



TO: Richard Dietrich, Chair, Senate Fiscal Committee

FROM: Bruce A. McPheron, Executive Vice President and Provost 
Geoff Chatas, Senior Vice President for Business and Finance/CFO 

SUBJECT: **POM Rates for FY 2018 Approval**

Date: April 3, 2017

After discussing the recommended proposal for the POM Rates for FY 2018, we have approved the rate proposal of \$16.08, foregoing the surcharge on CBEC and additional surcharge on RPAC.

However, we will forgo any reduction to the utility reserve at this time other than utilization of \$1,000,000 the President's and Provost's Sustainability Council fund.

If you have any questions, please contact Scott Klute at klute.6@osu.edu.

cc: Kris Devine
Brad Harris
Scott Klute
Tom Ewing
Senate Fiscal Committee



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March 24, 2017

TO: Bruce McPheron, Executive Vice President and Provost
Geoff Chatas, Senior Vice President and CFO

FROM: Dick Dietrich, Chair *DRD*
Senate Fiscal Committee, 2016-2017

Subject: Recommended POM Rates for FY 2018

Please find attached the Senate Fiscal Committee's (SFC) recommendations for POM Rates for FY 2018 for your review and approval. The recommendations were discussed by the College Finance Subcommittee (CFS) on February 28, 2017 and March 14, 2017. SFC discussed the CFS recommendations at its March 21, 2017 meeting. SFC adopted the recommendations with amendments and recommends POM rates, and related actions, for FY 2018 as described on the next page.

Please contact me if you have any questions about these recommendations.

c: Scott Klute
Lynn Readey
Kristany Berger
Senate Fiscal Committee

**Recommendations from College Finance Subcommittee
As Amended and Approved by Senate Fiscal Committee
Proposed Plant Operations and Maintenance (POM) Allocation Rate for FY2018**

1. Set the FY2018 POM rate to be \$16.08/ASF (as detailed on the attached schedule), based on the FY2017 rate with the changes based on anticipated FY2018 rate changes and:
 - Non-Actionable Safety-Related Base Increases
 - Utilities Safety Costs - increased water testing - \$50k
 - Maintenance – Elevator Contracts - \$320k
 - Actionable Base Increases
 - Utilities - Chilled Water Operations Funding - \$100k
 - Maintenance - ADA Accommodations Funding - \$250k
 - Preventative Maintenance – Final increase to \$0.75/ASF from \$0.60/ASF - \$1.05m.
2. Defer action on additional utilities surcharges (e.g., for CBEC) while the comprehensive energy management project is under consideration. (See also recommendation 6 below.)
3. At end of FY2018, transfer \$1M as cash from utilities reserve to the President & Provost’s Sustainability Council fund.
4. At end of FY2018, transfer any surplus from the utilities reconciliation as cash to the preventative maintenance pool.
5. The utility reserve balance should remain at 33% of the three year average net utility costs. Any excess at the end of FY2018 should be transferred as cash to the repair & renovation program in the maintenance pool.
6. In Autumn 2018, CFS should review and update recommendations made in 2012 by the College Distribution Subcommittee (that is now the College Finance Subcommittee) with the intent to provide follow-through on the original recommendations. Below is a summary of the 2012 CDS report:

In May 2012, CDS issued recommendations on POM and energy conservation funding mechanism. Based on our recollection/records, none of the recommendations were implemented. Recommendations were:

- 1) FOD, in consultation with OEE, creates a prioritized list of energy conservation projects in buildings funded by POM yielding the greatest return on investment to be presented to and approved by the IPPLG;
- 2) B&F create a seed fund from the Utility Reserve surplus with purpose of funding the projects identified by the IPPLG according to recommendation #1. Any energy savings from projects funded should first be used to repay this fund, after which the savings will be used to reduce the POM rate;
- 3) FOD completes the project metering all utilities at the building level as quickly as possible. Funds from the Utility Reserve should be used for this purpose first, with any remaining reduction going into the seed fund;
- 4) FOD and B&F aggressively pursue available state level capital improvement resources for energy conservation projects;
- 5) CDS review the current “Additional Utility Surcharge Policy” and the POM rate reduction policy in its entirety.

			Total Proposed Rate			
	FY17 Funding	Rate	Budgeted \$	Marginal Change	Rate Margin	Rate
Utilities						
Utilities Revenues						
Heat/Power	(37,542)	(5.00)	(37,579)	(37)	(0.01)	(5.01)
Water	(3,739)	(0.50)	(4,222)	(483)	(0.07)	(0.57)
RPAC Complex Surcharge	(530)	(0.07)	(530)	-	-	(0.07)
BRT Surcharge	(1,272)	(0.18)	(1,272)	-	-	(0.18)
CBEC Surcharge	-	-	-	-	-	-
Subtotal Utilities Revenue	(43,083)	(5.75)	(43,602)	(519)	(0.08)	(5.83)
Utilities Costs						
Gas/Fuel Oil	10,515	1.38	11,831	1,316	0.18	1.56
Metering/Equipment	580	0.08	580	-	-	0.08
Purchased Power	45,900	6.12	41,303	(4,597)	(0.65)	5.47
Water & Sewerage	10,539	1.41	11,353	814	0.11	1.52
Utility Rate Smoothing	3,200	0.44	3,200	-	-	0.44
Utilities Chemicals	373	0.03	285	(88)	(0.01)	0.02
Utilities Repair & Renovation	634	0.08	660	26	-	0.08
Utilities Safety	250	0.03	300	50	0.01	0.04
Utilities Debt Service	33,310	4.45	33,310	-	-	4.45
Utilities Operations	6,423	0.94	6,682	259	0.03	0.97
Utilities 5%	271	0.03	271	-	-	0.03
Subtotal Utilities Costs	111,995	14.99	109,775	(2,220)	(0.33)	14.66
Net Utilities	68,912	9.24	66,173	(2,739)	(0.41)	8.83
ASF				7,114,169		
Maintenance						
Maintenance Operations	22,226	2.53	22,648	422	0.05	2.58
Maintenance 5%	1,676	0.19	1,676	-	-	0.19
Repair & Renovation	8,557	1.00	8,807	250	0.03	1.03
Total Maintenance	32,459	3.72	33,131	672	0.08	3.80
ASF				7,563,756		
Custodial						
Contract Services	7,766	1.20	7,553	0	-	1.20
Custodial Operations	8,230	1.28	8,659	216	0.03	1.31
Custodial 5%	1,143	0.18	1,143	-	-	0.18
Total Custodial	17,139	2.66	17,355	216	0.03	2.69
ASF				6,338,321		
Maintenance/Renewal Endowment						
Maintenance/Renewal Endowment	75	0.01	75	-	-	0.01
ASF				6,950,682		
Preventative Maintenance						
Preventative Maintenance	4,485	0.60	5,535	1,050	0.15	0.75
ASF				6,950,682		
Total	123,070	16.23	122,269	(801)	(0.15)	16.08
						-0.9%