Strategies for Improving the Capital Infrastructure, Targeting and Securing Financial Resources

Moderator: Janet Wardron, Sr. Vice President for Administration and Finance
The University of Maine

Panelists: Dr. Paul Ferguson, President
The University of Maine
Tracy Hossai, Principal, TAF Consulting
Jim Kastemas, Vice President, Sightlines

The State of Higher Education Facilities
Where do APLU campuses stand?

Sightlines comparative database
42 states, DC, Nova Scotia; consistent analysis at each institution

Database Facts:
- Over 1.2 billion GSF in databases
- Annual data updates for over 600 campuses
- Comparative data on 60 APLU campuses in 30 states
- APLU represents over 3.8M students & over 875,000 institutional FTEs
Cost to run facilities operations

APLU campuses spend more to operate facilities than national average

Average Facilities Operating Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>APLU</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$4.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>2008</td>
<td>$4.50</td>
<td>$3.00</td>
</tr>
<tr>
<td>2009</td>
<td>$4.80</td>
<td>$3.00</td>
</tr>
<tr>
<td>2010</td>
<td>$5.20</td>
<td>$3.00</td>
</tr>
<tr>
<td>2011</td>
<td>$5.60</td>
<td>$3.00</td>
</tr>
<tr>
<td>2012</td>
<td>$6.00</td>
<td>$3.00</td>
</tr>
</tbody>
</table>

*Daily Service*  *Planned Maintenance*

Utility costs across campus

Similar trend, slightly higher costs at APLU

Average Utility Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>APLU</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$1.00</td>
<td>$0.50</td>
</tr>
<tr>
<td>2008</td>
<td>$1.50</td>
<td>$0.50</td>
</tr>
<tr>
<td>2009</td>
<td>$2.00</td>
<td>$0.50</td>
</tr>
<tr>
<td>2010</td>
<td>$2.50</td>
<td>$0.50</td>
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<tr>
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<td>$3.00</td>
<td>$0.50</td>
</tr>
<tr>
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<td>$3.50</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

Core observations

- 67% of space in APLU campuses is 25 years old, the age when tiles and grouting begin to fail.
- During this time, other buildings are being retrofitted with state-of-the-art systems.
- APLU campuses have not invested in new equipment.

Capital equipment deployed in 2012, possibly because maintenance has been deferred for too long, leading to inefficiencies and increasing costs.

- Capital investment has not kept pace with the growth in demand, resulting in a significant increase in capital costs.
- Operating costs are still rising, and there are no signs of slowing.
- Despite these challenges, APLU campuses are innovating and finding solutions to these issues.
The Blue Sky Project
Paul W. Ferguson
APLU Annual Meeting
November 11, 2013

Early view of UMaine Campus, 1896

View of Mall with Fogler Library
- first cornerstone was set in 1941
- WWII delayed completion until 1947
Our Blue Sky Vision

- To be the most student-centered and community-engaged of the American Research Universities.
- Achievement of this vision will be realized through the collaborative implementation of the Blue Sky Plan by each member of our campus community and with our local, state, and national partners.
- Forward Focus: Integration of "Blue Sky Thinking" into every day operations of UMaine.

From Creation to Integration

- Year 1: Blue Sky Project Development: Leadership Team
- Year 2: Blue Sky Implementation: 5 Pathway Teams
- Year 3: Blue Sky Integration: Cabinet-Led with Advisory Teams to address current and emerging strategies/initiatives, focus on accountability, progress and performance assessment.
Pathway 2: Securing Our Future

Enrollment Management: "Maine-Sizing the Flagship"

<table>
<thead>
<tr>
<th></th>
<th>Fall 2011</th>
<th>Fall 2012</th>
<th>Fall 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total University Enrollment</td>
<td>15,501</td>
<td>11,146</td>
<td>11,116</td>
</tr>
<tr>
<td>Total New Student Enrollment</td>
<td>2,790</td>
<td>2,520</td>
<td>2,019</td>
</tr>
<tr>
<td>New Freshman</td>
<td>1,395</td>
<td>1,790</td>
<td>1,041</td>
</tr>
<tr>
<td>New Transfer Students</td>
<td>485</td>
<td>489</td>
<td>458</td>
</tr>
<tr>
<td>New Graduate Students</td>
<td>513</td>
<td>511</td>
<td>512</td>
</tr>
</tbody>
</table>

Marketing and Communications, Enrollment Management

Pathway 5: Restoring the Dream

In FY13, $83M in capital construction projects are ongoing, guided by:

