Agenda

Opening Comments 1:00 – 1:10

Administrative Services Transformation 1:10 – 1:30

Asset Utilization 1:30 – 1:50

Technology Commercialization 1:50 – 2:10

Committee Discussion – “Where do we go from here?” 2:10 – 2:30

Subcommittee Appendices
AST
AU
TC
Summary Observations

- The recommendations of three charges are aligned with the University mission and are estimated to yield $400 - $450 million in benefits over a 10 year period, net of the costs of implementation.

- To achieve the estimated benefits, it will be necessary to realign the mission of operating units to reflect the necessary changes in operating model or priorities.

- The feedback from the majority of the stakeholders is receptive to change, and indicates that momentum is building for a new way of administering UT as an institution.

- While many of the University’s peers have embarked on one or more of these initiatives, implementing all three initiatives concurrently would move UT to the forefront of business transformation in Higher Education.
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Subcommittee Appendices
- AST
- AU
- TC
Administrative Services Transformation (AST)

Administrative Services Transformation (AST) Charge

“The Committee will examine the economic impact the federated model of administration has on the economic efficiency at The University of Texas at Austin and will make recommendations to improve that efficiency. Specifically, the Committee will examine how the federated model has been deployed at each college and within the central administrative units and make recommendations concerning how it might be changed to increase efficiency and effectiveness specifically in the areas of financial services, human resource services, technology infrastructure and support and administrative support services.”
Overall Observations

- **Benchmarks** — UT’s administrative service performance is roughly on par with the average performance of other large universities. Adopting a new, centralized administrative model would generate significant benefits and would help UT catch up with the industry leaders currently making this change.

- **Maturity of Solution** — This shared services model is proven in the private sector with hundreds of successful implementations. Reduced cost, improved financial controls, and more consistent policy compliance have resulted from similar projects.

- **Current Organization** — Administrative staff across all units have pursued several improvement initiatives, but these efforts would have been more effective if there was a focal point at the institution level to sponsor improvements.

- **Receptivity to Change** — In general, units are receptive to change and recognize that transformation of services will improve efficiency and service levels. At the same time, because the shared service model will shift authority and change established practices, effective and thoughtful change management will be essential to ensure alignment. Pending changes to institution-level IT systems make this a unique time in UT’s history to undertake this effort.
Recommendations

After a detailed analysis of administrative activities across the University, we believe that UT can achieve between $150 - $200 million savings over a 10 year period, net of estimated implementation costs, by implementing the following recommendations.

1. **Implement a shared administrative services model**
   - Conduct a process redesign that is consistent with leading practice
   - Automate work effort (i.e., document management, inquiry management, travel & expense) through enabling technologies
   - Ensure accountability through a clearly defined governance model

2. **Increase the ratio of strategic sourcing in procurement spend, and capture the savings**
   - More savings are possible through a collaborative, scaled, and disciplined approach to directing spend
   - Continue to lead the academic initiatives with the UT System’s procurement team
   - Institute a mechanism to capture the resulting savings at the University level

3. **Investigate University-Specific administrative work efforts for additional cost saving opportunities**
   - 75% of administrative work effort occurs in functions such as Development, Academic Support, Research Administration, Marketing / Public Relations, and Student Services
   - Even small efficiencies in these areas can amount to significant cost savings or revenue enhancements given the scale. Examples include process redesign, management restructuring, and policy rationalization.
     - For example, by using analytic tools, Development estimates that over $20 million in additional revenue may be available over the next 10 years
   - Create an organization to support transformation for this effort at the University level, for opportunities identified by the schools / units
   - A closer look at opportunities in these functions could generate a second round of benefits greater than identified above
AST Scope and Benefits of Shared Administrative Services

The recommendation includes high volume, commodity processes that are typically included in successful shared administrative services transformations across all industries.

The recommended transformation includes the following business processes:

**Finance & Procurement**
- Accounting
- Accounts Payable
- Travel & Expense Reimbursement
- Accounts Receivable
- Requisition to Order

**Human Resources**
- Employee Administration
- Recruiting & Deployment
- Payroll
- Time Administration

**Information Technology**
- End User Support
- Infrastructure Implementation
- Application Maintenance
- Application Implementation

Success is contingent, in part, upon establishing metrics and empowering and holding accountable a single executive to achieve them after implementation is complete.

The data strongly suggests that the recommendation is achievable because most administrators working in these processes spend 50% or more of their time in them. This means that the workforce can be transitioned easier than at other higher education peers.
Considerations

Based upon prior shared service experience in other industries, the following considerations accompany the AST recommendation.

