MEMORANDUM

Office of College Services

DATE: September 3, 2013

TO: President Mary Spilde, Vice President Brian Kelly

CC: Facilities Management & Planning Organizational Review Team

FROM: Jennifer Steele

SUBJECT: Facilities Management and Planning Organizational Review Phase II Update

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During Phase II of Facilities Management and Planning Organizational Review, the review team was charged with addressing the issues, opportunities and action items presented in the Phase I report, and to expand the scope of review to include Bond and Fund IV restricted funds. Phase II objectives include:

- Develop common understanding of FMP planning, operating and financial structures
- Develop effective tracking and communication systems and processes
- Ensure financial structures and controls are sound, sustainable and aligned with planning efforts
- Develop recommended strategies for continuous optimization of department resources

Although the review team has made progress toward Phase II objectives, completion has been delayed due to staffing and assignment changes in college services. Following is a brief update and recommendations for moving forward.

Custodial Services

The review team has completed our analysis and recommendations for custodial services, as presented under separate cover in the Custodial Services Organizational Review report. Upon approval of the report findings and recommendations, which include decreasing "discretionary" part-time and M&S expenditures 17% in FY14, the custodial services component of the review will be closed.

Major Maintenance and Capital Improvement

A. Resources

In 2003, the college adopted a facilities maintenance and improvement funding plan based upon the current replacement value method (see Marie Matsen memo dated 11.5.2013.) The plan included phasing in additional major maintenance funding until the then target of $2,375,000 was reached. The plan also included establishing a facilities capital reserve with a target reserve of 1% of current replacement value. The facilities capital reserve balance is currently $1,870,000.

The plan was implemented, with $270,000 additional funding for major maintenance allocated in fiscal years 2005, 2006, 2007 and 2008. The total allocation for maintenance and improvement was $1,485,000 in fiscal year 2009, with no additional resources added that year. In fiscal year 2010, the allocation was reduced by $485,000, in response to a decrease in the biennial state support fund. The phase in plan was not continued in subsequent years, resulting in a flat funding allocation of $1,000,000 for fiscal years 2010 onward.

Recommendation:

Review the methodology and rationale for the 2003 funding plan and consider options for a new plan that factors in current and projected environmental conditions and aligns to a ten-year maintenance and capital improvement schedule.

B. Planning

Building upon work done with the Facilities Planning Team in 2005-2006, the organizational review team established standards and definitions for major maintenance and capital improvement project planning and now have a project list that allows for planning continuity and reporting consistency.

Recommendations:

Identify a lead in FMP to oversee the process around maintenance and capital improvement and manage the project list and reporting function. Provide monthly or quarterly reports to the college Executive Team and campus community on project status.

Identify a lead in FMP to lead efforts to optimize technology available through Megamation, Argos and other systems to streamline and integrate tracking and reporting functions.

Review project prioritization criteria. Currently FMP is using the same criteria for routine work orders and major projects.

Develop a ten-year maintenance and capital improvement plan that provides a comprehensive picture of known and anticipated maintenance and infrastructure needs, current priority levels and preliminary schedules.

C. Small and Summer Maintenance Projects

Small maintenance projects (under $10,000 in initial scope) and summer maintenance work such as grounds clean up, lamp and filter replacements is funded out of the $1,000,000 maintenance and capital improvement allocation. Small projects are scheduled through work orders and do not go through an external vetting or review process. Sometimes trades staff and resources are allocated to small/summer maintenance projects and become unavailable for planned, scheduled major maintenance, creating an internal competition for resources. Additionally, there is a lack of clarity/definition about what work order projects should be in Fund I (general operations) and which should be in Fund IV (maintenance and improvement.)

Recommendations:

Establish a discreet budget allocation for summer maintenance work.

Establish standards of service for facilities operations that clearly communicate which services are included in routine operations and service to the college, which are outside (and therefore should be resourced through Fund IV), and how services are prioritized. A draft Standards of Service document is attached.

Establish a discreet budget allocation for Fund IV small maintenance projects. Coordinate and balance staff assignments between small, summer and major maintenance assignments.

