

# FACILITY CONDITION ASSESSMENT

**Board of Regents  
Facilities Committee  
November 13, 2008**

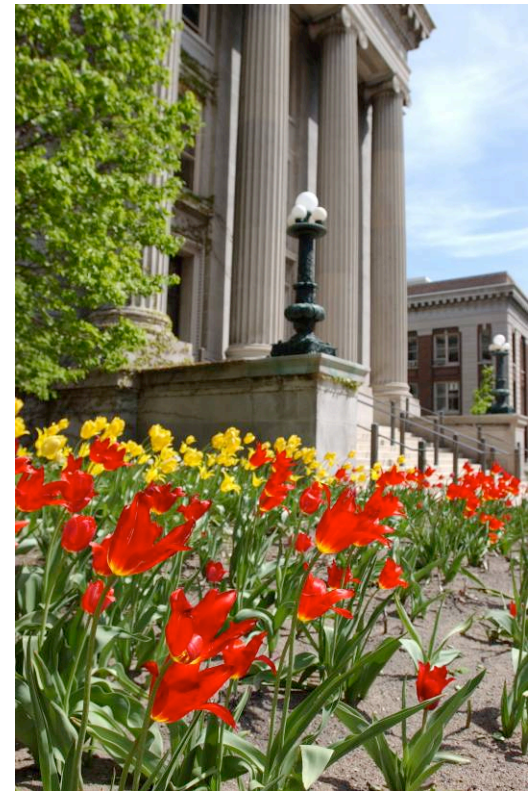


UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>SM</sup>**

# Facility Condition Strategies

- Build new facilities
- Renovate existing spaces
- Demolish targeted buildings
- Utilize existing space
- Target individual system improvements



# Facilities Condition Assessment Updated 2008

Campus	Building GSF	Estimated Replacement Value	Projected 10 – Year Needs	10 Year Needs/ Replacement Value = (FCNI)
Twin Cities	23,022,446	\$5,354,613,848	\$2,213,081,118	0.41
Duluth	1,875,845	\$ 489,267,872	\$ 169,416,414	0.35
Morris	921,923	\$ 207,452,021	\$ 79,344,118	0.38
Crookston	415,495	\$ 80,751,599	\$ 28,599,577	0.35
<b>Grand Totals</b>	<b>26,235,709*</b>	<b>\$6,132,085,340</b>	<b>\$2,490,441,227</b>	<b>0.40</b>

\* Excludes 1.9 Million GSF for Rochester Campus, Experiment Stations and Outreach Centers



