



Managing a Portfolio of Facilities for Educational Sufficiency & Fiscal Sustainability



In preparation for the
Workgroup on
Assessment & Funding
of School Facilities

Webinar 1 of 4
July 31, 2019

www.iac.maryland.gov

School Facility's Purpose

To support teaching and learning.

Facility Condition



Educational Sufficiency



Both are essential for teaching
and learning



Maryland's Portfolio of School Facilities



Facilities - Nearly 1,400 active public K-12 school facilities



Total Area - 140 million gross square feet



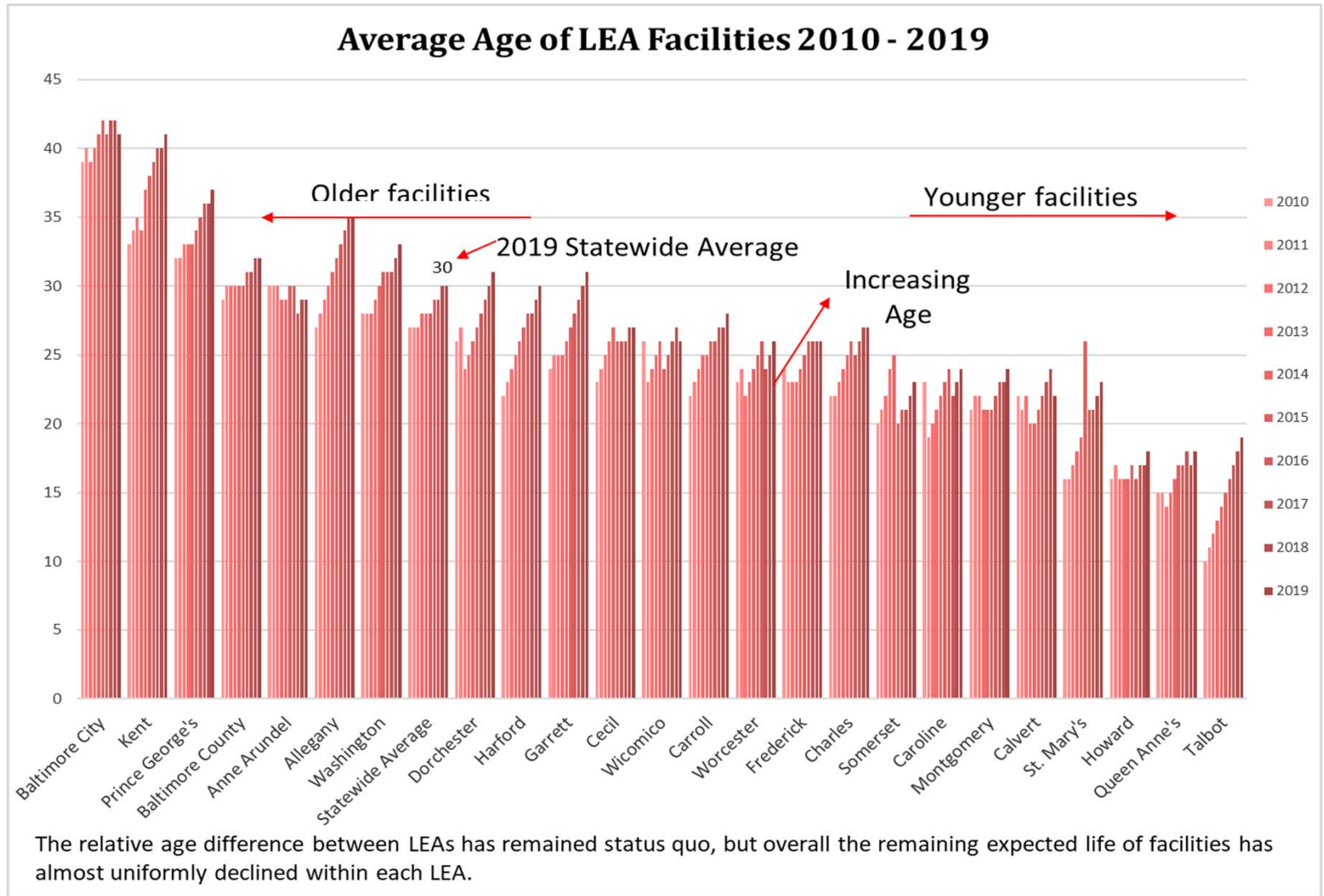
Enrollment - Serving more than 893,000 students



