liaison and EO Officer position would have a responsibility in the official job description that states the incumbent serves as an HR/EO leader for UMS in addition to responsibilities for the university of employment;
- The System Chief HR Officer will have an opportunity for meaningful input into the selection process for an ERL or EO Officer when there is a vacancy. Similarly, the ERL's and EO Officers will be represented in the selection process for the Chief HR Officer.
- The System Chief HR Officer will provide input to the annual evaluation of the ERL/EO Officer regarding the role as a System leader and in the work of COE's.
- The ERL's and EO Officers will be provided the opportunity to provide input for the annual evaluation of the Chief HR Officer and System HR/EO directors.

We recommend that the following COE's be established, with a pilot project focused on the benefits administration and wellness components of the Total Compensation COE.   For each COE we have identified service areas that can be provided in a more consolidated or enhanced manner to improve service and efficiency. These COE's will be phased in following the pilot project. Through implementation of the benefits administration and wellness elements of the COE model we will answer questions including:

- How will funding be provided for shared services?
- Will the same model work for large and small universities?
- Is the needed IT support available?
- How will staff be assigned and where will they report?
- How does the COE structure fit within the overall organizational structure of UMS and System-wide Services?

Thus the pilot project will provide critical information for later development of the COE model.

Total Compensation COE

This COE has four sub-areas. Team members and contributors will be designated separately for the four areas.

Benefits

- Benefits program administration moves toward self service and shared service model
- COE takes responsibility for benefits orientation, enrollment, consulting, problem solving
- More use of self service for employees as technology allows

- All staff working in benefits are part of the benefits COE and begin working as a team. As implementation goes forward, reporting lines will be examined.
- ERL's participate in program design and decision making through the annual planning process and as COE contributors.
- Questions to be answered: reporting lines, funding for shared services, IT support.

Wellness

- Campus staff (in HR or outside) assigned to wellness will work with the UMS wellness team to deliver the wellness program and may augment the programming that is available System-wide.
- This COE is intended to both develop and deliver a comprehensive, unified employee wellness, health promotion, and disease management program, which would be implemented at all seven UMS campuses as well as the System office. Once fully operational, the program will be integrated with resources available from vendors under contract with UMS to supply health benefit services to employees, retirees, and their covered dependents.
- The Employee Wellness COE is intended to be virtual, headed by a COE lead manager, selected from available and qualified System staff who would be assisted by a designated complement of university team members and contributors. Working collaboratively, the COE staff will be responsible for program design and delivery with the objective of consistent implementation across the entire System.
- The program developed and delivered by the COE will be data-driven, drawn from claims data available from the System's health care vendors. Similarly, results will be empirically based and measured in terms of achieving health improvement through reduced and suppressed claims activity.

Classification and Compensation

- Division of labor remains largely status quo: program design and maintenance are System-wide, classification decisions, salary slots, rating PDQ's, job descriptions (except generic System-wide classification descriptions) are university responsibilities.
- HR staff with expertise and interest in classification and compensation issues will be nominated by their ERL to serve in the Classification and Compensation COE. These staff will participate in policy decisions and program design. The amount of time devoted to System-wide projects will vary over time.

Payroll

- Division of labor remains largely status quo.
- HR staff with expertise in payroll will be nominated by their ERL to serve in the payroll COE. These staff will participate in policy decisions and program design. The amount of time devoted to System-wide projects will vary over time.

- Priorities for development: increase use of direct deposit, decrease use of printed direct deposit advices, decrease special checks and off cycle payrolls, explore feasibility of fewer payroll cycles.

Employment Services and Diversity COE

- ERL's, EO Officers and other staff with primary responsibility in relevant areas may serve as contributors to the ES/D COE.
- The COE will be responsible for developing System-wide policies and procedures on a project basis. Program implementation in these areas is expected to remain largely a university –based function.
- Areas for improved service: background checks, immigration, Family Medical leave processing (consider outsourcing or automating), Unemployment Compensation (consider outsourcing and/or changing to insured payment), electronic recruitment and application for larger universities.

Labor Relations COE

- Division of labor for labor relations remains similar to status quo with bargaining, contract administration and grievance processing led by the System and first levels of contract administration and grievance processing at the campus level.
- ERL's may nominate staff to serve as members of the Labor Relations COE. Contributors serve on bargaining teams and serve as a resource to other campuses under the direction of the COE leader.

Human Resource Information System (HRIS) and Reporting COE

- ERL's may serve or nominate others to be contributors to the HRIS and Reporting COE which will assume the functions of the HR Application Steering Committee.
- This COE is intended to optimize use of campus and system staff to better meet system-wide reporting needs and facilitate system-wide access to enhanced point-of-service technology/data entry (e.g. online student employment authorization) without adding FTE.
- The COE will set priorities for technology developments and for the reporting team. A COE contributor will oversee the work of the team.
- Staff who work primarily in HR data and reporting areas may become team members on a project basis, for a portion of their time.

Organizational Effectiveness COE

- ERL's may serve or nominate others to serve as contributors for the organizational effectiveness COE.
- The COE will carry out projects to increase the level of activity in organizational effectiveness (including OD, Employee Development, Conflict Resolution, HR audits, etc.) within UMS by sharing internal resources and identifying ways to make best use of external resources.
- Among other functions, this COE would take on the responsibilities of the existing Employee Development Task Force.

- Priority areas include online aspects of employee orientation and mandatory training, organizational design, HR audits, orientation and training regarding MaineStreet, orientation and education for senior administrators, employee communication, conflict resolution

We do not recommend that a full "Service Delivery COE" be implemented in the short term to provide back office employee and administrative services through a consolidated organizational unit and a call center. Consolidation of benefits administration and greater use of System-wide tools for employee orientation and training will move in this direction and use the technology that would support a service delivery COE. Other elements of a service delivery COE may be added over time after successful implementation of the first initiatives.

D. Cost Savings, Containment and Avoidance

Adoption of the COE service delivery model and implementation of the technology recommendations above may result in modest savings in HR/EO staff FTE. Any reduction will occur over time as the technologies and efficiencies are implemented. Because HR/EO staff at the universities tend to "wear many hats" it is difficult to estimate the impact on staff levels of the recommended changes. However, there are a number of initiatives that we recommend be continued or undertaken that have the potential for significant cost savings.

Payroll
- Payroll staff set a goal this year of reducing the number of paychecks issued by 50%, reducing the number of printed direct deposits advices by 50%, and reducing special checks by 50%. Great progress has been made in these areas, and we will continue to work these goals.
- The System Office of HR has already set as a goals for FY10 further reducing the number of off-cycle payroll runs and exploration of the feasibility of reducing the number of regular payroll cycles. (Currently we have two bi-weekly cycles and one monthly cycle.)
- All these improvements in payroll processing will result in reduced bank fees, reduced postage and delivery costs, and freeing up time to devote to other improvements and efficiencies.

Benefits and health plan
- There is a potential to impact the cost increase trend for the group health plan, currently a $60 million annual expense. The trend can be impacted by greater employee attention to wellness, disease management, and quality health care.
- The proposed wellness COE and continued work on employee communication around these issues will allow UMS to continue to make progress in this area,
- Significant steps to control the cost trend are subject to collective bargaining, such as incentives for participation on wellness programs and incentives to use quality health care providers. We will continue to vigorously pursue these steps.

Other potential areas for cost savings
- COE's will study the potential for cost savings and service improvements in immigration (possibly in-source to UM), FMLA monitoring and processing (outsource or automate),

unemployment compensation (outsource and review cost benefits of change to insured status), and background checks (reduce liability through uniform policy and procedure).

E. Recommendations

The HR Service Delivery Task Force unanimously recommends the following:

1. Implement increased employee and manager self service, portal, document imaging and management, and case management tools to improve cost effectiveness of HR service delivery. Note that this recommendation requires significant technical support and resources.
2. Adopt a Center of Expertise (COE) organizing principal for HR/EO starting with a pilot project of benefits administration and wellness elements of the Total Compensation COE.
3. Charge HR to refine metrics for appropriate HR staffing ratios and to report to the CFO's regarding comparisons to similar organizations for staffing levels in HR and specific areas such as payroll, EO, labor relations and benefits if comparative data are available. See appendix B for current information about UMS HR FTE and budget. See Appendix C for very preliminary benchmark information.
4. Charge HR to proceed as quickly as possible with payroll streamlining to increase use of direct deposit with electronic advice, decrease special checks and off cycle payroll runs, and determine the feasibility and return on investment of reducing the number of payroll cycles. Charge HR to set specific metrics for measuring success of these efforts for FY10 and 11 and to report to CFO's periodically.
5. Charge HR to proceed vigorously with steps to reduce the cost trend increase in the group health plan for employees and retirees through improved communication and programming and through use of incentives for wellness, disease management and use of quality care. Charge HR to develop specific metrics for measuring the success of these efforts for FY10 and 11 and to report to the CFO's periodically.

F. Responses to System Services White Paper

The Task Force was asked by the Chief Financial Officers to review a white paper about system services and comment on any services that should not be provided on a system-wide basis. Members of the Task Force did not identify any services that should not be provided on a system-wide basis. All responses received are in Appendix D.

G. Appendices

I. External reports that have recommended changes to HR service delivery in UMS
II. UMS HR FTE and Budget
III. Preliminary benchmark information regarding potential cost savings
IV. HR Service Delivery Task Force Responses to System Services White Paper

Appendix i

External reports that have recommended changes to
HR service delivery in UMS

University of Maine System Human Resources Assessment, Cambio International Consulting, 2006; Executive Summary, page 5.

