Navigating the Facilities Woods -

Peer Insights on Creating a Knowledge “Base Map” of Strategic Facilities Information

Illinois Community College Chief Financial Officers Fall 2011 Conference
Date: August 18, 2011
Presented by: Thomas Huberty, Regional Account Executive
Sightlines Profile

Over 60 professionals in 6 offices serving institutions nationwide

- 10 year old company based in Guilford, CT
- Common vocabulary and consistent methodology
  - 95% Annual retention rate
- Tracking $5.9 billion in operations budgets and $4.2 billion in capital projects
- Database of 23,500 buildings and 825 million GSF

★ Represents State System

Represents Flagship Institutions*

* Per U.S. Dept. of Education
William Rainey Harper College

Campus Profile

- Established: 1965
- Opened: 1967
- Location: Palatine, Illinois
- Named for Dr. William Rainey Harper, pioneer in the junior college movement and the first president of the University of Chicago.
- Enrollment: For Credit 26,441; Non-Credit 7,554
- Campus employees: 1,260+
- Campus facilities: 1.31M GSF; 24 buildings
- Acres: 188
...more bad news today...
The facts of (facilities) life today

Institutional operating budget are being cut

Capital budgets have greater funding limitations

- Fewer gifts
- Challenged endowments
- Cuts to State funding
- Limited bonding capacity

Mandates deeply challenge our decision making

The big picture is globally true, but may be locally inaccurate
It’s so tiring
Start with the data – CFO’s need to know

- Age profile of my buildings – what’s coming due, when?
- Factors that drive need – past capital investment, program goals, space utilization
- Keep –up need, annual stewardship investment
- Catch-up need, asset reinvestment/capital renewal
- How to use data to set targets to improve processes that result in effective campus facility operations and satisfied campus customers
- Using best practices to identify opportunities for savings, e.g. energy
• Protecting physical assets involves setting policy for capital renewal.

• Strategic investment of capital will reduce backlog and make operations more proactive.

• Understand your capital financing options using portfolios of projects

• You will never get enough money to fix everything...but all buildings do not need equal investment

Data is not enough...you need policies and a plan
Sightlines core objectives

• Identify ways to use capital more strategically and identify opportunities to improve operational effectiveness.

• Separate fact from fiction on key issues – operational performance, annual funding needs, and project backlogs.

• Educate campus to understand the implications and impacts of today’s decisions on tomorrow’s results.

• Documents trends, provide consistent measurement, and comparable benchmarking.

Provide Context, Perspective, and Strategic Decision Support

Act as a catalyst for discussion & change
Protect the REAL prize

The average endowment

The average building replacement value
ROPA<sup>sm</sup> - A Strategic Planning Tool

Return On Physical Assets Model

**Management Information for Impact**
- Facilities Data
- Campus Profile
- Operational Data
- Operating Resources
- Capital Resources
- Service Profile
- Interrelationship between Capital and Operations
- Trends & Benchmarking

**Policy and Planning**
- Understanding: Risk
- Investment Balance
- Diversifying Resources
- Tying Output
- Expectations to Effectiveness
- Share Best Practices

**Value Creation**
- Opportunities for Resource Reallocation
- Performance Validation
- Planning & Modeling
- Make the Business Case for Resources
- Track Impact of Decisions and Changes
• Lots of data, limited information and knowledge

• Historically minimal capital funding

• Current and future capital investments intended to renovate aging space and replacement of building systems

• Developed capital plan to manage assets through 2020.

• Achieved high customer satisfaction scores through operational efforts.
## Comparison Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bristol Community College</td>
<td>Fall River, MA</td>
</tr>
<tr>
<td>Bunker Hill Community College</td>
<td>Charlestown, MA</td>
</tr>
<tr>
<td>Cincinnati State Technical and Community College</td>
<td>Cincinnati, OH</td>
</tr>
<tr>
<td>Columbus State Community College</td>
<td>Columbus, OH</td>
</tr>
<tr>
<td>Cuyahoga Community College - 3 Campuses</td>
<td>Cuyahoga County, OH</td>
</tr>
<tr>
<td>Holyoke Community College</td>
<td>Holyoke, MA</td>
</tr>
<tr>
<td>Lakeland Community College</td>
<td>Kirtland, OH</td>
</tr>
<tr>
<td>Lorain County Community College</td>
<td>Elyria, OH</td>
</tr>
<tr>
<td>Owens State Community College</td>
<td>Toledo, OH</td>
</tr>
<tr>
<td>Quinsigamond Community College</td>
<td>Worcester, MA</td>
</tr>
<tr>
<td>Sinclair Community College</td>
<td>Dayton, OH</td>
</tr>
</tbody>
</table>

