

**MINUTES OF THE
SPECIAL MEETING
OF THE BOARD OF REGENTS
WESTERN KENTUCKY UNIVERSITY**

May 26, 1995

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, a special meeting of the Board of Regents of Western Kentucky University was held in the Regents Conference Room of the Wetherby Administration Building. The meeting was called to order by Mr. Robert Earl Fischer, Chair, at approximately 9 a.m., CDT. The purpose of the meeting was to consider a recommendation to privatize the management of Facilities Management.

AGENDA ITEM 2 - Invocation

The meeting opened with an invocation by President Thomas C. Meredith.

AGENDA ITEM 3 - Oath of Office

The Constitutional Oath of Office was administered to Mr. Robert Earl Fischer by Mrs. Liz Esters, Secretary to the Board and Notary Public. By Executive Order No. 95-509, Mr. Fischer was reappointed to the Board for a six-year term (expiring June 30, 2001) by Governor Brereton Jones.

AGENDA ITEM 4 - Roll call

The following members were present:

Mrs. Kristen T. Bale
Mr. Robert D. Evans, Jr.
Mr. Robert Earl Fischer
Ms. Joy Gramling
Mr. C.C. Howard Gray
Mrs. Peggy W. Loafman
Mr. Cornelius A. Martin
Dr. Raymond M. Mendel
Mr. Burns E. Mercer
Mr. Fred N. Mudge
Mr. Raymond B. Preston

Chairman Fischer commended the Board for having 100% attendance, noting the seriousness of the item being addressed.

Also present were Dr. Thomas C. Meredith, President; Mrs. Liz Esters, Staff Assistant for Special Projects and Secretary to the Board of Regents; Dr. Robert Haynes,

Vice President for Academic Affairs; Dr. James R. Ramsey, Vice President for Finance and Administration; Mr. Robert M. Rutledge, Vice President for Institutional Advancement; Dr. Jerry Wilder, Vice President for Student Affairs; Mr. Fred Hensley, Director of University Relations, and Ms. Deborah Wilkins, University Counsel.

In keeping with the policy of the Board, the agenda for the meeting and information and materials pertinent to items thereon had been mailed in advance of the

meeting by the President to members of the Board.

AGENDA ITEM 5 - Recommendation to privatize the management of the Facilities Management operation

Deborah Wilkins, University Counsel, stated that she had reviewed the Statutes regarding competitive negotiations and bids for people offering their services to state agencies and whether or not the Board could enter into discussions regarding specific bid proposals of competing offerors in this meeting.

The Statute which addresses that is KRS45A.085. Ms. Wilkins had prepared a memo to the Board and to Dr. Ramsey stating her opinion that any discussions of specific bid proposals, comparisons thereof, or information contained in those proposals should only take place in a closed session.

Ms. Wilkins indicated the Board could discuss in open session the philosophy behind whether or not the University should privatize or not privatize, but if competing bids are to be discussed or any proposals contained therein, the Board should enter closed session.

President Meredith stated, "For some time now we have been trying to find a way to bring about a greater efficiency and a greater effectiveness in our physical plant operation which is now known as Facilities Management. The desire to find a way to bring about a greater efficiency and effectiveness is particularly critical given the budget situation we have faced for several years now. As you know, we will have approximately \$1.3 million less in state funds in 1995-96 than we had in 1991-92; so if you take the cuts as well as the minuscule increases that we have been able to receive, then we have to find a way to obtain

the quality we need in our Facilities Management operation that we have to have in the face of shrinking dollars. You, the Board, at the same time called for an increased commitment to maintenance, and the budget will reflect your actions over the last couple of years along that line. At the same time following our move toward, for several years now, the Board's desire to see us focus more and more on our main mission which is education and to, whenever possible, outsource activities that might be better handled by someone who does that on a day-to-day professional basis. Mr. Mercer's quote in the paper this morning made that very, very clear. We had to explore alternatives. We felt like that was critical for the success of the institution. This exploration has been going on for over two years. This is not a yesterday-to-today kind of activity. It has been going on for a while, and that exploration culminates today with our recommendation to you on a particular company to manage our Facilities Management operation."