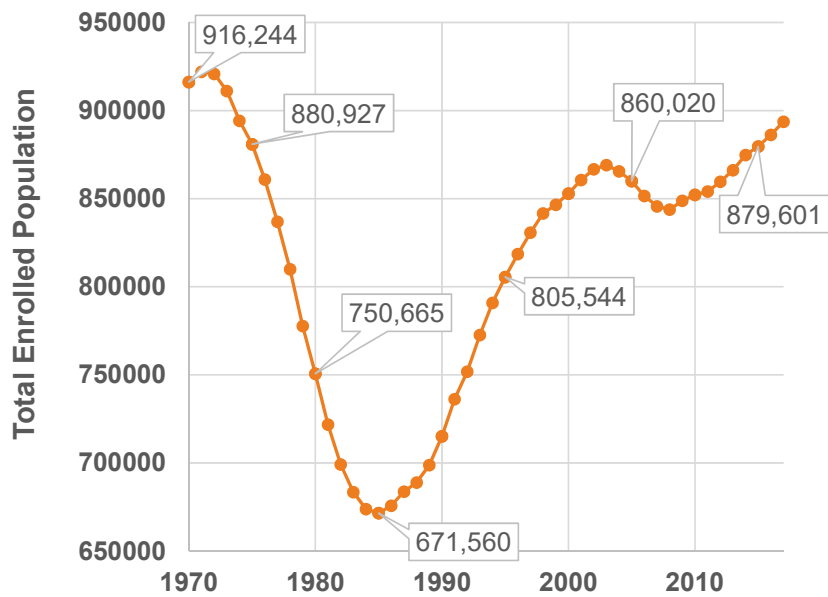
Total Asset Value - \$55.3 Billion



Current Condition of Maryland's Portfolio

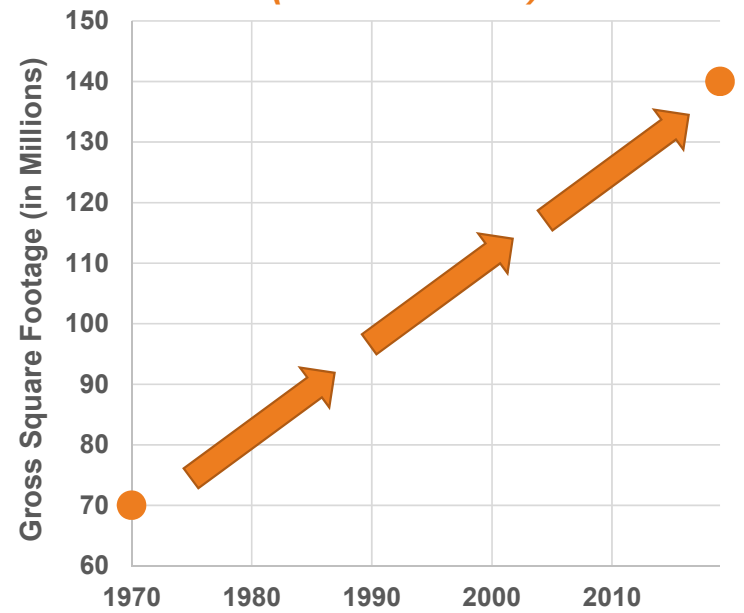


MD Total School Enrollment (1970 to 2017)



Source: NCES State Comparison of Education Statistics Report, Total Enrolled

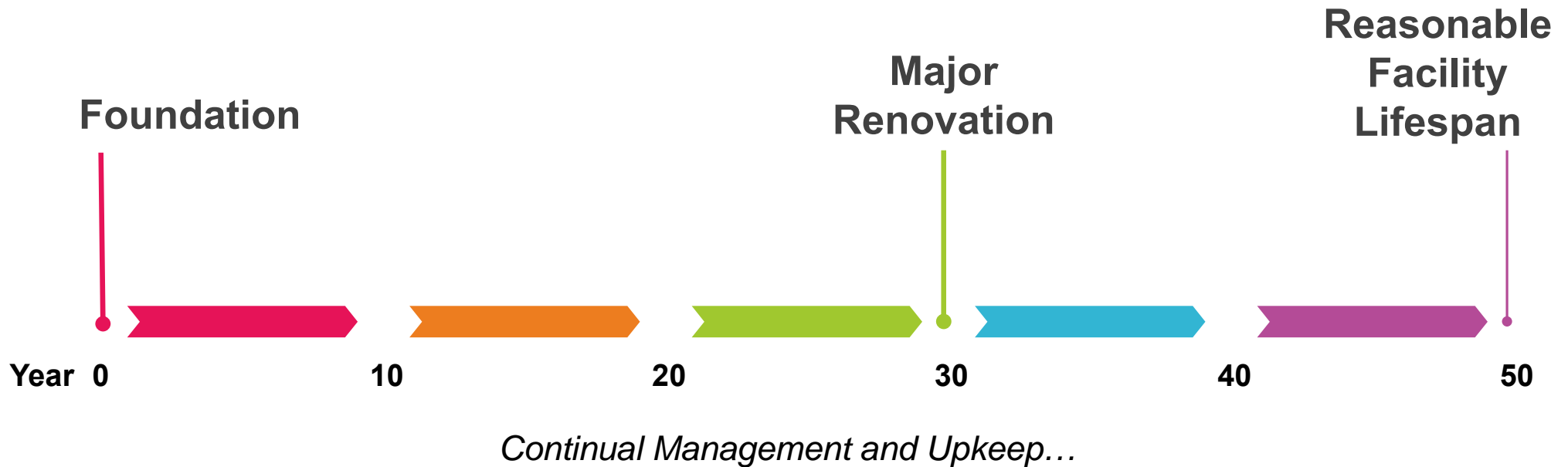
Total Gross Square Footage of MD K-12 Schools in Service (1970 to 2019)



