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A Facilities Framework for the Small Campus

OPERATIONAL PLANNING STRATEGIES TO HELP SMALL CAMPUSES CREATE LONG-TERM FINANCIAL SUSTAINABILITY

Introduction

Higher education institutions around the country are facing an entirely more complex set of competitive challenges than they've ever dealt with before. From the increasing threat of online schools to more active recruiting from vocational schools and trades, fears around international recruitment and a new generation wary of higher education after having seen peers graduate following the Recession with high debt and few opportunities, colleges and universities are being pushed to find new ways to attract students. And even as all of these competitive factors are increasing, the pool of potential applicants continues to decline.

While the rate of high school graduation is increasing, the overall number of high school graduates is declining nationwide. With some regional exceptions, this rate is projected to continue to drop over the next ten years, according to a 2017 report from *The Chronicle of Higher Education 2017 The Future of College Enrollment*.[1] The Chronicle of Higher Education further notes the percentage of high school graduates will increasingly include Hispanic/Latino, Black, low-income, and first-to-college students, and schools will be tasked with finding new ways to attract and graduate these demographics.

Among four-year colleges, those schools with a student body of 3,000 or fewer are expected to be hardest hit by competitive forces and shifting demographics. While these smaller institutions are facing all the same challenges as their larger counterparts, they're pushed to maintain necessary enrollment levels with fewer available resources. Smaller schools have always been faced with doing more with less, but this tall order is increasingly taking its toll.

A Council of Independent Colleges report found private colleges with fewer than 1,000 students enrolled consistently have weaker financial performance than their larger peers, through good times and bad.[2] Moreover, data from Inside Higher Education and Gallup in early 2017 showed only 51 percent of finance officers at small, nonprofit institutions believed their campuses to be financially stable, a significant decrease from 65 percent in 2016. Finally, Moody's data indicates more than 33 percent of colleges with fully enrolled student bodies below 3,000 had budgetary deficits in 2016, up from 20 percent in 2013.[3]

Because these smaller institutions don't have the same sources of revenue as larger colleges and universities, there exists a much smaller margin of error for every decision made. Sound decision-making, based on solid data about campus performance and future enrollment projections, is absolutely critical for maintaining long-term sustainability.

Too often when faced with these challenges, schools respond by adding new space and new programs as a recruiting tool, believing they are setting the stage to compete more effectively with larger competitors. Long-term, however, this solution is rarely sustainable, particularly as enrollment numbers continue to decline or stay flat. Ultimately this solution only makes for a larger future problem. But if small colleges make proactive operational changes now, they can prevent the need to make more drastic changes in the future. By basing these changes on a solid understanding of how the existing space operates, schools are better suited to meet shifting trends.

[1] www.huffingtonpost.com/entry/us-colleges-are-facing-a-demographic-and-existential_us_59511619e4b0326c0a8d09e9

[2] www.cic.edu/r/r/Documents/CIC-TIAA-Financial-Resilience.pdf

[3] www.educationdive.com/news/as-higher-ed-budgets-dwindle-will-smaller-institutions-survive/504142/

Campus facilities are typically hit as hard, if not harder, than other areas by funding shortfalls. But given this department's central role in keeping campuses functioning and attractive to prospective students, it's important institutions adopt creative solutions for maintaining campus facilities despite their increasingly limited funding. Over the next several pages, this guide will identify strategies that can help to maximize the available funds and reduce overall risk. By integrating space, capital and operations, institutions can create the strategic framework needed to identify tactical opportunities that better align facilities investments with the schools' overall mission and finance programming.

More than ever, small colleges must be creative, must embrace change and must take intelligent risks. The risks are too high for small schools to ignore the need for change.[4]

[4] www.nebhe.org/thejournal/small-private-colleges-can-survive/?utm_source=NEJHE+NewsBlast%2C+Aug.+23%2C+2017+%7C+Small+Private+Colleges+Can+Survive&utm_campaign=NEJHE+NewsBlast&utm_medium=email

CHAPTER 1

Get the Most Effective Use of Your Campus Space

To remain viable, small colleges and universities are having to make tough choices about how best to utilize their existing resources. For many colleges, a close examination of how institutional space is used can be a shocking undertaking, but one that can ultimately lead to significant cost reductions. Consider this: a typical classroom is occupied less than 60 percent of the time. That's a lot of underused space driving up costs for little return.

