



Interoffice Communication

Date: August 15, 2011

To: The President and Board of Trustees

From: Stephen T. Golding, Vice President for Finance and Administration, CFO and Treasurer

Re: **Sightlines LLC Report**

In 2008 the Board of Regents appointed Sightlines LLC, a nationally recognized consulting firm, to analyze Ohio public universities' ability to steward their facilities. Last year Sightlines analyzed five years of data on general fund facilities up to FY 2009. This year Sightlines has updated their report to include FY2010 data. Although the report we present addressed Ohio University's Athens Campus general fund facilities only, Sightlines is working to complete a separate report on Ohio University's regional campuses, and a separate report on Ohio University's Auxiliary facilities.

Attached are a number of slides that illustrate Sightlines' findings. Please note that Sightlines utilized a comparison group of 13 other university's for which they have collected comprehensive data. These universities were selected not because they are academic peers, but because these universities have similarities in one or more of the following attributes: size, technical complexity, region, geographic location, and setting.

Sightlines core observations of Ohio University's general fund facilities include:

- Low historical investment has resulted in growth in the backlog of deferred maintenance projects.
- The University's campus age profile contributes to the backlog need.
- Cuts to facilities operating budget are significantly reducing service delivery and sustainability of operations.
- Ohio University's facilities operation has a very low manager to front line staff ratio.
- A strong preventative maintenance program and decreased energy consumption are two areas of success that have reduced the impact of shrinking financial investment.

Sightlines estimated Ohio University's Athens Campus deferred maintenance backlog at \$355 million which equates to approximately \$71 of deferred maintenance backlog for every square foot of asset (at the time of this presentation the metric has likely increased to \$78 per gross square foot of asset). Sightlines has observed that campuses that reach a \$100 of deferred maintenance backlog experience a range of operational problems from costly emergency repairs to complete building shut downs. Operations costs increase with repairs in an inefficient, disruptive mode, where the solutions are less than optimal. We might call this level a tipping point. At the current level of investment Ohio University will reach this level in approximately six years.

On the other end of the spectrum, campuses that are able to maintain a \$40 to \$50 deferred maintenance backlog for every square foot are able to manage a healthy state and keep their campuses well maintained. Ohio University might look at this level as a stewardship goal.

Sightlines recommends embracing a new paradigm which stresses a regular commitment of resources to existing facilities “Keep Up Costs.” Sightlines defines “Keep Up Costs” as the annual investment needed to ensure buildings will properly perform and reach their useful life. Sightlines also recommend that the University use state and one-time funds strategically to address problem buildings and alleviate operational strains - “Catch up Costs”. As defined by Sightlines, “Catch Up Costs” are the accumulated backlog of repair and modernization needs and the resource capacity to correct them.

Other recommendations include examining staffing and supervisory ratios for operational performance, maintaining a strong preventative maintenance program to increase productivity and effectiveness, and creating incentives across campus to decrease energy demand.

The University is in the process of incorporating these recommendations into its comprehensive capital planning and will refer to these metrics in future presentations.

Please let me know if you have questions.

Sightlines

- Regents Appointed National Consulting Firm
- Ohio University General Fund Facilities
- FY 2010 Data Update
- 5 Year Look Back



A vocabulary for measurement

The Return on Physical Assets – ROPASM



“Keep-Up Costs”

The annual investment needed to ensure buildings will properly perform and reach their useful life.

Annual Stewardship



“Catch-Up Costs”

The accumulated backlog of repair and modernization needs and the definition of resource capacity to correct them.

Asset Reinvestment



The effectiveness of the facilities operating budget, staffing, supervision, and energy management.

Operations Effectiveness



The measure of service process, the maintenance quality of space and systems, and the customers opinion of service delivery.

Service



Asset Value Change

Operations Success

Core Observations:

- (1) Low historical investment has resulted in growth in the backlog of deferred projects.
- (2) Campus age profile contributes to the backlog need.
- (3) Cuts to facilities operating budget are significantly reducing service delivery and sustainability.
- (4) Strong PM program and decreased energy consumption are two areas of success that have reduced the impact of shrinking financial investment.

