



Approaches to Deferred Maintenance

Oregon Public Universities

Eastern Oregon University

Oregon Institute of Technology

Oregon State University

Portland State University

Southern Oregon University

University of Oregon

Western Oregon University

Today's Presenters

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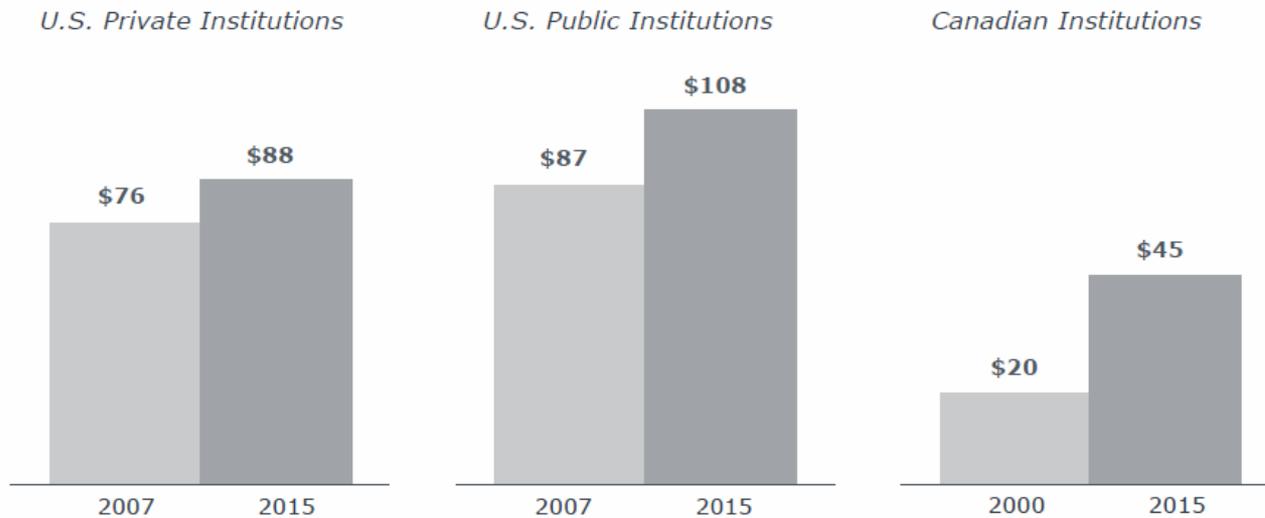
Road Map for Our Discussion of Deferred Maintenance

- ◎ *Background*
- ◎ *Context*
- ◎ *What drives deferred maintenance needs?*
- ◎ *University perspective*
- ◎ *Recommendation and next steps*