Summary Recommendations (excerpts):

- As a community for working and learning UMS should invest in employee and organization development, and change and transition management.
- Within resources available, UMS-HR should:
  - Staff the System Office of HR to provide organization and employee development advisory expertise and improved compensation programs system-wide.
  - Continue to evaluate overall work pathways in HR system-wide for efficiency and effectiveness gains.
  - In addition, UMS-HR should secure resources and support to build employee development offerings, beginning with a supervisor/manager institute.
- UMS should encourage the development of system-wide integrated HR function utilizing a collaborative network and, where possible, shared resources between university and System HR.
  - Emphasis should be on clear roles and strong collaborative relationships.
  - Systems HR, HR heads and the presidents should consider the benefits of a dotted line reporting relationship between system and campus HR to reinforce the interdependence of those relationships and increase opportunities for professional and functional HR development.
- The institution should recognize and encourage the style of collaboration and effective recommendations from strategic direction #7 with funding for staged implementations of integrated services such as the compensation program for hourly paid staff, increased employee development, and a policy for pre-employment screening.

Elevating the Service Delivery Model at the University of Maine System, Oracle Insight, 2008; pp. 38-40.

Report cited areas that were evaluated on a business process maturity model and that showed room for improvement:

- Human Resources: Process for onboarding individuals should be integrated with Identity Management implementation. Self service capabilities offer significant operational improvement over existing, dual process environment. Continue to deliver self service capabilities.
- Payroll: Legacy process resulting from central time entry in old payroll system. Significant off cycle payrolls, Change process and org structure to map to requirements. Institute SLAs (service level agreements) to minimize upstream issues resulting in off cycle runs.
- Recruiting: Establish single, integrated system to manage recruiting activity for the entire University which will improve visibility and reporting, enable University-wide analysis, and reduce duplicate data entry.

- Self service functionality in HR can produce significant cost savings when used by employees and managers to:
    - Enroll in benefits
    - Change contact info
    - Enroll in training
    - Approve a promotion
    - Create job requisition
    - Change salary
    - Apply for a job

Internal Audit-Compensation and Benefits Risk Assessment, PriceWaterhouseCoopers, 2007; Appendix I

Opportunities for efficiency:
- Consider use of document management process or scanning procedure for payroll processing.
- Moving all employee to [direct deposit] advices would eliminate need for check printing process; consider requiring all employees to receive advices and to review same online.
- Limit circumstances in which off-cycle checks may be provided.
- Automated workflow for approval of leave entered in the payroll system would be beneficial.
- Consider improving or automating data entry process in general and especially around student hires.
- Consider use of work flow to ensure timely follow-up with regard to issues.
- Consider online enrollment system for retirees.
- Consider self-service W-4 application.
- Consider need for high-level comp resource to manage complex analytical issues.

12/31/08

Appendix ii
HR and EEO FTE and Budget

	UM	UMA	UMF	UMFK	UMM	UMPI	USM	SWS	Total
Staff with HR responsibilities									
HR Dept FTE	23.75	5.75	3.00	3.25	1.50	2.50	16.95	21.37	78.07
EEO Dept FTE	3.00	*	0.50	*	0.25	0.32	*	*	4.07
Not in HR/EEO dept.									
Student employment	1.00	*	1.00	*	**	0.50	0.05	NA	2.55
Faculty personnel actions	1.00	0.15	0.03	0.10	0.04	0.10	0.80	NA	2.22
Wellness FTE	1.00	*	*	*	0.08	**	*	*	1.08
Mandatory Training FTE	0.03	0.05		**	* **	**		0.10	0.18
Staff in other depts. with significant HR responsibilities	2.50	1.20	NA	NA	NA	NA	1.20	NA	4.9
Total Full-time Equivalents (FTE)	32.28	7.15	4.53	3.35	1.87	3.42	19.00	21.47	93.07
Budget									
HR budget	$1,661,000	$431,000	$192,000	$238,000	$114,000	$175,000	$1,445,000	$1,995,000	$6,251,000
EEO budget	$343,000	*	$43,000	*	$14,000	$23,000	*	*	$423,000
Total HR and EEO budget	$2,004,000	$431,000	$235,000	$238,000	$128,000	$198,000	$1,445,000	$1,995,000	$6,674,000
Recruitment budget	Decentralized	$51,000	$55,000	$25,000	Decentralized	$22,000	$40,000	Decentralized	
Recognition	Separate acct		Pres. Office		Pres. Office	Non-E%G		Separate acct.	
Employees									
Non-student employees 10/08	2,652	540	413	157	143	233	1,740	160	6,038
Total employees paid in 10/08									12,539
W-2's issued for 2008									16,730

*Included in HR
**Very minor FTE in other dept
Salaries and benefits for staff outside HR and EEO departments are not included in budget amounts.
UMF and UMM HR and EEO budgets are salaries and benefits only; other expenses are in combined account with broader dept.
UMPI recruiting not base budgeted. This reflects 3-year avg of expense.
USM central recruiting budget; depts may supplement. This # reflects 2-year avg of central acct.
SWS mandatory training FTE is Mike Sauda's time for all campuses.
Recruitment budget at some campuses covers only advertising costs; at other campuses it also covers travel and miscellaneous costs.

UMS OHR
4/9/2009

Appendix iii

Benchmarks and Savings Potential

<u>Reported savings from shared service and self service delivery models</u>
Studies indicate substantial savings for very large organizations operating a shared service delivery model. Results are mixed for medium sized organizations (such as UMS) and smaller organizations. In HR, shared services are implemented not only for financial reasons, but to improve service.

- Organizations with multi-tier HR service delivery spend average of 20% less per employee; high performers in this area 50% less (Gartner October 2008, cited by Enwisen)
- Multi- tiered approach to HR service delivery can result in 66% of employee questions being answered through a portal, 28% by the help desk and 6% escalated to experts. (Gartner, cited by Enwisen)
- Ratio of Customer Service Representatives (call center, tier 2) to employees: 1 to 1,000 (with knowledgebase portal and multi-tier service)
- Survey of 136 organizations founds that large companies implemented shared services to reduce headcount and achieve cost reductions; midsized companies (500 – 1,000 employees) were most interested in customer satisfaction and financial profit and loss measures; smallest companies ignored financial metrics on profit and loss and had least interest in customer satisfaction (other choice was overall impact on operations)(Institute of Management and Administration, 2008)
- UMS size is "marginal" to achieve economy of scale savings from shared services (Jim Scully, HR Shared Services Network)
- Number of employees served per HR specialist by service delivery approach for medium size employers (5,000 -9,999):
    - HR specialists delivery model 123 employees per HR specialist
    - Employee self service model 88 employees per HR specialist
    - Manager self service model 77 employees per HR specialist
    - Service center model 121 employees per HR specialist (CedarCrestone 2005)
- Self service functionality in HR results in cost per transaction savings of 44 – 80% depending on transaction type (CFO magazine 2003)
- Results from workforce technologies: self service, call center and HRMS resulted in 23% reduction in decentralized HR staff; self service resulted in 72% average time reduction and 10% average employee satisfaction rating; service center resulted in 20% reduction in specialist time (CedarCrestone 2005)
- Years to achieve payback: call center technology 1.1; employee self service 1.3; manager self service 1.2; time and attendance 1.6 (CedarCrestone 2005)
- [T]his year we see that HR specialists' usage has stabilized with an average of 75% of employees being served by HR specialists. . . On the other side of this high-touch service delivery, all forms of technology-based solutions are increasing, from self service, to call centers, to kiosks. . .

organizations are coming to find that balance between HR specialists and technology-based service delivery makes most sense." (Cedar Crestone 2005)

HR Staffing Ratios

- Ratio of HR staff to employees (rule of thumb) 1:100 (HR count includes time spent on HR work for employees in other departments); UMS ratio of HR staff to employees, approximately 1:135, based on a snap shot of employees in October 2008 or 1:180 based on number of W-2's issued in 2008. (Rule of thumb from Jim Scully, HR Shared Service Network)
- Employees served/HR staff: UMS 168, Median 170, 1st quartile 412 (Median and 1st quartile, CedarCrestone 2005; UMS data from Oracle UMS report 208)
- Payments/payroll FTE: UMS 7,142; median 12,404; 1st quartile 25,584 (Median and 1st quartile, CedarCrestone 2005; UMS data from Oracle UMS report 2008)
- Employees paid/Payroll FTE: median 389; UMS 571; 1st quartile 831 (Median and 1st quartile, CedarCrestone 2005; UMS data from Oracle UMS report 2008)
- We have requested a copy of CedarCrestone's full report on HR staffing ratios and benchmarks and will compare our data to the published benchmarks

UMS OHR
4/6/09

Appendix iv

Responses to System Services White Paper

I.   I do not see any that should NOT be provided. I also think this list understates the responsibilities of HR and would suggest adding some things to the list of services that are provided by System HR including:

        Long range planning for benefits, labor relations, employee relations
        Organizational development
        Managing unemployment compensation program
        Development of employment/personnel policies and procedures (researching trends in employment practices/law, identifying best practices, developing policies and procedures to help UMS continue to be an employer of choice)
        Grievance resolution (working in concert with the campuses), arbitrations
        Employment complaint investigations (non-eeo) as needed
        Assisting with conflict resolution, alternative dispute resolution
        Staff development (SDI, etc.)
        Assist with employee recruitment strategies
        These may be incorporated within the bullets on page 10 but those who are not familiar with the day to day working of HR may not realize that - strongly suggest they be bulleted or described more fully.

II.   I think there are several items that are missing. Certainly in labor relations the grievance process is understated and no reference is made to our role to actually represent the Universities and System in proceedings before hearing officers, administrative law judges and arbitrators. There is also no reference to any role HR has as a repository of critical historical and current records or the requirement to report on those data with accuracy and hopefully some analysis and interpretation that can tell us and public something about our workforce and major employment trends.

