Finance/Facilities Committee


Absent: Eleanor Baker, Angela Faherty, Benjamin Goodman, and Tamera Grieshaber.

Trustee Fournier, Chair, called the meeting to order and welcomed everyone.

**Energy Upgrades in Bailey Hall - USM.** Trustee Fournier explained the proposal from USM for Board approval for the expenditure of $800,000 to upgrade and replace building energy systems in Bailey Hall located on the Gorham campus to improve long term energy efficiency and enhance the learning environment. The source of funding is from the General Obligation bonds approved by Maine voters in June 2010.

The project consist of replacement of classroom and faculty offices unit ventilators; replace, refurbish and upgrade air handler units in the 1968 wing and lecture hall; mechanical equipment room upgrades to include the Building Automation System Direct Digital Controls; replace motors and lighting systems with currently available high efficiency components; and installation of automated energy management measuring and monitoring systems. These upgrades will enable USM to improve energy efficiency and be able to monitor the effect of the upgrades to ensure maximum return on investment through reduced operating costs.

On a motion by Trustee Murphy, which was seconded by Trustee Wishcamper, the Committee agreed to forward the recommendation to the Consent Agenda.

**Energy Upgrades in Science Building - USM.** Trustee Fournier explained the USM request for Board approval for the expenditure of $700,000 to upgrade and replace building energy systems in the Science Building located on the Portland campus to improve the building’s long term energy efficiency. The source of funding is from the General Obligation bonds approved by Maine voters in June 2010.

The project consists of replacement and/or refurbishment of classroom and faculty and staff office unit ventilators; replace inefficient chillers on Science A-wing with high efficiency chillers; mechanical equipment room upgrades to include the Building Automation System Direct Digital Controls; refurbish and upgrade air handler units and actuators, high efficiency motors, variable speed controllers and direct digital controls; replace the deteriorated roofs on the A-Wing; replace selected motors and lighting systems with currently available high efficiency components; and installation of automated energy management measuring and monitoring systems.
systems. These upgrades will enable USM to improve energy efficiency and be able to monitor the effect of the upgrades to ensure maximum return on investment through reduced operating costs.

On a motion by Trustee Hood, which was seconded by Trustee Mitchell, the Committee agreed to forward the recommendation to the Consent Agenda.

**Energy Upgrades in Luther Bonney Hall - USM.** Trustee Fournier explained the proposal from USM for Board approval for the expenditure of $875,000 to upgrade and replace building energy systems in Luther Bonney Hall located on the Portland campus to improve the building’s long term energy efficiency. The source of funding is from the General Obligation bonds approved by Maine voters in June 2010.

The project consists of replacement and/or refurbishment of the building air handling units on the computer lab and tower sections to include new actuators, high efficiency motors, variable speed drives and DDC controls; replacement and/or refurbishment of classroom and faculty and staff office unit ventilators; mechanical equipment room upgrades to include the Building Automation System Direct Digital Controls; install new ductwork and rezone distribution to match building usage; replace selected motors and lighting systems with currently available high efficiency components; and installation of automated energy management measuring and monitoring systems. These upgrades will enable USM to improve energy efficiency and be able to monitor the effect of the upgrades to ensure maximum return on investment through reduced operating costs.

On a motion by Trustee Hood, which was seconded by Trustee Murphy, the Committee agreed to forward the recommendation to the Consent Agenda.

**Financial Update.** Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, distributed the performance report for the Managed Investment Pool (including Endowments), the Pension Fund and the Operating Cash Fund. The Managed Investment Pool has increased by 11.4% for the fiscal year as of November 30, 2010 with a market value of $164 million. The Pension Fund has increased by 11.2% for the fiscal year as of November 30, 2010 with a market value of $44.5 million. The Operating Cash Fund increased 2.3% for the fiscal year as of November 30, 2010.

The next financial forecast for the current fiscal year is scheduled for the March Board meeting and will be current as of the end of February 2011. The budgets for fiscal year 2012 will be reviewed at the May Board meeting.

**Capital Facilities Renewal Analysis.** Trustee Fournier explained that one of the goals of New Challenges, New Directions is to reach full funding of deferred maintenance and generate a capital facilities renewal plan. In an attempt to measure, monitor, and benchmark facilities capital efforts, the UMS Shared Services Advisory Council agreed to expand a UM contract with Sightlines, LLC to evaluate all campuses in the System. Sightlines spent the last six months mining university data from the last five fiscal years, meeting with campuses, and independently verifying data to develop its Return on Physical Assets (ROPA) Analysis to measure capital investment needs and successes. It has been providing UM with ROPA analysis for the last three years, assisting them in identifying facilities management strengths and opportunities for improvement and investment.
The primary goal of this project is to help University leadership and State decision-makers determine the “right amount” of capital appropriations needed to keep facilities in good condition and to catch up on the long-term backlog of repair and modernization.

The information is accessible on a website both for individual campuses and the System. An annual collection and review of data is performed and performance measures are updated. The annual reports provide performance trends that allow the assessment of impacts of management decisions such as strategic reinvestment or changes in operational approaches to maintaining buildings.

Mr. Jim Kadamus from Sightlines, LLC presented the report findings as summarized below:

- 68% of the UMS space is over 25 years old, which is a time at which critical building renewal needs come due and capital investment is needed.
- Annual stewardship funding has been insufficient to meet Sightlines recommended investment targets across the System. One-time infusions of capital have been inadequate to make up for annual shortfall and growing backlog of renewal needs.
- UMS has a solid operations metrics, generally satisfied customers, and strong energy management indicating the effectiveness of campus facilities staff despite limited funds and a generally inadequate service process.
- The total project spending from State appropriations, revenue/State bonds, gifts/grants, reserves, and funded depreciation from FY2006 through FY2010 is $253 million.
- UMS average annual capital investment on existing space is $2.13 per square foot and the Sightlines database for public universities annual average if $4.31 per square foot.
- The current replacement value for UMS buildings is $2.2 billion.
- UMS has not been able to meet the annual funding target for capital investments in four of the last five years. The one year when the target was met was a direct result of voter supported State bonding for renovations.
- The total UMS backlog of reinvestment is between $70 to $92 per square foot or $680 to $720 million to renew and modernize all existing facilities. The maintenance backlog to only repair the most critical capital renewal needs in existing facilities would be $40 to $45 per square foot or $350 to $400 million.
- The UMS FY2010 Facilities operating budget is $1.14 per square foot higher than the Sightlines public universities database. This could be partly due to higher regional energy costs and the extra upkeep of building systems beyond their useful life. It costs the UMS $4.48 per square foot to daily maintain the facilities compared to $4.10 per square foot for the public universities database. This is a result of not enough funding for capital reinvestments.
- The UMS achieved approximately $3.2 million of energy savings in FY2010 due to reduction in both unit costs and consumption.

The key recommendations and next steps outlined in the Sightlines report include the following:

- Develop an annual investment strategy.
- A portion of the annual investment should continue to come from the campus operating budgets.
- Update/expand the database of deferred maintenance projects.
• Develop a request for capital funding that targets priority projects that will raise the overall Net Asset Value of campuses and a capital allocation for existing space of $40 to $50 million per year over the next five years.
• Limit funding for new space unless the space is replacing obsolete buildings with significant reliability problems.
• Modernize the Integrated Work Management System to improve effectiveness of facilities operations.
• Develop a comprehensive energy plan to identify and implement campus projects that will provide additional energy savings.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk