Funding for Maintenance and Repair at UMKC

Faculty Senate
November 4, 2014
Changing the Conversation

**Space**
Understand how age profile drives capital and operational demands

**Capital**
Multiyear plans that align to mission & risk

**Operations**
Improve effectiveness & lower facilities overhead impact
CACUBO Region

Included CACUBO States:
Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, Oklahoma, South Dakota

49 Total Campuses
29 Public campuses
20 Private campuses
342,947,907 Total GSF
725,057 Students educated

Purple states: Sightlines & CACUBO members
Grey States: CACUBO but not Sightlines members
Database Construction Trends

Constructed Space Since 1880

Sightlines Database  CACUBO (%)
In the CACUBO region, campus enrollment is growing faster than campus space, increasing campus density.

Aging facilities are competing with faculty needs and financial aid for funding.

Capital funding has only just returned to historic levels following the recession, private universities in the region have surprisingly seen less growth.

Backlogs are growing and at public campuses reaching unsustainable levels.

Funding for facilities operations have not kept pace with inflation, meaning cuts in staffing and contracts.
34% growth in headcount and 42% growth in FTE students since FY2001
Legislative limits on tuition increases equal to CPI
State operating appropriations down almost $30 million since FY2001 in nominal terms
Flat nominal state operating appropriations since 2010 which resulted in a cumulative real loss of $300 million
No new state capital appropriations since FY2008, minimal investment between FY2001 and FY2008
State Appropriations Over Time

$ in Millions

- Actual Appropriation Received
- CPI Adjusted Appropriation
- Cumulative Difference

FY10, FY11, FY12, FY13, FY14
Facilities Condition by Campus

UM System FCNI Rating of E&G Buildings

- Poor Condition
- Below Average Condition
- Fair Condition
- Good
- Excellent Condition

MU: 43%
UMKC: 38%
S&T: 39%
UMSL: 80%
Shaping Campus Policies

110.015 Facilities Needs Funding and Reporting

Chapter 110: Use of Facilities and Equipment

Executive Order No. 28, 4-12-94, Revised 6-26-08, Revised 12-4-12.

The University of Missouri recognizes the value of its buildings. To assure that buildings are renewed, that deferred maintenance is addressed, and that modernization occurs, an industry best practice requires an annual investment that supports the maintenance of a Facilities Condition Needs Index (FCNI) of 0.30 or lower. The FCNI is calculated as the sum of the total cost of capital renewal, deferred maintenance, and plant adaption divided by the estimated replacement cost of the buildings.

A. Each campus will annually establish its facilities needs funding (hereinafter "Funds") by calculating the investment required to achieve and maintain the campus FCNI goal (0.30 or lower is recommended) for its Education & General (E&G) facilities within the following ten years. The required annual investment based on the FCNI goal will be stated in dollars and as a percent of the estimated replacement value. If the campus budget amount is less than the established goal, the campus will identify the funding difference and the impact on its FCNI and on its total facility needs (backlog). Non-E&G (Auxiliary supported) facilities will also budget for annual facilities needs funds but may use another campus approved reinvestment goal. A minimum expenditure of 1.0% of building replacement value is required.
Predicting Future Condition

Best Practice ≤ 0.30 FCNI

FY 2014 FCNI INDEX

FY 2023 PROJECTED FCNI INDEX
Potential Funding Sources

- State Bond Issue
  - $200 million plan
  - 15 Year financing
  - $17.7 million annual debt service
- 50/50 Match – Private gifts and State Funding
- Dedicated Recurring State Appropriation
- Student Facilities Fee
  - $300 to $350 annual fee per student FTE
Projected Impact of $200M
Assuming consistent investment from FY13 and $200M spent over 5 years.

UM Annual M&R Spending
by Sightlines

- $0.00
- $20.00
- $40.00
- $60.00
- $80.00
- $100.00
- $120.00

$ in Millions


Annual M&R  Renovation and Other Capital  $200M Funding Impact  Sightlines Recommended Annual M&R Target

CACUBO
at America's Creative Crossroads
Kansas City 2014
October 5-7, 2014
Engaged and Green: The President’s Higher Education Community Service Honor Roll with Distinction.
RecycleMania 2012 Grand Champion Winner.

