Update on Facilities Management’s Repositioning Plan

January 17, 2018
The Challenge:
Reduce Operating Budgets by 5%
Rather than react to budget uncertainty, Facilities Management proposed an alternate plan that allows a more strategic approach to looming and ongoing campus budget challenges.
FM’s O&M GEF Budget

FM’s non-Utilities GEF Budget is $39.6 million

- $17.1 million for custodial services
- $15.9 million for maintenance & operations
- $3.3 million for grounds & snow removal
- $2.1 million for Oakdale utilities
- $0.8 million for campus planning
- $0.4 million for administration
The GEF utilities budget is $43 million, or 45% of the total Utilities Enterprise budget.
Challenges with Fringe Rates
Challenges with Fringe Rates

![Graph showing standard fringe rate charged to campus (5 major pools)]

- **Clinical Faculty**: 23.10% (FY12) to 24.00% (FY20E)
- **Non-clinical Faculty**: 28.40% (FY12) to 51.10% (FY20E)
- **P&S**: 38.50% (FY12) to 39.20% (FY20E)
- **SEIU**: 39.30% (FY12) to 40.00% (FY20E)
- **Merit**: 55.00% (FY12) to 64.50% (FY20E)
Challenges with Fringe Rates

The numbers over the next three years:

- $2,330,000  Merit benefit increases
- 126,000   P&S benefit increases
- 750,000   Estimated Merit wage increases
- 200,000   Estimated P&S salary increases

$3,405,000

This represents an 8.5% impact on our current budget
Challenges with Fringe Rates

Merit wage and benefit increases have historically been centrally funded.

Shifting the these contract-required increases by means of a reallocation process is happening at a time when the benefits costs are skyrocketing.
Strategic Approach Proposal

Budget Reduction & Organizational Repositioning Plan

We developed a three-year strategic plan framework that will reposition Facilities Management for the future via a series of strategies designed to offset campus structural cost increases, redesign how we conduct our work, and free up resources that can be redirected for UI core activities.
Strategic Approach Proposal

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Repositioning Plan

Planning Principles:
• Support UI’s core mission and strategic plan
• Free resources to be reallocated
• Provide budget certainty to other UI budgeting efforts
• Transparency and partnership with those we serve
• Refine and redefine what’s valued by those we serve
• Reposition the organization for a changing future
Commitment #1

Over the next three fiscal years, Facilities Management will offset the unfunded burden of increases in salary, wage and benefits, plus a 5% overall reduction. The effective reduction is 13.5%, or $5.4 million, through the combination of cost reduction and cost avoidance.
Commitment #1

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Commitment #2

The Utilities Enterprise will freeze all utilities rates at current FY17 levels through FY20.
The Framework’s Ten Strategies
Framework Strategies

1) Automate manual activities to reduce resourcing requirements
2) Increase productivity in service delivery systems and stewardship efforts
3) Realign non-core services and activities to appropriate UI budgets and define tighter service level expectations
4) Explore strategic sourcing of niche services
5) Manage fuel cost fluctuations and increase plant operating efficiency
Framework Strategies

6) Harness technology and data analytics to identify cost reduction opportunities
7) Staff to meet new technological and industry challenges
8) Restructure building operations funding requests
9) Restructure the Oakdale Campus into a stand-alone facilities operation
10) Restructure Facilities Management and cross functionally deploy organizational talent
The Framework’s Five Critical Enablers
Enablers

1) Lock in FM’s budget reduction targets and exempting it from additional reductions through the FY20 budget.

2) Restore building renewal funding to pre-FY16 levels.

3) Support using GEF reserves for retooling the organization and bridging to lowering operating costs.

4) Support using Utilities Enterprise reserves, and shifting institutional financial risk, to enable the freezing of utilities rates under the plan.

5) Employing strategic human resources management
Central Services Review Committee for Buildings & Grounds
### Version 2: Appropriations

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#### Expenditures


**Total: 433,647,103**
### Revenue

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#### Total Net Revenue & Receivables


### Expenditures

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### Capital/Budget Renewal Value:

#### Building O&M/Utilities

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<th>Value</th>
<th>Cost</th>
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<td>69,500,882</td>
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#### Building Space & Replacement Value:

<table>
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<th>Value</th>
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### Total Expenditures

Central Services Review Team

Sara Gardial    Business
Alec Scranton    Engineering
Don Letendre    Pharmacy
Terry Johnson    Finance & Operations
Cheryl Reardon    Human Resources
Joe Kearney    Liberal Arts & Sciences
Erin Herting    Liberal Arts & Sciences
Phil Boothby    University Hospitals & Clinics
Jason Haddy    Carver College of Medicine
Craig Just    Engineering & Faculty Senate
Grant Jerkovich    Grad. & Prof. Student Government
Central Services Review Team Priorities

Three areas for review:
  Operations & Maintenance
  Utilities
  Capital Renewal
Enabler #2

Restore building renewal funding to pre-FY16 levels
Facilities Condition Equilibrium

Facilities Condition Index (FCI) 2009-2015
Campus Age Profile

Campus Age by Category

- **Buildings 10 to 25**: Short life-cycle needs; primarily space renewal. Medium Risk.
- **Buildings Over 50**: Life cycles of major building components are past due. Failures are possible. Core modernization cycles are missed. Highest risk.

Big 10 Average - 2016
- Under 10: 14%
- 10 to 25: 21%
- 25 to 50: 30%
- Over 50: 35%

Iowa - 2016
- Under 10: 18%
- 10 to 25: 26%
- 25 to 50: 27%
- Over 50: 29%

Iowa - 2020
- Under 10: 12%
- 10 to 25: 29%
- 25 to 50: 28%
- Over 50: 31%

Iowa - 2026
- Under 10: 33%
- 10 to 25: 24%
- 25 to 50: 24%
- Over 50: 44%
Putting Your Campus Building Age in Context

Campus age drives overall risk profile

- **Pre-War**
  - Built pre-1951
  - Durable construction
  - Older but lasts longer

- **Post War**
  - Built 1951 - 1975
  - Lower quality
  - Needs more repairs & renovation

- **Modern**
  - 1975 - 1990
  - Quick flash construction
  - Low quality components

- **Complex**
  - Built post-1991
  - Technically complex
  - Higher quality
  - More expensive to maintain or repair

Sightlines Database - Construction Age

Big 10 Peer Group

Iowa

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Capital Implications of Existing Space

Total Database Need 1950-2050
3-Year Moving Average Using ROPA+ Prediction

$ in Billions

We Are Here (2016)
Chasing a Moving Target

Iowa has met at least 70% of the Annual Investment Target in all years of analysis; recent funding exceeds Annual Target

Total Capital Investment vs. Funding Target

- Lowering Backlog and Risk Profile
- Increasing Backlog & Risk
Issues to Address Moving Forward

• Development of a capital renewal and modernization plan
• Adoption of funding models for new and renovated buildings
• Evaluation and validation of FM’s core services
• Reduction in less valued services to align with budget reduction targets
• The assessments of cross subsidizations that drain GEF resources
• Review of risk tolerance and evaluating risk mitigating investments
Our Vision for the Future

- Leaner FM organization focused on UI’s core mission
- Actively engaged partner with collegiate deans
- Adhering to tighter and better defined service levels, but flexible enough to customize services
- Fully transparent costing of services & stewardship
- Systems thinking approach to all of our efforts
- A “best practices” organization in step with change
Questions?
Thank You!