"No employees are going to work and become employees of the Marriott Corporation. All employees will continue to be employees of Western Kentucky University; all vacation benefits, all of those kinds of things will continue as they currently are; but on a day-to-day reporting business and a management basis, Marriott would be in charge."

Dr. James Ramsey, Vice President for Finance and Administration, used overheads to display the following information as he discussed the recommendation and answered questions from members of the Board:

RECOMMENDATION:

Award Five (5) Year Management Contract to Marriott Corporation - Marriott will be asked to provide management services for the Facilities Management Program at WKU

- Six Management Positions will be filled by Marriott employees
 - △ Current WKU management guaranteed positions for six months
 - △ Current WKU management may be hired by Marriott
- All other positions continue to be filled with WKU employees

GOALS

- 1) Provide enhanced quality of service to support teaching and learning mission of WKU
- 2) Support "Moving to a New Level . . ." by moving support functions of university to a new level
- 3) Improve work place environment and develop people through implementation of professional development and training

BACKGROUND

A. Financial

| <u>Year</u> | <u>Actual O&M Expenditure - E&G</u> |
|---------------------------|---|
| 84-85 | \$6,520,074 |
| 85-86 | 6,801,625 |
| 86-87 | 6,903,289 |
| 87-88 | 7,414,219 |
| 88-89 | 7,610,790 |
| 89-90 | 7,846,945 |
| 90-91 | 7,982,023 |
| 91-92 | 8,297,734 |
| 92-93 | 7,494,283 |
| 93-94 | 7,424,940 |
| 94-95 (Budgeted) | 8,776,031 |
| 95-96 (Budgeted-Proposed) | 8,898,165 |

Source: Annual Financial Reports 1984-1994

B. Staffing Levels

| <u>Year</u> | <u>Budgeted Number of Positions</u> |
|-------------|-------------------------------------|
| 86-87 | 268 |
| 87-88 | 267 |
| 88-89 | 273 |
| 89-90 | 274 |
| 90-91 | 274 |
| 91-92 | 275 |
| 92-93 | 273 |
| 93-94 | 257 |
| 94-95 | 267 |

C. Reports/Visits - 1993-1995

- H. C. Lott Report
- Troy State
- University of Tennessee
- Central Missouri State
- ServiceMaster
- RFI
- Engineering Associates
- RFP
- Troy State
- New Mexico State
- New Mexico
- East Carolina
- Kentucky Wesleyan

SCOPE OF RFP

- Bid Within Existing Budget
- Itemize Payments For
 - △ Management Fee
 - △ Profit
 - △ Each Service Provided
- Had to Show Savings to Generate Fees
 - △ Reduction in 11 staff positions in Building Services (retirement/attrition--currently 15 vacancies)

REVIEW TEAM

- A. Kemble Johnson
John Osborne
Willie Carter
Frank Conley
Jerry Deriso - Advisor
Brendan Bowen - Advisor
Deborah Wilkins - Advisor
Tony Glisson - Advisor
Wayne Mandeville - Advisor

B. Recommendation

C. Visits to Universities

- | | |
|------------------------------|--------------|
| 1. -Troy State | Dr. Meredith |
| -East Carolina University | Dr. Ramsey |
| -New Mexico | Mr. Osborne |
| -New Mexico State University | Mr. Osborne |
| -Kentucky Wesleyan | Dr. Meredith |

2. Talk to Employees

- How Do You Like It?
- How Are You Treated?
- More Efficiency/More Effective

ISSUES

- To enhance efficiency/effectiveness and move to a new level--change must occur
- Is this the best alternative for WKU and our people?