Background

Oregon's Public Universities are Not Unique

Deferred Maintenance Backlog per Square Foot

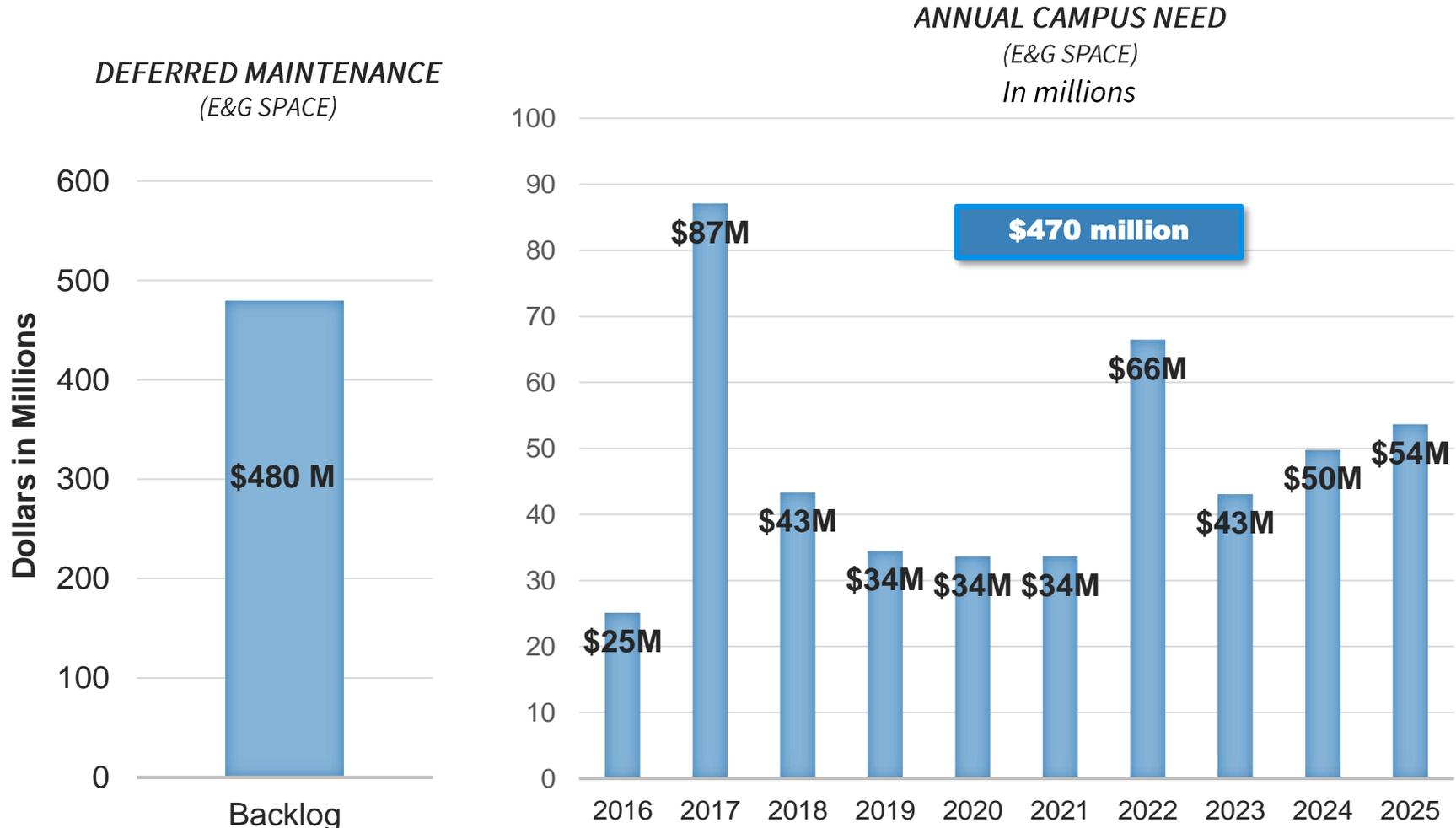


Background

Universities are Responsible for Significant Assets



\$950 Million: 10-Year Deferred Maintenance Need (All Campuses)



How it Looks on Campus

Representative Facilities Maintenance Challenges

Facilities forced to make budget tradeoffs between routine maintenance and landscaping/grounds



VP of Enrollment Management worries about recruiting students due to diminishing curb appeal of campus

Facilities must sink research renewal dollars into unexpected HVAC failure in same building



Provost unable to recruit star faculty with current research labs

Facilities deprioritizes classroom upgrades in favor of infrastructure investments



Deans forced to invest their own budget into upgrading classrooms and lecture halls

Facilities executive told to refresh teaching labs, expands work to address critical overdue renewal

