



UNIVERSITY
of ALASKA
Many Traditions One Alaska

FY2013 ROPA Presentation

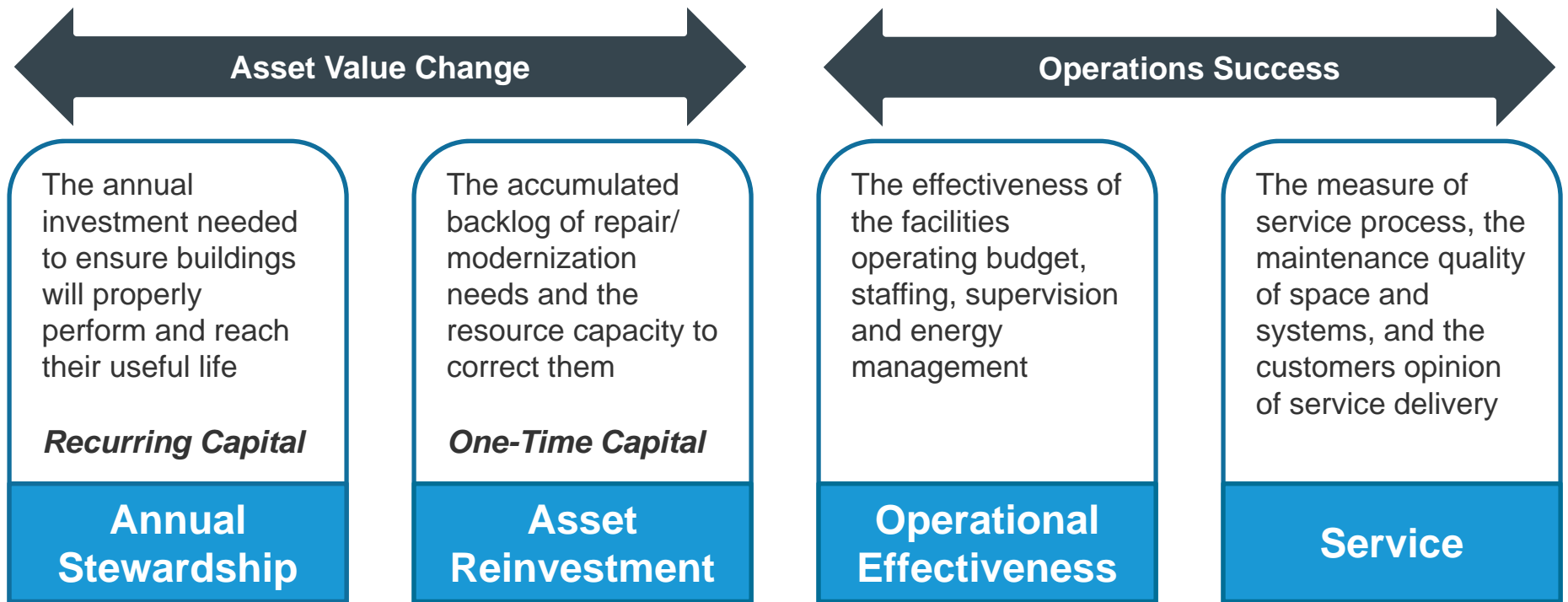
University of Alaska System

A vocabulary for measurement



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The Return on Physical Assets – ROPASM



System Comparisons			
Connecticut	Maine	Mississippi	Missouri
New Hampshire	Oregon	Pennsylvania	

Summary of main points

University of Alaska System



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Campus & regional characteristics are demanding

- A combination of factors make both operational and capital management of facilities at UA System more difficult:
 - Complex building systems – impact maintenance coverage, skill mix, and cost
 - High building intensity – more buildings to tend to and different types, also impacts maintenance coverage, skill mix, and costs
 - High cost – regional costs means dollars don't go as far as they do for peers

Higher levels of daily service compensate for campus demands

- Facilities' operating budget has grown more quickly than peers
- UA System's maintenance and custodial departments are covering more buildings than peers and has increased coverage by over 15% in the last 3 years
- Customer satisfaction survey highlights improvements & opportunities