- The Blue Sky Plan
- The Campus Capital Plan
- The Campus Master Plan
- The University Climate Action Plan
- Sightslines

Facilities Management works closely with the Provost, Associate Provost, Deans, and members of the faculty to review and assess priority for classroom and laboratory upgrades and new construction
University of Maine – Ownership

- Founded in 1901
- Stand-alone enterprise
- 368 buildings
- 8,313 acres (12 sq. miles)
- Asset value of approximately $1.1 billion

- Clovee Campus - 211 buildings
- 4.2 million gross sq ft on 443 acres
- Campus & contiguous properties total 1,690 acres
  (includes Wither Farm, Dorréni Forest & University Park)
- 190 classrooms, 970 laboratory spaces

UMaine Infrastructure

Energy and Utility Infrastructure

- Water Lines - 11.4 miles
- Sanitary Sewer Lines - 9 miles
- Electric Lines - 17.9 miles
- Steam Lines - 4.7 miles
- A Central Steam Plant serves approximately 90% of the Campus annual normal demand.
- Two electrical substations serve approximately 98% of the Campus annual electrical demand.
- Exterior energy and utility infrastructure totals in excess of 101 miles of facilities.

The UMaine Campus is Older Than Peers

Almost half of campus is over 50 years old

- High risk
  - Buildings over 50 life cycles of energy building components on campus
  - Higher risk
  - Buildings 10-50 life cycles on campus

lying

- Buildings under 10 life cycles, "green" risk
  - Low risk

- Buildings under 10 life cycles, "green" risk
  - Low risk

- Buildings under 10 life cycles, "green" risk
  - Low risk
Guiding Investments by Portfolios

Using financial investment concepts to make facility investments

Why create Building Portfolios?
- Not all buildings are created equal.
- There is not enough money to fix everything.
- Institutions are too complex to manage by a single strategy.
- Break down the included buildings into "building portfolios" that are reflective of the institution's mission and strategic directions.
- Define investment objectives by portfolio weighting funding to reflect program objectives.

UMaine Capital Investment Strategy

- Major renovations (non-historic buildings) and removal & relocation of historic buildings.
- Consideration of low MV/"transitional" buildings.
- Buildings with new MV and those over 50 years old.
- Overall goal is to increase MV of campus

Major Renovations & Renewal

- Focus on facility renewal and program updates.
- MV less than that an exceed 100,000 GSF.
- A college that is capable for a combination of renovation, demolition, and re-use.
- College of Education
- College of Biology and Ecology
- College of Engineering

Keep-Up/Sustainability

- Institutional capital funds to keep high MV facilities in good condition.
- Address the cycle needs as they come due - keeping ahead of the problem.

Segmenting the Campus Needs into Portfolios

- Total Campus Needs: $121 M
  - $90+ Million
  - $60+ Million
  - $35 Million
  - $15 Million

- Major Renovations & Renewal
- Transformational Mission-Driven Projects
- Keep-Up/Sustainability
- Transitional Buildings
Integrated Planning
Connecting Resources & Facilities Investment
Building: data element that connects the financial and facilities models

Connecting Tools
- Data elements connect & integrate planning tools:
  - Replacement value (existing and new building)
  - Building Need (deterioration, investments)
  - Portfolio
    - Building type (E&G, Auxiliary)

Facilities Planning in Blue Sky Model
Facilities Investments in Blue Sky Model

Scenario: Transformative Investment

Estabrook Hall is an older dormitory that will be transformed to support several mission-critical priorities. A $6 million investment will achieve new classroom space, office space, international student program hub and reception.

In the model we capture investment and impact:

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>$4M</td>
<td>$2M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stewardship</td>
<td>$68K</td>
<td>$53K</td>
<td>$82K</td>
<td>$122K</td>
<td>$122K</td>
<td>$122K</td>
</tr>
<tr>
<td>Building Need</td>
<td>$5,340,000</td>
<td>$3,890,000</td>
<td>$4,115,000</td>
<td>$742,367</td>
<td>$1,018,420</td>
<td>$576,079</td>
</tr>
<tr>
<td>Net</td>
<td>72.7%</td>
<td>90.3%</td>
<td>98.2%</td>
<td>96.9%</td>
<td>95.8%</td>
<td>94.8%</td>
</tr>
</tbody>
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The project will address Blue Sky programmatic and facilities stewardship goals.

Engaging Stakeholders

- Identifying need and impact – communicating Blue Sky priorities.
- New opportunities to engage donors and supporters.
- Inform stakeholders about the financial components and implementing strategic priorities.
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