III.   I do not see any services that should not be provided by SWS

IV.   I do not see anything that I would decentralize and/or eliminate.

V.   There is nothing I would remove from the Human Resources SWS services although "Set-up *and operate* PeopleSoft Human Resources Modules" is a bit confusing to me – sounds like campuses don't operate the modules and I thought we did (may just be semantics).

        I agree that SWS LR plays a crucial role in grievance arbitrations, hearings, etc. but campuses also pay for outside counsel in such cases so to say SWS represents Universities may be a bit misleading.

VI.   I am totally comfortable with the HR section.

        4/6/09

II.TASK FORCE REPORT IN TEMPLATE

NEW CHALLENGES, NEW DIRECTIONS
REPORT FOR PROPOSED CHANGE OF
Human Resources

1. **Proposed Organizational Structure:**
Centers of Expertise composed of system and campus HR/EEO staff. See report section III.
The proposed structure will increase alignment and accountability between the universities and the system and will leverage resources for the benefit of the entire system.

2. **Identification of Major Organizational Units:**

Centers of Expertise for Total Compensation, Employment Services and Diversity, Labor Relations, Human Resources Information and Reporting Systems, Organizational Effectiveness. See report section III.

3. **Identification of Proposed Reporting Lines for these Units:**
   - Employee Relations Liaisons (ERL's), who are chief university HR officers, report to campus administration with dotted line to UMS chief HR officer. See report section III.
   - ERL's have expanded role in policy setting and planning for HR system-wide. Equal Opportunity Officers have parallel role.
   - Centers of Expertise will have "team members" reporting to the COE leader and "contributors" who are university-based.

4. **Services to be provided by Consolidated/Integrated Function:**

   - See list of services for each COE in report section III.

5. **Information about best practices regarding organization & consolidation of services in the profession, particularly within higher education or public sector. Include information from external reviews of UMS and from the group's knowledge and research:**
   - The model proposed is an adaptation of best practices recommended by outside reviews, a review of literature and discussions with vendors and a large university with a more centralized model.

6. **Roles not currently filled that will be filled in consolidated function (filling service gaps):**

   - By leveraging resources System-wide we will be able to apply strengths from each university to fill gaps at others. For example, some campuses have greater strengths in benefits, labor relations or organizational effectiveness which can be shared through the Center of Expertise.

7. **Anticipated changes in job descriptions/classifications (high level – not detailed)**
   - The job description for each ERL and EO Officer will include the responsibility to serve as a leader of the HR/EO function for UMS, not just for the university where employed.
   - Job descriptions for other staff will be modified to include their responsibility as a team member or contributor for a COE.
   - Further changes in reporting relationships are anticipated as the model is fully implemented.

8. **Implementation Timeline**

   FY10
   - Pilot project to establish COE's for benefits administration and wellness;
   - HR/EO staff in other areas begin to work as teams on projects to review areas including background checks, immigration, Unemployment Compensation, etc.;
   - Payroll staff at System and university levels continue current efforts to increase direct deposit and electronic advice, to reduce number of special checks and off-cycle payrolls, and to determine the cost effectiveness of reducing the number of payroll cycles;
   - Benefits and labor relations continue to work to implement improved wellness and disease management programming and employee communications and to negotiate incentives for wellness, disease management and use of quality health care.

   FY11
   - Following successful implementation of benefits administration and wellness COE's, formally establish COE's in HR information and reporting, organizational effectiveness and employment services and diversity;
   - Potential implementation of recommendation regarding reduced number of payroll cycles;
   - Potential implementation of wellness and/or quality care incentives through collective bargaining.

9. **Technology needs that must be met in order for implementation to occur**
   - See report section II
     - Portal with customized, searchable knowledge base
     - Employee and manager self service
     - Work flow
     - Document imaging and management
     - Case management tools

10. **Factors that could enhance ability to implement change**
    - Clear direction on organization and funding of System-wide services
    - Available support from ITS for technology implementations

- Clear support from system and university leadership for increased consolidation and collaboration

11. **Factors that could inhibit ability to implement change**
    - Continued uncertainty about organization and funding of System-wide Services
    - Lack of trust between universities and system and among universities
    - Reduction in HR/EO budgets and staffing to meet budget constraints
    - The need for HR to commit significant resources to downsizing and reorganization across the university
    - Delay due to unavailability of technology resources and support

12. **Identify implementation costs**
    - Most costs will be related to needed technologies. Cost estimates need to be made in conjunction with ITS.

13. **Summary of pro's and con's of proposed changes – identifying majority and minority views.**
    PRO'S
    - More modern, collaborative model
    - Greater leveraging of staff resources to share strengths
    - Logical, coherent, comprehensive model
    - Enhanced ability to undertake initiatives with potential for significant cost containment or avoidance
    - Improved service and consistency

    CON'S
    - Concern that the quality of service to individual employees will decline if services are centralized at either a system or university-based level.
    - Concern that if services are centralized at a university, the service provider university will not devote the necessary attention and priority to other universities.
    - Concern that centralization of services may result in increased bureaucracy and distance of decision making from the affected university.
    - More complex reporting model (matrixed with COE organization overlaying university/System lines)

14. **Summary of types of data used to evaluate the proposed change (such as staffing ratios, budgets, volume of transactions, etc.) and explanation of evaluation process:**
    - We researched external data sources including staffing ratios, best practices, and technology innovations. We are continuing to refine both internal data and external benchmarks to get better measures.
    - Recommendations of prior external reviews: Oracle, PriceWaterhouseCoopers, Cambio international

15. **Financial Impact Analysis (complete attached form and include here any narrative information relevant to the analysis which may include a further explanation of "other" expenses, etc.)**

   - Completion of the form is premature. Financial impact will depend on technology availability and timing. Savings directly resulting from the organizational model will be modest and incremental.

   - Financial impact analysis of initiatives such as reduction in the number of payroll cycles will be determined through business case methodology.

Student Service Delivery Workgroup Report

The task of this work group was to identify any near term cost savings or efficiencies related to MaineStreet operations involving admission, student records, student accounts and financial aid. The group also interpreted this to be an opportunity to surface any investment opportunities that deserved further consideration. Both matters are addressed in the following report.

Overview

Charge to the Workgroup: This workgroup will review and recommend improvement opportunities (service, efficiency, cost savings) within the broad range of student services. This will include 1) recommendations connected to on line, virtual service delivery, 2) recommendations for policy and practice changes needed to bring more consistency to our business practice and to address the needs of multicampus students, 3) recommendations for further one stop service provision, and 4) recommendations for consolidation/regionalization/centralization of back office processing in the areas of student records (including transfer), student financials, and financial aid. This work will reexamine the work done by the SSTP group and the THESIS group, factoring in the fact that we now have PeopleSoft live or going live in all functions and the assumption that work mentioned in items 1 and 2 greatly impact this item. Determining appropriate timelines and estimating any potential cost savings are obviously a part of this work. The items above do not preclude other approaches that may have emerged since the time of the THESIS work.

Service and Information Delivery: Findings, Recommendations and Discussion

Operations

Finding #1. There are no additional easy or obvious opportunities to centralize that will achieve significant savings. Any movement beyond where we are presently will be predicated on broader organizational decisions.

Recommendation #1A.   If there is a desire to move beyond the current state of centralization and refinement of operations in or to seek further savings, then the UMS must address the following question: are we a System in which we have similar operational principles and if so in what areas, or are we seven independent campuses? The answer to this question will then make it possible for a group like this to potentially find additional efficiencies.

Recommendation #1B. The functional work groups that are in place in each of the four student service areas should continue the quest for efficiencies and commonality.   As functional groups become more familiar with MaineStreet and what is being delivered, there will be discoveries and resultant opportunities for additional centralized processing.   As this occurs, business cases can be developed, including cost/benefit and potential savings.

Discussion: In 2002, the UMS began a migration from its legacy software to what we now know as PeopleSoft. A key factor in that discussion and planning was a definition of "the System" and how PeopleSoft would be set up to accommodate whatever definition ultimately emerged. Although the PeopleSoft system was to be implemented "vanilla" (e.g. little or no modification), it soon became apparent that the campuses were limited in their ability to agree on consistent policy and process applications in many situations; this resulted in a definition of "System" in which the operating procedures of the past (e.g. seven independent campuses with different ways of doing business) were protected. To a degree, the new system could accommodate the needs of the individual campuses; a single operational approach was not needed. Since that beginning, the campuses have continued to discover paths to similar ways of operation and PeopleSoft has supported these changes. And no decision related to the definition of "System" emerged to force a different path.

MaineStreet Student Service Areas (Campus Solutions), which includes admissions, student records (including transfer), student accounts, and financial aid is now in a functional state. The last module, financial aid, came on-line in February 2009. It takes an entire cycle of a functional implementation in order to develop an understanding of how Peoplesoft works and how the various functional areas intersect to emerge, limiting the ability to realize any efficiencies until a more comprehensive knowledge of the software develops for the users. Until all functional areas within an integrated system are implemented, there is limited knowledge as to changes and efficiencies that can result from cross-functionality.

The original assumption was that back office functions could be handled in a centralized manner. A Shared Processing Center (SPC) was developed to begin this process; undergraduate admissions applications processing was the first implementation within this model. Although the Shared Processing Center (SPC) emerged as a success, two things were apparent: 1) the function selected must lend itself to consistent policy and practice and all end users must agree to same; and 2) there were no apparent cost savings other than those that accrued from the implementation of imaging and those that were more in the nature of cost avoidance. It was very clear that, due to the multiple screens needed to create students within PeopleSoft, an increase in workload followed; the SPC handled this increased workload. Also, due to the critical nature of admissions for all of our campuses, there are portions of the year in which no capacity exists within the SPC to add functions; any that are added must fit within the "off cycle" timeline when admissions is not as active. The SPC's current staffing has a capacity to take on a few more small tasks which are addressed later in this report.

