TOPIC:

Plant Operation and Maintenance Charges

CONTEXT:
Consistent with the principles of budget restructuring, the cost of utilities, maintenance, and a basic level of custodial services are allocated on a uniform campus-wide average across general funds and earnings unit space. Units can choose to voluntarily contract for higher levels of service.

For FY 08, the maintenance and renewal rate has increased from $0.19 per assigned square foot to $0.25 per ASF.

Colleges and support units have been responsible for increases in physical plant costs and credited with costs of vacated space since FY 03.

In FY 08, colleges and support units will be:

- Charged an inflationary increase on space assigned to them prior to January 1, 2006 and charged the full physical plant rate for space assigned to them between January 1 and December 31, 2006.
- Credited with the costs associated with the physical plant for space vacated by the unit between January 1 and December 31, 2006.

Cost allocations are adjusted at the close of the FY to reflect changes in the units’ space assignments through mid-FY.

The biggest impact to the FY 08 costs are the number of new facilities that opened in FY 07. These facilities include Parker Food Science, Campus Shop Building, Fry Hall Addition, Scott Mechanical Engineering Building and the Biomedical Research Tower (BRT). Units assigned space in these buildings paid cash in FY 07 based on the date FOD services began and will be assessed annual rate in FY 08. Also taken into consideration was the closing of the Main Library. These costs were moved out of the PPA assessment. Please see Attachment A for details.
As recommended by Senate Fiscal Committee, Resource Planning analyzed the cost impact of the opening of the BRT to determine if the estimated maintenance and/or utility costs exceed the university’s rate by more than 10%, which would initiate a recommendation to implement a surcharge for the BRT. Based on this analysis, no surcharge is needed for utilities, but a surcharge is needed for maintenance costs for FY 08. This need for a surcharge will be reviewed in FY 09. Please see Attachment B for details.

RECOMMENDATIONS:
The FY 08 university-wide average physical plant assessment is calculated to be $13.56 per assignable square foot. This is a 9.7% increase over FY 07 including the maintenance and renewal allocation.

Last year the rates increased 17.6%, due to the higher than usual increase in utilities costs. Please see Attachment C for details.

A maintenance surcharge should be implemented for the BRT due to the significant rate differential for the BRT.

ISSUES:
- Is there more that can be done to increase conservation or lower costs for utilities, given the volatility of utility costs?
- Are there unintended consequences from the implementation of this proposed increase?
- Who else should be consulted before the FY 08 rate is approved?
- Should the inflationary cost on existing space continue to be funded at the 75% rate?
- Will the addition of new facilities over the course of the next several years in conjunction with little or no subsidy or tuition increases be sustainable?