University of Missouri – Kansas City

UNIVERSITY OF MISSOURI-KANSAS CITY

5.1M GSF
149 Maintained Acres
Sightlines member since 2007
Founded 1933
11,397 FTE Students

Engaged and Green:
The President’s Higher Education Community Service Honor Roll with Distinction.
RecycleMania 2012 Grand Champion Winner.
2010-2020 Strategy Statement:
By 2020 we will grow enrollment to 20,000 and increase graduation rates 10% by ensuring student success through a small college experience as Kansas City’s community engaged urban research institution, while leveraging our strengths in the visual and performing arts, life and health sciences and entrepreneurship.

*Density Factor is measured in Users/100kGSF
Age Shifts over Last 10 Years

Campus Renovation Age

<table>
<thead>
<tr>
<th>Age Shifts over Last 10 Years</th>
<th>Under 10</th>
<th>10 to 25</th>
<th>25 to 50</th>
<th>Over 50</th>
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<tbody>
<tr>
<td>Buildings Under 10</td>
<td>23%</td>
<td>18%</td>
<td>45%</td>
<td>14%</td>
</tr>
<tr>
<td>Buildings 10 to 25</td>
<td>10%</td>
<td>21%</td>
<td>24%</td>
<td>24%</td>
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<tr>
<td>Buildings 25 to 50</td>
<td>0%</td>
<td>10%</td>
<td>46%</td>
<td>24%</td>
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<tr>
<td>Buildings Over 50</td>
<td>0%</td>
<td>0%</td>
<td>46%</td>
<td>24%</td>
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UMKC '03

UMKC '13

- **Buildings over 50**
  - Life cycles of major building components are past due.
  - Failures are possible.
  - Highest risk

- **Buildings 25 to 50**
  - Major envelope and mechanical life cycles come due.
  - Higher Risk

- **Buildings 10 to 25**
  - Short life-cycle needs; primarily space renewal.
  - Medium Risk

- **Buildings Under 10**
  - Little work. “Honeymoon” period.
  - Low Risk
Changing Funding Sources
As state funding decreases, shifting toward creative use of bond funding

UMKC Capital History - Sources
1990 - 2014

$ in Millions

State  Federal  Private  Campus  Bonds  Other (PPP)
Capital Spending and Backlog

Large infusions of capital have significant impact on backlog

Capital Spending vs. AR Backlog

- Blue bar: Backlog Maint/ Repair
- Green line: Capital Spending/GSF
Leaner Budget Than Peers

Daily Service

$\$/GSF

A B C D UMKC F G H I J

Daily Service Over Time

Planned Maintenance

Increased PM efforts has improved in-house PM performance

Institutions ordered by tech rating

UMKC PM

$0.12
$0.13
$0.26
$0.27
$0.29
$0.31
Driving Capital Investment Strategy

174 Academic/Research Building of 401 Total Facilities

**Low Value to Program, High NAV**
- Focus on system work to extend life
- Repurpose as Cost Effective

**High Value to Program, High NAV**
- Maintain & Protect
- Manage for Building Life Cycle

**Low Value to Program, Low NAV**
- Emergency Work Only
- Possibly Slated for Demo or Removal

**High Value to Program, Low NAV**
- Repairs & Space
- Deferred maintenance as Cost Effective

<table>
<thead>
<tr>
<th>Building Condition (NAV)</th>
<th>Program Value</th>
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- 48 Facilities
- 90 Facilities
- 8 Facilities
- 28 Facilities
Strategies to Address Deferred Maintenance

**Strategy 1: Change the conversation** throughout higher education. Educate policymakers about the impacts of the space profile, capital plans that are aligned with the institutional mission and risk, and improving operating effectiveness while lowering costs.

**Strategy 2: Set capital priorities** to address the deferred maintenance needs in aging buildings that are determined to be critical to the mission and programmatic needs of universities.

**Strategy 3: Consider eliminating or replacing aging space** with new modern facilities, especially buildings with certain construction vintages where poor quality construction was prevalent. Sometimes less is more when it comes to addressing aging buildings with lots of deferred maintenance.
Strategies to Address Deferred Maintenance

**Strategy 4**: New construction must support the mission of the university and support the future program needs of each university.

**Strategy 5**: Make annual stewardship (keep-up) investment that addresses building components as they come due a priority at every campus. The more a campus keeps-up with life cycles as they come due, the less deferred maintenance grows.

**Strategy 6**: Institute facilities operational practices that are proactive at extending the life cycles of key expensive building components like HVAC, electrical systems and roofs. Proactive maintenance is not only a good idea when it comes to managing university facilities, it will save money in the long-run.