In response to a question from Mr. Preston about the driving force that caused the exploration/presentation of the recommendation, President Meredith stated, "We can't get the job done effectively the way we are going under the

current system--it can't be done. We keep being told that--it can't be done. There is not enough expertise; there's not enough manpower; there's not enough equipment--there's not enough of anything to get the job done given what's happened in terms of budgets and where we are headed. There's no training going on. We can't put more money into that to provide training. There's no updating. I have a staff elected council that I meet with regularly. The thing that I hear the most is training--when are we going to get more training to help us do our jobs better, to be more effective, more efficient in our jobs. None of that is available under the current system that we have. We don't have the expertise to cause that to happen. It's not in place now. It hasn't been in place--ever. So what do we do? Part of the decision-making process that came down was 'What can we do?' We can't just say "It can't be done," so that is when the exploration started. What is a way to get it done? We began to find institutions that had gone to private management firms, and they could do the kinds of things that we wanted done. They could be the kind of managers that we needed to have at Western Kentucky University--people who felt like they were on a team; people who were a part of the system; people who got regular training to help them do their jobs better. The more we explored those, the more real that became; that's when it shifted over to the whole idea of looking at privatization closely. That became a very positive option for Western Kentucky University. Our employees could have things they have never had before--they could have support and training they've never had before. I think it is important to interject--this is not about individuals or people and trying to get after someone. This is not to say to our people that you see gathered all in here, these are bad people so we've got to do something about this; it's not saying that at all. What we had to do is to take the resources that we have and find a better way to do the job than we are now doing it. The attempt here is to bring to you a recommendation that causes that to happen."

Ms. Gramling asked about things that had been done in-house to improve operations and efficiency and if the workers had been given the opportunity for input on how to save money, etc.

Dr. Ramsey pointed out that Facilities Management has done an excellent

job with new initiatives on campus--zone maintenance on part of the campus (customer feedback is excellent); the second-shift operation in the Downing University Center (customer response is excellent); an energy management program on campus has resulted in a tremendous savings, but to continue with existing resources and existing staff and to do a better job, to be more efficient and more effective and to pick up the pace, this route is felt to be needed.

Dr. Ramsey stated that in his personal opinion, "To take this institution to where we want to go in terms of the quality of our programs, this is the next step."

Ms. Gramling stated, "I'm not convinced that everything has been done in-house to improve our operation. I think privatization should be our absolute last resort. I don't think that we've done everything that is in our power to do to go this route."

Indicating that the Board was attempting to discuss an issue that they did not fully understand, Mr. Martin made a motion that the Board go into closed session to discuss the specifics of the recommendation.

Ms. Gramling asked for more discussion prior to the closed session. A discussion followed on the philosophy of privatization in general and whether or not this is the direction the Board feels Western should go.

Ms. Gramling noted that it was clear to her and to all the employees that this particular RFP deals strictly with six management positions; however, she felt that confusion lies in the fact that the workers fear that out-sourcing will continue with other jobs. Ms. Gramling expressed a need for the Board to discuss publicly where it stands on privatization in general.

Ms. Gramling noted that the University community is a family, and privatization of many of the operations of the University could disturb that family atmosphere.

Ms. Gramling cited examples of universities that had privatized and returned to in-house and also universities who do not outsource any services. Ms. Gramling stated, "The people at Facilities Management want to keep working for Western Kentucky University. They like working for Western. People spend their careers here--their whole working lives here because it's a special place. Employees like the family atmosphere. I'm worried that it will be less special as we lose the

dedicated people on our staff and our faculty. That is our public image; people deal with our staff and our faculty, and it's very important that the University maintain the control over the policies and procedures that are followed. People are loyal to Western; they love being here."

President Meredith noted his concern for the family atmosphere and stated that the recommendation before the Board will allow the employees to get training on a regular basis which will enable them to do their jobs better; feel better about themselves; thereby increasing the family atmosphere.