Bond

The review team was asked to:

1) Ensure bond records and accounting practices are in compliance with college and external policies and requirements;
2) Ensure that the evolution of bond projects and scope of work supports to goals and objectives presented in the original bond project descriptions and that this evolution can be clearly and effectively communicated;
3) Review the changes in bond contingencies and soft cost estimates; and
4) Ensure that the combined resources realized through the bond levy and associated funding sources is adequate to support combined Phase I and Phase II bond expenditures.

Kay Malmberg, CPA, reviewed the bond books and bookkeeping records and found them to be extraordinarily well managed, with no recommendations for changes or improvements. She also affirmed that the bond team is documenting the evolution of projects and budgets, keeping the original bond project descriptions.

The preliminary bond budget identified soft costs as 28% of the $83MM budget. The soft costs in this ratio did not include bond project management nor the bond equipment fund. When including these items, the ratio of soft costs in the preliminary budget would be 41%. There has been no substantive change in the amount allocated to construction; the soft cost ratio can vary when different items are included or excluded. To closely manage soft costs and contingencies, Todd Smith is tracking these items separately for every project.

I have been working with Stan Barker and Todd Smith to review and reconcile total resources and expenditures, both realized and planned. We have several items we are still working on finalizing, to include the New Market Tax Credit draw, Federal Equipment Grant, and some of the sustainability incentives. Assuming the new market credit draws come through (and there is no reason to expect otherwise) we are on track and on budget.

Recommendation: Close out the bond component of the review.

The review team looks forward to your feedback, questions and direction for moving forward.

Attachments:
Facilities Funding Allocation Memo 2003
Maintenance and Capital Improvement General Fund Allocation 2003-2014
Facilities Standards of Service

LANE COMMUNITY COLLEGE
COLLEGE OPERATIONS

MEMORANDUM

Transforming lives through learning

November 5, 2003

To: **Mary Spilde**

From: **Marie Matsen**

Re: **Recommendation for facilities annual budget allocation**

Mike Ruiz has spent a considerable amount of time researching methods for determining annual budget allocations for facilities maintenance, major repair and remodeling. Based on his analysis and recommendations, I would like to propose a method we think is appropriate for Lane.

There are four methods commonly used by colleges and universities for determining annual allocations for major maintenance, deferred maintenance and remodeling costs.

In my analysis, two of the methods are clearly not appropriate for Lane.

1. The **fund depreciation method** relies on depreciation and amortization. This method is based on ***original costs*** of assets and improvements. An accountant could do this work and produce figures that could be used for budgeting but this would not necessarily result in a useful implementation plan nor would the numbers have any direct tie to the real costs of maintaining and repairing facilities.
2. The **independent survey method** relies on an outside consultant with the help of staff to do a facility audit. The consultant would develop a list of facility needs and would recommend budget allocation and a plan for implementation and practices. This is an expensive approach and may take as much staff time as other more effective methods. In addition, this method uses the current condition of the facilities as the point for analysis and does not necessarily project meaningful costs into the future.

Of the two remaining methods, I recommend that our goal should be to use the **life cycle calculation method.** This method estimates future renewal and replacement costs for each building and major subsystem by predicting the needs for repair and replacement of roof systems, plumbing systems, electrical systems and HVAC systems based on age and condition. Costs can be aggregated by building or sorted by need. Once the needs are listed by priority and placed into a timeline, budget allocations can be calculated. The life cycle method has several advantages:

- It is fairly precise in identifying future needs because it uses a systems approach based on real-life data;
- Data can be reviewed and updated as needed; and
- It is easy to understand and explain.

The Facilities Management & Planning department has purchased maintenance management software that will support the life cycle calculation method. Staff members are in the process of learning the software and building the database, and should have comprehensive usable data by the end of this calendar year.

For the purposes of budget planning until the life cycle data are available, I recommend using a fourth method in the interim. The **current replacement value** method is based on current replacement values of building and other physical assets. Annual allocations are calculated by using a percentage of the current replacement value, usually between 1.5% and 2.5%. While imprecise, this method can give us an estimate of the range we should be considering for an annual facilities allocation.

Currently, Lane owns, operates and maintains 1,141,011 square feet of building space. While other plant assets (e.g., parking lots, sewage lagoons, other infrastructure) ought to be considered in the full replacement value calculation, since this is an interim method I suggest that we stay with the buildings only. Mike Ruiz estimates that replacement costs can run up to $200 per square foot. So calculations would be as follows:

1,141,011 square feet (x) $200/sq.ft. (=) $228,202,200 replacement cost

At 1.5% the annual allocation would be approximately **$3,425,000**

I believe that this is a reasonable figure to use as a ***minimum*** target for budget planning until we have the maintenance management system fully implemented a couple of months from now.