Source: IAC Trend Estimates



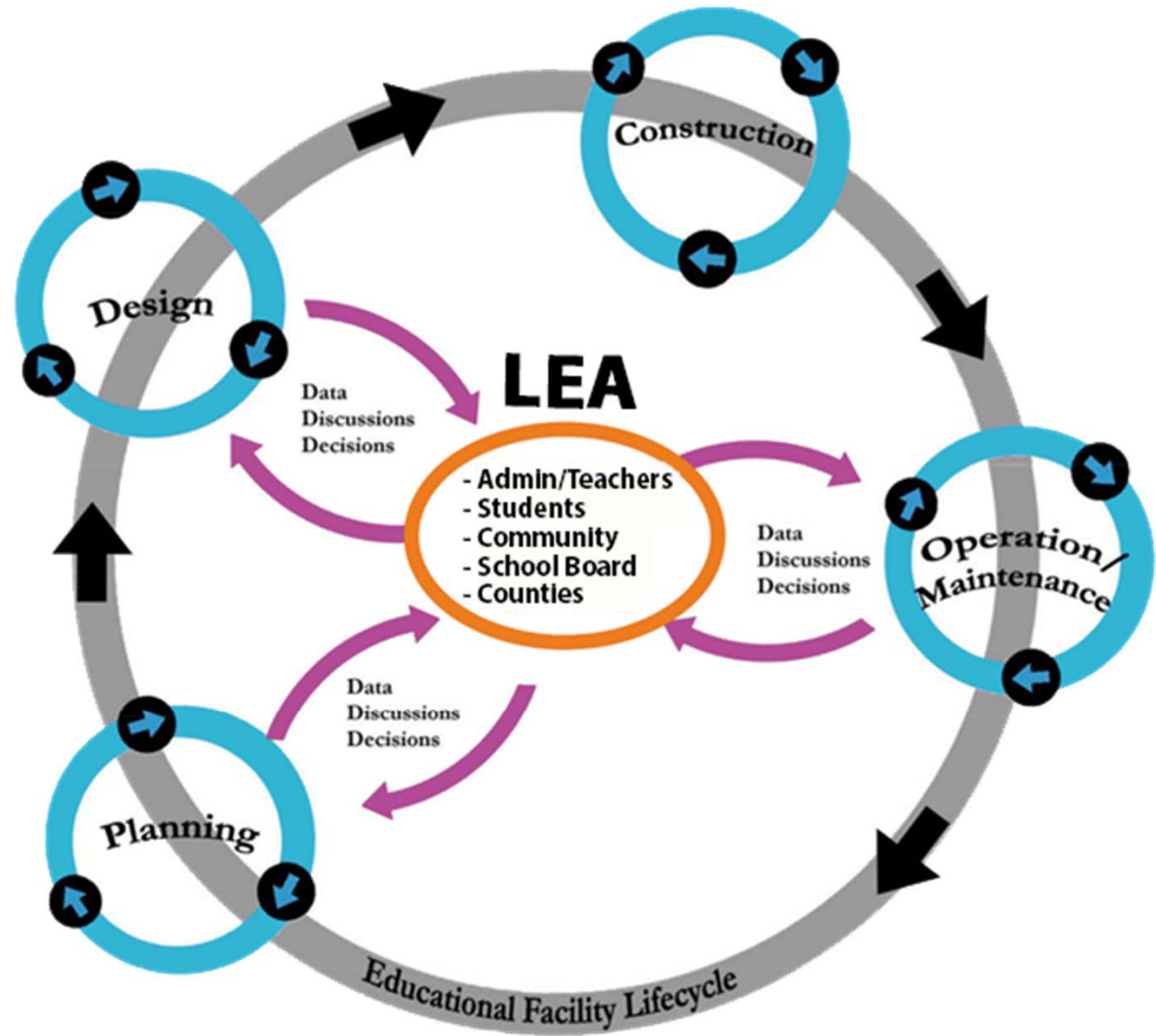
A Multigenerational Task



Objectives: Educational Sufficiency + Fiscal Sustainability



Ownership
and
Cycle
of
Life



Educationally Effective + Fiscally Sustainable



Portfolio-Management Approach



The Power of Early Decisions

30-Year Cost

\$395 per square foot = Construction cost (including soft costs)

\$395.00

\$329 per square foot x 2% per year = Operations & Routine Maintenance Costs

\$197.40

\$329 per square foot x 2% per year = Capital Maintenance (System-Replacement) Costs

\$197.40



(70,000 sq ft)

$$\begin{aligned}
 & (70,000 \times \$395) \\
 & + (70,000 \times \$329 \times .02 \times 30) \\
 & + (70,000 \times \$329 \times .02 \times 30) \\
 & = \mathbf{\$55,286,000 \text{ Total Cost}} \\
 & \quad \$27,650,000 \text{ up front} \\
 & \quad + \$921,200 \text{ per year}
 \end{aligned}$$



(90,000 sq ft)

$$\begin{aligned}
 & (90,000 \times \$395) \\
 & + (90,000 \times \$329 \times .02 \times 30) \\
 & + (90,000 \times \$329 \times .02 \times 30) \\
