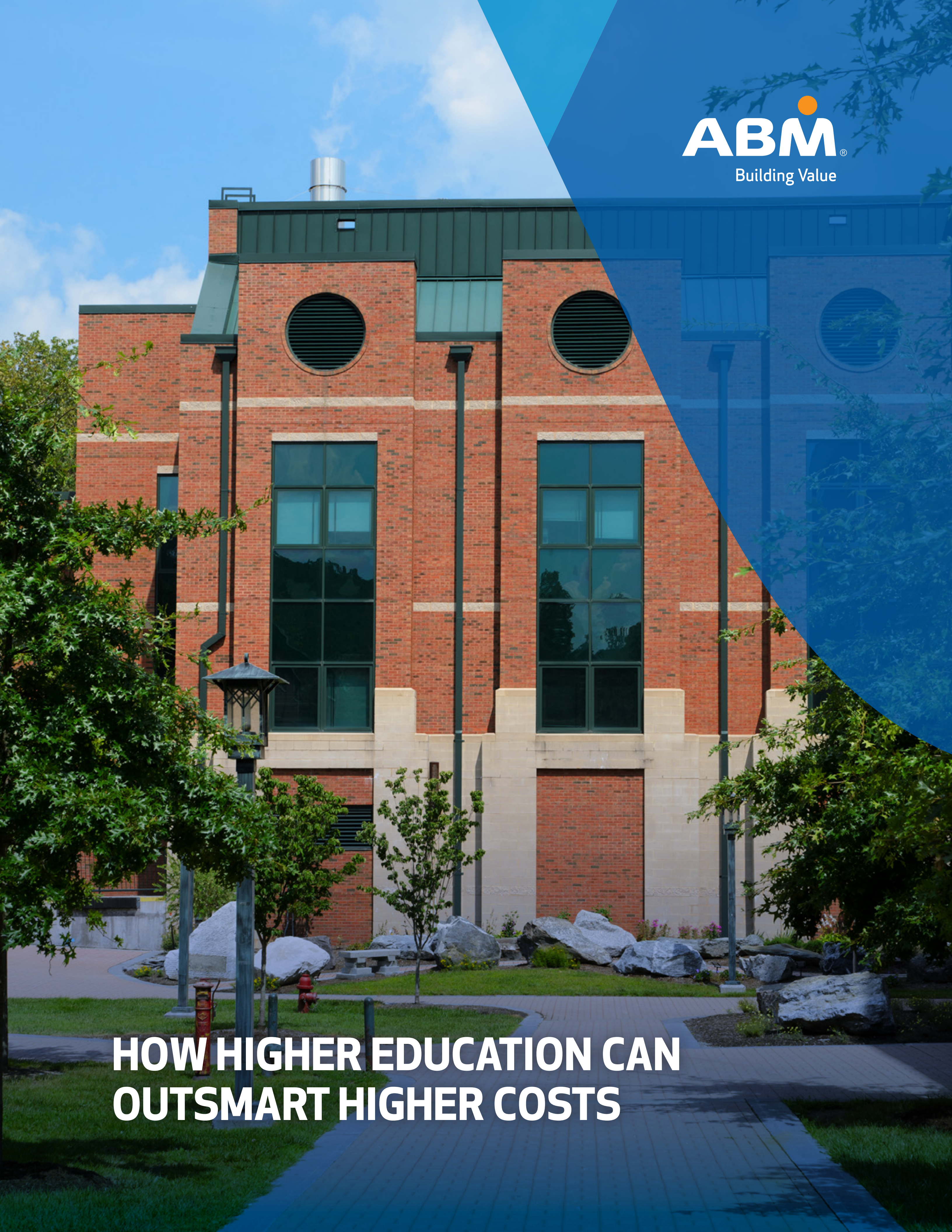

ABM®
Building Value

HOW HIGHER EDUCATION CAN OUTSMART HIGHER COSTS

How Higher Education Can Outsmart Higher Costs

Introduction

How can your institution escape the spending spiral of overstressed budgets? **One way is with a strategy for reducing costs and funding upgrades that enhance your campus infrastructure and your institution's power to attract and retain students.**

As the number of students returning to campus increases, so do expectations for safe and efficient facilities. With these higher expectations for healthy, sustainable, operational buildings comes lower tolerance for infrastructure downtime. A burst pipe or broken HVAC system can make or break a student's return to campus, resulting in lost tuition in addition to expensive repairs.

While visible infrastructure spending in landscaping and new construction can help meet key goals, institutions also need solutions that tackle the direct causes of higher costs, such as deferred maintenance and outdated mechanical equipment. These hidden costs can burden budgets with increased capital volatility and unnecessary spending.

