

January 13, 2010

Many of you may have read news reports that the economic struggles that have impacted many parts of the United States are starting to affect Texas, albeit on a much smaller scale. Under some worst-case scenarios, the state of Texas could face a significant shortfall between projected revenues and the amount needed to maintain current state services, which includes higher education.

Last summer, the Board of Regents of The Texas A&M University System took the prudent step of preparing our members, specifically Texas A&M University and the A&M System Offices, for such financial uncertainty through the establishment of the Shared Service Initiative. The goals of this endeavor were simple: to reduce costs, realize economies of scale, leverage expertise, and expand shared resources. At the September Board meeting, we announced the identification of \$16.7 million in potential annual cost savings through the Shared Services Initiative, and we are proceeding with the implementation of these recommendations.

We quickly learned that many shared services already exist within the A&M System. However, we also discovered that additional cost savings and efficiencies could be realized through several organizational changes between the flagship university and system offices. At the outset, Texas A&M Interim President R. Bowen Loftin and I agreed upon several guiding principles before proceeding with this process. We pledged to: Improve communications and sharing of best practices and subject-matter expertise; provide greater efficiencies of services; improve functional reporting; create individual accountability; and demonstrate shared services as a core value. And most importantly, we would not impact our core missions of teaching, research and service.

Today, I would like to take the opportunity to inform you of several organizational changes at the system offices and university. They will take place immediately. Much expertise, many best practices and significant personnel resources exist at both the university and system offices, and we should be working together more seamlessly. These assets can, in turn, be leveraged to benefit all the other 18 members of the A&M System; a fundamental reason why systems were initially created in higher education.

Following are the areas identified as part of these organizational changes, along with the individuals who will be leading these areas for both the system and university as we move forward:

- Business Services – B.J. Crain, associate vice chancellor for budgets and accounting for the A&M System, will now serve as chief business officer for both the A&M System and university, reporting to both the chancellor and president. She will continue leading the System Office of Budgets and Accounting and will begin an evaluation of shared services with Texas A&M's Division of Finance. Of course, budgetary authority at the university will continue to remain under the Texas A&M president. B.J.'s areas of responsibility will also include human resources at the system offices;
- Information Technology – Pierce Cantrell, associate vice chancellor for information technology for the A&M System and vice president and associate

provost for information technology for the university, will continue in both his system and university IT roles. Pierce will have his title changed to chief information officer for the A&M System and will maintain his current title at Texas A&M. He will continue reporting to both the chancellor and university provost;

- Communications - Jason Cook, vice president for marketing and communications for the university, will now additionally serve as chief communications officer for the A&M System and will report to both the chancellor and president. He will lead the System Office of Communications, in addition to his current leadership of Texas A&M's Division of Marketing & Communications;

- Safety - Chris Meyer, assistant vice president for environmental health and safety for the university, will now additionally serve as chief safety officer for the A&M System and will report to both the chancellor and university associate vice president for risk and compliance. He will lead safety operations for the system offices, in addition to his current leadership of Texas A&M's Department of Environmental Health & Safety;

- Facilities Construction - Vergel Gay, associate vice chancellor for facilities planning and construction for the A&M System, will continue in the same role but will have his title changed to chief facilities planning and construction officer for the A&M System to be consistent with the other shared services areas. He will continue reporting to the chancellor; and

- Treasury Services - Greg Anderson, associate vice chancellor and treasurer for the A&M System, will continue in the same role but will have his title changed to chief investment officer and treasurer for the A&M System to be consistent with the other shared services areas. He will continue reporting to the chancellor.

In addition to several of these positions having joint appointments with Texas A&M University and the A&M System, all will report to respective oversight councils of chief executive officers representing the 11 universities, health science center and the seven state agencies comprising the A&M System. The goal of each Executive Oversight Council is not to provide operational direction to these functional areas, but to provide input into strategic initiatives, participate in performance appraisals and ensure accountability of the individuals responsible for each of the areas above.

These organizational changes initially affect the university and system offices and will result in the immediate elimination of two positions at the system level. As we move forward, I have asked those with functional reports across the System to develop a plan of action for expanding the Shared Services Initiative across the entire A&M System by the end of March, particularly in terms of sharing best practices and efficiencies. For research administration, which was initially part of the Shared Services Initiative, we will proceed in securing an independent, external consulting firm to guide our evaluation of this area in the near future.

As I mentioned earlier, the A&M System has a long legacy of shared services. Through these organizational changes, we are building upon the successful models of collaboration and shared services that have existed in the areas of

information technology, governmental relations and federal relations within the A&M System for several years. Given our country's economic situation, you will find that many university systems, public sector organizations and corporations are beginning or continuing a similar process of shared services. As stewards of taxpayer dollars and students' tuition, we have an obligation to do no less.

Today is the beginning of a substantial commitment to shared services by The Texas A&M University System and Texas A&M University. It is also the beginning of a process that will continue to evolve as we identify additional cost savings and efficiencies. Additional information about these organizational changes can be found at www.tamus.edu/sharedservices. I appreciate your continued service and dedication to the A&M System and the state of Texas as we prepare for the future.

Sincerely,

(signed)

Michael D. McKinney, MD

Chancellor, The Texas A&M University System