UNIVERSITY OF ALASKA FAIRBANKS

April 29, 2020

To: Dan White, Chancellor

From: David Read, Business Manager, Geophysical Institute
           Kellie Fritze, Executive Officer, Facilities Services

cc: Nickole Conley, Executive Officer
           Julie Queen, Vice Chancellor for Administrative Services

RE: UAF Shared Services

Background

The goal of shared services is to provide high-quality, consistent and timely business services to a client group, eliminating redundancy across units. A shared-service office is organized to deliver services in a cost effective, efficient and professional manner, providing subject matter expertise, and in compliance with University policies, practices and procedures. With budget cuts ongoing the shared service model needs to be at least cost neutral while maintaining the services levels required for organizational success. Some components of the proposed model currently exist and can be expanded or modified while additional services are implemented in phases over time.

Finding a way to manage the workload with a diminishing number of workers: From Fall 2014 to Fall 2018, UAF lost 337 regular positions (126 faculty, 202 staff, 9 officers/senior administrators) and 316 temporary positions (including adjunct faculty, staff and student employees) resulting in a total loss of 653 positions over 4 years. These position reductions forced creative thinking to find efficiencies, streamline processes and reduce cost. Shared services provide a solution, at least in the short term, as efforts are made to reduce the workload to fit the shrinking capacity.

Shared Service Pods

We propose a shared service model that consists of pods of various configurations and organizational structures. The two primary configurations are 1) unit pods which consist of a collaboration of units to provide multiple functions for the units in each pod (i.e. proposal by ACEP, GI, IARC) and 2) specialized pods which provide a single function to multiple units (i.e. proposal Amanda Wall for travel). While evaluating the various methods of service delivery we focused on cost and quality of service. By keeping the administrative burden low and retaining flexibility for units to decide the type and quantity of services shared or purchased, we believe the shared service pod concept will meet the desired goals.

Feedback from the Financial Services Advisory Group (FSAG), deans and directors indicates that two large shared-services centers would not be well-received across campus. Most concerning is that limiting shared services to two geographically located centers would be unable to cost effectively or efficiently provide top-notch customer service. Shared services by pods will allow units to design service delivery in a way that provides flexibility in service choice while taking advantage of mission and/or geographical

similarities and with the human resources currently available. At our recent Financial Services Advisory Group (FSAG) meeting, members were generally supportive of this concept and numerous ideas were proposed on how pods might be formed. The following is an example of pod configurations, however, the participating units will decide which combinations would be most effective:

Unit Pods:

1. GI/IARC/ACEP/VCR
2. CEM/SOM/CLA/Library/eCampus/SSLL
3. CFOS/IAB/CNSM/IANRE/Museum
4. VCAS/VCSA/CAFO (including Chancellor's Offices and Provost Office functions)
5. CRCD/CTC

Specialized Pods:

1. Campus Travel Office
2. Proposal Development
3. Campus Purchasing

Organizationally, the functions in the unit pods are managed by the existing management structure (usually executive officers) with oversight by the deans and directors of the participating units. Specialized pods are managed by central administration or assignment to a unit. Ultimate oversight for functionality of both unit and specialized pods should be with the Associate Vice-Chancellor for Financial Services.

The types of services shared in the pods will vary depending on the participants but can include any of the following:
- Human Resources
- Procurement (ProCard and Purchase Order)
- Travel
- Proposal Development
- Grant Management
- Research Outreach
- Facility Operations

Specialized Pods
Feedback from the FSAG indicated support for several specialized pods, including a Proposal Services office and a Campus Travel office. Additionally, the Facilities Services (FS) warehouse procurement services can be scaled to accommodate smaller units that are unable or do not have the annual purchasing volume to employ purchasing staff. The FSAG feedback included several comments on having the 'ala carte' services available, both to ensure redundancy - providing coverage during vacancies and to provide expert services in areas that the units felt the most help was needed. The challenge of providing at least cost neutrality and adequate service is the same in specialized pods as it is in unit pods. In fact, it might be more challenging if the specialized pod is created with currently non-existing resources.

Office of Proposal Development: The Office of Proposal Development (OPD) is a shared services office that currently exists on West Ridge. It provides proposal development services for multiple units including GI, IARC, CNSM, CFOS, UA Museum, and others. OPD currently consists of nine employees including one manager who reports to the GI Business Manager. The cost of OPD is divided among the participating units based on the number of proposals submitted by each unit in the prior year. Each OPD employee's labor distribution is set at the beginning of the year so there is no need for interim billing of services. The administrative burden of the office is minimized because the structure requires no additional management. However, the ongoing budget reductions have prompted faculty to increase proposal submissions which has pushed OPD beyond capacity. Any additional unit participation would require a change in structure resulting in an increase in administrative burden to manage OPD. Through the pod concept, other units should create another shared service proposal function(s) to meet the needs of all other units using existing personnel at those units both for proposal development staff and for managing the office.