 & = \mathbf{\$71,082,000 \text{ Total Cost}} \\
 & \quad \$35,550,000 \text{ up front} \\
 & \quad + \$1,184,400 \text{ per year}
 \end{aligned}$$



The Power of the punchline

20,000 extra square feet = \$526,533 more per year over 30 years

30-Year Cost

\$395 per square foot = Construction cost (including soft costs)
\$395.00

\$329 per square foot x 2% per year = Operations & Routine Maintenance Costs
\$197.40

\$329 per square foot x 2% per year = Capital Maintenance (System-Replacement) Costs
\$197.40

\$27,650,000



(70,000 sq ft)

\$27,636,000

\$35,550,000



(90,000 sq ft)

\$35,532,000



Operations and Maintenance

Industry Standards For Investment



Capital Maintenance

2% of Construction Cost (with soft costs) per year

$$.02 \times \$395/\text{GSF} \times 140\text{M GSF} = \$1.106 \text{ Billion per year}$$

$$\$1.106 \text{ Billion} + \$1.106 \text{ Billion} = \$2.212 \text{ Billion per year}$$

Operations and Routine Maintenance

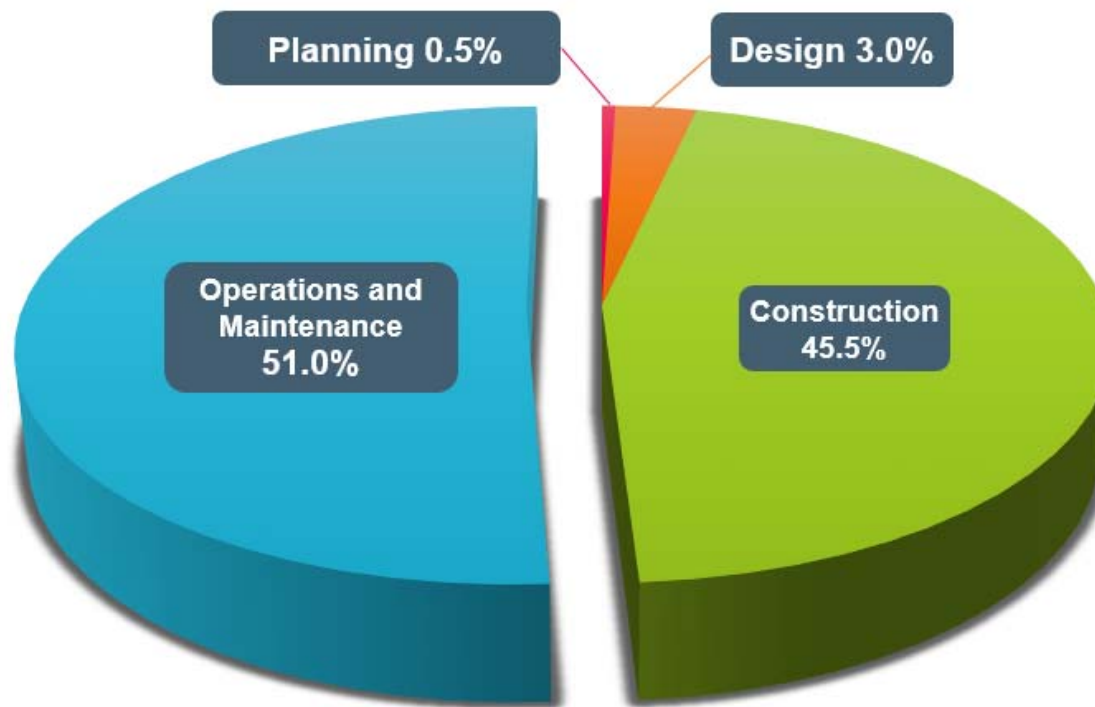
2% of Construction Cost (with soft costs) per year