<table>
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<th>Consideration</th>
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| Process    | ■ Achieving consensus upon a common level of in-scope administrative processes requires empowered leadership  
■ Establishing a common governance process will require changes that are consistently implemented at the unit levels  
■ Integration of process changes with UT’s administrative system change, regardless of which comes first, is a key determinant of how work will be done in the future |
| People     | ■ Transitioning the workforce should occur in a respectful manner that retains talent and maintains employee morale  
■ Success depends in large part upon instilling a new culture at UT  
  • Trusting each party to meet its responsibilities in a reliable way, and  
  • Avoiding the temptation to work outside of one’s core competence  
  • Reinforcing these changes through a clear governance and accountability framework |
| Technology | ■ UT will need an institution-level change in IT system in order to realize full benefits  
■ A design phase can confirm the benefit estimates that enabling technologies can help achieve  
■ This is the right time to undertake changes in core administrative systems to support changes in the administrative operating model |
| Communication | ■ UT will need to work in coordination with the UT System to ensure alignment  
■ A plan of routine communications presents an opportunity to engage UT’s administrative experts for their input and sponsorship of this change |
How would shared administrative services be structured?

New accountabilities require changes to the existing organization structure.

**Chief Administrative Officer (CAO)**
- Responsibilities:
  - Shared Services Operations
  - Accountable to achieve business case targets
- Example:
  - Direct University-wide Shared Service Center (SSC)

**Advisory Committee**
- Responsibilities:
  - Process & Strategy Review
  - Issue Resolution
  - Manage function-specific issues
- Examples:
  - Address service issues escalated by the User Groups
  - Target opportunities for future improvements in the SSC

**Steering Committee**
- Responsibilities:
  - Govern Shared Services to balance customer and provider interests at University level
  - Service Delivery Strategy
- Examples:
  - Address service issues referred by Advisory Committee; no direct customer access

**Shared Services Leadership**
- Responsibilities:
  - Service Performance Issues
  - Continuous Improvement Feedback
- Examples:
  - Propose new service needs with customer input
  - Evaluate new capabilities (e.g. systems, skills)

**Shared Services Mgmt**
- Responsibilities:
  - Manage function-specific issues
  - Address service issues escalated by the User Groups
  - Target opportunities for future improvements in the SSC

**User Groups**
- Responsibilities:
  - Service Performance Issues
  - Continuous Improvement Feedback
- Examples:
  - Propose new service needs with customer input
  - Evaluate new capabilities (e.g. systems, skills)

**Shared Services Operations**
Next Steps

The following steps should be pursued if the University decides to move forward with the Administrative Services Transformation recommendations provided.

- Phase I — Identify Administrative Services opportunities - *Complete*
  - Phase IIa — Design administrative shared services
    - Establish a Steering Committee and develop a charge document
    - Communicate the decision to undertake a design project for UT-Austin
    - Identify empowered leadership
  - Phase IIb — Develop detailed strategic sourcing plan
    - Integrate the UT System Purchasing Alliance calendar into an assessment effort
    - Understand how savings might be captured locally to fund University initiatives
    - Communicate that schools/units are expected to participate in sourcing
    - Conduct key stakeholder interviews, identify opportunities at the spend category level
  - Phase IIc — Investigate University-Specific work effort for additional opportunity
    - Assess the potential of individual functions for detailed analysis
    - Identify key stakeholders, conduct assessment interviews
    - Perform detailed data collection for high potential functions
    - Investigate university specific work effort for additional administrative opportunities
- Phase III — Build administrative shared services
  - Build organization, processes, enabling technologies, and deployment plan
  - Manage change throughout organization including within units
  - Measure progress toward complete integration
  - Prioritize improvements

Immediate next steps

The following steps should be pursued if the University decides to move forward with the Administrative Services Transformation recommendations provided.
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### Subcommittee Appendices

- AST
- AU
- TC
Asset Utilization (AU)

Asset Utilization (AU) Charge

“The Committee will examine the current utilization of tangible and intangible assets of the University of Texas at Austin and make recommendations for improvement to enhance the goals and mission of the University. Assets to be examined might include university-owned lands, trademarks and brands, physical facilities and services such as for housing, food, parking and books.”
Asset Utilization Summary

The Asset Utilization charge has several commonalities to the AST charge, commonalities that are grounded in an institution-level culture and structure.

**Opportunity** – significant potential for revenue increases or cost savings is evident.

**Mission and Culture** – today these asset classes are operated on a ‘cost recovery’ basis. This is a culture that is common across higher education institutions. This environment blunts the potential that each asset class could otherwise achieve.

**Organization Structure** – increased oversight and focus on all asset classes could realize improved financial results. A change in operating model is recommended if UT adopts the Asset Utilization recommendations. This change could be used to drive a cultural shift towards continuous improvement and asset returns.