When being used to their fullest potential and appropriately maintained, an institution's facilities can be a valuable asset. But getting the full potential out of these assets depends on a complete understanding of how existing space is being used to support the campus mission.

Identifying Space Needs

While it may be enticing to add more modern space as a solution to enrollment challenges, the truth is needed space often is already available but being inappropriately used. Programming evolves over time, professors adjust schedules and student demands change, but rarely do institutions examine how those changes impact the ways in which a space is used. Yet many small campuses find that by better utilizing their existing space, they're able to reduce operational costs and better hone how their buildings support the campus' mission.

A space utilization analysis can provide an institution's business officers with insight into wasted space and how rethinking existing assets can help achieve cost-effectively goals previously thought out of reach. In addition, this process encourages institutions to think in the short-term about how to remove long-term liabilities.

Understand Your Space Utilization

A space utilization analysis is a tool that helps institutions uncover which areas of campus are underused, why, and how to move forward more effectively. The first step in the process is to collect unbiased data, such as details about occupancy, building conditions and instructional technology. This data provides insight on capital needs that can help determine which buildings should, or should not, be renovated.

An effective analysis should also include comparisons to like-peer institutions and involve discussion with key stakeholders and facility users about institutional goals. Together this information can be used to guide decision-makers on their ultimate recommendations for better use and function of exiting spaces.[5]

[5] www.sightlines.com/solutions/space-utilization/

For example, one Northeast college with a student population of 2,900 used a space utilization analysis to strike a balance between adding new space, stewarding existing buildings and investing in operations.[6] With a data-centered assessment on the condition of building stock and state of deferred maintenance, coupled with understanding of how relocating certain offices could better centralize several departments, the college had the information needed to develop a capital allocation plan to achieve desired improvements. This data helped the school to gain confidence in decisions made about the future.

Savvy institutions can also find ways to adapt underutilized space as alternative sources of revenue during the summer and other planned vacancies.[7] While larger universities might be better known for leasing dormitories or parking lots during summers, smaller schools will find they have options too. For example, it's not uncommon for smaller colleges to host summer camps for younger kids as an alternate source of revenue.

Renovate or Replace?

A space utilization analysis can also give institutions the data needed to commit to a new construction project. Assessments of aging buildings, with mounting rates of deferred maintenance, might reveal the most cost-effective solution is to replace a building with a more efficient new facility.

Campus facilities added during the post-war building boom from 1950-1975—which accounts for nearly half (40 percent) of today's higher education space—are often found to be of lower construction quality due to the era's huge demand for new space, fast. In these cases, complete renovations may not be able to cost-effectively help these buildings meet modern programmatic needs.

New space can, and in some cases should, be a part of an institution's long-term strategy, but for smaller schools this approach typically should focus on renovation through replacement. Some campuses are able to eliminate underutilized space in poor condition when the building is not central to the campus' mission. Replacing a poor-quality building with an updated facility may prove less expensive in the end, as it allows the institution to construct a space that best meets program needs, maximizes utilization and eliminates the high costs of critical system failures.[8]

Feel Sound in Your Decision

Small higher education institutions may be tempted to consider a modern space as the best recruitment tool—and in some cases they may be right. But without a thorough understanding of how existing space is being used, decision-makers won't know with certainty whether or not they're making a quality investment. As we'll see in the next chapter, this data is also central to making sound decisions around the capital needed to maintain those spaces.

[6] www.sightlines.com/le-moyne-college-case-study/

[7] www.educationdive.com/news/as-higher-ed-budgets-dwindle-will-smaller-institutions-survive/504142/

[8] www.sightlines.com/wp-content/uploads/2014/07/The-State-of-Facilities-in-Higher-Education-2014-Benchmarks-Best-Practic-es-Trends.pdf

CHAPTER 2

Improve the Quality of Expenditures to Reduce Long-Term Needs

Small higher education institutions looking for ways to maximize dollars spent in an arena plagued with competitive challenges tend to overlook strategies that can help them reduce their operational spending. Too often facilities are seen only as a cost center, but a proactive approach to maintenance can actually turn these building assets into value-adders.