Staffing

Finding #2A. For small campuses, particular staff are responsible for multiple functions. Thus, while a reduction in the cost of delivery can be achieved, a reduction in the campus' bottom-line is not achievable because small fractions of a person cannot be cut.   At best, there can be a reallocation of duties on the campus, but even this results in minimal savings.

Finding #2B. No matter what the distribution of personnel across the campuses and the organizational structure, it takes a certain number of personnel to deliver the service our students require and our campuses expect.

Recommendation #2A. Once further refinement in the definition of the System is achieved, then it will be instructive to consider in what areas the number of all personnel across campuses for a given functional area is reasonably within "industry standards." Absent a definition that promotes the consolidation of certain functions, the current model does not lend itself to significant cost reduction.

Recommendation #2B. If Recommendation #2A occurs, conduct a complete analysis of the opportunities presented, including both a cost/benefit analysis of each but also an enrollment impact component.

Discussion: Regardless of the definition of System or the sophistication of the software or the particular delivery method, some presence for each student service area is needed at each campus. We need to be able to serve enrolled students and their families such that they are satisfied consumers and continue to avail themselves of our educational product. Furthermore, in the quest to gain efficiencies and savings, we want to be mindful of not disrupting but rather strengthening any process whereby we are interacting with a public who may be interested in enrolling.

Service and Information Delivery for the 21st Century

It is clear that we are significantly behind our competitors in terms of the delivery of streamlined, robust self service capability for our students. We also know that our students consistently report the need for more "one stop" student service, delivered both in actual service locations and virtually. Based on all of literature reviewed and feedback received, it became very apparent that a critical combination of service and information ("how to"s, FAQs, etc) were the fundamental components of this kind of service. Upon review of the current state of our operations and our staffing and the current status of the System, the following emerge as additional recommendations and investment opportunities which must be factored into our long term planning:

Recommendation #3A: Development of a Virtual Self Service. We recommend that a business plan be drawn up for the scope of work needed such that the Student Service Center within MaineStreet could evolve into an accessible and easily navigable entry point.

 Discussion: A "virtual" robust self service is essential for our students, and has the potential of reducing or, minimally, avoiding, cost in the long term. Investment will be needed to move the UMS to an easily navigable, accessible student self service entry point within MaineStreet. Additionally, absent a broader portal solution, transforming this "portal" within PeopleSoft into the information delivery mode for our students must be factored into this work as the delivery of both service and information. [N.B. A Student/Faculty Center Workgroup has been formed and is developing strategies and priorities for improvements to the self service capability.]

Recommendation #3B: Development of a Portal. We recommend that a business plan for a robust front end portal (which would sit outside of MaineStreet) be developed, funding options identified and a strategic plan to achieve this by 2011 be formulated.

Discussion: Such portals are being developed at institutions across the country as a way to deliver a broad range of student services but also to greatly expand the virtual ability of a student to manage their entire academic career (including their academic portfolio). Numerous "virtual" student services could be combined into a front end portal through which students could receive any number of services beyond those this workgroup was researching. The development of such a portal is an expensive proposition for any individual campus and even for the System but, in the long term, this sort of development is needed if we are to both deliver the kind of service our students expect and remain competitive in the intensely competitive higher education of today.

Recommendation #3C: Exploration and Development of One Stop Service. Reexamine the current status of one stop service at each campus to determine the most appropriate delivery of front line service in the integrated world of MaineStreet.

Discussion: Based on the work of THESIS, the formation of campus based one stop service locations was recommended strongly and was supported by the campuses. However, this development stalled in recent years. Theoretically, the key component of such one stop operations is a cross functionally trained staff that can more effectively and efficiently manage the delivery of service across the entire academic year, and can potentially result in cost savings (or, again, cost avoidance) as the knowledge base of the staff matures.

Recommendation #3D: Serving the Multicampus Student. The Distance Education Workgroup, chaired by Allyson Handley, should include within its deliberations the appropriate delivery of student services to multicampus students.

Discussion: It is very clear that the service delivery to multicampus students is a major issue for the students and for those who serve them, regardless of the current number of students who are so categorized. As campuses potentially offer more collaborative degrees, this number will only grow. Additionally, with the increase in the numbers of students accessing on line coursework, the different learning modes of the students will increase as well. Absent any changes in how we currently define the System and assuming that our current mode of many different ways of doing business holds, developing a broad based solution to the appropriate delivery of services to these students is critical. Although we are cognizant that any group examining this may encounter the same impediments to formulating such a solution as have been encountered in the past, we also feel that this discussion needs to be a part of the larger dialogue currently occurring about the status and future of distance education within the UMS.

Recommendation #3E: Additional Consolidation Opportunities. Proceed with the addition of the functions already under consideration for the Shared Processing
Center – immunization data entry, Native American waiver data entry and Stafford exit interviews – as these fit within the available time line and available staffing of the SPC.

<u>Discussion:</u> As functional groups become more familiar with MaineStreet and what was delivered, there may be opportunities to explore additional centralized processing. As this occurs, business cases can be developed, including cost/benefit and potential savings, and the campuses can determine the affordability of any addition. Several opportunities were identified as a part of the THESIS work of the past - these may reemerge or others may rise to the top as those requiring additional thought.

<u>Final Ruminations</u>

This workgroup began its work with the hope that cost savings and efficiencies could be identified. It recognized the critical need for our System and our campuses to rethink how they do business, and how they serve the citizens of this state. However, it became very apparent that our current structure as a System and the operating principles tied to it (e.g. seven independent campuses with different policies and process) made it impossible to determine any significant savings beyond those already underway at the campus level. It is very difficult to make substantial change without solving the fundamental issue of the expense and composition of the System.

Workgroup Membership:

Allen Berger, Provost/VPAA, UMF
Dennis Casey, Bursar
Chris Corsello, Dean of Students, UMPI
Bill Geller, Chief Financial Officer, UMF
Jon Henry, Dean of Enrollment Services, UMA
Beth Higgins, Executive Director, Advising and Academic Resources, USM
Chris LeGore, Director of Distance Education, UMA
Stuart Marrs, Associate Provost and Dean of Undergraduate Education, UM
Cindy Mitchell, Director of Administrative Systems, Development, and Support, UMS
Don Raymond, Registrar, UMFK
Rosa Redonnett, Facilitator; Executive Director, Student Affairs, UMS

University of Maine System

Revenue Enhancement Workgroup

Final Report

Charge to the Workgroup: This workgroup was charged with identifying and evaluating areas of revenue enhancement and recommending actions that will be pursued. These areas will include but not be limited to: tuition and fees (to include dining and residence fees), enrollment, grants and contracts (including F & A cost sharing/ indirect cost recovery), collaborative arrangements for revenue sharing with outside agencies/organizations, continuing education/lifelong learning outreach, sales/services, other auxiliary revenue areas, and others as appropriate. In addition, this work will review current Board policy and System policies and procedures to determine need for revised guidelines connected to revenue generation. Any recommendations forwarded by the committee will include consideration of both sides of the revenue equation (revenue and expense) as well as revenue enhancement that could occur via cost containment.

Members of the Workgroup:

> Tom Abbott, Dean of Libraries and Distance Learning, UMA
> Ralph Caruso, Chief Information Officer, UMS
> Chris Corsello, Dean of Students/CSAO, UMPI
> William Geller, Vice President for Administration, UMF
> Jack Kartez, Associate VP for Research, USM
> Kay Kimball, Associate Professor of History, UMM
> Rosa Redonnett, Facilitator; Executive Director, Student Affairs, UMS
> James Shaffer, Dean, School of Business, USM
> Robin Toderian, Assistant VP for Auxiliary Services, UM
> Robert White, Dean of Lifelong Learning, UM

Overview and Consensus Opinion

Federal, state, and local policy makers recognize that policy decisions are influenced by the demographics of their respective populations. Since 1990, New England's population has grown by just 8% compared with 22% for the nation as a whole. While Maine's population has grown 7% over this timeframe, the expected number of high school graduates within the next decade is expected to decrease by 16%. Currently about 50% of those students going on to a four-year college have gone out-of-state. Because Maine's public universities rely principally on this traditional source for its students and therefore its primary revenue source, because the campuses of the UMS are limited in their resources to be able to aggressively recruit these and other populations, and because there is increasing competition with Maine's Community College System campuses for this declining student population base, there are real limits to revenue growth given the demographics of the Maine population and the resources available to the campuses.

Although the campuses are currently considering innovative strategies by which their revenues might be enhanced, this work group finds that prior to movement in considering new and increased revenues that would significantly sustain the financial framework of UMS and its campuses, there are a series of key questions that the UMS leadership and trustees must address so that the substantive issue of bringing revenues into line with expenses can be addressed.

The UMS has invested substantial resources to understand and manage its expenses and track revenues. However, it has not made the parallel investment to understand, or the policy decisions to manage, enrollment. For the purpose of this report, enrollment is the distribution of the population of students potentially available for admission to the UMS campuses. Moreover, the widening gap between declining state appropriations for the UMS and the increasing reliance on tuition revenue, particularly when financial aid for students is significantly declining, compounds the dilemma this work group has faced throughout its discussions.

In addition, our review, while limited, consistently identifies unrealized potentials for the System to act in ways that support the campus-level core efforts by connecting public higher education to the quality of life of Maine people and to the economic development of the state. It is undeniable that the University of Maine System must abide by the core values evidenced in the 2005 strategic plan: "strengthening Maine's many communities, fostering sustainable economic development, enhancing the natural and built environment and contributing to the local, regional, national and international communities…" and "promoting student success by active engagement in strengthening K-12 public education in Maine, by removing real and perceived barriers to public higher education, and by continuing improvement in its quality."