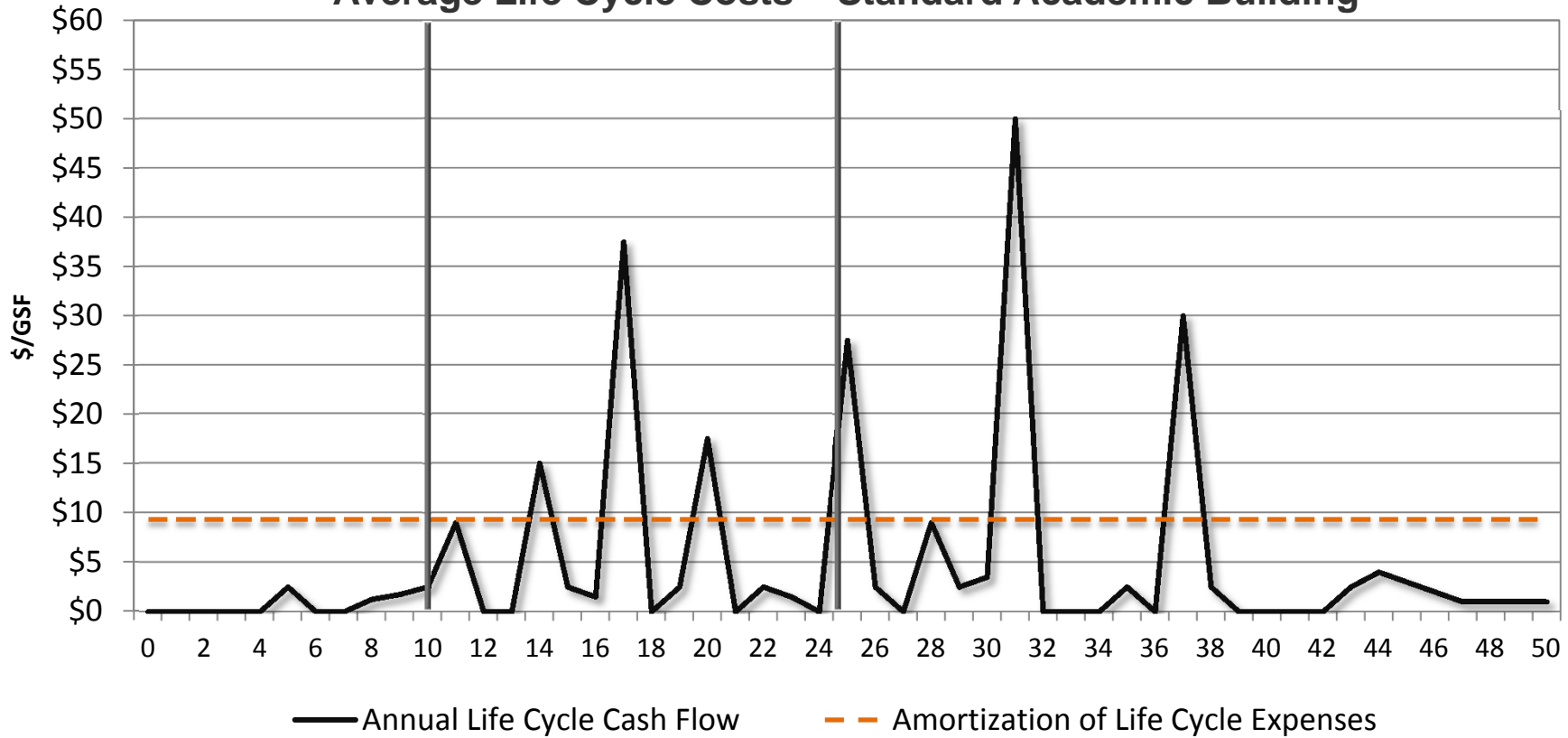
Rising investments, closing the target gap

- Stronger investments into existing facilities has primarily come from one-time sources of capital and has helped narrow the gap between targets
- Upcoming renewal needs are expected to be greater than the historical recurring capital levels, furthering the importance of continued campus reinvestment

Majority of space in high-need category



Average Life Cycle Costs – Standard Academic Building



Under 10
19%

10 – 25 Years
21%

25-50 Years
51%

Over 50
9%

* Life cycle costs based on the average tech 3 academic space.