Currently, our allocations for maintenance, major repair and remodeling are as follows:

Capital Improvement (FMT)	$605,000
Seasonal facilities employees	$120,000
Deferred Maintenance (FMP)	$120,000
Major Maintenance (new in FY04)	$300,000
Parking Lots (Transportation Fee)	$150,000
TOTAL	$1,295,000

Our only facilities "reserves" at this time are funds set aside for the Longhouse project and funds left in the Bond Construction accounts, which are largely committed at this time. Our current unfunded deferred maintenance list (attached) totals just over $2 million, and ideally this amount would be added to our needs next year; practically however, I think we should use a phased approach over the next three to five years to reach an adequate annual budget for major maintenance.

In a conversation this week, you asked me to add $426,000 recurring to the FY05 budget projections for major maintenance and $810,000 non-recurring. This would bring the total recurring allocation for Major Maintenance and Deferred Maintenance to $846,000 and the total recurring for maintenance, major repair and remodeling to $1,730,600. Obviously, this is well short of the $3.4 million estimate using the current replacement value method, however it is a significant improvement over annual allocations of the past decade.

The college also ought to establish a Facilities Reserve Fund for the purpose of meeting major strategic and emergency facilities needs. I would not recommend at this time that we attempt to build reserves to replace existing facilities or to fully fund construction of new facilities. I believe we need to rely primarily on other sources (such as General Obligation Bonds, grants, donations and state appropriations) to replace and build new facilities in the future. However, recognizing that some of these sources could require matching funds, the Facilities Reserve Fund ought to include some funds for identified strategic needs. I would suggest that we begin with a target of 1% of current replacement value, or $2.3 million. I think we should chose a phase-in period of three to six years and establish a policy to maintain adequate levels in the Facilities Reserve Fund. The attached model shows this phase-in beginning in FY06 and continuing for a 5-year period.

It is a real credit to your leadership that in spite of huge financial challenges the last two years, we find ourselves ***able*** to increase our facilities allocation by a significant amount. I believe it is the correct course of action and a critical component of our plan to achieve financial stabilization.

Please let me know if you have questions or if there is more information we can provide for the Board.

cc: Mike Ruiz, Director of Facilities Management & Planning

Proposed Facilities Maintenance and Improvement Funding

Facilities Funds	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Capital Improvement	725,000	605,000	605,000	605,000	605,000	605,000	605,000
Major Maintenance	-	300,000	300,000	726,000	1,152,000	1,578,000	2,004,000
Deferred Maintenance annual allocation	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Seasonal maintenance employees		120,000	129,600	139,968	151,165	163,259	176,319
Parking Lot maintenance & improvement	-	150,000	150,000	150,000	150,000	150,000	150,000
Total Maintenance & Improvement	**845,000**	**1,295,000**	**1,304,600**	**1,740,968**	**2,178,165**	**2,616,259**	**3,055,319**
Additional Recurring Allocations							
*Phased in Major Maintenance allocation		-	426,000	426,000	426,000	426,000	426,000
Total Recurring Allocation			**1,730,600**	**2,166,968**	**2,604,165**	**3,042,259**	**3,481,319**
Additional Non-recurring Allocations							
Deferred maintenance non-recurring catch-up		-	810,000	350,000	350,000	350,000	350,000
Facilities Capital Reserve phase in	-	-	-	460,000	460,000	460,000	460,000
Total Additional Allocation			1,236,000	1,236,000	1,236,000	1,236,000	1,236,000
Total Annual Allocation			***2,540,600***	***2,976,968***	***3,414,165***	***3,852,259***	***4,291,319***