Learning accrues over a lifetime, and the many opportunities presented by the University of Maine System build that foundation and that future for Maine's people. However, in our view, over time, the UMS has not been as effective as it could have been in promoting these core values, developing a strong reputation or in expanding the support for public baccalaureate and post-baccalaureate education in Maine.

Given this view we have <u>one primary recommendation</u>: that the UMS leadership and trustees answer <u>the</u> fundamental question:

- What is the role of the UMS/System leadership in determining the strategy by which the System and its campuses meet the needs of the state and its citizens and how then does it support the work of and collaboration among the campuses in achieving the desired outcomes?

Below are key questions within twelve categories of revenue enhancement opportunities, all of which tie back to this key theme; weighing the implications of the following questions, some of which will require trustee policy decisions, and which will be critical in determining the next steps required to move the System and its campuses forward. We do not presume to answer these questions; rather, we feel that these questions are the logical next step in preparing the way for whatever ultimate answer is given to the question above and the vision that emerges for the System and its campuses. In addition to the questions posed below, we have also provided some potential approaches to moving these ideas forward at the end of this paper.

It is our judgment that substantive movement beyond the current state of affairs is not possible until the *Key Questions* listed in the sections that follow are answered by the UMS trustees and leadership.

Revenue Context

Understanding the magnitude of the UMS overall revenue problem is critical so that decision makers know where efforts will perhaps provide a level of return that can have a positive impact. To that end the following context is provided.

- Revenues and expenses are budgeted to be equal. System total FY10 E&G revenue budget is $421M; therefore expenses must be $421M

- A 3% increase in expenses (benefits, salary, fuel, etc.) for FY11puts expenses at $433.6M; thus a need for $12.6M in additional revenues.

- State appropriation is $181M in FY10 (perhaps); no increase is anticipated for FY11

- Each 1% increase in tuition is worth about $2.43M. A 5% increase in tuition would increase the FY10 total tuition and fees ($243.4M) to $255.5M for an increase of $12M.

- It follows that the difference between revenues and expenses for FY 10 is $2.9M.

- An example: If UMF's per credit hour charge, which is one of the higher in the System is used, then the System needs an additional 14,876 credit hours to gain the needed $3.6M. This is 991 FTE students the UMS would need to grow by.

This scenario begs several questions:
- Does the system fundamentally believe that it can sustain its projected FY10 enrollment?
- Can the system keep its overall expenditure increase to 3%? What would it take to do that?

- Is the tuition increase set in order to achieve a balanced budget or is it set on the basis of student access? Are there other tuition models that should be explored?
- Do we believe that we can continue to grow enrollment year after year which this model suggests we would have to do?

The magnitude of what we face is huge in terms of new students. We find it unlikely that the Maine population base can sustain the yearly enrollment growth provided in the model above and necessary to sustain future revenue needs under the current organization of the UMS.

We have posed ideas at the end of this report which may serve to plant seeds with those campuses in a position to explore them; however, these ideas are simply "crumbs" which will help at the edges, but will not fundamentally solve the revenue problem.

Key question: Is the UMS over-built in terms of spread of programs, provision of services, number of locations, and competition for a necessary share of the Maine population?

Approach to Our Analysis

The Workgroup determined that examining the various revenue sources available to the UMS and its campuses would enable an analysis of the current situation, key questions that emerge connected to the overarching recommendation noted in the first section, and a discussion of "around the edges" possibilities that campuses could pursue.

<u>**Enrollment**</u>

Enrollment increases in direct proportion to consumer interest in and awareness of the programs offered. To sustain or expand or grow enrollment is largely a function of programs offered but is also impacted by cost factors including tuition, the availability of financial aid, as well as qualified faculty and staff. The UMS has not heretofore engaged in the strategic review of existing programs in light of state need, nor have the campuses worked *collaboratively* in the establishment of new programs responsive to state and regional needs, and student interests.

Key question #1: Is the UMS going to determine new program development or new delivery methods centrally or will it be the expectation that any campus who can marshal the resources will do so, perhaps at the expense of another campus offering the same or similar degree?

Key question #2: Will the UMS engage in a budget strategy, timely curriculum review process and flexible HR policies in order to remain flexible and be nimble enough so it can meet identified educational needs as quickly as necessary?

Key Question #3: Does each campus have a mix of programs, faculty and resources sufficient enough to support an admission strategy that will generate a sustaining enrollment? The capacity of any campus to both sustain and grow programs, as well as add new programs, to meet increased demand is one that ties directly to the ability to invest in those programs.

Key Question #4: Does each campus have the capacity and flexibility to respond to local/regional/state needs?

There are several different populations that access our campuses. Campuses have the ability to respond to each of these dependent on mission, program availability, faculty specialties and resources; sometimes the region in which a campus sits can impact the ability to recruit and retain some of these.

Traditional 18-21 year olds in Maine. There is a predicted 16% decline in Maine high school graduates within the next decade. Statistics indicate that 76% of Maine high school graduates go on to some form of post secondary education, with 53% going onto to higher education within four year baccalaureate granting institutions. Of those going to four year institutions, approximately 47% go out-of-state. To increase the percentage who stay in-state and to increase numbers from those who do stay in-state will require investing heavily in a common UMS-wide marketing and promotional development and a financial aid strategy for UMS that raises significantly the reputation and perception of UMS campuses and public higher education as a good and cost effective choice. [*N.B. Assuming that out-of-state students bring in more than the tuition level determined in reference to question #9, "aid", defined as a difference between the actual out-of-state tuition and what the student actually pays, is a non-cash "expense" that does not cost the state or system additional resources. Please also see key question #14 and the NB in the Financial Aid section.*]

Key Question #5: Does the UMS have the resources, image, marketing, programs, amenities, to significantly increase and solidify its market share?

Key Question #6: What is the college preparatory level of those who don't go onto higher education and at which of our campuses would they be successful; how many of these students would in actuality qualify for admission to our campuses and be successful? What additional support programs and staff would be required to help underprepared individuals succeed?

Key Question #7: What prevents these students from applying when there are numerous state entities all encouraging more students into higher education?

Key Question #8: Does the UMS want to be in competition with MCCS for these students?

Some statewide studies suggest costs of higher education are the prohibiting factor, and especially so in light of the current economic downturn. In order to significantly impact student enrollment, critical decisions regarding financial aid funding for Maine's students must be made. See the "Financial Aid" section of this document for more information on these.

Traditional 18-21 year olds from out-of-state. The number of high school graduates is dropping in New England. Every campus in every state is working hard with the resources it has to recruit out-of-state students, and the campuses of the UMS are no exception. However, in an increasingly competitive market, the ability of UMS campuses, with the exception perhaps of the two largest, to make any kind of substantive in-roads into the out-of-state (including international) markets are limited by a lack of enough resources to make any kind of impact. New marketing initiatives generate new expenses, and keeping up with out-of-state competitors is a not inconsequential issue.

Key question #9: What is the minimum level of net tuition for out-of-state students to be profitable without requiring additional E&G funds?

Key question #10: Will a substantial increase in marketing recruitment expenses yield a positive financial return?

Key question #11: How much should a public system depend on out-of-state students, invest in aid for them, and invest in recruiting when its reason for existence is to serve the instate student?

Non traditional students (working age). Attracting non-traditional (older than recent high school graduates) students in larger numbers than campuses do now is a function of a person's motivation, perceived need for further education, as well as cost, location and availability of academic program. Not every campus' geographic location has either growth or turnover in its population that can sustain a sizeable number of non-traditional student enrollments. The loss of a single full time student will take three nontraditional students to replace this loss in terms of revenue generated. When one looks at the demographics of the state, it is clear, however, that the adult market is one that can lend itself to renewed focus on the part of many of the UMS campuses.

More and more students, regardless of age, level or residence, attend on a part time basis because of life circumstances (full- or part-time employment, adult or childcare responsibilities, single parents, etc) and are seeking courses and programs which are offered in much more flexible schedules and varied locations than residential campuses now provide. In Maine, 17% of the adult population has accrued some college credits; this degree completion opportunity is clearly a market that has potential for increased recruitment. Additionally, some employers offer tuition assistance programs. According to the 2007 Benefits Survey conducted by the Society for Human Management, 68% of employers offer undergraduate education assistance to their employees while 65% offer some form of graduate assistance.

Key question #12: Can the campuses or an individual campus offer the flexibility of program, access to major, and availability of financial aid that adult students need in order to access higher education? Should that access and support for this audience be coordinated by one campus on behalf of all campuses?

Nontraditional students (retirees). This population is generally eligible for a tuition waiver and therefore is not a revenue source.

Key question #13: Do the trustees wish to change the waiver policy? Should all non-state approved waivers be reconsidered?

Key question #14: Are trustees willing to change the accounting for tuition so as to reflect actual expenses, rather than book tuition at a hypothetical rate and then show waivers as an expense, requiring the "expense" to be budgeted and limited? [Please also see the N.B. in the Financial Aid section.]

Transfer Students. Transfer students may also be part of the various categories contained within this section but deserve an analysis on their own given the large numbers that come into our System each year. All of our campuses have sizeable transfer populations; USM and UMA have the largest in percentage terms. For example, at USM, transfer students account for 42% of the entering class, and 53% of the graduating class each year came to USM as a transfer student. These students transfer from within the System, from four-year institutions outside of our System, and many from the Maine Community College System. With the addition of the Advantage U program (seamless transfer from the AA in Liberal Studies into one of our campus' programs) and the explosive growth of the MCCS, these numbers are expected to rise in the years ahead.

Key Question #15: Are our campuses positioned to maximize the potential of this transfer enrollment? Do they offer transfer services and advising? Are they forming articulation, 2+2 and dual enrollment agreements with the MCCS? Should this transfer option be created on a UMS-wide basis and implemented by each campus in all but specialized programs?

Key Question #16: What role can the UMS play in ensuring a collaborative relationship with the MCCS? What kinds of supports can the UMS provide the campuses in this work?