Comparison Institutions Ohio University – General Fund



Sightlines

Institution	Location
Cornell University	Ithaca, NY
Indiana University	Bloomington, IN
Miami University	Oxford, OH
Southern Methodist University	Dallas, TX
The Pennsylvania State University	State College, PA
The University of Dayton	Dayton, OH
University of Cincinnati	Cincinnati, OH
University of Missouri – Columbia	Columbia, MO
University of Notre Dame	Notre Dame, IN
University of Oregon	Eugene, OR



Comparative Considerations

Size, technical complexity, region, geographic location, and setting are all factors included in the selection of peer institutions



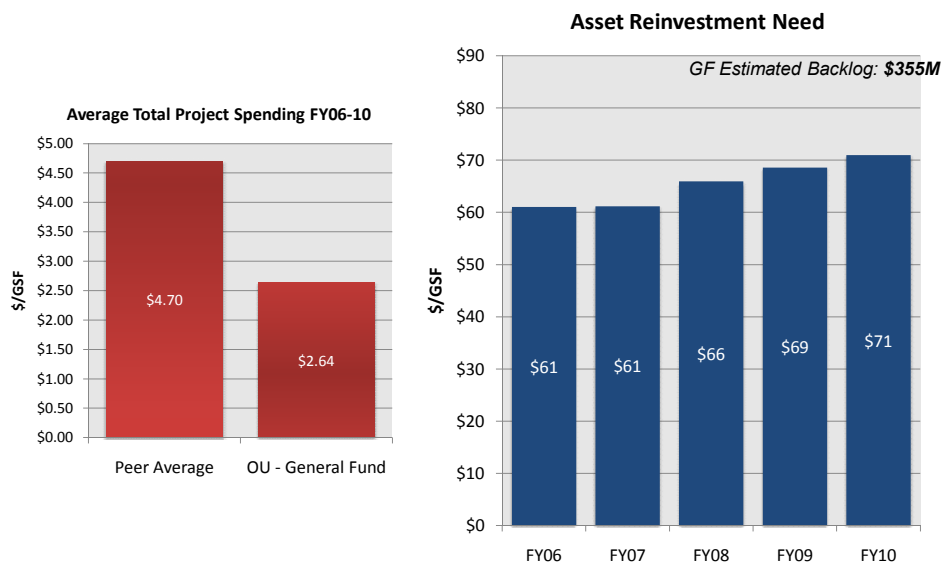
3

OU Backlog has grown by \$10/GSF to est. \$355 M

Investing half of what peers have invested over the past 5 years



Sightlines

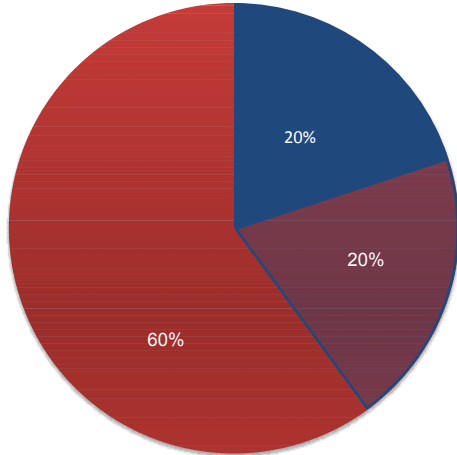


4

Even after renovations, OU is older than peers
Ohio University has used major renovations to rejuvenate GF space