There is no conflict between the mission of UT and the opportunity of driving more productive asset utilization. We believe greater productivity will deliver more firepower to the University to achieve its academic mission.
Observations by Asset Class

UT has a potential benefit of $240 - $290 million from these asset classes over a 10 year period. There are many other asset classes with potential benefit, which because of time and resource constraints we did not examine.

- **Utilities** — The University has the ability to profitably sell surplus electricity on the open market. In addition, implementing an energy conservation program could provide UT with long term cost savings and support campus “green” awareness.

- **Parking** — Significant opportunity exists to either raise University parking permit rates to comparable market levels, or to enter into a concession agreement with a third party.

- **Food** — UT could realize significant increase in income if it contracted with a 3rd party to consolidate operation of all campus dining locations.
  - Alternatively, UT could continue institute a modest rate increase (5%) and maintain the current staff and leadership. The rate increase would bring UT into parity with room and board costs at peer institutions.

- **Housing** — Peer benchmarking indicates significant opportunities are not available. However, Housing’s capital modernization plan requires a stable source of funding.

*We believe that the $240-290 million from these asset classes over 10 year period represents a midpoint, likely conservative assessment. The amount could dramatically increase if a culture of transformation takes root.*
# Recommendations Detail

<table>
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| **Surplus Electricity Sales** | • Sell the ~468,000 MWh at an average price of $34.81; annual revenue $16 million; net income $12.4 mil.  
• Power sales begin in year 3, after capital improvements and regulatory changes are complete  
• **Projected 10 year value, net of investment: $92 million** |
| **Conservation Initiative: Energy Awareness** | • Comparable client experience has reduced energy consumption by 2-5%. The UT assumption in this analysis is 3.5%. Qualitative benefits from “green” awareness and a new productivity mindset may also result.  
• Additional savings may be available if UT begins to charge academic units for their energy consumption. Recommendation includes energy cost allocation to academic units.  
• **Projected 10 year value, net of investment: $11 million** |
| **Conservation Initiative: Capital Projects** | • Capital improvements to buildings (improved controls, air handlers) estimated to reduce consumption by 20%. Client experience for office uses: 15-30%  
Cost reduction over a 10 year period = $59 million  
• Reduced consumption: = energy available for sale. Incremental 10 year profit = $36 million  
• **Projected 10 year value, net of investment: $63 million** |
| **UT Rate Increase Only** | • Annual opportunity cost of $9.2 million between market rates and what UT charges to park today  
• A rate increase of 7.5% per year for 15 years would put UT equal to the market  
• **Projected 10 year value, zero investment: $96 million** |
| **OR** | |
| **3rd Party Concession** | • Recommend that UT develop and issue an RFP to value what the private market could offer  
• Property tax appears to significantly reduce the potential benefit to a concession agreement compared to what UT could achieve independently  
  • This explains the difference between a UT Rate Increase and a 3rd Party Concession  
• **Projected 10 year value, zero investment: $62 million** |
# Recommendations Detail

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| Rate Increase                   | • To close the gap between UT and comparable school meal plans, increase rates 5% per year for 10 years  
• Consider a plan to subsidize in-need students to protect them from the rate increase  
• **Projected 10 year value, zero investment:** $8.5 million |
| OR                              | • Recommend that UT develop and issue an RFP to value what the private market could offer  
• **Projected 10 year value of DHFS venues only, zero investment:** $8.9 million; OR  
• **Projected 10 year value of all on-campus dining, zero investment:** $26.2 million  
  • *Significant change effort* needed with the Deans before attempting to take control of dining venues in the schools |
| 3rd Party Operator             | • Analysis of third party operator metrics suggests that a small cost savings opportunity is available  
  • 3rd party operators would reduce maintenance costs by 5%  
• **Projected 10 year value, zero investment:** $4 million |
| Formalize a Capital Modernization Budget | • There is room for improvement in how Housing funds its capital modernization program  
  • Today if a budget surplus is earned, these funds are allocated to next year’s capital maintenance program  
  • If the surplus is insufficient, maintenance is deferred until funds are available  
  • From FY14 – FY22, the funding need for capital modernization is $117 million  
  • There is $7 million on hand to meet capital modernization needs |
Next Steps

Before committing to a series of next steps, each of the asset classes requires a re-evaluation of the role each plays in achieving the mission of the university.