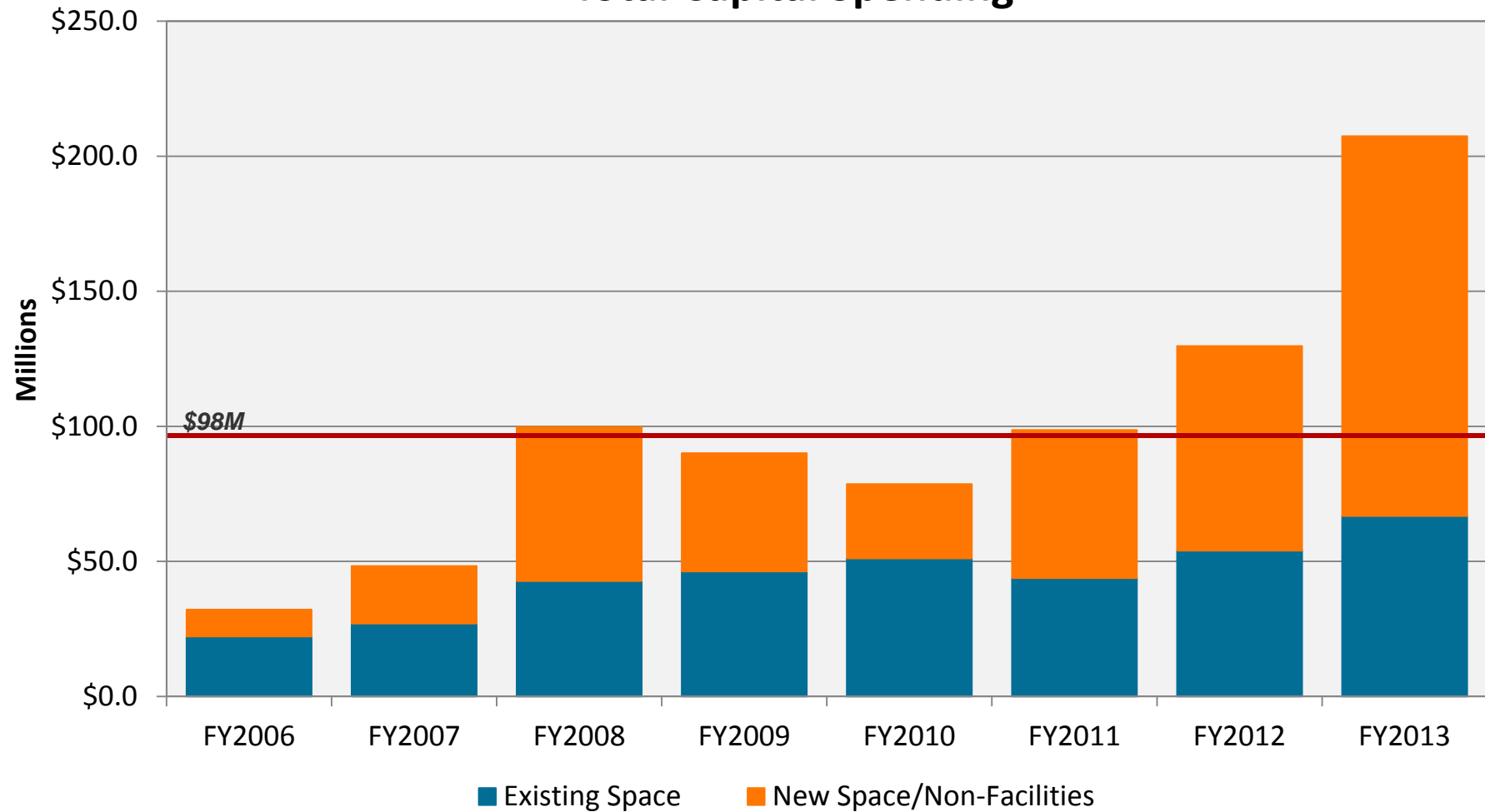
Total capital spending

Heavier recent investment in new construction



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Total Capital Spending*

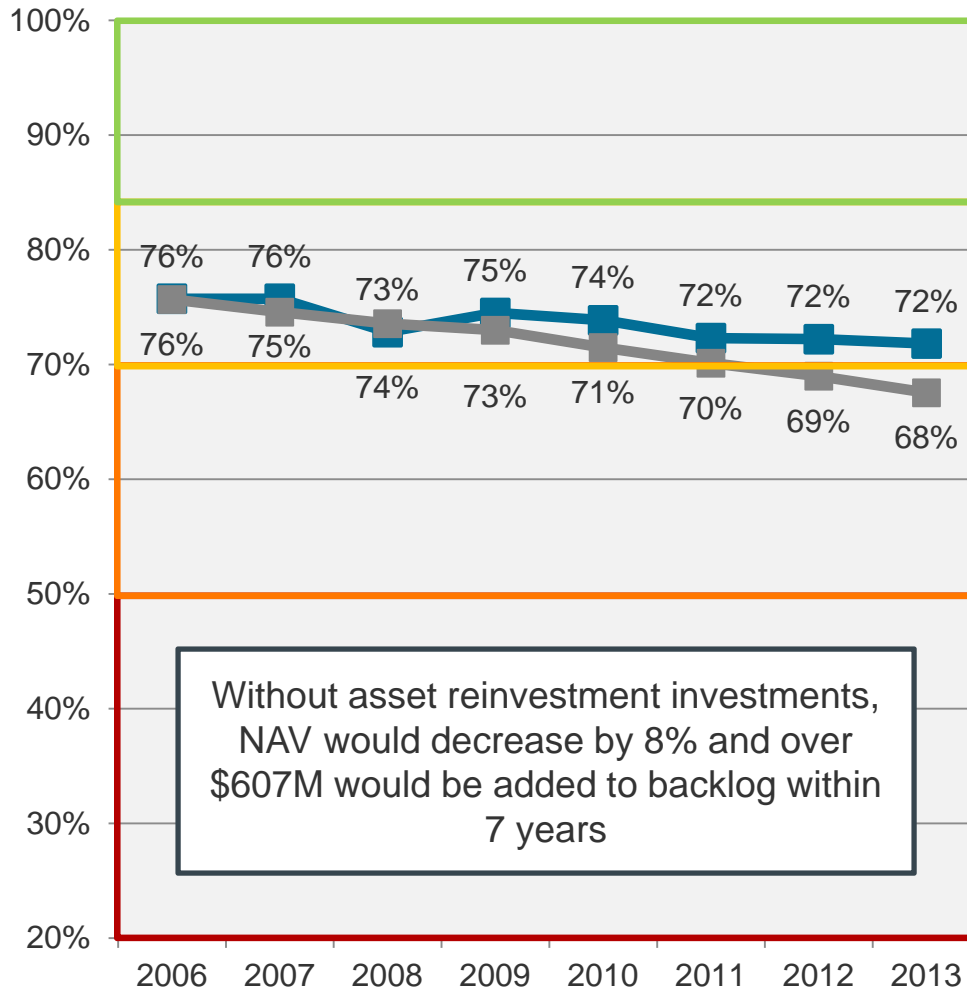


NAV index steady with increased investment



System is nearing Systemic Renovation Stage

NAV Index



Capital Upkeep Stage: Primarily new or recently renovated buildings with minor capital needs; "You pick the projects"

Repair & Maintain Stage: Buildings beginning to show their age, may require more significant investment on a case-by-case basis

Systemic Renovation Stage: Buildings require more significant repairs and large capital infusions; "The projects pick you"