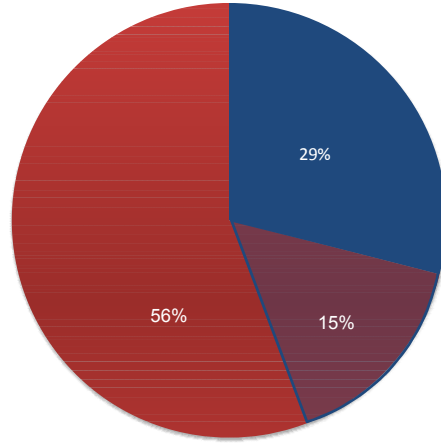


OU – General Fund Renovation Age



■ Under 25 Years ■ Over 25 Years

Peer Average Renovation Age



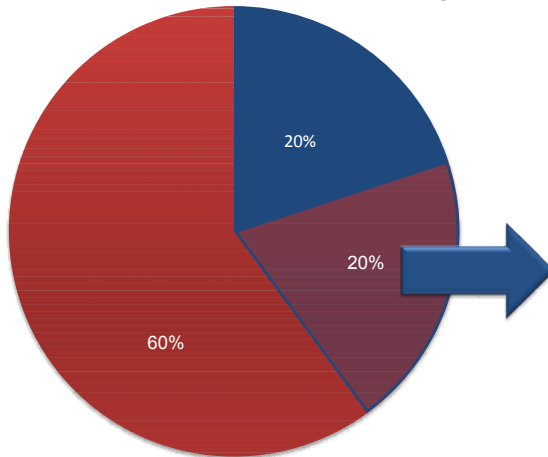
■ Under 25 Years ■ Over 25 Years



Half of major renovations done prior to 1993



OU – General Fund Renovation Age



About half of this space was renovated prior to 1993.

■ Under 25 Years ■ Over 25 Years



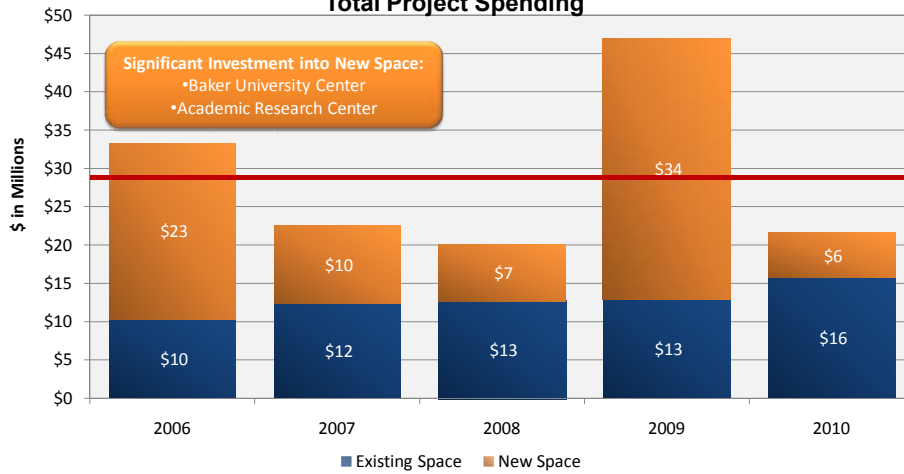
General Fund Capital Investment

44% of funding into existing space since FY06



Sightlines

Total Project Spending



Capital Investment FY06-10

Spending into Existing Space: \$64 M
Spending into New Space: \$80 M



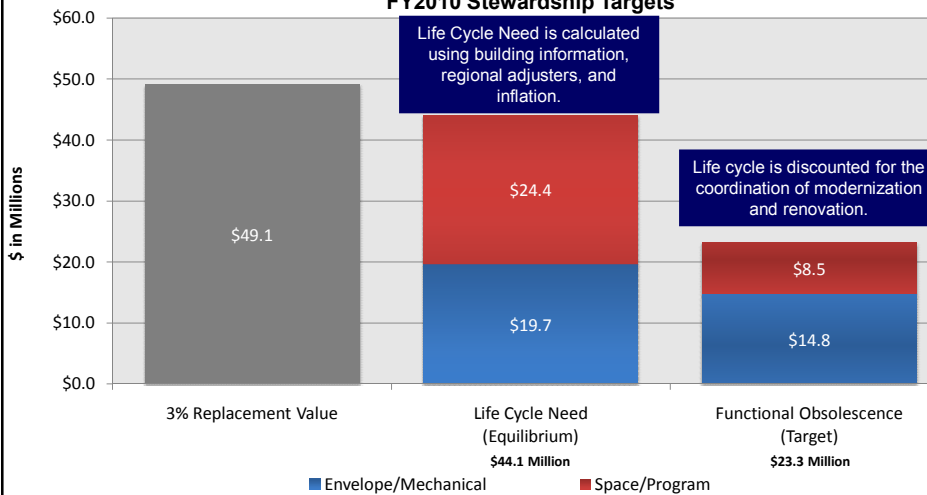
Defining the Stewardship targets for existing space

