

# CLA in partnership with EACUBO: Funding the Future of Higher Education

Strategies for Tackling Deferred Maintenance

June 11, 2025



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## Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- 4 Polling Questions will be launched during this session. You must respond to a minimum of 3 to receive the full 1 CPE credit.

\*\*Both requirements must be met to receive CPE credit\*\*





# Today's Presenters



Sara Doyle, CPA Principal CLA



Bill Guerrero Senior Associate Athletic Director University of Connecticut







### Learning Objectives

#### At the end of this session, you will be able to:

- Discuss the scope, trends and risks associated with deferred maintenance
- Identify recommended practices for facility maintenance and funding of capital projects, using a framework to balance critical repair, safety and long-term investment
- Outline various financing models, alternative revenue streams and examples used by institutions to address deferred maintenance







# Agenda

- Understanding Deferred Maintenance
- Assessing and Prioritizing Needs
- Funding Strategies and Financial Models
- Case Studies and Success Stories







# A 'hidden liability': Colleges face up to \$950B in capital needs, Moody's says

Growing maintenance backlogs could push more colleges to invest in their facilities, but it will come at a heavy cost in a time of inflation, tight resources and uncertainty.

Published Aug. 27, 2024

# Universities face 'daunting' facilities needs, report says

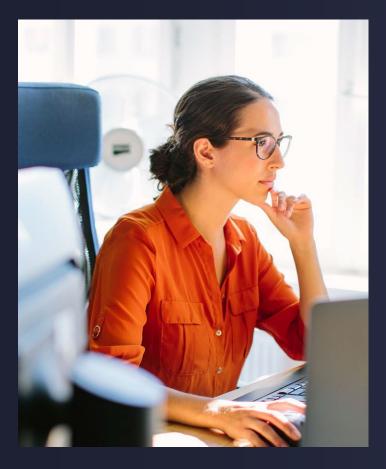
Capital and operations spending are up, but not enough to close backlogs, construction data company Gordian says.

Published April 10, 2025

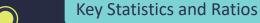








# Understanding Deferred Maintenance



 Facilities ratios and statistics in addition to financial statement metrics

#### **Most Common Areas**

- Buildings
- HVAC
- Technology

#### **Risks**

- Financial
- Operational
- Reputational







# Financial Statement Story



Does asset performance and management support the strategic direction?

- ✓ Physical asset reinvestment ratio
- ✓ Age of facility ratio
- ✓ Facilities burden ratio
- ✓ Deferred maintenance ratio





## **Key Ratios**

### Physical Asset Reinvestment

- A ratio above 1:1 indicates increasing investment in physical assets
- Lower ratio potentially signals underinvestment in campus facilities.

Capital Expenditures
Depreciation Expense

### Age of Facilities

 Provides estimate of the age of the facilities and potential need for future investment to cover deferred maintenance.

Accumulated Depreciation
Depreciation Expense







## **Key Ratios**

#### Facilities Burden

 Calculates the full cost of facilities investments on the institutional budget

Depreciation expense plus interest expense plus plant operations and maintenance expense

Depreciation Expense

### Deferred Maintenance

- Measures size of the maintenance requirements compared to expendable net assets
- All inputs are not readily available from financial statements

Outstanding Maintenance
Expendable Net Assets







# Polling Question

Does your operating budget include depreciation?

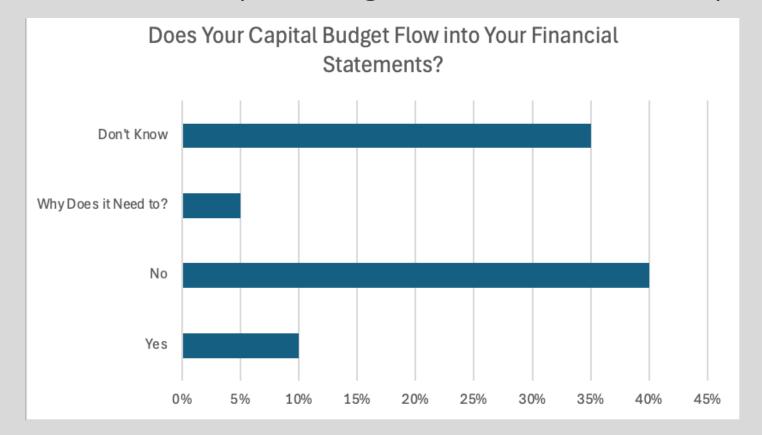
- Yes
- No
- Unsure
- Why would it?







### Results from a recent poll during the March 2025 Workshop in Boston:









# Polling Question

What are your upcoming capital budget priorities?

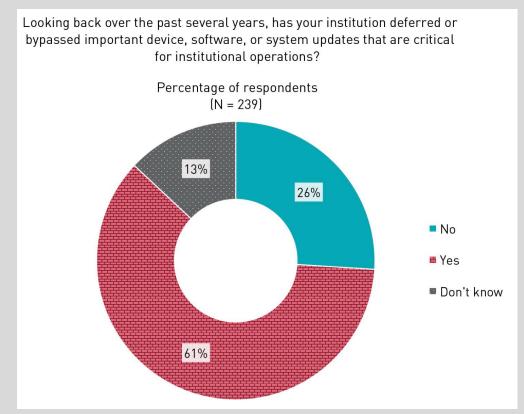
- Academic Buildings
- Residential Buildings
- Student Center
- Athletics
- Auxiliary Services
- Other







### Results of a recent EDUCAUSE Quick Poll on technology:

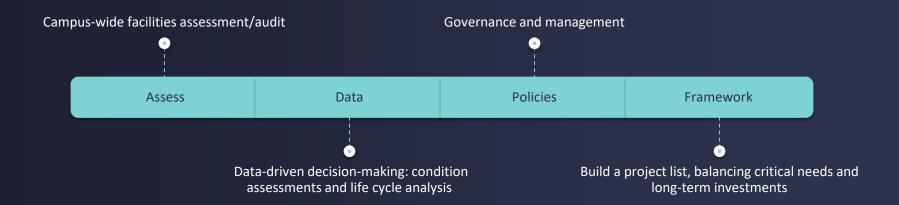








# **Assessing Needs**









# **Project Priorities**

1 Master Plan/Strategic Plan

2 Health and Safety

3 Reduce Operational Expenses

4 Environmental Sustainability

5 Increase Revenues

6 ADA Accessibility





## Funding Strategies

- Energy savings performance contracts (ESPCs)
- Bonds (ESG)
- Inflation reduction act using credits to offset costs
- Public private partnerships
- Naming rights
- Student fees & auxiliary services
- State/federal funding
- Private grants









### Case Studies and Success Stories

- Dining Services/Bookstore
- Facilities/Endowment
- ERP/IT/COVID
- Capital Markets/Green/Social Bond
- SaaS Migration









# Polling Question

I would like someone from CLA to contact me and discuss the following services:

- Financial modeling and forecasting
- Capital budgeting
- Inflation reduction act
- Facilities assessment
- Nothing at this time



## Key Takeaways

### Budget

- Include depreciation
- Establish capital budget
- Include information technology

### Cash Reserves

• Target 20% of Operating Budget

### Endowment

- Quasi Endowment
- Physical Plant Replacement
- Repairs, and Special Maintenance (PPRRSM) Account

### Inventory

- Create a multi-year project priority list
- Communication plan and committee integration

### **Bonus Points**

 Consult with Insurance Agent on Replacement Value/ Useful Life







# Thank you!

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