Dr. Ramsey answered questions from members of the Board regarding the recommendation. The private consultant, Mr. Jerry Deriso, told the Board his recommendation to the administration and the specifications for the RFP. His recommendation was that the six positions covered under the contract report to a Contract Administrator. Those positions would be:

- **Director of Facilities Management**
 - **Manager of Campus Services**
(Combination of grounds and some other ancillary services currently provided by Facilities Management)
 - **Manager of Building Services**
(Custodial, event support and set up, etc.)
 - **Manager of Maintenance Operations**
(Routine maintenance and upkeep of utilities plant and other functions)
 - **Manager of Renovations and Projects**
(Currently facilities management personnel in the various operating units within it get involved in projects of \$10,000 or less that are funded by university sources. This detracts from their ability to do maintenance work. The separate Renovations and Projects Group would be managed separately and would be totally self sustaining. It would not draw off any of the operating money of the O&M or the E&G budget.)
 - **Manager of Fiscal Services**

It was stressed that all employees with the exception of the six management position would remain employees of Western Kentucky University.

Mr. Martin's motion to go into closed session for the purpose of discussion of the bid proposals submitted for the privatization of facilities management services, the details of which are required to be kept confidential pursuant to KRS 45A.0856. The motion was seconded by Mr. Mercer and passed.

President Meredith stated, "I think it is important to reiterate that this is

not any kind of negative initiations, recommendation, or whatever about the people who work in Facilities Management for Western Kentucky University. It can't be thought of that way, portrayed that way, hinted that way. We have lots and lots of long-term, very dedicated people who have given their lives to Western Kentucky University; and that's positive and that's appreciated, and that's good. When you get to this point, you have to make a decision. That's what will be talked about--about this place and it's long-term success. That is not a negative thought toward the people who work in that are. That must be kept straight. I don't want people walking away thinking they are not appreciated or that there are not good thoughts about them. That is not the case. We are trying to find a more efficient and effective way to do the business at hand."

The Board entered closed session at approximately 10:25 accompanied by President Meredith; Mrs. Esters, Secretary; Vice Presidents Ramsey and Rutledge; Ms. Wilkins, University Attorney; Mr. John Osborne, Administrator, Business Services; Willie Carter, Director of Purchasing, and Mr. Jerry Deriso, Consultant.

The Board returned from closed session at approximately 12:40 p.m. Chairman Fischer stated that "During the closed session, the Board discussed only matters within the scope of the motion, took no formal action and made no decisions."

Mr. Mercer made a motion to approve the acceptance of the bid from Marriott Corporation for the management contract of Facilities Management. The motion was seconded by Mr. Gray and carried with Ms. Gramling voting "Nay."

The Chairman stated that decisions of this magnitude certainly are not easy, and the Board fully realizes that a decision like this is emotional. The Board is very sensitive to all of these issues.

The President noted that, at the Board's direction, a memo from the Board will go to all employees of Facilities Management explaining pertinent parts of the contract to keep them fully informed of the details. Meetings will be scheduled before next week is over with all Facilities Management employees to go over the contract. People from Marriott will be available to answer questions.'

Mr. Gray commented that he felt it was a good move for Western and a

very positive one for the individuals effected.

With no other business to come before the Board, a motion to adjourn was made by Mr. Preston, was seconded by Mrs. Bale, and carried. The meeting adjourned at approximately 12:42 p.m.

CERTIFICATION OF SECRETARY

I hereby certify that the minutes herein above set forth an accurate record of votes and actions taken by the Board of Regents of Western Kentucky University in a special meeting held on May 26, 1995, in the Regents Conference Room of the Wetherby Administration Building on the Western campus, and further certify that the meeting was held in compliance with KRS 61.810, 61.815, 61.820, and 61.825 (enacted as Sections 2, 3, 4 and 5 of House Bill 100, 1974 Regular Session, General Assembly).

Elizabeth W. Esters
Secretary

Robert Earl Fischer
Chairman
July 28, 1995

Elizabeth W. Esters
Secretary
July 28, 1995