General Fund targets for 2010



Sightlines

FY2010 Stewardship Targets



Industry Standard

Sightlines Recommendations



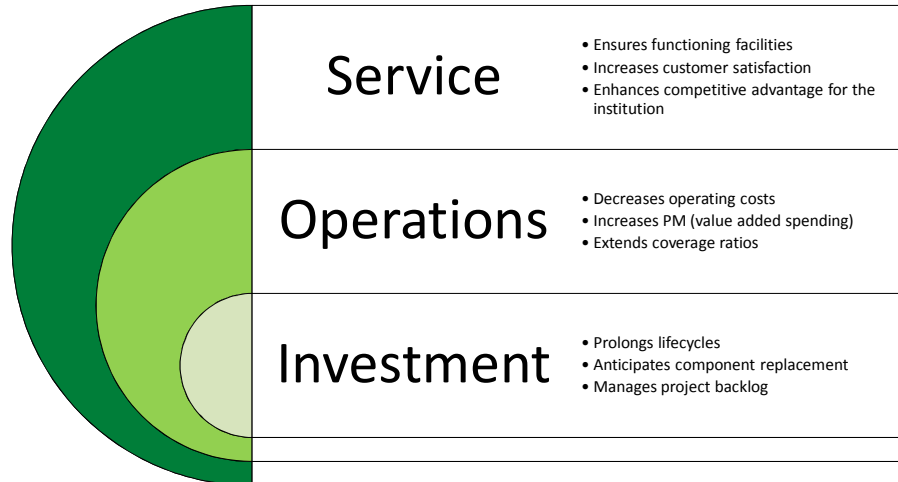
8

Why Steward Annually?