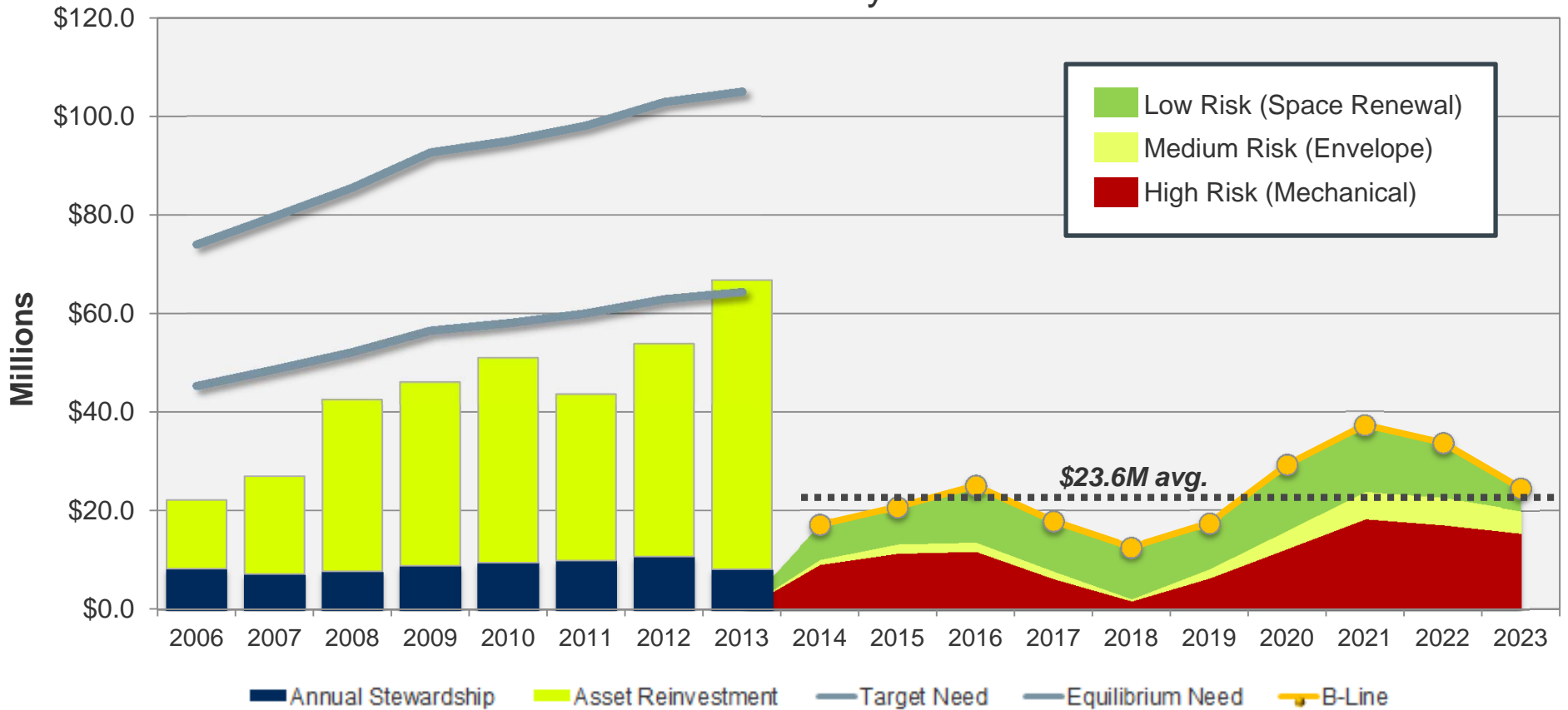
Transitional/Gut Renovation/Demo Stage: Major buildings components are in jeopardy of failure. Reliability issues are widespread throughout the building