Small colleges and universities that want to remain viable have to develop new strategies to make better use of the resources they have available. For facilities, this means improving the quality of expenditures—and a proactive maintenance plan that reduces deferred maintenance is the key to this shift.

Create Operational Savings

In good years, when there's ample funding available, it is all too easy to throw money toward repairing broken or failing systems and hoping the repairs hold up during lean times. It's this reason why deferred maintenance is a challenge plaguing higher education institutions around the country. But as the saying goes, "low hanging fruit often grows back." Institutions that don't stop the root causes of deferral will find they are right back where they started in another ten years—except the rate of deferral will be much higher and the costs may not be sustainable.

Putting off necessary maintenance today leads to more severe and more expensive problems in the long-term. When building systems fail, they cause problems that can impact a school's ability to effectively compete. For example, a life safety system failure could mean closing a building, and that's a setback from which small schools may find it impossible to gain the resources to recover.

It's not cost-effective to chase maintenance problems as they arise. Consider maintenance staff who are constantly responding to calls to fix temperature problems across campus. While addressing the root cause of these problems may demand an upfront investment, it would also stop the trickle of money being applied to regularly address these problems, and the time maintenance staff wastes in responding to calls that pull them away from more strategic tasks.

By developing a proactive maintenance plan that relies on data to accurately predict maintenance needs, institutions can gain better control of their operational costs. In time, the cost reduction seen in switching from reactive to proactive maintenance can generate savings that then can be applied to larger projects, creating even greater operational savings.

Embrace Annual Stewardship

From a capital perspective, a maintenance approach that focuses on annual stewardship can also slow the rate of maintenance project deferral. Annual stewardship sets up the recurring funding needed to maintain building components appropriately and ensure they reach, or exceed, their expected end of life.

An annual stewardship program dedicates maintenance funds to asset-enhancing work, planned maintenance and cycle maintenance. This not only keeps spaces functioning appropriately, but also can extend the useful life of critical systems. When institutions properly steward their systems, they have to replace those systems less often, thereby lowering future capital needs.

Consider that an unmaintained boiler, plagued by unchecked maintenance problems, may need to be replaced every 15 years or so. On the other hand, by appropriately stewarding a boiler through scheduled preventative maintenance it's possible that same machine could last beyond its 30-year projected lifecycle. By replacing this component less often than expected, the institution less frequently incurs that capital cost and gains predictability in its maintenance spending.

Increasing annual stewardship spending over time can help higher education institutions to lower their daily service costs. It's possible through this planned spending to push out the long-term capital liability of space.

Better Protect Your Assets

It's an unavoidable fact that all campus assets will require maintenance funding, but proactive maintenance can significantly lower those costs over the long-term. By taking control of those charges and addressing them before they come due, small institutions can not only better protect their largest asset but also reap savings benefits by extending the lifespan of critical systems. Funds can then be applied to tackling larger projects as they come due and establishing increasingly more effective operational programs.

While it's common sense to pursue savings opportunities, making the leap from reactive to proactive maintenance demands a culture shift from maintenance teams and a strategic understanding of where to apply expenditures to maximize the return on investment. As we'll discuss in the next chapter, a strategic approach to facilities maintenance can vastly improve the quality of expenditures.

CHAPTER 3

Become More Strategic in Your Facilities Planning and Maintenance

Given that smaller higher education institutions rarely have the same sources of revenue of larger colleges and universities at their disposal, there exists a much smaller margin of error when it comes to making spending decisions. Every dollar spent should drive the campus' mission forward. If this goal is to be achieved, decision-makers at small colleges have to think strategically about capital allocation for facilities planning and maintenance.

Campus facilities are always going to demand a certain level of investment, but finance officers and other administrators can make sounder decisions about where to invest by understanding how that investment will impact the institution's overall mission. A portfolio strategy is one tool that can help business officers and their facilities team better strategize when it comes to making maintenance and improvement decisions.