Veterans. With the introduction of the new GI bill as of Fall 2009, there will in all likelihood be more veterans accessing higher education than in recent years. Currently, there are approximately 2000 veterans pursuing a course of study within the state, down from a high of close to 14,000. Many of the UMS campuses offer the range of services and programs required by this population, and the new GI bill helps to ensure that veterans can attend our campuses virtually free based on the tuition dollars reimbursed by the VA.

Key question #17: Are our campuses aligned to recruit and serve this population?

International. A foreign student recruiting experiment is underway with UMS – China. Once the success of this is measured against costs further consideration can be taken. The current economic trends in Asia in the past six months may have an impact. UMS is also late in entering this highly competitive market that every country in the world is after. UMS does, however, have the benefit of both offering a broad range of programs at a reasonable price and being in a beautiful state that is considered safe, both important factors

While foreign students can fill class room seats that require no new faculty, they require supports outside of class for which investment dollars will be needed. They may exceed the support dollars needed by those students replaced.

Key question #18: At what level of foreign student enrollment are we expending too much on them at the expense of the instate student? .

Key question #19: At what level will the System provide coordinated support for these students? For example, well established ESL programs exist at USM and UM – could these be delivered for the other campuses? A very well developed international admissions office is in place at UM – could this office serve in this function for all campuses?

Enrollment Summary. Enrollments garnered from the sources may simply replace those lost, or may, for those campuses with the resources, represent enrollment opportunities. The key to the latter is the availability of resources.

Key question #20: Does the UMS want to limit enrollment at each campus by a particular set of parameters in order to preserve an active campus entity in the communities where such exists today?

Retention/Graduation

Every campus is keenly attuned to the positive impact of improved retention. Short of creating a significant uptick in the reputation and perceived value of University of Maine System academic programs, there are no central System policies that can improve this; the function is at the campus level. The UMS can continue to support these efforts through the sharing of best practice across the country, bringing in national experts to work with campuses collectively, and other supports which can be applied across the System.

The retention literature has no universal formula for success. Retention is a function of the nature of the student and family circumstances, the student's level of academic, social and emotional preparation, and the level of engagement the student achieves at their institution. Retention approaches must encompass all of these factors, and must look at each population a given campus serves. Any benchmark expectations for retention and graduation must look at each campus in light of the particular comparative cohort in which it sits.

Key question #21: Does the System wish to establish key benchmark measures for retention and graduation consistent with the specific comparative cohort of each campus? Do the campuses have resources to reallocate for purposes of achieving these goals?

Tuition and Fees

Typically tuition and fees have been set each year on the basis of politics and meeting a bottom-line. This past year the trustees diverted from past practice and set an upper limit that was lower than was needed to sustain the bottom-line.

Several years ago the UMS contracted with Scannell & Kurz to study student aid and admissions. In that report the consultants suggested that tuition remain within 20-25% of Maine per capita income. Our tuition increases since that visit have increased student costs substantially without a corresponding investment in student aid. We do not have any recent data for the System about our students "ability to pay" and the appropriate pricing of our tuition in relation to other economic issues. We also do not have any current information connected to best practice in the charging of out of state tuition to meet costs and encourage enrollment.

Current tuition levels are a problem for some of the smaller campuses whose competition is the community college system which has lower tuition.

Key question #22: Will tuition be set in order to achieve a bottom-line or to insure access? What are the objectives of tuition policy? Alternatives include: a. price tuition differentially in relation to the various markets, so as to maximize the bottom line; b. price tuition across-the-board in relation to a top line target; c. price as low as possible to assure access; d. price as high as the markets will bear and then discount or offer waivers so as to assure access; e. let each university set its own tuition policies in relation to its various markets and the level of state appropriation available.

Key question #23: Will the UMS engage in a research effort to determine the appropriate tuition that can enable a maximization of revenue and access to its programs?

Until 2008, differential tuition was not possible. Policy changes now allow campuses to pursue differential tuition for appropriate programs.

Key question #24: What role and under what circumstances will differential tuition strategies be employed?

*Key questio*n #25: Should a public institution whose goal it is to extend educational opportunities to its citizens create a circumstance where a person can afford to study in one area, either region of the state or program of study but not another? Should rates be related to regional economic differences? Are there sufficient financial aid resources set aside to make up the difference?

Key Question #26: What is the ability to pay of the instate populations that can be attracted to the UMS and what level of student aid would be needed?

Financial Aid

Financial Aid funds, E& G aid allocations, and merit aid available at each campus vary widely. Aid dollars are currently used by campuses in attracting students and recruiting them away from other campuses both within and outside the System. The overall financial aid problem seems to be that there are not enough funds available relative to the need demonstrated by our students across the system. [NB: Our method of accounting for tuition and tuition discounts inhibits recruitment of profitable students. For example, if we recruited out-of-state graduate students at $800 per credit hour, our system accounting policies would require us to book tuition revenue at the "official" rate, currently $929/CH and then show a hypothetical cost of $129/CH as a tuition waiver. So, unless we have budgeted for the tuition waivers as an E&G expense, we "can't afford" to bring in the new revenue. In short, the accounting treatment creates perhaps an incorrect and unnecessary impediment to aggressive revenue development.]

Key question #27: Is the Board prepared to revise financial aid policies, including accounting and other aspects of administration, so as to enable more effective use of system resources for the benefit of Mainers?

Key question #28: Is the state or UMS prepared to substantively invest in more student aid?

Key question #29: Are the UMS and the Board prepared to launch a coherent advocacy campaign related to the need for increased state funding of financial aid in order to meet the needs of Maine's citizens in accessing higher education?

Scannell & Kurz made a number of recommendations regarding aid that were not enacted. The goal of those system oriented recommendations was to grow enrollment.

Key question #30: Are the Scannell & Kurz recommendations still viable? These should be reviewed and updated if possible.

Marketing

There has been much discussion about UMS marketing over the past few years. What has become apparent is that there is confusion between marketing and advertising, and that there is no strategic UMS stance on what its role should be in "marketing" the campuses of the UMS and in promoting the UMS as a whole cohesive system of public education in Maine. It is the unanimous opinion of this Work group that the System must invest in an ongoing (minimum 10-year) strategic marketing plan which promotes public baccalaureate (and post baccalaureate) higher education in Maine

and links it to the future of its citizenry and to the economic development of the state. Further, any such marketing must help to differentiate the UMS from the MCCS or successfully integrate the two in the public's eyes.

The System marketing effort of the past few years, while possibly helpful to the smaller campuses, did little to increase the perception among Maine's citizens of the value of public higher education and the economic impact that can ensue, as evidenced by the somewhat lukewarm responses on a recent Pan Atlantic Ombnibus survey about citizens' impressions of and commitment to higher education in the state. Individual campus marketing efforts can only benefit the individual campus that can afford them; all campuses would benefit from a consistent UMS message building the image of the entire System within the state.

Ongoing marketing is necessary to sustain current enrollment levels and currently lacks sufficient investment both at the campus and the System level. The UMS has contracted with Swardlick and Pan Atlantic groups in the past for market surveys. Each campus should be encouraged to review and understand its position in the State of Maine based on that information, and to use it as a critical component of any campus based marketing plan.

Key question #31: What is the UMS role in marketing and what resources are available to achieve this?

Key question #32: What marketing resources will each campus need in order to maintain an enrollment necessary to sustain a viable operation?

Academic Programming

Academic programs are what attract students. Quality matters in these programs. Within this context there are two areas to consider.

First UMS needs to address the destructive nature of competition for students within the system (e.g. for residence and distance students, marketing, etc.) and determine whether collaborative program delivery and or enhanced mission differentiation can help mitigate the problem. UMS should do whatever it takes to get the campuses out of the "competing for the same students" mind set for the System's ultimate survival if for no other purpose. The first campus to the table to deliver a program does not insure quality and without quality there are few students.

Second the UMS campuses need to find a way to break out of their current stale, traditional model of program and degree delivery and move in a direction that is more in keeping with how today's students think, learn and function. If a shared, highly visible portal existed for our target audiences, and the public better understood or "got" what we actually do to prepare students for the future –thinking, problem solving, job skill development and life etc.—and we were able to boast about a new way of educating students, we would then be able to recruit new students and increase our

visibility/presence/image/reputation and revenue, as well as make a national statement about moving education into this century. The challenge the University System Campuses face today is an uninformed, murky, or sometimes negative public perception about the importance of higher education in general and the public system in particular. One example of a possible new, bold approach to educating Maine citizens is the idea of field-based programs (see "A New Model" at the end of this document) tied to a growing industry, (e.g. green-technologies).

Key Question #33: What role can and should the System office play in facilitating collaboration among campuses regarding program development, particularly as tied to regional, state and local need, and to insure quality?

Key Question #34: Are the Board of Trustees and the University Presidents ready to undertake a ten-year plan to create a new model for higher education that distinguishes the UMS from other higher education institutions in Maine and nationally – beginning with a "school within a school model" as a pilot? Is it possible to obtain external funding to capitalize such a project and who will lead that effort?

Key Question #35: What role can and should each campus play in developing and participating in collaborative programs and projects?

Maximization of Schedule

Current calendar models (traditional semester) may be outmoded; flexibility is needed, especially in responding to the changing "just-in-time" needs of our target populations. Flexible scheduling is a good marketing point for some prospective students, as well as the legislature, especially if tied to current research regarding shifting demographics and state needs. Coordination among campuses will be a challenge, particularly for transferring students, and will be an important consideration. These include year-round, weekend, ten-week modules, intense three-year options, as well as hybrid on-line and on-site, and low-residency programs.   The System could also consider the trimester approach, which would facilitate program completion.

