University of Maine System
Board of Trustees

AGENDA ITEM SUMMARY

NAME OF ITEM: Gordian FY24 Analysis

CAMPUS PRESENTER: Victoria Vasile, Gordian

INITIATED BY: Roger J. Katz, Chair

BOARD INFORMATION: X   **BOARD ACTION:**

BOARD POLICY: 701 Budgets – Operating & Capital

UNIFIED ACCREDITATION CONNECTION:
Standard 7 – Physical Resources

UMS STRATEGIC PLAN CONNECTION:
          Commitment 2 Goal 3.2 – Identify efficiencies in infrastructure
          Commitment 2 Goal 1.1 – Physical plant needs
          Commitment 5 Goal 3.4 – Address facility planning goals

BACKGROUND:
Gordian will present its annual facilities benchmarking and analysis of the University of Maine System facilities and facility management operations. While the entire slide deck is attached for the Trustees, in the interest of time, only selected starred slides will be reviewed during the live presentation. The slide numbers referenced below are the slide numbering sequence of the Gordian slide deck.

<u>Executive Summary</u>

Gordian's report covers several key metrics designed to model the condition and use of UMS facilities, specifically density, facility age, and net asset value (NAV). While the continued downward trend in density and NAV suggest that a relook of the metrics and trustee established goals may be warranted, it is important to remember that these are models are designed to assist decision makers and may not be fully representative of the reality on each campus. A notable change this year is the development of the "current NAV" that removes the 10-year forward-looking investment need to represent current facility conditions more accurately.   Despite the trends in these metrics, there are several success stories interwoven in the presentation that provide concrete examples of work being done by the universities to improve their facilities and infrastructure.

<u>Density</u>: A key metric formally adopted by Trustees – density, is a measure of the intensity or efficiency of the use of our space based on the total gross square footage. This year, rather than using all student FTEs to measure density, only in-person FTEs were used to more accurately capture facility use. This caused a downward adjustment of the metric as online student FTEs

were removed. The resulting calculation shows that total student FTEs have declined 17% since FY16, while in-person FTEs have declined 48% as online learning continues to grow (slide 7). To understand how effectively each facility is being used, a more detailed space utilization analysis is needed, but without either significant facility divestment or growth of in-person students, it is anticipated that density will continue to decline.

UMS will grow in square footage as new owned (Crewe Center for the Arts and GEM) and leased facilities (300 Fore St, 7 Custom House, and the Marketplace) come online, while the shift from in-person to online learning will likely continue with the strategic plan directing the number of fully online programs to double by 2028. However, these projected changes provide opportunities, especially when considered within a larger campus utilization study. As programs moved into the new owned or leased space, the areas vacated provide the university a chance to consolidate, adapt facility use to meet student needs or take the old space offline.

Facility Age: Beyond density, the Gordian data continues to reflect an aging facility portfolio. More than half of all University space has reached a renovation age of 50 years old or older, far exceeding our peers, and is on pace to grow to 57 percent by FY29 (slide 15). Some of the oldest facilities across the system are residence halls, with 69% of this space exceeding 50 years of age (slide 14). Facility age is difficult to reset because it requires a significant investment of over 50% of the building's replacement cost within a 3-year period. USM's new residence hall highlights how a new facility can shift the composite age in a portfolio (slide 18), while ongoing residence hall improvements at UMF and UMPI illustrate how investments can improve the NAV and student experience, but not the renovation age.

Net Asset Value: Net Asset Value (NAV) provides a model for, but is not a perfect reflection of, the overall condition of UMS facilities. To improve the correlation of NAV to facility condition, Gordian created a new NAV measure that solely focuses on current need (deferred maintenance) by removing the 10-year projected need from the calculation in order to provide a better approximation of current facility conditions (slide 30). Our composite total NAV continues to decline, but that rate has slowed with recent investments (slide 32). Historically, UMS's investment in existing facilities has only reached 59% Gordian targets, with the subsequent funding gap resulting in falling NAVs and a growing deferred maintenance backlog (slide 25). In FY24, UMS spending towards existing facilities reached 74% (slide 23), bringing UMS above the higher education database level for the year (slide 25).

There are several examples of initiatives underway to reverse this trend as highlighted on slides 31-34. UMF's ESCO project is having a campus-wide impact on NAV (slide 33), and investments by UMA and UMPI have exceeded Gordian's targets, resulting in higher NAVs in FY24 (slides 31 and 34). If the FY25-FY30 capital plan is executed as developed, then UMS should see an increase in NAV and a decrease in deferred maintenance over the next several years (slide 24).

Operational Effectiveness: Beyond capital expenditures, facility operations can have a direct impact on NAV and deferred maintenance. The Gordian report highlights how facility personnel are taking care of more square footage with fewer personnel and fewer inflation adjusted dollars (slides 44 and 45). At the same time, pay has failed to keep up with inflation (slide 39), contributing to the ongoing hiring and retention challenges.

Attachment
Godian UMS Presentation