# Typical Sources and Uses of Funds for Capital Renewal

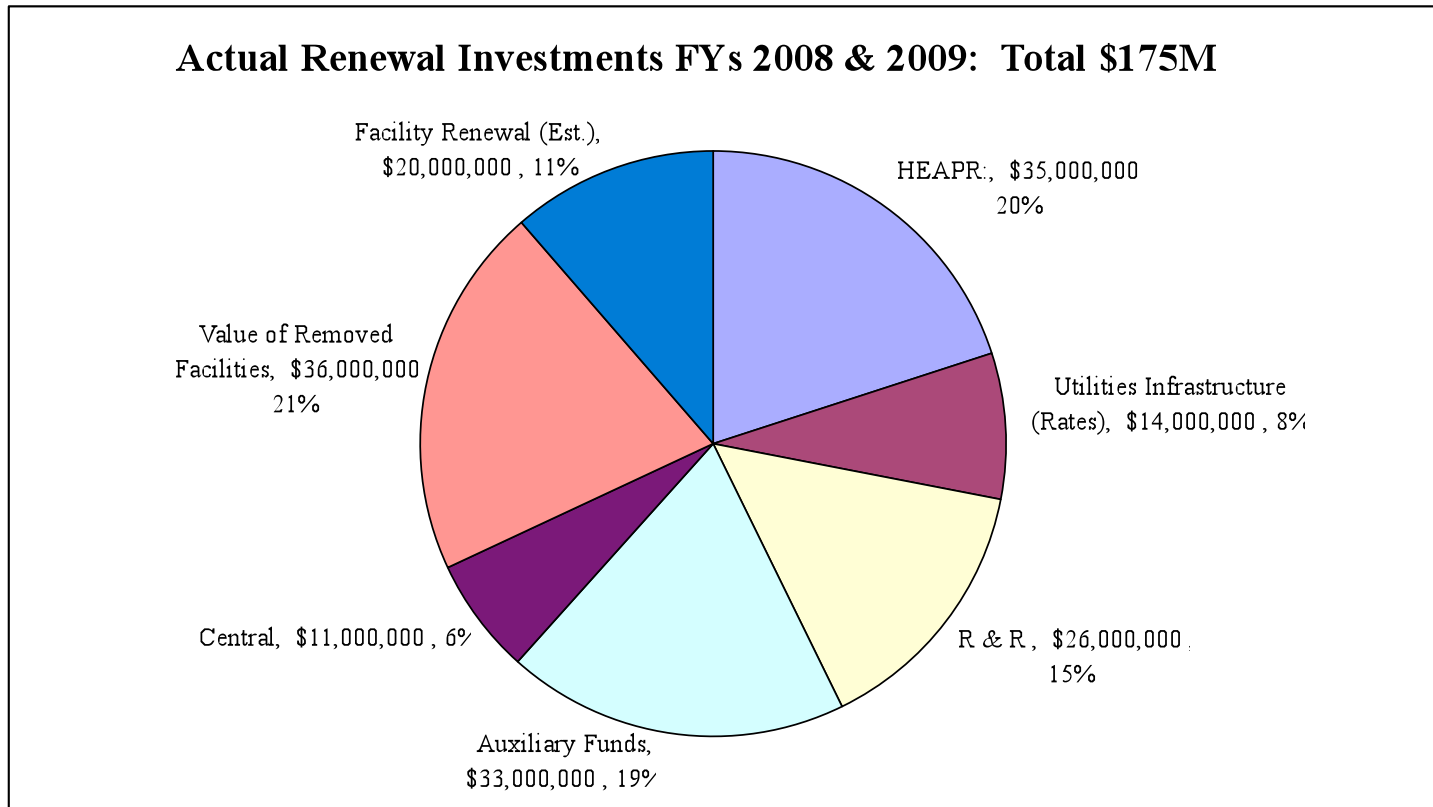
Source of Funds	Use of Funds
Department (Balances)	Interior Renewal
State (HEAPR), University (R&R), Combination (Capital Bonding)	General Building Components, Some Infrastructure Projects
Utility Rates (R&R)	Utility Infrastructure Improvement & Renewal
Utility Rates (Energy Loan Fund)	Energy Saving Projects (HVAC, Lighting, etc.)
Auxiliary Funds (R&R)	Renewal of Auxiliary Facilities



# Capital Need Exceeds Available Funding

**Required Capital to Maintain .40 FCNI Ratio: \$160 Million per year**

**Actual Funding (average over the last 2 years): \$88 Million per year**



# Continuing Strategies to Address Facility Needs

- Clearly identify and understand facility needs by using multiple sources of information
- Engage departments and customers to use FCA information to support capital and program needs
- Use FCA data to transform FM into a more strategic organization
- Target available resources carefully to mitigate risks and support academic priorities



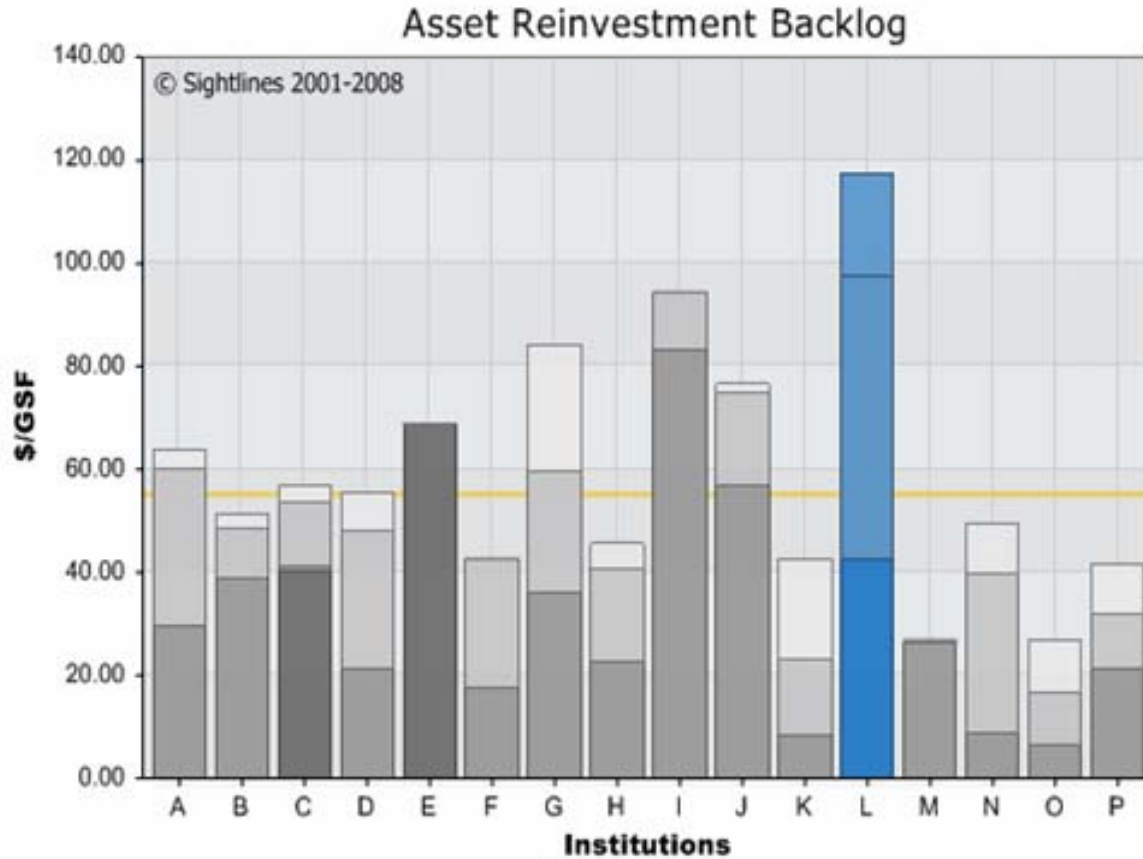
# Future Strategies to Address Facility Needs

- Create groups of buildings that are of similar strategic value that are managed as a whole (high-tech research, classroom, office, high impact)
- Identify criteria to prioritize buildings/systems within building groups.
- Complete thorough inspections of prioritized buildings/systems. Reduce inspection frequency of low priority buildings.
- Set targets for each type of space
- Identify funding necessary to meet targets (seek consistent funding streams)
- Allocate available funding in a consistent manor to meet targets



# Benchmark: Total Capital Need

(Total Need / Supported Square Feet)



Institutions shown in order of increasing TechRating

Institution	Location
Cornell University	Ithaca, NY
Georgetown University	Washington, DC
Georgia Institute of Technology	Atlanta, GA
Massachusetts Institute of Technology	Cambridge, MA
New York University	New York, NY
Northwestern University	Evanston, IL
Princeton University	Princeton, NJ
Purdue University	West Lafayette, IN
The Johns Hopkins University	Baltimore, MD
The Ohio State University	Columbus, OH
The Pennsylvania State University	State College, PA
University of Chicago	Chicago, IL
University of Illinois at Chicago	Chicago, IL
University of Michigan – Ann Arbor	Ann Arbor, MI
University of Missouri - Columbia	Columbia, MO





# Alternative Capital Funding Models (Allocation of State Funds)

State	Formula	Compact	Market	Combination
California		X		
Connecticut		X		
Ohio	X			
Massachusetts	X			
Michigan		X		
Minnesota			X	
North Carolina				X
Washington			X	

Source: University of Washington: "Investing in Washington's Future", 2006



# Peer Strategy #1: State Mandate

- **University of California (system)** – Use voter approved bonds for construction, renewal and infrastructure. Received \$1.4 Billion in bond funding from Propositions 47 ('02) and 55 ('04)
- **University of Connecticut (system)** – Completed \$1 Billion UConn 2000 capital investment program. Started \$1.3 Billion UConn 21st Century program. Nearly all is state funded.



# Peer Strategy #2: Project Scope Requirements

- **University of Michigan (Ann Arbor)** – Require any project over \$500 thousand to fund all FCA deferred maintenance. Renovated 1 million GSF in the last 5 years.



# Peer Strategy #3: Budget Model Strategies

- **University of Michigan (Ann Arbor)** – Created an Infrastructure fund of \$.50/GSF. Goal to retire all Priority 1 & 2 FCA projects in 5 years. Also developed a \$3.5 million per year energy efficiency pool.
- **Stanford University (system)** – Charge a 4.6% assessment fee on all capital projects to support an Infrastructure Fund. Provides \$30 million per year.
- **University of IL (Urbana-Champaign)** – Created a \$250 per semester student fee to support capital renewal.



## Peer Strategy #4: Endowment

- **The Ohio State University (system)** – Created a self-funded endowment to fund renewal for year 2000 and newer buildings. Funding is \$2 million per year now from a \$.25/ASF fee. An increase to \$1.00/ASF is being considered.