$$.02 \times \$395/\text{GSF} \times 140\text{M GSF} = \$1.106 \text{ Billion per year}$$



Total Cost of Facility

Average Percentage Over 30 Years



Data Required for Portfolio Management



Facility Outcomes and Results

- Educational Sufficiency
- Condition



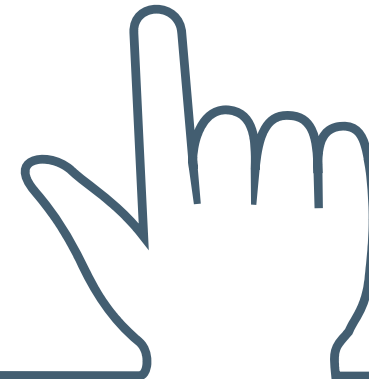
Return on Investments

- Operating (M&O)
- Capital



Facility Inputs

- Expenditures of Resources



Data Required for Each Facility

Age, size/area, and capacity

***Educational Sufficiency* of the spaces within the facility**

***Condition* of the facility and its major systems**

What repair and maintenance work has been done

The *effectiveness* of that repair and maintenance work

Money spent on acquisition, operation, and maintenance



Comparable Data by Activity Category

Why is comparable data important?



Permits the evaluation of portfolio-management activities over time by accounting for spending in alignment with the activities



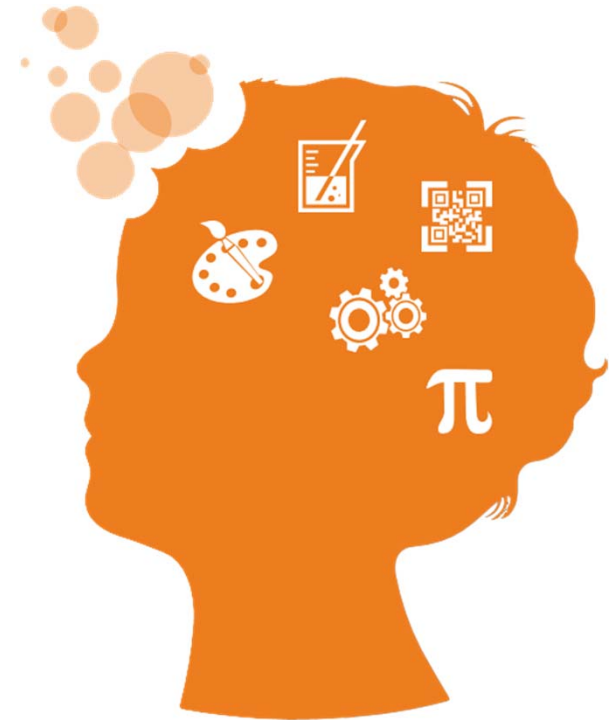
Allows for comparative analysis across facilities and across years





Supports continuous improvement of processes



Supports transparency and accountability



The Six Defined Categories Of Facilities-Related Spending

- 
- 
1. **Planning:** Determining What is Needed
 2. **Acquisition:** Obtaining the School Facility
 3. **Alteration:** Permanent Facility Modification
 4. **Non-permanent Addition:** Adding Temporary Capacity
 5. **Maintenance:** Tending the School Facility
 6. **Operations:** Supporting Occupancy Needs

Source: National Council on School Facilities



So...

Why Right-Size Each Facility *And* Every Portfolio?



1

Educational Sufficiency

2

Fiscal Sustainability

3

Taxpayers Demand It



Essential Tools

for sustainable school facilities



A Portfolio-Management Approach



Regular assessment of facilities and of M&O activities



Analysis of the right data



A focus on Total Cost of Ownership





... A healthy, safe, and educationally sufficient learning environment for every child in every seat in Maryland.



Questions?

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Up next...

Total Cost of Ownership



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**Webinar 2 of 4
August 7, 2019**

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