To: James Cogdell, Chair, Senate Fiscal Committee

From: Bruce McPherson, Executive Vice President and Provost
Michael Papadakis, Interim Senior Vice President & CFO, and University Treasurer

Date: April 9, 2018

Subject: POM Rates for FY 2019 Approval

We have discussed the recommended proposal for the POM Rates for FY 2019, and have approved the proposal for implementation in Fiscal Year 2019. 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
March 27, 2018

To: Bruce McPheron, Executive Vice President and Provost  
Mike Papadakis, Interim Senior Vice President and Chief Financial Officer

From: James W. Cogdell, Chair  
2017-2018 Senate Fiscal Committee

Subject: Plant Operations and Maintenance Rates for FY 2019

Process

The College Finance Subcommittee (CFS) of the Senate Fiscal Committee (SFC) reviewed the methodology for determination of Plant Operations and Maintenance (POM) Rates at their regular meetings on January 9, February 20, March 6, and March 20, 2018. Points of discussion included the cost development and/or inclusion of different cost pools. CFS voted unanimously in support of the proposed FY19 POM rates. While CFS forwards the recommendations for FY19, they expect a continued discussion in CFS on POM methodology and cost pool elements in the coming months.

The CFS brought their recommendations to the full SFC at their March 27, 2018, meeting where they were discussed. The SFC approved the recommendation on POM rates on March 27, 2019.

Recommendations

1. The proposed Maintenance and Custodial Recommendations should be approved.
2. The proposed Utilities Recommendations should be approved.
3. The overall POM Rates and surcharges be approved.

Please contact me at cogdell.1@osu.edu if you have any questions about these recommendations.
Cc: Kris Devine
    Brad Harris
    Scott Klute
    Harald Vaessin
    Lynn Readey
    Scott Potter
POM Rate Recommendations:

As part of its regular responsibilities, CFS reviewed the methodology for determination of POM rates during the regular CFS meeting on 1/9/2018, 2/20/2018, 3/6/2018 and 3/20/2018. Points of discussion included the cost development and/or inclusion of the different cost pools.

While the CSF forwards recommendations for FY 2019 (Attachment A), there will be a continued discussion in CFS on POM methodology and cost pool elements.

Recommendations:
CFS voted unanimously in support of the proposed FY 2019 POM rates (Attachment A) and forwards the proposal to Senate Fiscal for consideration and approval.

Attachments:
Recommendation

- Includes impact of benefits savings due to combined benefits rates
- Includes $1.75M in project-related funding for buildings built after 2000 – spendable cash instead of endowment addition
- Increases maintenance rate by $0.09/ASF, from $3.80/ASF in FY18 to $3.89/ASF in FY19
- Increases custodial rate by $0.07/ASF, from $2.69/ASF in FY18 to $2.76/ASF in FY19
- Increases deferred maintenance rate by $0.25/ASF, from $0.01/ASF in FY18 to $0.26/ASF in FY19
- No change to preventative maintenance rate – remains at $0.75/ASF
Utilities Recommendation

- Implement surcharges for CBEC, Scott Lab, and Physics Research Building and increase the RPAC surcharge, but phase in over two years
- Fund FY18 marginal increases for non-direct billed utilities outside the model
- Decreases Utility rate by $0.06/ASF, from $8.83/ASF in FY18 to $8.77/ASF in FY19
### Base Case Treatment:

Other Base Case Assumptions —> 2% AMCP; Other Custodial/Maintenance Wage Increases Funded; All OSEP/Engie Svcs Costs and Changes Included

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<th>Marginal Rate</th>
<th>Utilities</th>
<th>Maintenance</th>
<th>Custodial</th>
<th>Deferred Maintenance</th>
<th>Preventative Maintenance</th>
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| PY                                      | 8.83      | 3.80        | 2.69      | 0.01                  | 0.75                     | 16.08               |
| % Change                                | -0.7%     | 2.4%        | 2.6%      | 2500.0%               | 0.0%                     | 2.2%                |
| $ Change                                | (0.06)    | 0.09        | 0.07      | 0.25                  | -                        | 0.35                |
Buildings Included in Review: Outliers

- Buildings that incur utility costs exceeding the Utility POM collected by more than 15%
- Included in the analysis: Aronoff Lab, Biological Sciences Building, BRT, CBEC, Hamilton Hall, Physics Research Building, RPAC Complex, Scott Lab, and Vet Med Complex

Current Surcharges

- RPAC Complex ($530,000/year)
- Biomedical Research Tower ($1,272,000/year)

FY19 Recommendation

- New surcharges:
  - CBEC $750,000
  - Physics Research Building $240,000
  - Scott Lab $165,000
- Increased surcharge:
  - RPAC Complex $570,000 increase
- 2 year phase-in of new surcharges and increases