Summers in particular seem under-realized. Thought should be given to expanding summer programming and developing it to better intersect with programmatic needs, the needs of students to complete their degrees, and summer tourism industry, i.e., vacationers. The System could also help develop and coordinate special programs to attract summer residents, those who combine travel experience and education, especially financially able retired professionals and tourists in general.

Key Question #36: What are the consequences, beneficial and otherwise, of a radical expansion of the options within the academic calendar?

Continuing Education/Lifelong Learning

Part-time residents and tourists represent a largely untapped opportunity for special programming efforts (arranged by interest, age, location, etc.), as do a number of civic organizations, historical societies, institutions, and businesses. Coordination of efforts will be a particular challenge, but could pay big dividends in both the short and long terms as partnerships cohere. Urban and larger campuses have an advantage in this area, the System office could help the smaller institutions realize a share of existing capabilities specific to their locations. A model of collaboration could share strategies and coordinate offerings regionally and statewide to reach those professionals who need re-certification and continuing education.

Key Question #37: Does the UMS want, and can it help develop, the necessary partnerships across the state that would enable a reasonable distribution of program opportunities to be further developed addressing both student and state need?

Auxiliaries

Auxiliary Services support the academic mission through operations such as dining services, housing, bookstores, conference services and summer business, concessions, computer sales and services, and printing services. These are self-supporting operations and should receive no funding from UMS. They must be totally cost recoverable and must operate like businesses. These operations can contribute through their mission and financial structure. However, they must be fully managed as auxiliary operations.

Key Question #38: Are these operations fully cost recoverable and are they operated efficiently? If not, more expenses in E&G might be covered on the campuses if each auxiliary is required to follow the definition. For example the auxiliary's fair share of building costs could reduce the campuses' costs or cover more of these.

Key question #39: Is the following being achieved: whether an auxiliary service is performed by UMS employee or contracted or an out source the goal is to minimize cost to the student and maximizing the return to the UMS?

Key Question #40: Should there be a UMS policy that requires use of on campus services? If departments spend the money off campus then the money is lost. If they spend on campus, it remains and is invested back into the campus and operations. In addition, the auxiliary operations support the academic mission. The campus communities could be required to use the campus services such as dining services or printing services with the expectation that they provide the most cost effective and quality service and products. This would provide the campus entity with first right of refusal. By supporting the services, staff will remain employed.

Key Question #41: Can the auxiliaries on each of the campuses assist each other or if one campus doesn't have a service can another campus provide the service?

Key Question #42: Can Systemwide contracts for auxiliary services be developed to reduce costs and support smaller campuses?

Grants and Contracts

Grants and contracts are awarded to have specific work accomplished, whether the uncertain exploration of research or the specific work program of contract. These are not general revenues. As a matter of rational business practice, short-term external funds should never be used to cover base budgets for academic programs, services or operations. External research funding is rarely viewed by experienced academic administrators as a revenue-enhancement strategy. If the aim is to increase research activity, then growing external grant and contract dollars is a means to do that when internal dollars are not available. But great problems are created when this logic is breached to use grant dollars to try and replace internal dollars for ongoing, core effort.

The purpose of indirect (F&A) funds awarded by funders is to make the institution whole for the underlying overhead costs associated with the funded work involved. It is also unwise to attempt to use indirect funds as a means of covering the overhead costs already associated with core effort, for multiple reasons. Not only are such funds transitory and variable, but strictly speaking, they are intended to support the specific work that was funded.

Key question #43: Is the purpose of examining extramural research grant and contract funds to increase those receipts, or to increase the amount of indirect (facilities and administrative) funds collected as part of those awards, or both?

However, a specific issue regarding indirect cost recovery is whether or not the institution is achieving an appropriate maximum level of indirect receipts as allowed by policy. It is a misnomer to view below-federal-negotiated rate indirect as "given up" without understanding what the source of funds is and what the assigned rate of indirect is by policy. The UMS establishes several rates for indirect for educational and service projects that are below the federal negotiated rate. In the case of these projects, raising the level of indirect recovery requires a change in policy. Some funders also have limits on indirect, including some federal agencies. Private and family foundations often award no indirect. The question faced by institutions is whether or not they wish to forego such work if the indirect recovery is below the maximum federal negotiated or other published levels.

A particular issue in the UMS is that some units conduct large levels of work for Maine state government under the Cooperative Agreement, which establishes an indirect rate far below the federal negotiated rate. The $31 million in external funds in the Muskie School of Public Service, much of it from work under the cooperative agreement with the State of Maine Executive Department, is the reason that the average rate of indirect recovery for USM is shown as "foregoing" $6.5 million in indirect in UMS figures.

Key Question #44: Does the System wish campuses to forego such work with Maine state agencies or should the UMS seek to negotiate a higher rate of indirect under the cooperative agreement?

Unfortunately, there is not a simplistic answer as to how research grants and contracts can contribute to revenue enhancement. Growing such revenues is good for the state because it strengthens education, workforce development and the innovation economy, but it does not solve core budget problems.

Nonetheless, contracts and fees for services that can be provided with available university expertise and capacity are a source of possible marginal revenue. These are distinct from research, but some are services related to research infrastructure and can be of value to a growing Maine innovation-based economy. These include federal compliance services (for institutional review) and facilities (animal research, major instruments).

Key Question #45: What services provided by units such as those within the Grants and Contracts area could be provided as services to other businesses/industries on a fee-for service scale?

Partnerships with Business/Industry

The business community clearly wants an educated workforce that can expand as needed to meet the needs of that particular business or the state in general. They want accessible programs responsive to their needs delivered in a timely way. There are many examples of higher education – business collaboration that have resulted in additional funding sources and in the introduction of new majors, new facilities and additional student opportunities on our own campuses. It is the opinion of this Work group that this has not been explored as thoroughly as it could be, and critical relationships between state departments (DECD, DOE, DOL, DHHS, etc) have not been pursued by the UMS – relationships that could result in additional partnering throughout the state. LD #1415, recently reviewed by the Education Committee of the Legislature, may serve as an important vehicle to achieve these sorts of collaboration.

Key Question 46: What partnerships could be formed throughout the state which would achieve this goal? What role can the UMS play in moving this forward as a coordinated effort? Has an environmental scan been conducted across the state which identifies the needs of the business community? If yes, how can our campuses link into this?

"Selling" our expertise

Key question #47: Are there skills we have that could be used by businesses outside the UMS? Are there any areas that could "go commercial"? Patent and royalty policy – do we have one and what does it say? How should it be incentivized and inventoried – in short, how do we maximize our intellectual property?

Call to Action

We believe that the threshold issue for future success of the UMS is indeed the public's understanding and reputation of the UMS as a whole entity, and how its programs contribute to the economic development of Maine. We need to foster a collaborative approach across the campuses in all of our work that enables us to improve our image, and maximize revenue. In the current model, our campuses cannot all thrive and some may only barely survive; the constant reductions in budget, staff and programs to meet costs with no strategy to improve revenues only serves to plunge our campuses into mediocrity. A new model must emerge which ensures that all campuses can succeed in whatever role makes the most sense for them in the *collective* future of the System.

There may be opportunities for some enrollment growth, but enrollment growth will not be sufficient to resolve the needed revenue in the *current* construct of the UMS.

APPENDIX: Approaches and Ideas to Consider

Possible Approaches to Revenue Categories

The approaches, ideas and recommendations below emerged as we deliberated on some of the questions posed in our report. These require further analysis and deliberation but represent for the UMS, Trustees and Task Force some opportunities for focused, targeted work in the future. We recognize the need for investment to move some of these ideas forward; the reality of the generation of revenue is the corresponding need to invest. There may be opportunities such as stimulus money, grant opportunities, UMS/business collaborations, etc. which could be pursued to achieve this.

These are intended to provide insight and guidance to decision makers and campuses.

Enrollment

Traditional Age

There may be some opportunity to increase the percentage of Maine students accessing higher education by working more collaboratively with the George Mitchell Institute or with organizations like the Gates Foundation to enhance support for early college programs and to thereby increase these enrollments. Another strategy could be to creatively use the enrollment in summer camps and programs at our campuses as a positive influencer in a student's admission to our campuses (link admissions strategies to those who attend such activities and engage our campus). Other possibilities of foundation and grant support exist for unique and specialized programming discussed later.

Transfer Students

In relation to MCC system we would offer the following secondary questions. Has there been an effort to differentiate what a student gains from a baccalaureate education as opposed to associates' level preparation? Is the first two years of education at a Maine Community College similar enough in how it prepares students to enter UMS baccalaureate programs in the same way the first two years at a university of Maine System Campus? How do we know? Do we collaborate with them to educate both partners with the facts?

Enrollment policies and procedures

As seven independent campuses which compete with each other, our campuses have not traditionally been encouraged to "share" students (e.g. refer applicants who have been denied or who are seeking a program that campus does not have to one of the other campuses). As a System, we should be thinking about the collective welfare of the campuses, even while preserving their inherent independence. In light of this, the following need to be reviewed for flexibility:

- Policies to refer students to other campuses within the UMS when they are denied at a given institution;

- Policies to refer students to other campuses when they apply for a program a given campus does not have;

- Policies related to the admission of international and adult students;

- Any others policies that may impede enrollment.

Financial Aid

Increasing student aid could include strategies such as:

- Offering significant state scholarships to all valedictorians of public high schools;

- Seeking state support for prestigious "full ride" scholarships for top Maine high school students;

- Advocating for more need based aid (shifting the emphasis from merit based aid). According to a study by the U.S. DOE on Student Financial Assistance, during the next decade, between 1.7 and 3.2 million bachelor's degrees will be lost among high school graduates from low and moderate income families who were qualified to attend college;

- Advocating for changes in the current financial aid formula in the definition of independent status. The current guidelines call for students to be 24 years of age, married or a parent, a soldier on active duty or a veteran, or an orphan or ward of the court. The current 50% rate is especially burdensome for independent students who need to work more hours than dependent students since they have no other resources.