- **Confirm the expected contribution from each asset class to the University mission. Each asset class requires some degree of adjustment to its current mission to achieve its full potential.**

- **Evaluate which option for an asset class is best suited to its role in the mission**
  - This could include a stakeholder impact assessment for classes like Parking and Food
  - Additional study may be required to understand the regulatory requirements for the Utilities class

- **Establish an AU program management office, with structure, budget, and accountabilities – reporting directly to the President of UT**
  - Program office option versus project-by-project responsibility
  - Opportunities of this size will require project teams, a steering committee, a communications program, and identification of key stakeholders
  - Central point to drive transformative, cultural change and continuous improvement

- **“Asset specific” next steps**
  - Steps required and information needed to solicit a RFP, conducting pre-feasibility study, engineering studies
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Technology Commercialization (TC) Charge

“The Committee will examine the University’s current structures and practices intended to promote technology commercialization at the University of Texas at Austin and will make recommendations for improvement. Specifically, the Committee will examine the current structure and practices deployed by the Office of the Vice President for Research and Office of Technology Commercialization as it relates to identifying technologies with commercial potential and support for taking them to market in a manner that is most attractive to the private commercialization markets.”
Overall Observations

• **Original assumptions** were that (a) the University of Texas at Austin is missing out on large sources of revenue and that (b) peers target specific technologies in an attempt to maximize income

• **However, our findings reveal** that UT-Austin is already among the highest earning Universities and that successful peers focus more knowledge dissemination rather than revenue optimization. Those who have generated the highest levels of revenue have done so largely due to serendipity

• **UT-Austin has an opportunity** to more effectively fulfill its economic and commercial mission through both direct income generation as well as through contributing more broadly to the commercial and cultural growth of Austin, the region, and Texas
The University has clearly identified its mission as its teaching and research mandates.

The committee believes commercialization of research-generated intellectual property is primarily the purview of the private sector.

Expanding and enhancing the University’s commercial and cultural initiatives can be done within the integrity of these two guiding principles.
Committee Recommendations

• **Increase the licensing volume** of the Office of Technology Commercialization

• **Foster an innovative and entrepreneurial environment** on campus to increase high-potential start-ups

• **Align the academic and research strengths** of the University with industry needs

• **Enhance the contribution to Austin’s creative and cultural environment** necessary for recruitment and retention of talent

• **Establish student involvement** as a priority
Key Recommendations

Increase Licensing Volume

• Set UT’s commercial strategy to be one of maximizing dissemination of knowledge rather than maximizing revenue on a per deal basis

• Consider re-allocating licensing revenue to incent relevant stakeholders

• Increase staffing of licensing team commensurate with current and anticipated volume

• Focus on areas of research and industry strength
Key Recommendations

Foster an Entrepreneurial Environment

• Avoid attempts to centralize control as such approaches can stifle an innovative and entrepreneurial spirit

• Create an informal Commercial and Entrepreneurship Council (“CEC”) comprised of those most involved in this realm, on- and off-campus

• Create a conflict resolution mechanism to quickly resolve impediments and conflicts of commitment / interest

• Consider modest financial / administrative support
Key Recommendations

Match Strengths with Industry Needs

• Coordinate with local, regional and state trade bodies and economic development agencies on strategic initiatives

• Develop plan and funding to identify and recruit top commercially-active faculty in priority disciplines

• Proactively target regional corporate leaders in industry that match our research strength
Key Recommendations

Contribute to Austin’s Creative Culture

• **Support University cultural / teaching institutions** commensurate with their importance to a diverse, culturally rich Austin

• **Strengthen University ties** to regional economic / cultural initiatives
Where do we start?
Today: UT Austin’s Ecosystem is Confusing

Key:
- Venturing
- Direct Revenue
- Research & Academic
- Sponsored Research
- OTC: Transfers university discoveries to the marketplace
- IC²: Center devoted to conducting academic research on technology commercialization
- GCG: Academic research unit for global purposes
- BBR: Bureau of business research provides applied economic research & data
- Office of Vice President of Research: Supports research at all levels within the University
- OTC: Transfers university discoveries to the marketplace
- Sponsored Research: Manages research grants and relationships
- ATI: Business Incubator

UT Austin

Colleges

Research Centers

Biz

Pharm

Nat Sci

Engr

1 Semester Start-up: Metcalfe’s course on technology entrepreneurship

TVL: McCombs business accelerator

DDI: Drug Dynamics Institute

Sponsored Research

Office of Vice President of Research

UT Austin
Tomorrow: Streamline Based on Requirements

**Internal**
- Create senior conflict resolution officer
- Create CEC to facilitate cross-pollination
- Enhance professor / student access points
- Distinguish culturally between licensing and entrepreneurial activity

**External**
- Create intuitive web-based portal for easier access
- Provide direct access for industry
- Connect University researchers with industry needs
- Incent stakeholders to actively manage

Streamlining may lead to a reduction of resources
Today: Focus Resources on Areas of Strength,…

**UT Austin Activity by Department**
09/10 - Present

- Electrical and Computer Engineering (Cockrell)
- Biomedical Engineering (Cockrell)
- Chemical Engineering (Cockrell)
- Computer Science (Natural Sciences)
- Petroleum and Geosystems Engineering (Cockrell)