The relationship between capital, operations, and service



Sightlines



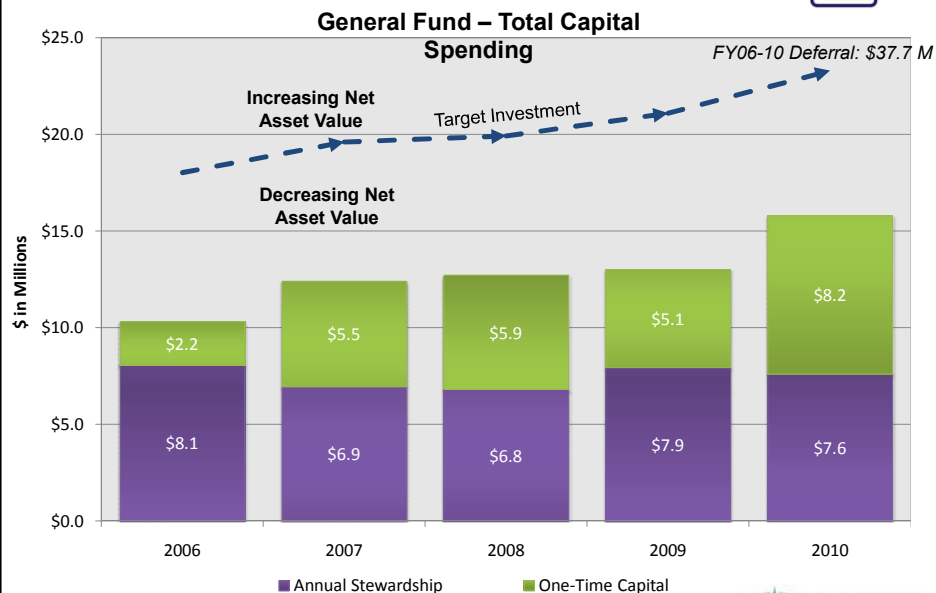
9

Total Capital Investment Over Time

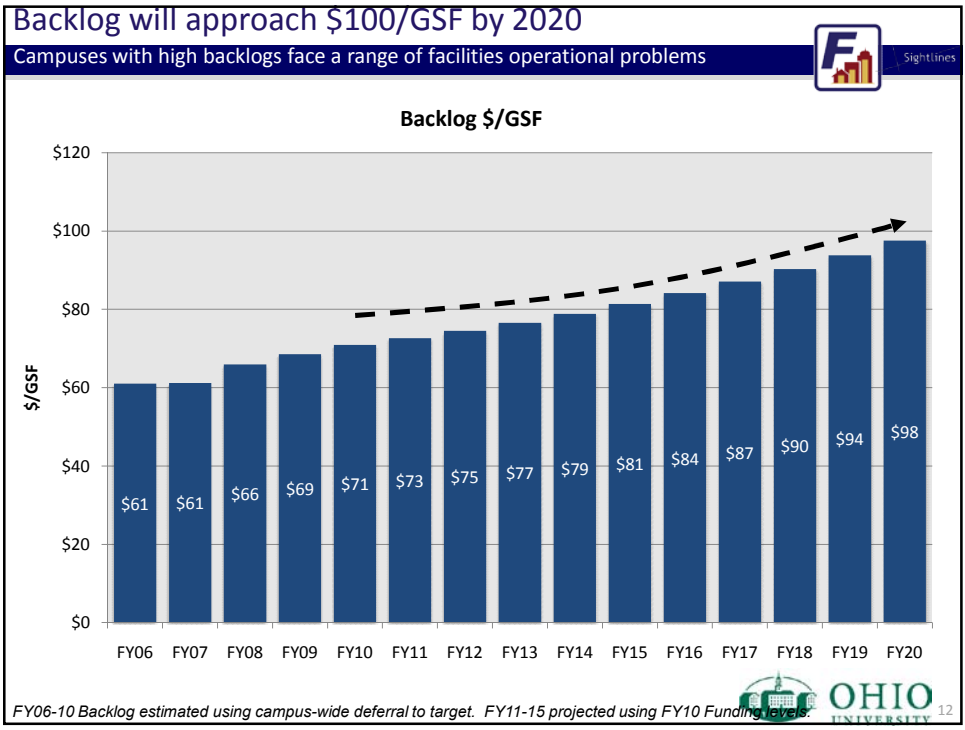
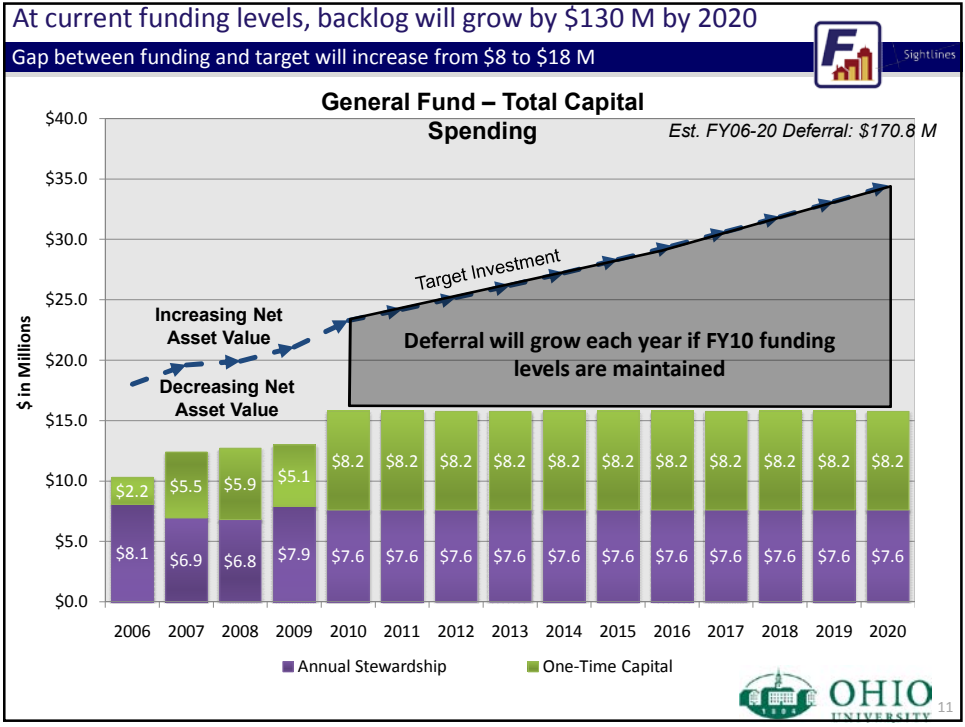
Even with one-time capital, Ohio U has not been able to reach target investment levels