■ UA System NAV ■ UA System NAV w/o AR

ROPA+ prediction model

10 year total renewal need: \$235.7M; annual deferral

UA System ROPA+ Prediction Model 10 years



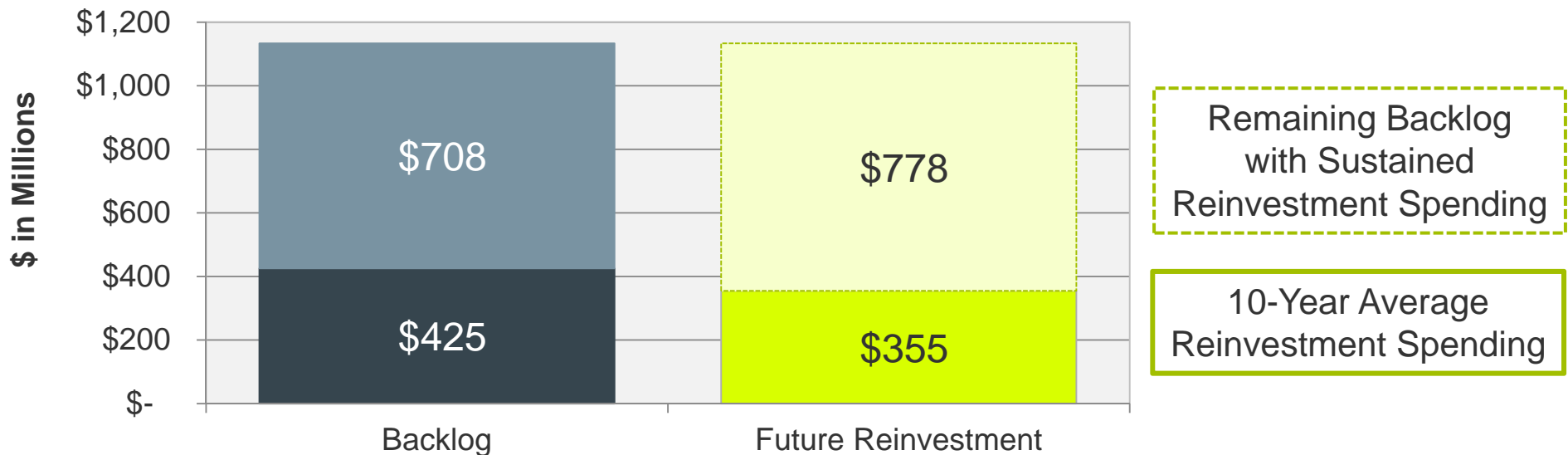
*B-Line does not reflect existing deferred maintenance, utility & grounds infrastructure needs or upcoming modernization need

Key Takeaway #2

The UA System already has an estimated \$1.13B in deferred maintenance, infrastructure, and modernization backlog:

- \$425M of deferred maintenance identified through ROPA+ analysis
- Estimated \$708M backlog in campus infrastructure and modernization