**UT Austin License Data**
09/10 - Present

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<th>Field of Research</th>
<th>Licenses</th>
<th>% of Total</th>
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<td>14</td>
<td>20%</td>
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<td>2. Biomedical Eng.</td>
<td>7</td>
<td>10%</td>
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<td>3. Chemical Eng.</td>
<td>7</td>
<td>10%</td>
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<tr>
<td>4. Computer Science</td>
<td>7</td>
<td>10%</td>
</tr>
<tr>
<td>5. Petroleum &amp; Geosystems Eng.</td>
<td>6</td>
<td>9%</td>
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<tr>
<td>Other</td>
<td>28</td>
<td>41%</td>
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<td><strong>Total</strong></td>
<td><strong>69</strong></td>
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- Over half of UT Austin’s licenses come from four departments
- Seven of the top 11 licensing departments are in Cockrell, the remaining four are in Natural Sciences

Source: University of Texas – Austin Office of Technology Commercialization
...Align Them with Regional VC Activity,...

**VC Investment in Austin Metro Companies**  
2006-2010

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<th>Investment Field</th>
<th>$ Invested</th>
<th>% of Total</th>
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<td>Software</td>
<td>$ 427,466,900</td>
<td>20%</td>
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<tr>
<td>Semiconductors</td>
<td>$ 423,981,700</td>
<td>20%</td>
</tr>
<tr>
<td>IT Services</td>
<td>$ 211,906,800</td>
<td>10%</td>
</tr>
<tr>
<td>Industrial/Energy</td>
<td>$ 198,045,200</td>
<td>9%</td>
</tr>
<tr>
<td>Medical Devices &amp; Equipment</td>
<td>$ 191,359,900</td>
<td>9%</td>
</tr>
<tr>
<td>Media &amp; Entertainment</td>
<td>$ 120,012,800</td>
<td>6%</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>$ 105,784,100</td>
<td>5%</td>
</tr>
<tr>
<td>Networking &amp; Equipment</td>
<td>$ 96,873,100</td>
<td>5%</td>
</tr>
<tr>
<td>Other (7)</td>
<td>$ 356,433,100</td>
<td>17%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,131,863,600</strong></td>
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- Natural alignment in Austin within computer sciences and engineering. Less alignment within biomedical, biotech and industrial/energy sectors
- With respect to biotechnology and life sciences, UT-Austin has the opportunity to be the driver in growth or to develop relationships with existing hubs of innovation such as the Bay Area, Research Triangle or San Diego


DRAFT – For discussion purposes only – Committee on Business Productivity
...Key Industries Sectors in Austin,...

- **Electrical & Computer Engineering**
  - Dell (1000+)
  - AMD (1000+)
  - Applied Materials (1000+)
  - Flextronics (1000+)
  - Freescale Semiconductor (1000+)

- **Biomedical Engineering**
  - Clinical Pathology Labs (1000+)
  - Lab Corp (100-499)
  - Luminex Corp (100-499)

- **Computer Science**
  - National Instruments (1000+)
  - Pervasive Software (100-499)
  - ADP (100-499)
  - Data Foundry (100-499)

- **Petroleum & Geosystems Engineering**
  - Zevex Corp (10-19)
  - Textron Oil Co (5-9)
  - Texas Allied Petroleum (10-19)

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*LQ measures the relative concentration of industry in a region relative to its concentration in the country as a whole. Industries with LQs > 1 have higher relative concentration in Austin than in the rest of the US on average.*


DRAFT – For discussion purposes only – Committee on Business Productivity
...and Key Industry Sectors in Texas

*Location Quotient (LQ)* measures the relative concentration of industry in a region relative to its concentration in the country as a whole. Industries with LQs > 1 have higher relative concentration in Austin than in the rest of the US on average.

Source: http://www.texasindustryprofiles.com/apps/locquot/index2.asp

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**Biotech, Life Sciences & Medical**
- Abbott Laboratories (1,000+)
- Alcon Labs (1,000+)
- Pearson Assessment (1,000+)

**Telecom & Info Services**
- Alcatel-Lucent (1,000+)
- Comm Scope Inc. (1,000+)
- Convergys Corp (1,000+)

**Electronics & Applied Comp Equipment**
- AMD (1,000+)
- Dell (1,000+)
- Texas Instruments (1,000+)

**Petroleum Refining & Chemicals**
- Equistar Chemicals (1,000+)
- Chevron Phillips Chemical (1,000+)
- Kronos International (1,000+)

**Energy, Mining & Related Support Services**
- Apache Corp (1,000+)
- BP (1,000+)
- Eastman Chemical (1,000+)
Tomorrow: Focusing on Our Strengths Today Creates a Broader Foundation for Future Growth

We envision UT playing a greater role in the continued evolution & growth of the regional economy