Sightlines



10

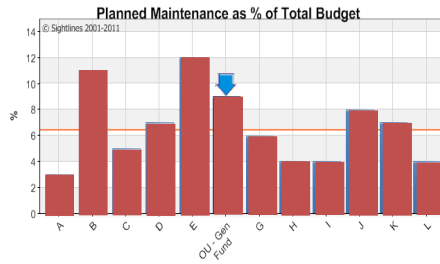
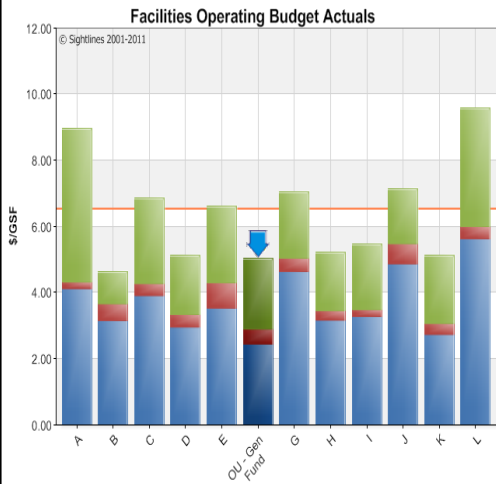


Ohio U spending less than peers operationally

Adding more value through planned maintenance spending than peers



Sightlines



PM: Includes materials, labor hours, and service contracts which extend the useful life of building components.

Examples: Elevator service contracts, changing belts/filters on HVAC equipment



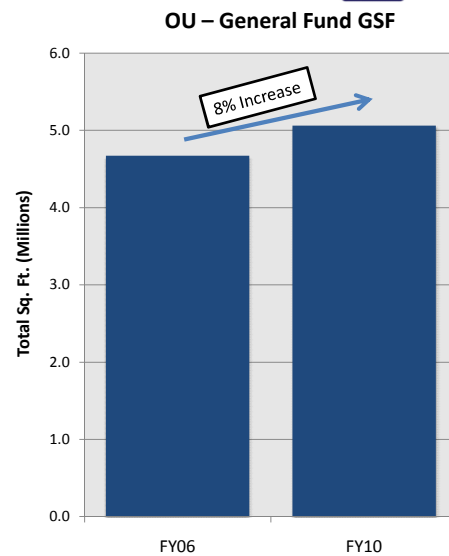
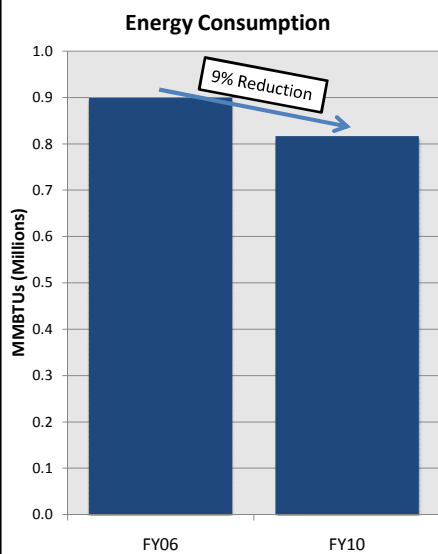
13

OU has been effective in managing energy

As campus has grown, Ohio U has been able to lower overall consumption



Sightlines



Overall, the General Funded space decreased normalized consumption by 16%.