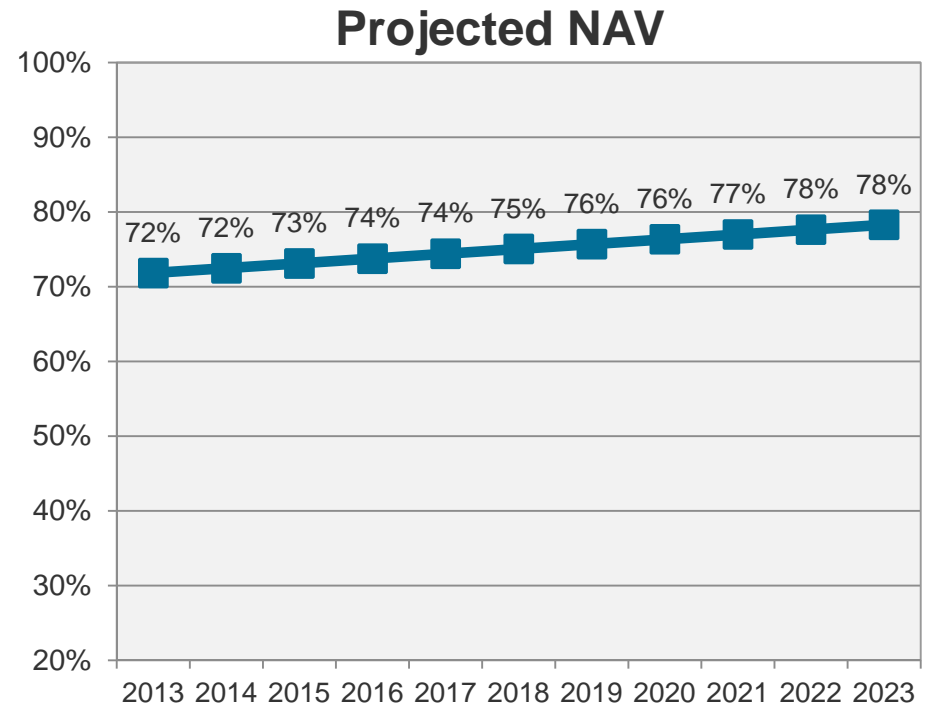
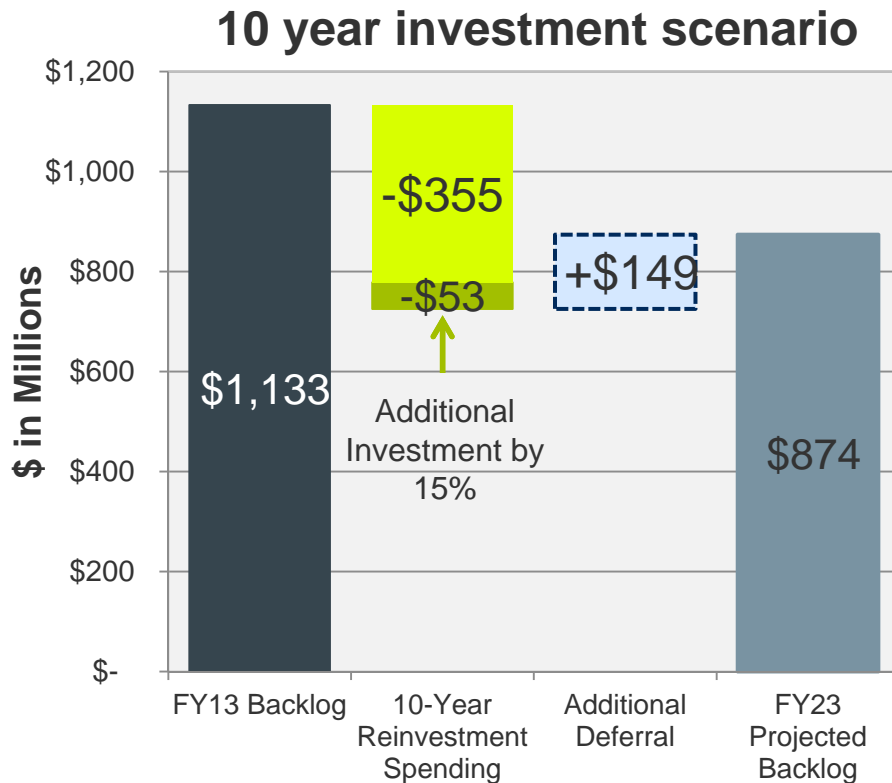
Over the past 8 years, the UA System has invested an average of \$35.5M into the existing facilities. If the historic investment trend continues over the next 10 years the total expected investment would be \$355M, roughly \$778M less than the existing backlog of deferred maintenance and modernization need.



Key Takeaway #3



If reinvestment investments increased by 15% over the next ten years, UA system would be able to invest approximately \$408M into deferred maintenance, infrastructure, and modernization needs. Increase in overall investment results to a rising NAV by 6%.



Key Takeaway #5

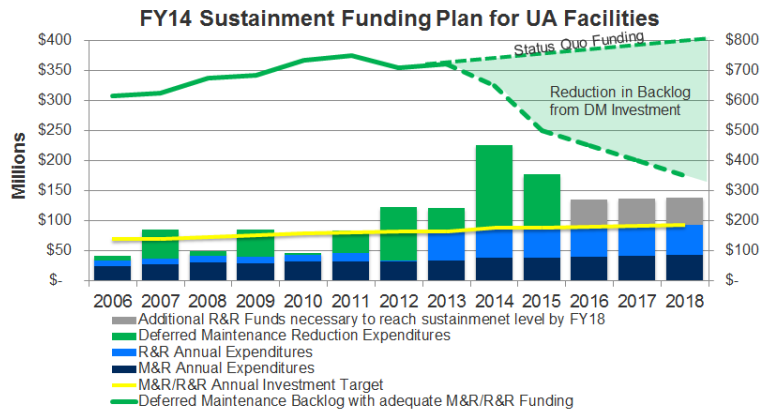


Continue to communicate strategic plans, such as the Investment Quadrant Chart, University Building Fund, and Sustainability Funding Plan to each campus to aid in projecting upcoming needs and capital planning.