# Questions?



# Peer Profile & Capital Renewal Strategies: University of Minnesota - System

- 857 buildings, 28M GSF, average building age is 42 years
- FCNI .40 (2008), \$2.5B FCA Need, \$6.1B Replacement Cost

Strategy	Funding	Description
Build New (all sources)	\$18M (FY08) \$188M (FY09)	60% of capital budget New STSS, CMRR, CE- Duluth. Includes infrastructure to support new bldgs.
Renovate Existing (state funds)	\$0 (FY08) \$43M (FY09, 35M HEAPR)	12% of capital budget. Primarily used for infrastructure and partial building renovation.
Renovate Existing (university funds)	\$42M (FY08) \$56M (FY09)	28% of capital budget. Mix of program and FCA needs.

Source: FY08 & FY09 Capital Budget Reports



# Peer Profile & Capital Renewal Strategies: University of California – System

- Estimated annual need of \$600M (Approximately 50% used for growth, 50% for sustainment of existing facilities and infrastructure)

Strategy	Funding	Description
Build New & Major Renewal	\$900M ('01) lease revenue bonds	\$600M for hospital renewal, \$300M for science institutes
Build New & Major Renewal	\$1.4B in bond funding from propositions 47 ('02) & 55 ('04)	Voter approved bonds used for construction, renewal and infrastructure. Average of \$345M/yr over the 4 years

Source: University of Washington





# Peer Profile & Capital Renewal Strategies: University of Michigan – Ann Arbor

- 400 buildings, 27M GSF, average building age is 50 years
- FCNI .17 in 2008 (.29 in 2001), \$3.8B Replacement Cost

Strategy	Funding	Description
Build New		Added 1.5M GSF in the last 5 years
Major Remodel	\$240M for FCA projects since 2000	Require any project over \$500K to fund all FCA deferred maintenance. Renovated 1M GSF in the last 5 years.
Minor Repair & Renewal	Infrastructure fund of \$.50/GSF	Goal to retire all Priority 1 & 2 FCA projects in 5 years.

Source: University of Michigan plant operations web site



# Peer Profile & Capital Renewal Strategies: Stanford University

- 670 buildings, \$6 Billion Replacement Cost

Strategy	Funding	Description
Build New	\$2B over 3 years. 50% from gifts.	81% of capital budget is for new construction.
Remodel Existing	\$30M/yr Infrastructure Assessment Fund	8% of capital budget. Fund is from a 4.6% fee on all capital projects (> \$10M)
Infrastructure Renewal		11% of capital budget

Source: Stanford University: Capital Budget and 3-Year Capital Plan, 2007/2008



# Peer Profile & Capital Renewal Strategies: University of Illinois –Urbana-Champaign

- \$480M estimated deferred renewal backlog
- .18 FCI (only deferred portion of need)

Strategy	Funding	Description
Remodel Existing	\$110M in U debt (COPS program)	Project to “jump start” the deferred maintenance program
Remodel Existing	\$3.7M (2007), \$13.7M/yr projected by 2011	\$250 student fee per semester (AMFMA program). Program is being phased in with new students.

Source: University of IL – Facilities & Services Strategic Goals and Initiatives 2006-2011



# Peer Profile & Capital Renewal Strategies: The Ohio State University

- 33M GSF (28M in 2003), 864 buildings, avg. age 31 yrs
- .15 FCNI, \$1 Billion FCA need, \$6.7 B Replacement Cost

Strategy	Funding	Description
Build new		Added 5M GSF in last 5 years
Remodel Existing	\$35M per year state funds.	Modified capital planning process to include infrastructure and deferred maintenance review
Remodel Existing	\$9M state R&R. \$6M U R&R. \$2M endowment (POM program)	Created a self-funded endowment to fund renewal for 2000 and newer buildings. \$2M/yr now from \$.25/ASF fee. May in increase to \$1.00/ASF.

Source: The Ohio State – Financial Benchmark 2008 report, Facilities Operations and Development