Primary
Areas of greatest current activity / success, industry relationships, and regional strength
Examples: Electrical Engineering, Chemistry, Computer Science
~50-60% of effort

Emerging
Areas of emerging strength within the university, strategic targets, and local / regional investment
Examples: Biomedical Engineering, Pharmaceuticals
~30% of effort

Foundation
Other university activity with commercial potential or economic impact
~10% of effort

## Agenda

<table>
<thead>
<tr>
<th>Event</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Comments</td>
<td>1:00 – 1:10</td>
</tr>
<tr>
<td>Administrative Services Transformation</td>
<td>1:10 – 1:30</td>
</tr>
<tr>
<td>Asset Utilization</td>
<td>1:30 – 1:50</td>
</tr>
<tr>
<td>Technology Commercialization</td>
<td>1:50 – 2:10</td>
</tr>
<tr>
<td>Committee Discussion – “Where do we go from here?”</td>
<td>2:10 – 2:30</td>
</tr>
</tbody>
</table>

### Subcommittee Appendices

- AST
- AU
- TC
Where do we go from here?

The breadth and depth of the CBP program is the first of its kind in Higher Education. Given its complexity, The University should consider how best to structure the leadership team to move forward with the recommendations.

Option 1: Create an organization with one leader accountable for results

- Single point of accountability for CBP’s success that is granted the level of authority necessary to champion institution-level changes
- Pro: Enables consistency of communications and integrated change efforts
- Pro: Flexibility to manage opportunities in portfolio fashion to achieve results
- Con: Additional layer of managerial overhead

Option 2: Delegate individual CBP recommendations according to existing lines of responsibility

- Individual units would be accountable for results of a stand-alone project
- Pro: Project leader would be familiar with current operations and would own results
- Con: Leadership attention divided between operations and CBP transformation
- Con: Lack of integration and synergy across initiatives
Next Steps

Actions to take over the next 30 days include:

- Revise and update sub-committee presentations based on final committee meeting discussion

- Complete final report for use in official internal and external communications

- Finalize next steps to move forward with recommended initiatives
AST Appendix
Executive Interview Themes

- **Time Administration**
  - “Inefficient Time Reporting” (13 of 28 units)

- **Learning Administration**
  - “Inadequate Skills Training” (9 of 28 units)

- **Employee Services**
  - “Leave Management Issues” (3 of 28 units)

- ** Recruiting & Deployment**
  - “Onboarding/Appointment Issues” (9 of 28 units)

- **HR Function Management**
  - “Policies Not Clear or Enforced” (5 of 28 units)

- Related opportunity on TXADMIN roadmap

Source: UT AST Work Effort Survey 2012

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Executive Interview Themes

- **Fixed Asset Accounting**
  - “Inadequate Inventory Management” (6 of 28 units)

- **Management Reporting**
  - “Reporting Difficulty & Data Inaccuracy” (15 of 28 units)

- **Travel & Expense Reimbursement**
  - “Travel Reimbursement Process Issues” (9 of 28 units)

- **Accounts Payable**
  - “Issues Paying Bills” (6 of 28 units)

- Related opportunity on TXADMIN roadmap

Source: UT AST Work Effort Survey 2012
Executive Interview Themes

• **Requisition to Order**
  - “Purchasing Process Issues” (8 of 28 units)
  - “Payment Voucher Process Issues” (5 of 28 units)

- Related opportunity on TXADMIN roadmap

Source: UT AST Work Effort Survey 2012
Executive Interview Themes

• **Application Maintenance**
  – “Inadequate Systems” (8 of 28 units)
  – “Reporting Difficulty & Data Inaccuracy” (14 of 28 units)

• **Application Implementation**
  – “Lack of System Integration” (9 of 28 units)
  – “Poor User Experience” (6 of 28 units)
  – “Shadow Systems” (5 of 28 units)

• **End User Support**
  – “Lack of Programming Support” (6 of 28 units)
  – “Ineffective IT Support” (3 of 28 units)

- Related CIO project in progress

**IT Labor Cost**
(Figures in $,000,000)

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management of Enterprise...</td>
<td>$1.20</td>
</tr>
<tr>
<td>Risk Management</td>
<td>$3.28</td>
</tr>
<tr>
<td>Quality Assurance</td>
<td>$3.39</td>
</tr>
<tr>
<td>New Technologies</td>
<td>$3.51</td>
</tr>
<tr>
<td>IT Strategic Planning</td>
<td>$3.55</td>
</tr>
<tr>
<td>IT Function Mgmt</td>
<td>$7.09</td>
</tr>
<tr>
<td>Infrastructure Implementation</td>
<td>$7.87</td>
</tr>
<tr>
<td>Application Management</td>
<td>$10.31</td>
</tr>
<tr>
<td>Application Implementation</td>
<td>$11.17</td>
</tr>
<tr>
<td>End User Support</td>
<td>$11.59</td>
</tr>
<tr>
<td>Total</td>
<td>$14.47</td>
</tr>
</tbody>
</table>

**Total FTE**

- Source: UT AST Work Effort Survey 2012

- Related CIO project in progress
Executive Interview Themes

- None – *Focus of Interviews was on Traditional Administrative Areas (FIN, HR, IT, Procurement).* For any given ‘Other’ observation, there was not enough occurrences to consider it a theme.
Utilities – Recommendations

Two opportunities can work together to achieve an opportunity that is rare in Higher Education because UT owns its power utility.