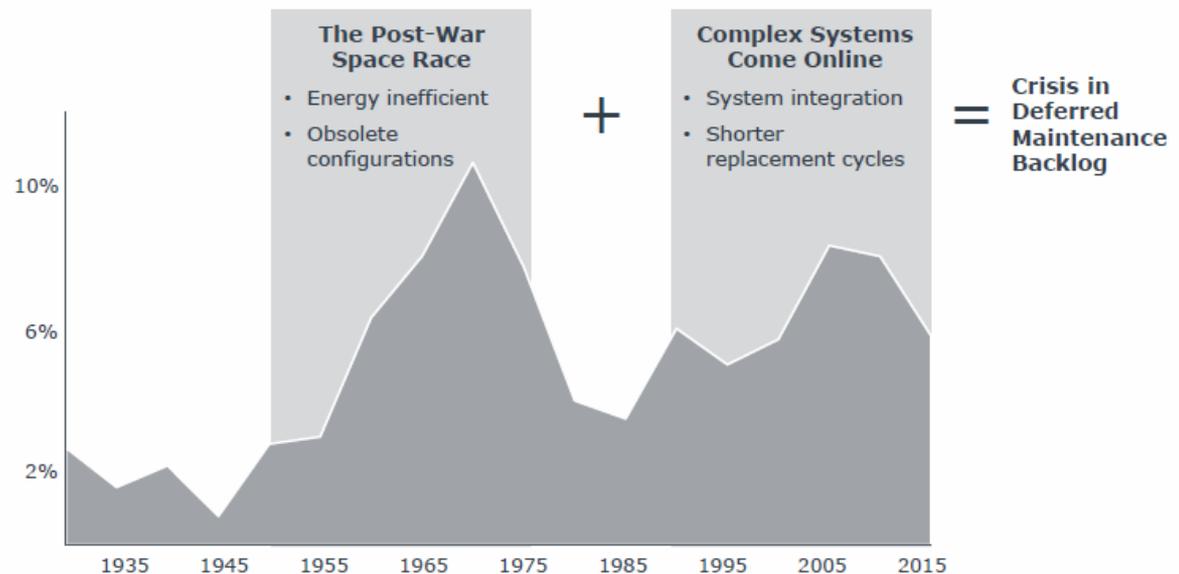


CBO becomes frustrated when a series of modernization and renewal projects go over budget

What Drives Deferred Maintenance?

- ⊙ *Total Operating Funding*
- ⊙ *Balancing Requirements with Cost and Revenue (i.e., enrollment, tuition)*
- ⊙ *Policy*
- ⊙ *Age and Condition*
- ⊙ *Efficiency*

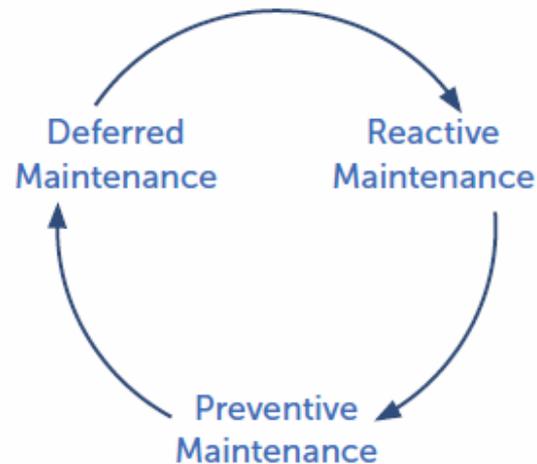
Percentage of Total Higher Ed Space by Year of Construction



Crisis in Deferred Maintenance Backlog

Relationship Between Different Maintenance Activities

As the deferred maintenance backlog grows, there is increased risk of system failure



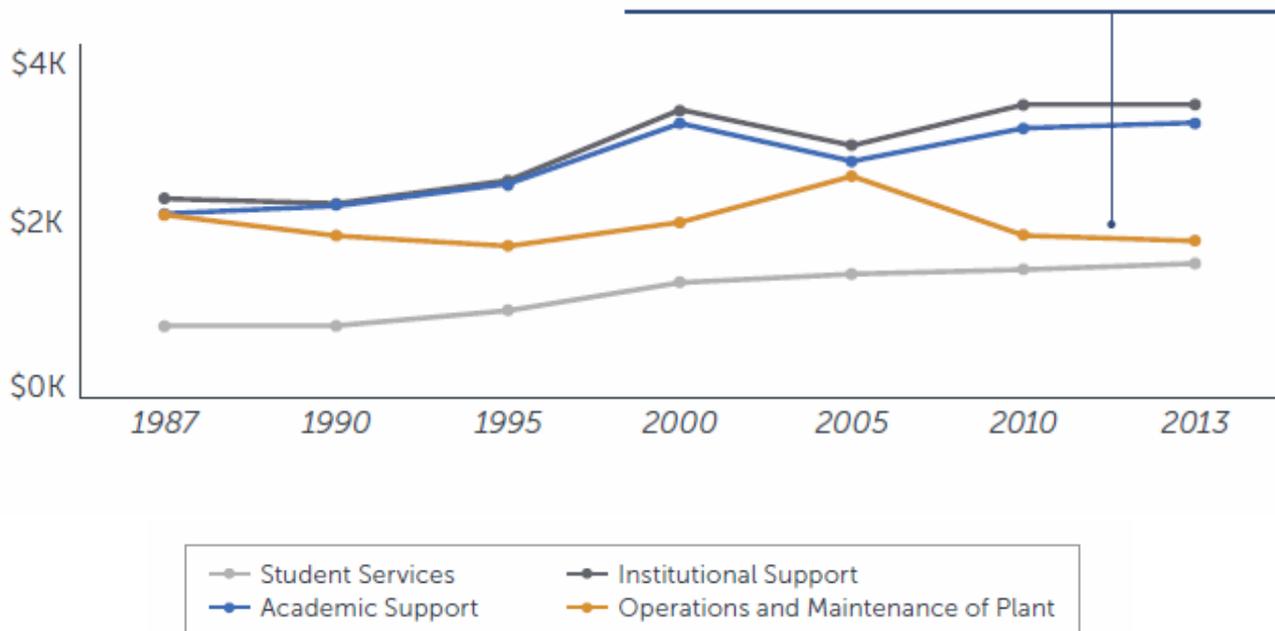
As systems fail, Facilities must dedicate resources to reactive maintenance, leaving fewer resources for preventive maintenance

