A vocabulary for measurement

The Return on Physical Assets – ROPA™

**Asset Value Change**
- **Recurring Capital**
  - The annual investment needed to ensure buildings will properly perform and reach their useful life
- **One-Time Capital**
  - The accumulated backlog of repair/modernization needs and the resource capacity to correct them

**Operations Success**
- **Annual Stewardship**
- **Asset Reinvestment**
- **Operational Effectiveness**
  - The effectiveness of the facilities operating budget, staffing, supervision and energy management
- **Service**
  - The measure of service process, the maintenance quality of space and systems, and the customers' opinion of service delivery

**System Comparisons**

<table>
<thead>
<tr>
<th>Connecticut</th>
<th>Maine</th>
<th>Mississippi</th>
<th>Missouri</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Hampshire</td>
<td>Oregon</td>
<td>Pennsylvania</td>
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</tbody>
</table>
Summary of main points

University of Alaska System

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

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

Heavier recent investment in new construction

Total Capital Spending*

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
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<tbody>
<tr>
<td>FY2006</td>
<td>$0.0</td>
</tr>
<tr>
<td>FY2007</td>
<td>$0.0</td>
</tr>
<tr>
<td>FY2008</td>
<td>$100.0</td>
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<tr>
<td>FY2009</td>
<td>$150.0</td>
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<tr>
<td>FY2010</td>
<td>$200.0</td>
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<tr>
<td>FY2011</td>
<td>$250.0</td>
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<tr>
<td>FY2012</td>
<td>$50.0</td>
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<tr>
<td>FY2013</td>
<td>$200.0</td>
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</tbody>
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$98M

*Existing Space: $50M
New Space/Non-Facilities: $48M
NAV index steadying 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

Without asset reinvestment investments, NAV would decrease by 8% and over $607M would be added to backlog within 7 years
ROPA+ prediction model

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

UA System ROPA+ Prediction Model
10 years

Low Risk (Space Renewal)
Medium Risk (Envelope)
High Risk (Mechanical)

*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.
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.

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

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