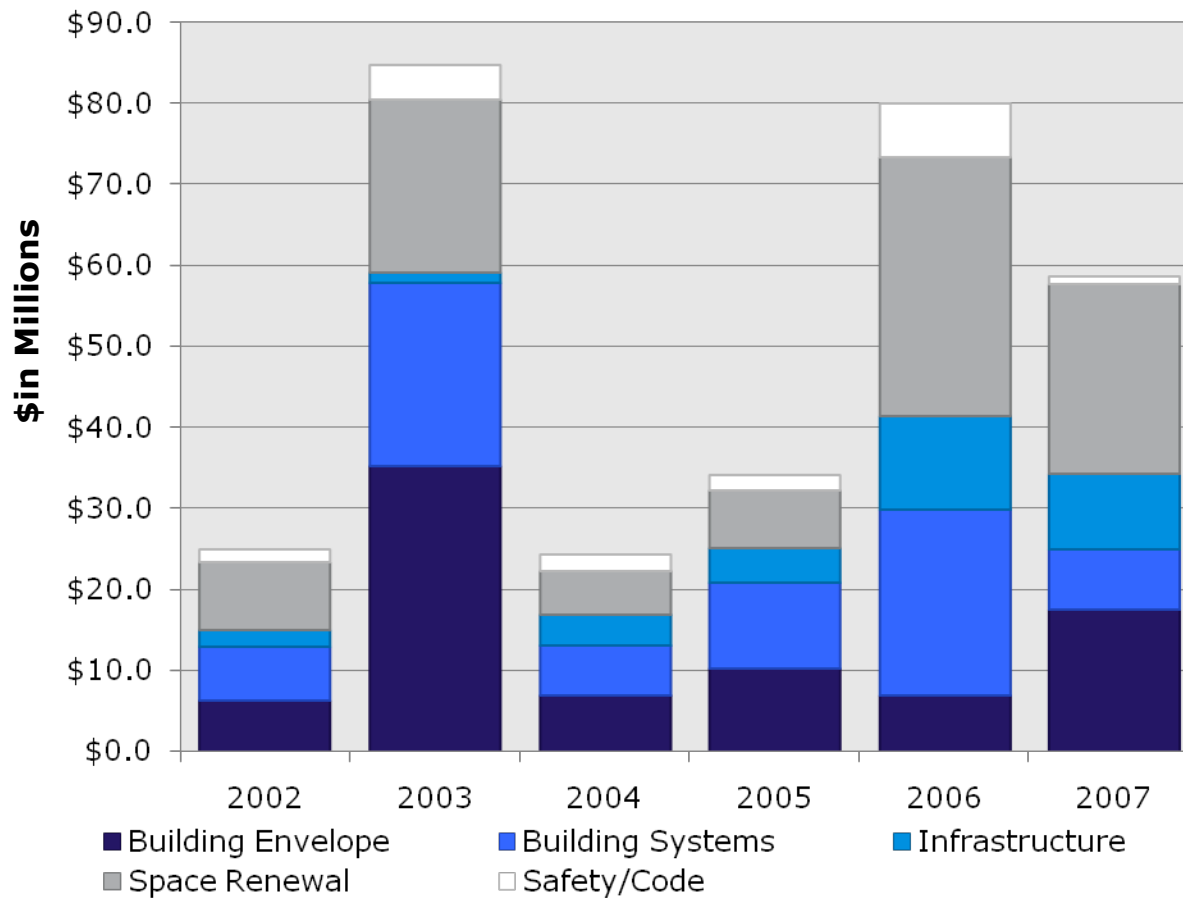
# Peer Profile & Capital Renewal Strategies: Others

- University of Wisconsin – Focus on renovating or adding to existing space. No formal facilities condition assessment program.
- University of Washington – Current capital renewal backlog of over \$1 Billion
- University of North Carolina – Chapel Hill – Needs assessment identified \$1.6 Billion. Developed a matrix of responsibility with the state funding 50% of 10-year plan, private fundraising (13%), and self-liquidating funds (37%)
- University of Connecticut – Completed \$1B UConn 2000 capital investment program. Started \$1.3B UConn 21<sup>st</sup> Century program. Nearly all is state funded.

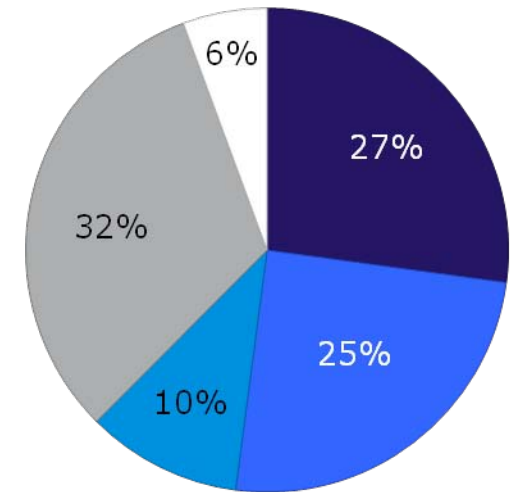


# Although Spending Less, The Mix of Projects is Well Balanced

## Total Project Spending by Category



## Composite 6 Years of Spending



# Benchmark: Capital Renewal

## (Project Spending on Existing Facilities/Square Feet)

*U of MN has invested approximately \$150 Million less in its existing facilities than its research peers over the last 6 years.*