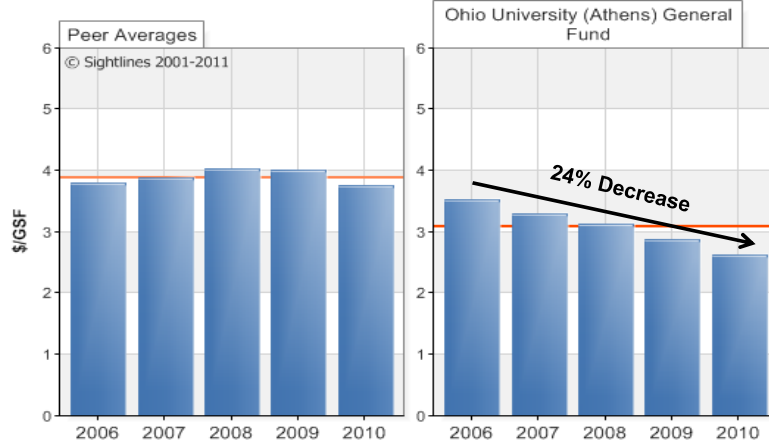
14

Daily Service spending steadily decreasing over time

Spending around \$1/GSF less than in 2006



Daily Service Budget

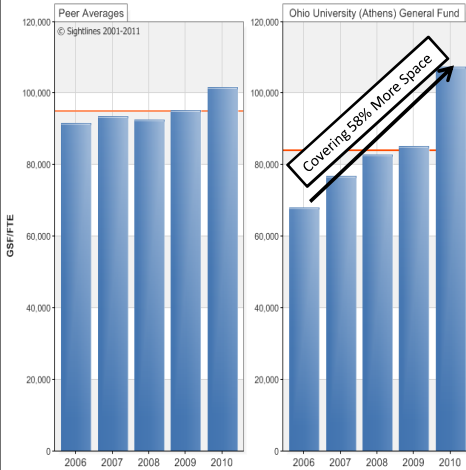


Substantial cuts to maintenance & custodial staff

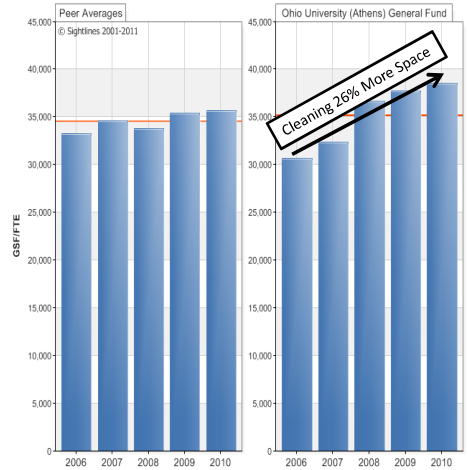
Reductions in staff result in dramatic increases in coverage ratios



Maintenance Staffing

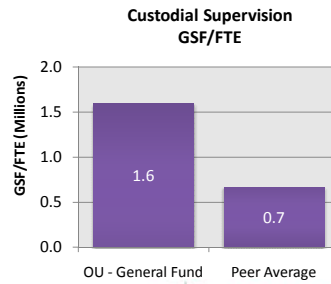
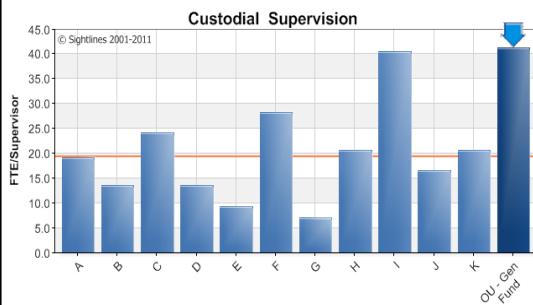
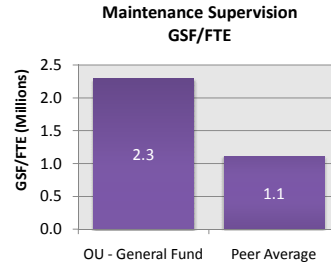
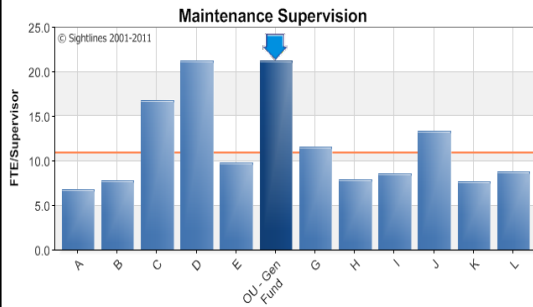