Campus Travel Office: Creating a campus travel office will allow units to focus resources on mission-critical goals rather than processing travel. This office will provide expert-level travel services, increasing the quality and speed of service delivery and customer satisfaction while decreasing the overall cost of travel processing for participating units. The Campus Travel Office would be created from existing UAF staff and would be managed by the UAF Associate Vice-Chancellor for Financial Services. Costs could be shared by participating units apportioned by the number of trips in each unit and distributed across the labor charges of the travel office staff in the same manner as OPD or be structured as a recharge center.

Campus Purchasing (formerly FS Warehouse): The campus purchasing center will be an expansion of the FS warehouse (FSW). The FSW is a full-service acquisition, handling and distribution facility for commodities and services. The current customer base of the FSW includes the facilities-related units such as maintenance, operations, custodial services and the power plant. Scaling the operation to include other units on campus is feasible within the current recharge center. Online ordering is already in use, buyers are trained in purchasing (pro-card and Banner requisitions), and expediters deliver commodities to the customer. Increased purchasing volume might mean added staffing, but the recharge center model allows for staffing and funding adjustments as necessary.

Shared Services Advisory Board (SSAB)
The current FSAG is made up of Executive Officers and Business Managers across all UAF units and is chaired by the Associate Vice-Chancellor for Financial Services. The SSAB would utilize this same group, essentially expanding the scope of the FSAG to include the responsibility to act as an overarching advisory board for all shared-services concerns. The SSAB should also be chaired by the Associate Vice-Chancellor for Financial Services and meet on a regular basis.

Key areas of focus for the SSAB include:
- Process improvement for shared service activities
- Promote consistent training including career development for shared service staff
- Improve the communication of practices - ensuring regular communications

- Maximize technology to automate process wherever possible
- Responsiveness - ensure adequate coverage for timely submission of time sensitive functions
- Minimize duplication of work or unnecessary tasks
- Pursue cost savings where possible

Funding Strategies

The current shared service activity at UAF has been supported under the principle that it does not increase costs to the participating units relative to the services provided. With even higher levels of budget cuts forecasted, this principle should guide any shared services expansion. Additionally, any shared services funding mechanism should ensure that some units are not subsidizing services for other units.

The method of allocating shared service costs among the participants by activity count (i.e. proposals, trips, transactions, etc.) has proven to be simple and effective. There is some effort required by participating units during the continuation budget process but once the allocation percentages are set up there is no further work needed. There has been some suggestion of creating recharge centers for managing and apportioning service center costs.

Cost Savings

Cost savings from shared services can be difficult to quantify. Using OPD as an example, we have seen the cost to some units decrease while the cost to other units increase. However, even the units with increased costs (per proposal) saw the benefit of increased proposal submission and quality which resulted in increased revenue and/or defrayed costs (i.e. moving faculty labor costs from unrestricted to restricted funds). Estimating cost savings becomes even more challenging when a particular function is moved to a shared service when that function had previously been accomplished by an employee who was tasked with multiple functions.

One method of describing cost savings from shared service participation is to compare the budget cut to a unit with that unit's ability to continue providing services. For example, a unit applies a portion of its budget cut to its business office but at the same time begins participating in a shared service for some of its support. Now, the services continue to be provided despite the business office budget cut and therefore the amount of the cut can be assumed to be the savings due to shared services.

Implementation Plan

A major benefit of the shared services pod concept is the relative ease at which this model can be implemented. Implementation for many units will simply consist of an expansion of current practices that will serve as demonstrations for implementations in units new to the process. One of the most challenging aspects of any implementation plan is gaining acceptance from stakeholders which includes faculty, staff, and the various levels of leadership. Many of these stakeholders have already expressed support for the pod concept.

Action Item:
Led by the AVC for Financial Services and facilitated by the PIT Crew, the SSAB should be convened for a series of sessions to design shared service pods. In the meantime, shared service pods already in

development or in the process of expanding should continue as planned in order to meet service level needs by the beginning of FY21.

Additional Actionable Recommendations

Implementation of the following actions ultimately increase efficiencies across units as well as enhance and expand shared services opportunities at UAF.

- Increase the number of Procurement Technicians (PT) at the unit level, reducing the workload to central procurement officers and increasing the speed and service to students, faculty and staff. UAF currently has 7 PT's. Formalizing a sharing model of procurement expertise across units would increase the speed of purchases, relieve experts at the central office for high-dollar purchases and benefit staff, instructors and researchers while creating professional development opportunities for high-performing technicians across the campus. Two or more "pods" may support one PT.
- Request the procurement authority level be assessed (currently $5,000-$25,000). The process for procurements between $10,000 and $100,000 are the same. Additionally, Pro-Card limits could be increased to reduce the number of purchase orders that are processed. Increasing purchasing authority dollar limits and the available payment mechanisms, as appropriate, will create efficiencies and a more timely process, supported by the PT team.
- Implement (finalize) the JV workflow process. This automation will increase efficiency and reduce the number of hours at the unit and central level.
- Implement Paperless Job Processing (PJP) for all contract extensions for all employees. This is currently in place for all faculty and student jobs. Including staff will reduce labor costs involved in processing individual paper job forms.
- Implement a hiring "frost" on vacant transactional positions. Require units to explore opportunities for vacant position(s) to be merged into an existing or newly created shared service pod.

We are available for further discussion at your convenience.