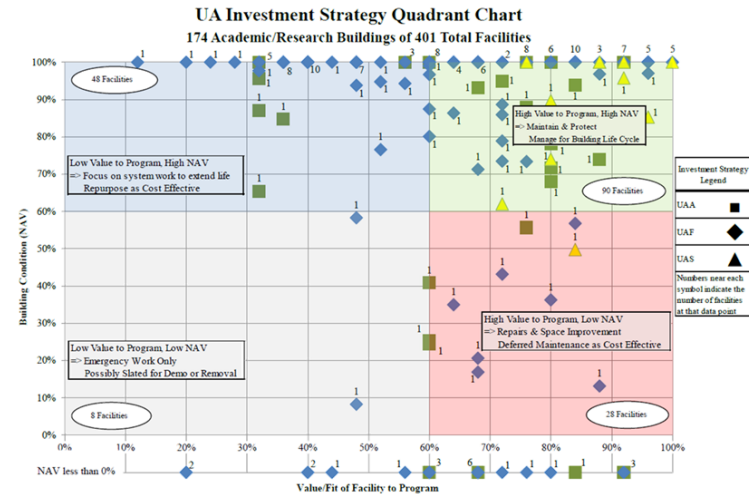
FY12 Recommendation #1



Continue to complete the Investment Strategy Building Chart to incorporate plans for future budgets. Putting a strategy in place will help reach the goal to decrease the DM&R



FY12 Recommendation



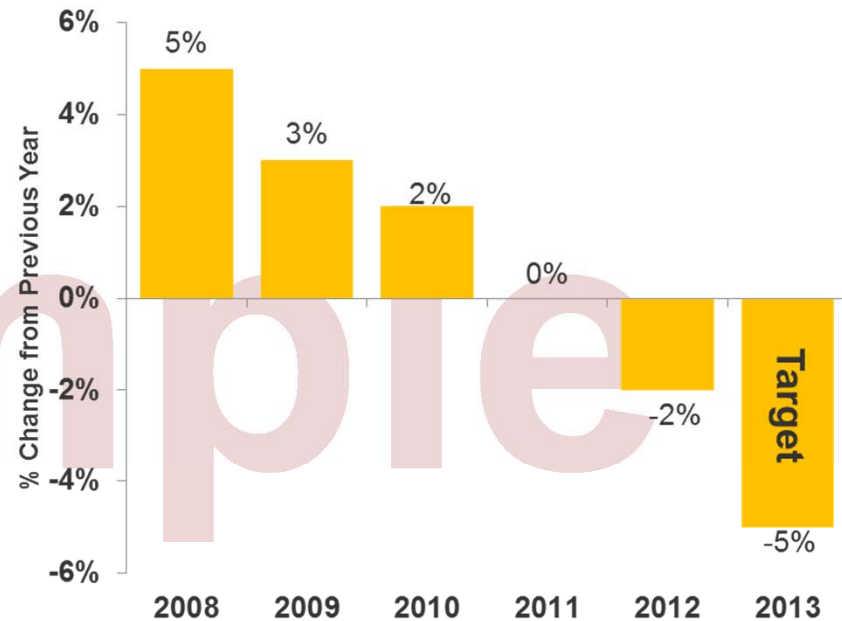
Key Takeaway #6



Identify key metrics for monitoring performance toward future goals. The upcoming detailed analysis of the customer satisfaction survey could identify some areas for improvement.

Sample Performance Dashboards	Goal
Capital Investment <i>(% Invested in Envelope/Mechanical)</i>	+5%
Change in Energy Consumption <i>(% Change in total BTU's/GSF)</i>	-5%
Operating Budget <i>(% difference budget vs. actual)</i>	+/- 1%
Planned Maintenance <i>(% of facilities operating budget)</i>	8%

ROPA+ Performance



Campus selects from over 50 performance metrics and identifies targeted goals moving forward.