- To maintain a healthy economy and a higher quality of life in their jurisdictions, policy makers at the state level need to include adult learners in their plans. Seek Legislative support to provide incentives to adults to earn baccalaureate degrees. This could be linked to the MCCS transfer into our System, and to the Maine Department of Labor.

- Developing a plan to work with Maine employers who offer tuition assistance programs to advertize and market to employees. The average educational attainment rate is higher at organizations with tuition assistance programs than at those without.

- Seeking Congressional support of Section 127 under Title 26 of the US Tax Code which is set to expire at the end of 2010. Under this, employers are able to give workers up to $5250 in educational assistance tax free every year for both undergraduate and graduate programs. This Section needs to be made permanent as a way to invest in employee's education.

Academic Programming:

Possible Policies, Practices, or Strategies:

- UMS should establish a BOT, faculty, administrator, industry and governmental representative team to propose three re-design pilot projects to be funded and implemented sequentially in the next five years.
- UMS should foster joint appointments across departments, and encourage collaboration among campuses (e.g. through revenue-sharing incentives, release time for program development, and considering contributions in this area in promotion decisions, etc).
- UMS needs to resolve the destructive nature of competition within the system (e.g. for distance students, marketing, etc.) and determine whether collaborative program delivery and or enhanced mission differentiation can help mitigate the problem. External program reviewers should be instructed to consider collaborative efforts in their evaluations.
- UMS should do whatever it takes to get the campuses out of the "competing for the same students" mind set – for the System's ultimate survival if for no other purpose.

Possible Ideas to Pursue
- Develop collaborative programming, which could share or even include joint appointments of faculty and staff, and that would offer learning opportunities unique to Maine. This programming could derive in part from specific locations, rely on partnerships with businesses or agencies, and include problem-based learning that would provide specific service to the state and its needs as well as skills and experiences for students. (See appendix for other ideas, particularly "A New Model.")

General Areas for Consideration

- Nontraditional ways of delivering programs – year round, weekend, intense 3 year, on line/blended, low residency programs (ex USM MFA), embedded calendars within semesters, on-site through contracts with industry, public agencies, etc.
- respond to other student needs (e.g. adults, veterans, e.g., UMA's new veterans' strategy)
- emphasize connections between academics, and career skills, and economic development
- create summer academic programs geared toward seasonal residents, traveling professionals, and tourists

- create a special entry portal with exemplary services for:
  - highly qualified recent high school graduates who are now going to privates and other out of state schools, home schooled organizations
  - adults returning to college for life and job change reasons
  - community college transfers
  - under-prepared high school graduates
    - provide incentives to each of these groups with:
      - incentives related to programs - i.e., co-op education (pay and experience) opportunity or field based programs
      - extra financial aid

Maximization of Schedule

<u>Possible Policies, Practices, or Strategies</u>
- Promote calendar creativity by eliminating scheduling barriers to transferring students.
- Coordinate out-of-state marketing efforts for summer academics; build on cultural tourism to the area and piggyback on efforts by the state to attract tourists interested in educational opportunities; supply special programming for them.

<u>Possible Ideas to Pursue</u>
- System support and significant restructuring will be needed in the consideration of nontraditional ways of delivering programs. These include year-round, weekend, ten-week modules, intense three-year possibilities, as well as hybrid on-line and on-site, and low-residency programs.
- The system could also consider the trimester approach, which would facilitate program completion. Summers in particular seem under-realized. Expand summer programming and develop it to better intersect with programmatic needs, and the needs of students to complete their degrees. The system could also help develop and coordinate special programs to attract summer residents, those who combine travel experience and education, especially financially able retired professionals and tourists in general.

Continuing education/Lifelong Learning

<u>Possible Policies, Practices, or Strategies</u>
- Develop a model of collaboration that would share strategies and coordinate offerings regionally and statewide to reach those professionals who need re-certification and continuing education.
- Assist in promotional efforts particular to certification and partnership programs. Urban and larger campuses have an advantage in this area, the System office could help the smaller institutions realize a share of existing capabilities specific to their locations.

<u>Possible Ideas to Pursue</u>

- Partnerships are critical here, and the system can help develop those across the state. Some certificate programs are in place, but unevenly distributed and could be further developed addressing both student and state need.

- Facilities usage/program development – hosting of regional, state or national conferences – conference could be the centerpiece for undergraduate an/or graduate courses, with on line coursework as a part of the model (recent example: LD 291 conference and linkage to course (new audience, convened around a certain theme)

- Contracts with industry and public agencies to deliver courses on site (tailored programs to a professional population that requires expertise of UMS faculty through formal contracts).

- Partnerships – offer undergraduate and graduate courses lined with state and/or local events to capitalize on expertise involved (e.g., Camden Conference on Foreign Policy, PopTech!! And Camden International Film Festival).

- Certificate programs – at both undergraduate and graduate level – embedded in degree programs as an opportunity to recruit students

- Alumni College – link existing courses to alumni programs including online options

- Collaborative work/idea sharing between USM and UM – staff exchanges. The system office can assist collaboration among the smaller campuses to develop reasonable versions of these ideas based on their locations.

- Better business planning to use part time faculty to build revenue, build gateways into the university; certificates are a way to serve adults but also act as good recruitment tools

- Need to be very nimble to respond to markets – what is System role in this? How could System assist/facilitate/get out of the way of re: this? **Tuition thought/possible idea to pursue for recommendation**: need some category of tuition that is between in state and out of state and lower than NEBHE – tuition policy that reaches out broadly to border areas, critical markets (perhaps) – marketing and Quality of Place report (Governor) and tuition policies are all interconnected – should determine some way to address this (see the UMA BS in Information Literacy and Library Science program offered on line).

A "New Model" for Educating Students in the 21st Century

- Goals:

    o To create an interesting, attractive, unique educational experience for Maine residents and to recruit new students from out of state

    o To take advantage of Maine industries and resources to create field-based/experiential and specialized academic programs

    o To attract and retain recent high school graduates who would otherwise go out of state or to privates because they think UMS education opportunities are too "pedestrian."

    o To test new ways of educating 21st Century students in the 21st century

- Process Possibilities:

    o Create a new undergraduate degree options with catchy title (to be determined) that actually means "interdisciplinary field-based collegiate education" with a major chosen by interest and aptitude after the first year – share UMS faculty to develop the project – not a single campus – joint faculty appointments

        ▪ Or a "Magnet School" similar to the secondary version at Limestone

    o Each "Field Project School" is founded on a Maine commercial or governmental project that is funded by outside money, bonded or capitalized by investors – effectively engaging in economic development, reputation building and workforce training

    o Each Project should take advantage of Maine resources and companies willing to participate

    o Examples of such projects might include:

        ▪ wide array of alternative energy strategies:

            • Installation of a new wind power electrical array on land or in the sea

            • Tidal power turbine development, installation

            • Research and education on citizen use of alternative energy strategies

        ▪ Portland's new seaport development

        ▪ Waste management and recycling

- Support for public school student computing – as a complement to the laptop project

- Any other major investment in Maine that could be an educational experience for UMS undergraduate students and take advantage of Maine resources and businesses

- Each Field Project School would have a small academic administrative team to interface with the commercial or governmental managers

- Each Field Project School would have a core group of faculty who could teach the general education requirements in the context of the project – that is, math, writing, critical thinking, social awareness, scientific process would be threads within the work of each student as she or he is partnered with one of the commercial or governmental "workers." General Education component education would continue throughout the Baccalaureate degree experience – stepping up in expectation and performance at each level.

- These programs would be marketed separately as the Limestone project is

  o To high school students

  o To adults returning to school

  o To business and industry as a means of workforce development – tailored to specific projects

  o Outside the state

- New visibility for new innovation in education is the best marketing the UMS can get – once it succeeds there will be waiting lists to enroll

- This also seems to be a real possibility for foundation and federal education funding as a pilot model of the new way to educate college students. If the start up is funded by grants, then the corporate partners can help offset the cost of education and the project's success will reflect very well on the partners.

Auxiliary

In addition to the key question to pursue in the body of this report, there are several areas which could be examined in the short run:

- Are all auxiliary enterprises reviewed periodically? Does this include those that are contracted out? Contracting may or may not be the best option. There are many factors that determine this. Self-operated may, in fact, provide more return to UMS.

- When auxiliary enterprises are reviewed, are they reviewed from the university's perspective? Are all costs covered when viewed from a contracted situation? Is the financial feasibility measured using a level playing field since there are practices on all campuses that occur which are viewed as important but may or may not be cost effective? It is important to understanding what "a level playing field" is and to identify all costs the campus must pay for, regardless whether the auxiliary is self-operated or outsourced. Contractors will not reduce revenue, all have to pay the same and they will not undercut certain events or practices without impacting the return to UMS. The formula goes up or down dependent upon these desires.

- Are there economies of scale procurement that can occur for all or several of the operations? Consider using other campus' auxiliary operations that have larger buying power. An example might be the larger bookstores receive the best pricing, which might be advantageous to the other campuses. With lower expenses for cost of goods or provisions, the auxiliary could have an increased net income.

- Are revenues maximized or when measured are the variable costs related to revenue taken into account to determine whether it makes sense to increase or change a service?

Possible Recommendation:

- All enterprises considered as auxiliary should be identified as such and a consistent method of cost recovery should be developed to ensure full recovery and that all operations are efficient. Seek out a System-wide or multi-campus wide method of operation or methods for procuring of cost of goods or provisions for these enterprises. It should be mandatory for the campuses to support these services. Periodic reviews should be conducted for both self-operated and contracted services with the financial feasibility viewed from the university's perspective of full cost recovery of all expenses.