**Comparative Considerations**

Size, Technical complexity, Density factor.
A vocabulary for measurement
We Use Terms That Engage People

The annual investment needed to ensure buildings will properly perform and reach their useful life. “Keep-Up Costs”

The accumulated backlog of repair and modernization needs and the definition of resource capacity to correct them. “Catch-Up Costs”

Annual Stewardship

Asset Reinvestment

The effectiveness of the facilities operating budget, staffing, supervision, and energy management

The measure of service process, the maintenance quality of space and systems, and the customers opinion of service delivery

Service

ROPAS Radar Chart

Annual Stewardship

Operating Effectiveness

Service

Optimal Target Actual
KEY PHYSICAL PROFILE ATTRIBUTES
Campus Profile

24 Buildings – 1.3M GSF – 3.57 technical complexity

Construction vs. Renovation Age

<table>
<thead>
<tr>
<th>Category</th>
<th>Construction Age</th>
<th>Renovation Age</th>
<th>Peer Average Renovation Age</th>
<th>Harper's Campus Age FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>30%</td>
<td>30%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>10 to 25</td>
<td>19%</td>
<td>16%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>25 to 50</td>
<td>8%</td>
<td>63%</td>
<td>55%</td>
<td>53%</td>
</tr>
<tr>
<td>Over 50</td>
<td>30%</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
</tr>
</tbody>
</table>

% of Total Space

Stewardship

Reinvestment
Density Factor

Highly elevated totals create extreme demands on campus

**Density Factor Affects:**

- Wear & tear on buildings
- Daily cleaning demands within building
- Life cycles of building components

*Density factor calculation does not include uses of space for community and auxiliary purposes.*
Half of Harper’s space has a technical rating of 4 or 5.

Campus Technical Complexity

Technical Complexity by % of Space

Low

<table>
<thead>
<tr>
<th>% of Total Space</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harper College</td>
<td></td>
<td></td>
<td>38%</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Peer Institutions</td>
<td></td>
<td></td>
<td>50%</td>
<td></td>
<td>10%</td>
</tr>
</tbody>
</table>

High
Facilities Operating Budget
Above average operating budget driven by daily service needs

The total day-to-day cost of running facilities

The preventative work to **protect** facilities

**Summary:**
- Slightly higher daily service costs vs. peers
- Utility costs are decreasing
- Opportunity to increase planned maintenance
## Operations Overview

Sufficient resources aid in effective operations.

### Maintenance

<table>
<thead>
<tr>
<th></th>
<th>HC FY10</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing (GSF/FTE):</td>
<td>62,195</td>
<td>79,536</td>
</tr>
<tr>
<td>Supervision (FTE/Super):</td>
<td>23.4</td>
<td>15.0</td>
</tr>
<tr>
<td>Materials ($/FTE):</td>
<td>22,628</td>
<td>10,218</td>
</tr>
<tr>
<td>General Repair (1-5):</td>
<td>4.1</td>
<td>3.7</td>
</tr>
</tbody>
</table>

### Custodial

<table>
<thead>
<tr>
<th></th>
<th>HC FY10</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing (GSF/FTE):</td>
<td>19,916</td>
<td>29,377</td>
</tr>
<tr>
<td>Supervision (FTE/Super):</td>
<td>18.7</td>
<td>15.8</td>
</tr>
<tr>
<td>Materials ($/FTE):</td>
<td>3,758</td>
<td>4,637</td>
</tr>
<tr>
<td>Cleanliness (1-5):</td>
<td>4.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

### Grounds

<table>
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<tr>
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<th>HC FY10</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing (Acres/FTE):</td>
<td>15.4</td>
<td>29.7</td>
</tr>
<tr>
<td>Supervision (FTE/Super):</td>
<td>24.4</td>
<td>12.9</td>
</tr>
<tr>
<td>Materials ($/FTE):</td>
<td>17,070</td>
<td>10,091</td>
</tr>
<tr>
<td>Grounds (1-5):</td>
<td>4.5</td>
<td>3.7</td>
</tr>
</tbody>
</table>

[Diagrams showing performance levels for each category]
Excellent Service Process Results in Customer Satisfaction

94% of customers’ expectations are met

Service Process Index

“My General Satisfaction With Physical Plant”

- Far Exceeds Expectations: 42%
- Exceeds Expectations: 35%
- Meets Expectations: 17%
- Is Below Expectations: 6%

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Harper College
Historically, peers spend more than Harper; investment ramps up in 2010.