Custodial Staffing



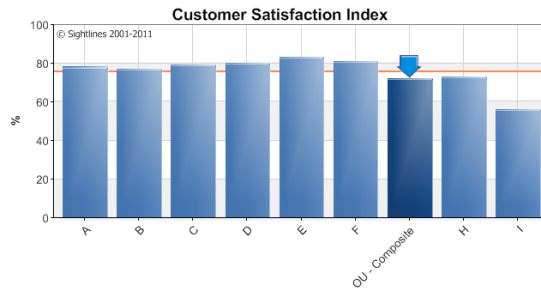
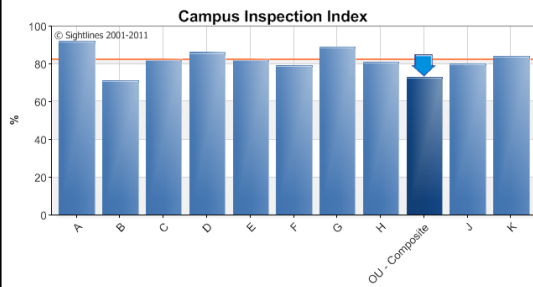
Supervisors responsible for more staff and space than peers

Only 2 Maintenance, 3 Custodial Supervisors to cover 5 million GSF



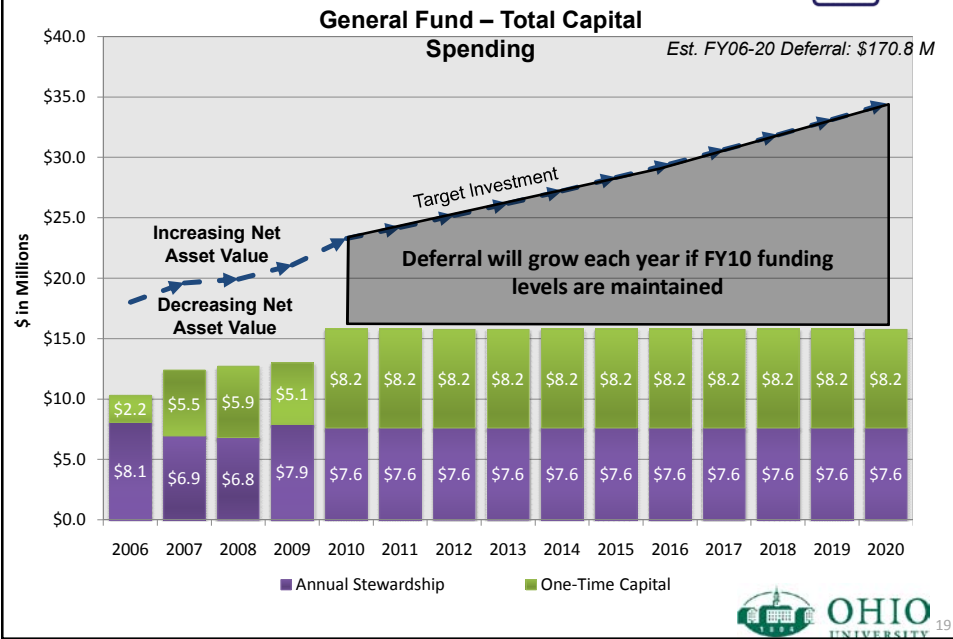
The Impact to Customers

Campus inspection and customer satisfaction lower than peers



At current funding levels, backlog will grow by \$130 M by 2020

Gap between funding and target will increase from \$8 to \$18 M



Concluding Comments



Core Observations:

- (1) Low historical investment has resulted in growth in the backlog of deferred projects.
- (2) Campus age profile contributes to the backlog need.
- (3) Cuts to facilities operating budget are significantly reducing service delivery and sustainability.
- (4) Strong PM program and decreased energy consumption are two areas of success that have reduced the impact of shrinking financial investment.

Strategies

Importance of creating a new paradigm which stresses a regular commitment of resources to existing facilities – “Keep Up”

Use state and one-time funds strategically to address problem buildings and alleviate operational strains – “Catch Up”

New paradigm should include examining staffing and supervisory ratios to ensure optimal performance.

Maintain strong PM program to increase productivity and effectiveness of facilities staff

Create incentives across campus to decrease energy demand