1. **Market Excess Power**
   - The power plant continues to provide power to UT, and also sells surplus power on the open market for a profit
   - 3 different power sales scenarios to consider
     - Ideal scenario recommendation actually presents the least amount of risk to UT, while maximizing profit potential

2. **Implement Campus Energy Conservation Initiatives**
   - Fully allocate costs of energy to incent conservative behaviors
   - Complimentary to scenario mentioned above
   - Realize benefits in two ways
     - Campus wide cost savings
     - Decreased campus energy consumption creates additional inventory for electricity sales

- **Projected Benefits**
  - $92 M projected 10 year net economic value

- **Risks**
  - Feasibility
  - Regulatory risk
  - Operating risk

- **Projected Benefits**
  - $74 M projected 10 year net economic value

- **Risks**
  - Minimal risk to implement
  - “Buy-in” from staff, students
Parking – Recommendation Options

Two mutually exclusive options present a significant area of opportunity in how the University could utilize its parking assets.

1. **Price closer “to market”**
   - Current rates present significant opportunity
     - Market analysis shows that private lots in close proximity charge more than double what UT does. Represents an opportunity cost of $9 million per year to UT
   - Increase parking rates to “price to market”
     - i.e. annual increase of 7.5% per year for 15 years, increase at CPI thereafter

   **Projected Benefits**
   - $96 M projected 10 year net economic value
   - Minimal costs to implement

   **Risks**
   - Adverse reaction from campus stakeholders

OR

2. **Engage in a long term lease**
   - Lease with a 3rd party to operate UT’s parking assets for periods as long as 50+ years
     - Rate increases built into lease agreement
     - Lessor controls the property, UT withholds certain rights
     - Lessor appears to be subject to property tax which reduces the potential benefit

   **Projected Benefits**
   - $62 M projected 10 year net economic value
   - Additional benefits from a 3rd party operator may be available (e.g., enforcement)

   **Risks**
   - Depends on selected monetization option
Food—Recommendation Options

Two mutually exclusive options present an opportunity for the University to realize a much greater return than currently provided. An additional possibility exists within one of the options that offers even greater economic potential.

1. **Strategic rate increases**
   - Increase meal plan rates 5%
     - This rate increase would bring the bundled cost of room and board into parity with peer universities
     - Avoids the procurement process to retain a 3rd party

   OR

2. **Retain a 3rd party operator**
   - 3rd party operates DHFS dining OR ALL campus venues
   - Rate increases defined by contract
   - Operator pays UT a fixed % of revenue.
     - The DHFS dining only option equates to the smaller commission option
     - Including Union and school locations nearly triples the commission
     - Potential resistance from campus stakeholders that have existing dining relationships

### Projected Benefits

- **$8.5 M** projected 10 year net economic value
- **Very minimal effort and costs to implement**

### Projected Benefits

- **$8.9 M** or **$26.2 M** projected 10 year net economic value (depending on contract)
- **Full capital funding provided by partner**

### Risks

- **Potential adverse reaction from faculty/staff/students**
- **Quality risk, varies to the degree that the 3rd party is involved**
Housing – Recommendations

Our analysis did not identify a significant financial opportunity for housing. However, improvements are necessary in the funding of the capital modernization program for a sustainable housing operation.

Fund a capital modernization plan

- Housing’s rates do not include funding for its capital modernization program. Annual operating surpluses provide funds on a ‘best efforts’ basis.
- Today operating surpluses are created through:
  - 100%+ occupancy
  - Over-budgeting on Utilities and Labor
- Housing can realize added benefit from the aforementioned energy conservation initiative
  - Cost of maintaining or modernizing capital equipment (i.e. HVAC, fan coils, etc.) could be funded by the energy conservation initiative

Financial analyses included:

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• UT prices consistently with local, private dorm operators</td>
<td>• UT’s operating costs are nearly identical to private sector peers</td>
</tr>
<tr>
<td>• Over-occupancy results in 5% annual surpluses</td>
<td>• UT does not include the costs of capital modernization in its rate structure</td>
</tr>
<tr>
<td>• After adjusting for local real estate costs, UT is on par with peer universities</td>
<td>• UT is able to provide free in-dorm tutoring to students through cooperation with schools</td>
</tr>
</tbody>
</table>

