

Community Colleges: How can an Effective Facilities Bond Program be Managed?

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The community college environment is changing. Trustees throughout California are evaluating their budgets to determine how to move forward with their facilities. The initial glee over the passage of a number of propositions – all of which provide budgets for funding various facilities needs – is often met with depression once the realization of what that budget can now fund sets in.

Why can't these budgets meet the requirements that were originally projected? For starters, the world is now consuming vast amounts of raw materials used for construction. With more than 2.3 billion people – eight times the amount of the U.S. population, the economic expansion in China and India is consuming the majority of the available construction materials. To put this in perspective, China is building cities – with the required infrastructure – the size of Houston or Philadelphia at the rate of one per month. This action alone, consumes approximately 36% of the world's supply of steel, and 50% of the available cement.

As if that weren't enough, with the Asian tsunami, several hurricanes in the United States, and the damage in Iraq, the demand for construction materials -- which was already being stretched -- has reached unprecedented demand.

At the same time, throughout the nation a flood of public bond programs have been placed on the ballots to upgrade, expand and improve the educational facilities. This is true particularly in California, which passed Proposition 39, funneling more than \$14 billion worth of construction projects into the pipeline.

When these factors are coupled with the shortage of skilled construction labor, and the housing boom, we have the 'perfect storm.'

What's the result?

- The bids in today's market are typically anywhere between 25% to 50% over budget.
- Once viable projects are now in limbo as institutions try to determine how to proceed. If the project scope is reduced will it give us what we need? If we wait, will prices continue to rise?

- If the project moves forward, assembling the team can be the most difficult part of the process. Today, many public projects are not even receiving any interest from the contracting community, which is already over burdened with the work in the pipeline.

How can trustees make sure the program they have in mind will not only meet their needs, but be flexible enough to shift appropriately as the various factors that impact the program change? Here's how.

I. Determine what the actual needs are

This means asking tough questions with a willingness to understand that not all the answers will be what people want to hear. Questions to start with include:

- How do we as an institution define needs?
- What standards have been established, and how do we measure up to them?
- What are the expected outcomes of the proposed project or capital program?
- How do we compare with peer institutions or benchmarks?
- What concerns will be raised by the Community as a result of the proposed project(s)?

Answering these questions provides the critical input needed to move forward. However, it isn't an easy process. The following offers a framework for Do's and Don'ts that will make the process effective and efficient.

II. The Do's in the Needs Assessment Process

- *Create an inclusive process for identifying and developing the Needs.*

This is a critical component for making sure the right people are included. Remember, to define roles, responsibilities and accountability for all the participants in the facilities program development process. That way, everyone knows exactly what they are responsible for.

- *Differentiate Needs from Wants.*

Make sure your team knows the difference. Determine how needs are defined and what the key objectives and goals are to be attained.

- *Establish criteria to prioritize projects if and when you need to make cuts to your program.*

Remember, people want to understand the reasoning behind the decision. They may not like how their project ranks, but at least they will know why.

- *Remember that the priorities and life of the institution transcend the wants of the individual.*

By definition, an institution will change. Changes in leadership and priorities can adversely impact program development, resulting in stalled momentum and significant additional costs.

- *Determine if a facility or program is already provided somewhere else in the community.*

It may be that what's proposed is already available to your community. How well is it used? Are there partnership opportunities for shared use and costs? It's worth the time to investigate.

- *Verify how the existing space is being used.*

While this seems elementary, take a second look. It may be that you don't need as much space as you think. In fact, you may need a different type or improved quality of space.

- *Create standards.*

While most institutions want consistency, it cannot be achieved without a benchmark. We suggest creating district-wide or campus-wide space standards to assure consistency, interchangeability, and parity. This is true for not only the facilities but the systems as well; system standards to assure system integration and maintenance, and design standards to provide a coherent campus.

III. The Don'ts in the Needs Assessment Process

- *Remember, infrastructure is critical.*

Don't under prioritize essential infrastructure repairs and improvements. They keep the campus going.

- *Take the necessary time to make the right decision.*

Don't rush decisions. Engage the appropriate groups to secure buy-in. This will avoid controversies down the line that can stall the projects.