Dedicating fewer resources to preventive maintenance increases the amount of deferred maintenance

Spending per Student by Category Between 1987 and 2013 (Inflation-Adjusted 2013 Dollars)

Public Institutions

Public institutions saw an 8% decline in O&M spending per student between 1987 and 2013



University Perspective

Tighter Budgets Lead to Painful Tradeoffs

OSU

Leadership identified the condition of facilities as strategic risk

- *Failure to address facilities condition impacts student and research success, faculty retention, and enrollment*
- *Failure to address capital renewal erodes financial position and credit strength*

Steps taken to address risk

- *Fund 10% DM reserve accounts for new construction/new major renovations from gifts or academic unit funds*
- *Begin to budget annual DM funding from operations - \$5M increment/year to \$45M/year*
- *Contributed to \$20M in other expense reductions in FY18*

Other Universities

Conducted a risk assessment to identify highest priority projects (based on either condition or code non-compliance)

Analyzed financial status

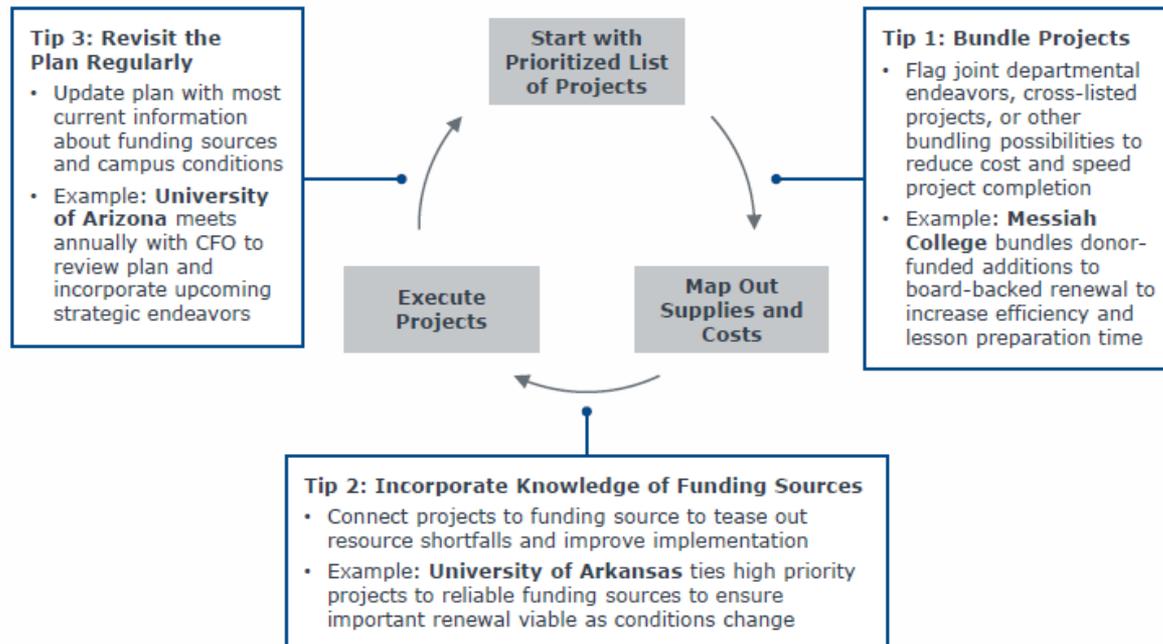
- *Most found insufficient strategic reserves; or*
- *Inadequate access to gifts to fund capital renewal; and*
- *Insufficient operating funds to create significant annual deferred maintenance budget capability*

Managed strategic issues with Boards of Trustees

Recommendations

- 1 *Each university works with its Board to understand the relationship between CI&R and student affordability*
- 2 *Continue to partner with HECC staff*
- 3 *Reinforce the State's role in funding CI&R and supporting stewardship of State assets*

Capital Renewal Planning Cycle





**Thank You for Your
Support!**

Questions?