Funding difference equivalent to: $1.8 Million per year
Total Project Spending

Strong spending profile; recent emphasis on building systems
AR Project Backlog Compared to Peers

Harper’s backlog comparable to peers; below CC database average

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**Total Asset Reinvestment Backlog $/GSF**

<table>
<thead>
<tr>
<th>Total Backlog $/GSF</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Community College Average</td>
<td>$ 119</td>
</tr>
<tr>
<td>Database Average</td>
<td>$ 75</td>
</tr>
</tbody>
</table>

Institutions Ordered By: Tech Rating

Average 99.38
Defining the Stewardship Investment Target

Setting goals to arrest the rate of facility depreciation

FY 2010 Annual Stewardship Target

<table>
<thead>
<tr>
<th>3% Replacement Value</th>
<th>Life Cycle Need</th>
<th>Annual Stewardship Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14.9M</td>
<td>$6.2</td>
<td>$3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$14.9M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$7.6M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$3.0</td>
</tr>
</tbody>
</table>

Target = 75% Envelope/Mechanical + 35% Space/Programming

Annual Stewardship Target Projections

<table>
<thead>
<tr>
<th>FY 2015 Target</th>
<th>FY 2020 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10.4M</td>
<td>$12.6M</td>
</tr>
<tr>
<td>$4.5</td>
<td>$5.0</td>
</tr>
<tr>
<td>$5.9</td>
<td>$7.6</td>
</tr>
</tbody>
</table>

3% Replacement Value Life Cycle Need Annual Stewardship Target

FY 2015 Target FY 2020 Target

$6.2 $5.9

$3.0 $7.6

$15.1 $12.6M

- $2 $4 $6 $8 $10 $12 $14 $16

$ in Millions

Straight Line Depreciation

Sightlines Methodology

Composite Envelope/Mechanical Need Space/Programming Need

Harper College
10-Year Capital Investment Plan

Strong five year investment plan; backlog is expected to grow in “out years”

Total investment plan: $ 154.85

- Increasing Asset Value
- Stabilizing Asset Value
- Declining Asset Value

*Does not include $54M in pending state funding.
*Does not include master planning projects in the “Other Priority Work” category.
*Does not include investments into new space and building additions.
10-Year Capital Investment Plan w/ State Support

Plan consistently funds in or above target zone; long-term backlog stabilized

Total investment plan: $208.79

*Includes approx. $54M in pending state funding.
*Does not include master planning projects in the “Other Priority Work” category.
*Does not include investments into new space and building additions.
Where have we been, where are we going?

• Historical lack of capital investment disabled “keep up” of needs as they came due.

• Recognized the increase in demand for space improvements.

• Formalized backlog study to make project selection and strategic planning more efficient.

• Promoted a culture of “Measure, Manage, Maximize”.

• Maintained a high level of operational performance through increasing daily service costs.
The facts of (facilities) life today

- Institutional operating budget are being cut
- Capital budgets have greater funding limitations
  - Fewer gifts
  - Challenged endowments
  - Cuts to State funding
  - Limited bonding capacity
- Mandates deeply challenge our decision making

The big picture is globally true, but may be locally inaccurate
Don’t look now...

It gets worse!
#1 Campuses are getting older

(%) Square Footage over 50 years old

20% increase in space over 50 yrs old since 2005
Observations on Community Colleges

Campus Age

Community Colleges have older campuses than 4 year institutions
#2 New buildings are more complex

**Technical Complexity**

- **Under 10**: 3.41
- **10 to 25**: 3.29
- **25 to 50**: 3.04
- **Over 50**: 2.72

**Age Category**
#3 Staff has not adjusted with campus buildings
#4 Campuses are getting busier
Community colleges are more than 3 times busier than 4 year institutions.
#5 “Backlog of needs” are increasing

**Total Backlog $/GSF**

Our backlogs are growing, (and we fear that priorities are becoming more acute)
Observations on community colleges

Deferred Maintenance Backlog

Community colleges have more deferred maintenance than 4 year institutions
#6 – Capital investment reduced in FY10
Reduction after 4 years of increases reflects economic downturn

Capital Investment in Existing Space - $/GSF
What to Do? You can wait until
... the roof caves in
Or you can build a bridge...

...and get over it
It’s so tiring
Questions & Discussion

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(203) 682-4981

Additional Learning and Networking Events

Top 4 takeaways from the Campus Champion Tour:

• Five invisible factors impacting your budget and how to use them to fight back
• Proven methods for managing your backlog, including project selection and management strategies
• Best practices for reducing utility budget risk
• Concrete strategies and tactics for doing more with less

Upcoming Event Dates

Minneapolis, MN     Oct 25th
Chicago, IL                 Oct 27th

www.schooldude.com/champions