- *Set a timeline.*

On the other hand, taking too much time can be dangerous. It not only erodes buying power, it creates a sense of postponement that can be dangerous.

IV. Working with the Budget

Budgets are always the most difficult thing to monitor. Part of this is understanding what is involved in the ‘costing’ process, and keeping tabs on what the differences are between all the elements that factor into the costs.

- *DO know the difference between construction costs, project costs and program costs. Then, you can budget accordingly.* Remember, construction costs may only constitute 65% of project costs, which may only constitute 90% of program costs. Without understanding these differences, budgetary allocations will be insufficient.
- *DO consider operating cost impacts of the project.* Some projects require greater energy, technical staff, and maintenance demands than others. Can you afford to operate it even if you can afford to build it?
- *DO identify and secure all potential funding sources to increase the pot or decrease the costs.* Consider bond funding, state funding, gifts, partnerships, land leases, etc.
- *DON'T under budget essential infrastructure repairs and improvements.* Older campuses often have to spend more to keep their infrastructure working.
- *DON'T overpay development fees.* Define all “entitlements” early in the project and seek alternate funding solutions. State public entities may be exempt from some municipal development fees.
- *DON'T give individuals the authority to write checks or purchase orders against bond funds without a system of checks and balances.* Individuals may not be aware of bond language constraints, budgetary allocations for other priorities, or keep an accurate accounting of the purchases they have made.

V. What About the Money?

For trustees, understanding the budget is always a difficult challenge. It can be an overwhelming process. However, this risk can be mitigated by understanding the background, the priority and the process. Some questions to consider include:

- What assumptions are being made about the available funds? For example, do the fund allocations include all costs of delivering the project – for construction, site development furniture and equipment, fees, move-in costs, contingencies, etc? Have the budgets included escalation and market conditions? Has each project been analyzed for alternative funding capability?

- What alternative funding or financial strategies are available? For example, some projects may be eligible for State capital outlay or benefit from interagency agreements, corporate partnerships, land leases for compatible services, gifts, student referendums, and through local utility companies providing and maintaining distribution systems in order to transfer capital outlay to operating capital, etc.
- To what extent does the project/program provide opportunities for new or alternative types of funds or financing?

VI. *Getting the Best Bang for your Buck*

The big question becomes how to make sure that your facility dollars are being stretched as far as possible, without sacrificing the quality that your institution requires. How can this be done? Most of the major decisions will be made in the planning and design steps, which makes this a critical focus for management. Here are some guidelines that will be helpful.

- *Can the existing building be renovated cost effectively?* Maybe. Maybe not. Test the feasibility of older building renovations before making a financial commitment to move forward. Older building projects can be a ‘money pit,’ and full of unpleasant surprises. Complying with new structural and life safety codes, as well as contemporary handicapped accessibility codes can prove costly.
- *Consider developing fewer, larger, multi-discipline projects vs. several smaller, single-discipline projects.* With fewer but larger projects, there may be fewer system redundancies for stairs, elevators, foundations, roofs; and fewer architects, engineers and contractors to manage. In addition, you may be able to retain some of the real estate for future development.
- *Consider ‘life cycle cost’ modeling in all new design decisions.* This may include exploring the inclusion of LEED (Leadership in Energy and Environment Design) standards that focus on including sustainability elements in the structure, and CHPS (Collaborative for High Performance Schools) standards which are designed to improve the performance of new facilities – without necessarily increasing the up-front cost.
- *Design projects and bid packages with ‘add alternatives’ to the base project design and bid.* This strategy maintains the momentum of project development and delivery – even if there is unexpected cost escalation.

- *Pre-qualify consultants with a proven track record, then select the best qualified.* Remember, the low bid – and politically influenced selections – may not result in the best built project or the most cost effective.
- *Make sure there is a ‘single source’ responsible for coordinating the work of all the consultants.* This will avoid fragmenting the scope or work and facilitate management and accountability.

The creation of new facilities is always an exciting time for a community college. The process infuses the campus with new growth which brings about new energy for not only faculty and staff, but students as well. While the process can be challenging, with a strategically focused direction, and careful evaluation and planning, the end result will be a built environment that the entire campus will point to with pride.

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