Housing peers:

**Universities**
- UT Dallas
- Texas A&M
- Texas Tech
- Ohio State University
- University of Arizona

**Private Operators**
- Dobie Private Residence Hall
- Castilian Private Residence Hall
- Aramark Housing
- Dinerstein Student Housing

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## Four TC myths and what they mean for UT

<table>
<thead>
<tr>
<th>Myth</th>
<th>Fact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Traditional Technology Commercialization can be a sustainable source of significant revenue</td>
<td>TC revenue is tangential and not our sole economic objective</td>
</tr>
<tr>
<td>2. Major successes can be planned and predicted</td>
<td>While serendipity can’t be institutionalized, greater focus can enhance likelihood of success while broadening UT’s impact in strategic sectors</td>
</tr>
<tr>
<td>3. UT has extensive intellectual capital which it is failing to exploit</td>
<td>Increasing the ‘supply’ of intellectual capital will require creating a stronger commercial culture on-campus and recruiting relevant top faculty</td>
</tr>
<tr>
<td>4. Stanford created Silicon Valley</td>
<td>UT can and should continue serve as a key catalyst, attractor, and hub for regional economic activity, but must connect with and align with what is happening organically</td>
</tr>
</tbody>
</table>
Opportunities for Commercial & Economic Impact

To transform lives for the benefit of society.¹

**Research Mission**
- Conduct research & generate new knowledge

**Economic Mission**
- Contribute to economic growth of state and nation

**Talent mission**
- Excellence in undergraduate and graduate education

**Public mission**
- Serve citizens through public programs and services

**Commercialize university research & IP**
- Improved methods for evaluating technology potential and subsequent investment
- Increased volume and value of commercializable technologies
- Increased value of spin-offs
- Additional revenue models and increase in overall TC-based revenue

**Contribute to success of industry**
- Stronger relationships with external constituencies, including regional, national, and international industry targets and investors
- Increased licensing activity
- Increased collaboration activity

**Create entrepreneurial environment in city and State**
- Diverse ecosystem of entrepreneurs, SMEs, large companies, programs
- Increased contribution to regional and state initiatives related to TC and innovation
- Austin identified as top spot for technology activity and attraction of external knowledge-based firms

**Support commercial / entrepreneurial acumen of students / others**
- Increase retention of graduates in local area
- Increase in successful student entrepreneurs
- Entrepreneurial and innovative capacity identified by employers as key reason for UTA recruitment

¹ [http://www.utexas.edu/about.ut/mission-core-purpose-honor-code](http://www.utexas.edu/about.ut/mission-core-purpose-honor-code)
License Income & Number of Startups

Relative to other universities in North America, UT generally performs as a TC ‘elite’, placing in Top 25 of key metrics…

Source: AUTM U.S. Licensing Survey: FY2010
Income per License & Commercial Intensity

…but these must be considered in context

Source: AUTM U.S. Licensing Survey: FY2010
Increasing Deal Flow

• The notable examples of “Home Run Hitters” by and large have been driven by a single deal
  – “It is the lottery” – Northwestern
  – “There have only been 17 (licenses worth > $5M) in our 42 years of operation” – Stanford
  – “Leaving these out, (their top two generators) our annual license revenue would be low 8-figures.” – NYU
  – “Usually there are 1-3 high yield licenses that skew the average.” – CalTech

• Notable Home Runs
  – Northwestern: Lyrica
  – NYU: Remicade, Sutent
  – City of Hope: “Cabilly Patents”
  – Columbia: “Axel Patents”

License Revenue by Source

2010* ($ in millions)

Northwestern

NYU

Blockbusters
Everything Else

* Figures are not official and supported by interviews only.

Difficult to plan for Home Run.
Nearly all Home Runs are drug related.
Proposed Operating Model for Commercial Impact

1. Management

Strategy & Govn
- System v. University v. College / Department

Portfolio
- Stages of process
- Commercial potential
- Channel for commercialization

Engagement
- Communications
- Collaborations
- Internal / External

Monitoring
- Measurement
- Comparative Review

2. The Process

Research Disclosure Market Assessment Protection Prospecting Due Diligence/ Negotiation Deal Post-Deal

- QUALITY
- VOLUME
- SPEED
- EFFICIENCY
- TRANSPARENCY

3. The Foundation

Culture
- Motivation / Incentive
- Recruitment

Infrastructure
- Physical space
- IT / Applications

Capital
- Operations / Patent
- Tech dev.
- Deals & Ventures

Org & Skills
- OTC
- Schools / Depts.
- Other

Legal
- Licensing
- Regulatory
- Protection / Enforcement