**Estimates using Current Replacement Value method*

Maintenance and Capital Improvement General Fund Allocation 2003-2014

Modified January 2013

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Proposed Facilities Funding												
Capital Improvement	725,000	605,000	605,000	(95,000)	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000
Major Maintenance	-	300,000	300,000	300,000	570,000	840,000	1,110,000	625,000	625,000	625,000	625,000	625,000
Additional Phased In Allocation	-	-	-	270,000	270,000	270,000	-	-	-	-	-	-
Deferred Maintenance	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Seasonal Maintenance Employees	-	120,000	129,600	143,076	66,201	71,007	-	-	-	-	-	-
Total General Fund Allocation	**845,000**	**1,145,000**	**1,154,600**	**738,076**	**1,281,201**	**1,556,007**	**1,485,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**

Lane Community College

DRAFT: Facilities Management and Planning Standards of Service

	Standard Services
1	Maintenance of grounds including snow removal, atheletic fields, child care grounds, remote site landscape, etc..
2	Maintenance of utilities and distribution systems
3	Maintenance of buildings/building envelopes
4	Preventative maintenance, repair and replacement of:
5	• HVAC systems
6	• Plumbing systems
7	• Electrical systems
8	• Life Safety systems (fire protection, generators, reporting equipment)
9	• Security systems (camera survelance, gates, alarms, etc..)
10	• Elevators
11	• Fixed furnishings and classroom equipment
12	• Roofing systems
13	• Building exterior
14	• Building interior
15	• Custodial Services Cleaning of buildings (5 days/week)
16	• Painting Services (Including Graffiti Removal)
17	• Motor Pool Program Administration, Coordination, and Vehicle Maintenance
18	Administer and maintain campus access control systems
19	• Locks & keys
20	• Electronic access control
21	• ADA Improvements ($25,000 per year)
22	Utilities Planning and Coordination
23	Parking Lot Maintenance
24	Administer and coordinate facilities related services:
25	• IPM Plan Pest Control
26	• IEQ Accessment, Inspection, Monitoring
27	• Elevator Service
28	•HVAC Filter Service
29	•Building Automation
30	•Boiler Service
31	•Emergency Generator
32	•Fire riser and backflow preventor
33	•Storm Water Drain system
34	•Waste Water Treatment Plant Engineering Services
35	• Fire Alarm Systems
36	Waste Water Treatment Plant Operations and Maintenance
37	Capital Projects
38	• Space Needs Assessments
39	• Planning Services
40	• Project Management and Coordination
41	• Architectural Services
42	• Furnishings Assessments, Planning, and Procurement
43	Transporation Fund Coordination
44	Space Assignment Assessments and Facilitation
45	Team Oregon Coordination/Support
46	Campus Master/Concept Planning
47	Wayfinding

Institute for Sustainable Practices Partnership	
1	Recycling Services (sustainability, SSS, FMP)
2	Bike Lane Program Coordination
3	Disposal of surplus property
4	Energy Analysis
5	Energy Systems Commissioning and Support
6	Energy Management Program Support
7	Energy Grants, incentives, and other funding partnerships with project work
8	IEQ Coordination and Consultation
9	College-Wide Sustainability Institute and Program Development
10	Transporation Fund Coordination
11	Hazardous Waste Coordination and Disposal
12	Bio-Diesel Lab program support
13	Sustainability Committee Coordination
14	Climate Action Plan Strategy Development
Additional Services Provided on a Charge-Back or Pre-Funded Basis	
1	IEQ remediation
2	Minor remodeling projects (<$100,000)
3	Purchase and Installation of bulletin boards, chalkboards, and shelving in department space
4	Special lock and key work such as rekeying
5	Work connected with a special event, such as setup, tear-down, and cleaning.
6	Assembly and repair of furniture
7	Custom furniture and casework
8	Motor pool rentals and leases
9	Preventative maintenance and repair of fleet vehicles
10	Maintenance of items or equipment not owned by LCC.
11	Discretionary replacements or maintenance work (before the normal life expectancy)
12	Any work performed for an enterprise fund (Laundry, CML, Bookstore, PE Fields, Longhouse, Other)
13	Warehouse storage (if space is not available on existing college property or within existing college storage spaces)
14	Chair and table rental
15	Moving and hauling services
16	Special pickup and deliveries
17	Custodial cleaning during and/or after an event
18	ADA Improvements (>$25,000 per year)
19	Other non-maintenance services as required
20	Improvements to enterprise fund facilities, outdoor spaces, (example: resurface track/infields, soccer field)
21	Work Requests that are not covered in the "normal services" section above.
Last revised: 05/20/2013	