Portfolio Thinking

The reality is it's increasingly important that campuses facing financial challenges optimize any money they do spend. This means achieving a strong balance between programmatic and technical projects, as well as balancing the needs of academics with student life with the needs of buildings. By leaning more toward any one of these areas, colleges can lose effectiveness at an institutional level. A portfolio strategy can help ensure facilities projects balance needs within each of these areas.

Much like a financial portfolio, a building portfolio provides a framework for determining how to best invest resources. Using portfolios allows decision-makers to segment the campus into different groups of buildings. This process clarifies how each building fits into the school's overall goals and mission. Different investment strategies can then be applied to different portfolios to enhance the institution's mission and direction. The result is more strategic decision-making.

How to Balance Your Portfolio

The portfolio strategy can be used to help business officers set goals across different type of spaces. Strategizing in this way can be used to align capital investments, however limited they might be, with institutional priorities and strategies.

For example, by identifying spaces that contribute to recruitment and retention—whether that be technology centers, student housing or a dedicated research space—institutions can focus investment into those spaces as a way to maintain desired enrollment levels.

A balanced portfolio can help to identify life safety and liability projects, which should always be a leading priority for small campuses. These are the types of problems that can shut buildings down, and an institution on the brink of closing can't afford to lose space, as this will virtually eliminate the possibility of earning the capital to later fix that problem.

Small or struggling institutions also will find that it's critically important to consider the investment criteria to maximize the usefulness of this strategy. This means understanding the "why" behind every project. For example, if the reason behind a project can be explained as "for the protection of staff and students," then it's simple to determine these projects are the leading investment priority. By guiding maintenance professionals on how to communicate beyond the technical need for funding, institutional decision-makers gain insight into how each maintenance and operational dollar spent impacts the school's mission.

Gather the Facts for an Effective Portfolio

This strategic approach to facility planning and maintenance demands far-reaching insight into how portfolio elements tie into the institutional goals and how assets are performing. The first step often is to bring together individuals from across the institution—from academics, residence life, facilities management and finance office. It's only through discussions with a broad group of vested parties that an institution can begin to effectively organize their facilities portfolio. Once the broad picture is understood, it's possible to pinpoint areas that are most in need of investments and which systems will see the most impact from the least spending.

Conclusion

Small higher education institutions have always faced unique challenges compared to their peers with student bodies more than 4,000. While higher education institutions of all sizes are seeking solutions to the new competitive landscape, it's the smallest schools, with the fewest available resources, that lack the flexibility to try creative solutions to boost enrollment. Every decision must be based on sound data, solid projects and an objective assessment of the state of the college.

To remain viable over the long-term, business officers have to take hard, strategic looks at their campuses and embrace new solutions for solving their enrollment challenges. These strategies should include:

- A data-based understanding of space utilization that can maximize the use of existing space and provide confidence in decisions to build new.
- A more proactive approach to facility maintenance that can provide greater control of operational costs and generate new levels of savings.
- A strategic balance between programmatic and technical projects that ensures the institution is investing in mission critical priorities.

Small campuses have the tools they need to survive and thrive in this competitive new market. By working with stakeholders across campus, leveraging available building data and maximizing available assets, institutional decision-makers can take a more strategic stance on operational planning and ultimately, feel secure in their long-term financial sustainability.

About Sightlines

Sightlines, a Gordian Company, is a leader in helping colleges and universities better manage their facilities operations and capital investments. Sightlines provides tools for strategic planning, analyzing and benchmarking that generate an independent, reliable comparison of campus performance in these areas against peer institutions.

Using its unique, proprietary Facilities Benchmarking & Analysis process, Sightlines visits each campus annually to collect more than 200 indicators of facilities and financial data and then identifies trends and provides useful analysis and benchmarks. With Sightlines, institutions receive the context and validation they need to make sound, clear, informed and financially credible decisions about campus facilities. As a result, campuses can optimize capital investments, address backlog of deferred maintenance projects, develop a strategy to steward physical assets, improve the effectiveness of facility operations, reduce energy consumption and better serve students, faculty, staff and visitors.

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