



THE OHIO STATE UNIVERSITY

Office of Academic Affairs

203 Bricker Hall
190 North Oval Mall
Columbus, OH 43210

614-292-5881 Phone
614-292-3658 Fax

To: James Cogdell, Chair, Senate Fiscal Committee

From: Bruce McPheron, Executive Vice President and Provost *BM*
Michael Papadakis, Interim Senior Vice President & CFO, and University Treasurer *MP*

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.



THE OHIO STATE UNIVERSITY

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:

Attachment A: FY19 – Rate Decisions – CFS Recommendations – Full Deck.pdf



	FY18 Original	FY 19 Changes	FY19	% Change
MAINTENANCE				
Maintenance Operations	22,429,000	264,833	22,693,833	1.2%
Maintenance 5%	1,676,000	-	1,676,000	0.0%
Repair & Renovation	8,807,000	-	8,807,000	0.0%
New Facilities	219,000	371,000	371,000	69.4%
Total Maintenance	33,131,000	635,833	33,547,833	1.3%
<i>\$/ASF</i>	3.80		3.89	
<i>\$ Increase</i>			0.09	
<i>% Increase</i>			2.4%	
<i>Maintenance ASF</i>	7,563,756		7,526,276	

CUSTODIAL				
Contract Services	7,553,000	-	7,553,000	0.0%
Custodial Operations	8,446,000	42,027	8,488,027	0.5%
Custodial 5%	1,143,000	-	1,143,000	0.0%
New Facilities	213,000	365,000	365,000	71.4%
Total Custodial	17,355,000	407,027	17,549,027	1.1%
<i>\$/ASF</i>	2.69		2.76	
<i>\$ Increase</i>	-		0.07	
<i>% Increase</i>			2.6%	
<i>Custodial ASF</i>	6,338,321		6,324,615	

DEFERRED MAINTENANCE				
Maintenance/Renewal Endowment	75,000	-	75,000	0.0%
Deferred Maintenance Annual Cash	-	1,750,000	1,750,000	n/a
Maintenance/Renewal Endowment	75,000	1,750,000	1,825,000	2333.3%
<i>\$/ASF</i>	0.01		0.26	
<i>\$ Increase</i>	-		0.25	
<i>% Increase</i>			2500.0%	
<i>Def/Prev Maint ASF</i>	6,950,682		6,950,998	

PREVENTATIVE MAINTENANCE				
Preventative Maintenance	5,535,000	-	5,535,000	0.0%
<i>\$/ASF</i>	0.75		0.75	
<i>\$ Increase</i>	-		-	
<i>% Increase</i>			0.0%	
<i>Def/Prev Maint ASF</i>	6,950,682		6,950,998	

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



	FY18 Original	FY18 OSEP	FY 19 Changes	FY19 Proposed	% Change
UTILITIES					
Utilities Revenue	41,801,000	41,801,000	6,121,838	47,922,838	14.6%
Utilities Surcharges	1,802,000	1,802,000	862,500	2,664,500	47.9%
Utilities Funding - Outside Model	-	-	6,649,184	6,649,184	n/a
Total Utilities Sources	43,603,000	43,603,000	13,633,522	57,236,522	31.3%
Commodities Expense	64,487,000	64,487,000	(591,550)	63,895,450	-0.9%
Leave Behind Expense - Operations	2,693,373	2,693,373	(121,358)	2,572,015	-4.5%
Leave Behind Expense - Debt Service	316,145	316,145	208,033	524,178	65.8%
Total Leave Behind Expense	3,009,518	3,009,518	86,675	3,096,193	2.9%
Non-Leave Behind Prior Expense	42,278,482				
OSEP/Engie Svcs Expense - Fixed/O&M	-	53,309,041	1,865,959	55,175,000	3.5%
OSEP/Engie Svcs Expense - Variable	-	-	734,357	734,357	n/a
Total OSEP/Engie Svcs Expense	42,278,482	53,309,041	2,600,316	55,909,357	4.9%
Total Utilities Uses	109,775,000	120,805,559	13,126,000	122,901,000	1.7%
Net Utilities Expense	66,172,000	77,202,559	(507,522)	65,664,478	-0.8%
<i>\$/ASF</i>	<i>8.83</i>	<i>8.83</i>		<i>8.77</i>	
<i>\$ Increase</i>				<i>(0.06)</i>	
<i>% change from PY</i>				<i>-0.7%</i>	

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

Marginal Rate		Utilities	Maintenance	Custodial	Deferred Maintenance	Preventative Maintenance	Total Rate Increase
Base Case		0.99	0.21	0.15	-	-	1.35
OSEP Marginal Increase Scenario	Fund GF Portion Only	(0.94)	-	-	-	-	(0.94)
Surcharge Scenario	Phased-In Increase	(0.11)	-	-	-	-	(0.11)
Combined Benefits Impact	Based on Actuals	-	(0.12)	(0.08)	-	-	(0.20)
Deferred Maintenance Scenario	\$1.75M New PBA	-	-	-	0.25	-	0.25
Total		(0.06)	0.09	0.07	0.25	-	0.35

Total Rate		Utilities	Maintenance	Custodial	Deferred Maintenance	Preventative Maintenance	Total Rate Increase
Base Case		9.82	4.01	2.84	0.01	0.75	17.43
OSEP Marginal Increase Scenario	Fund GF Portion Only	(0.94)	-	-	-	-	(0.94)
Surcharge Scenario	Phased-In Increase	(0.11)	-	-	-	-	(0.11)
Combined Benefits Impact	Based on Actuals	-	(0.12)	(0.08)	-	-	(0.20)
Deferred Maintenance Scenario	\$1.75M New PBA	-	-	-	0.25	-	0.25
Total		8.77	3.89	2.76	0.26	0.75	16.43
<i>PY</i>		<i>8.83</i>	<i>3.80</i>	<i>2.69</i>	<i>0.01</i>	<i>0.75</i>	<i>16.08</i>
<i>% Change</i>		<i>-0.7%</i>	<i>2.4%</i>	<i>2.6%</i>	<i>2500.0%</i>	<i>0.0%</i>	<i>2.2%</i>
<i>\$ Change</i>		<i>(0.06)</i>	<i>0.09</i>	<i>0.07</i>	<i>0.25</i>	<i>-</i>	<i>0.35</i>



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