Meeting the need for both new facilities and upgrades to existing buildings can help drive student attraction and retention with:

- Better on-campus student experience
- Reportable sustainability measures
- Positive first impressions for aging campus facilities

INSIDE

In the following sections, you will learn about solutions that can help you eliminate overspending, lower costs, and fund improvements that matter to students:

1. **The Spending Spiral**
2. **Changing Who Benefits from the Consumption of Your Resources**
3. **Facility Upgrades That Fund Themselves**
4. **What Redirected Savings Can Achieve**

1 The Spending Spiral

What's standing in the way of all your facility needs? Rising costs like pension commitments have impacted spending priorities, while aging facilities incur ongoing costs in the form of lengthy deferred maintenance backlogs.

The Growing Problem of Deferred Maintenance

The average higher education facility age is now 40 years.[1]

There's an estimated $30 billion national backlog for deferred maintenance.[2]

At one point, the University of North Carolina, one of the nation's top public universities, had a deferred maintenance backlog that had grown to over a $900 million liability.[3]

Ignoring the spending spiral only burdens future budgets further by:

- Reducing the useful life of the facilities
- Adding costs and risk of infrastructure failure to long-term balance sheets
- Compounding cost problems as it affects the student experience

Growing maintenance backlogs can also delay future school investments. When capital spent is on new spaces and technologies, operational budgets aren't able to keep up with the needs of both new and aging facility infrastructure. In fact, operational budgets have been outpaced by inflation nearly two to one.[4]

Deferred maintenance may also distract from current needs. As students return to campus for in-person classes, expectations for safe, healthy facilities and outstanding instructors will be higher than ever before. Schools can't afford to rely solely on spending cuts and tuition hikes to meet these post-pandemic standards.

> *What if it was possible to find capital needed to improve existing facilities without cutting staff or education programs?*

2 Changing Who Benefits from the Consumption of Your Resources

The Environmental Protection Agency states that the average building wastes 30% of the energy used.[5] Operational overspending results in a lose-lose situation: wasted resources at the expense of the institution's own educational priorities. An experienced facility services provider can offer solutions that help you to break that cycle so greater benefits can go to your students, staff, and community.

The equipment causing this excess energy use is often older, or even obsolete, leading to additional costs from the increased frequency of failure (and subsequent expensive repairs). That can translate to facility providers placing higher demands for service on older facilities, meaning operations is spending twice as much on the same problem: excess energy expenditure and excess charges to keep aging infrastructure running.

> *By finding a way to improve those systems, resources lost to utility bills and reactive maintenance could be redirected to benefit student necessities like quality instruction and educational programs.*

3 Facility Upgrades That Fund Themselves

A cost-neutral solution can stop the spending spiral of deferred maintenance and unnecessarily high operational costs, helping higher education institutions by:

- Making visible upgrades that attract and retain students
- Measurably supporting student engagement with data on living and learning environments
- Achieving and reporting sustainability goals

By targeting current facility spending for achieving long-term cost reductions, institutions can fund improvements without raising tuition, cutting staff, or digging further into endowments.

Using a complete assessment of an institution's real facility costs, technical and financial experts can produce a plan to pay for critical improvements with the savings those improvements will likely generate. That means money schools have already allocated to future spending is freed up to meet current needs. By funding these changes now, the risks of rising costs and negative impacts to the student experience can be avoided.

> *The ideal provider combines the technical ability to accurately model and produce savings for schools with the financial know-how to help assure those results.*

4 What Redirected Savings Can Achieve

With a cost-neutral or project savings strategy available to fund facility upgrades, experienced providers can build programs that drive change across campus with projected savings. One key area of facility improvement is leveraging data collection for leadership needs. Building controls and the evolving capabilities of the IoT (Internet of Things) open up the outputs of facility spending and provide data-backed results clients can see, such as:

Certifying conservation and sustainability goals

Monitoring factors like indoor air quality and lighting levels that tie directly to student health and engagement

Enabling predictive, preventative maintenance that extends equipment life

Facility service providers with the capability to provide service in those areas may be able to create additional cost savings for schools. Planning and executing a budget-neutral solution for modern facilities requires expansive fiscal and technical expertise. Look for a partner with a deep bench of engineering know-how, experience managing large projects for higher education facilities, and the financial knowledge to help guarantee results.

To learn more, visit ABM.com or call 866.624.1520.

Sources

1. DOC PDF Budget-&-Staffing-Survey-Executive-Summary.pdf (schooldude.com)
2. Improving the value of campus facilities (opinion) (insidehighered.com)
3. With over 50 buildings in severe condition, UNC's maintenance costs keep growing - The Daily Tar Heel
4. The-State-of-Facilities-in-Higher-Education-2017-Benchmarks-Best-Practices-Trends.pdf (netdna-ssl.com)
5. About the Commercial Buildings Integration Program | Department of Energy