



Special Task Force on UW Restructuring and Operational Flexibilities



- Thank you for the opportunity to discuss specific operational flexibilities that would create efficiency not only within the UW System, but other areas of state government as well.

Dr. Aims McGuinness, December 2011

2

Degree of
State Procedural
Control of
Major Research
Universities

States in **red** recently made
or are considering
deregulation/decentralization
initiatives.



High
Control



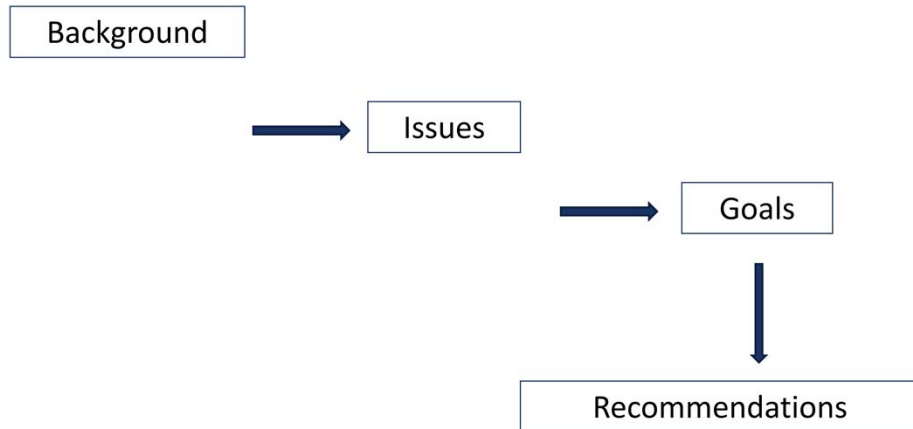
Low
Control

Institution as a State Agency	RI, OR , WI , NY
State- Controlled Institution	LA , MT, SC , HI, IL, IA, MA, NJ , NV , OH, TN, TX, WV, VA
State-Aided Institution	FL, IN, ID, KS, KY, NC, ND, OK, WA , AL, AK, AR, CA, CT, GA, MD , MN, MS, MO, NH, NB, NV, NM, SC, UT
Corporate Model for Institutional Governance	CO , ME, MI, DE, PA, VT, WY

- In December, the TF began its work with a discussion about the range of state control in various models of higher education governance.
- It was noted that WI was among the highest regulated universities in the country and that several states are going through this same exercise of redefining the relationship of state governments and public universities.
- Today we are going to get into the details of what regulation looks like in two specific areas; procurement and the building program.
- These examples provide context for the information in this slide. Without these examples, the discussion of governance is somewhat void.
- It is our intent to complete the thought initiated by Dr. McGuinness by illustrating the impact on cost and efficiency of a process with a high degree of state control.
- It has been said that the view of the room depends on where you sit. The is certainly true in this discussion. Elected officials and taxpayers rightly want enough oversight to ensure fairness and accountability. University managers want enough latitude to make good and efficient decisions to benefit students, faculty, and the public.

Building Program

3



- Diving into the building program, we will explain the background, identify the problematic issues, discuss goals, and present recommendations.

Building Program: Cycle of a Project

4

Requests and Approvals

Planning and Design

Construction and Operation



- The building program is among the largest and most complex in state government.
- The results are easy to observe, but the process is nearly invisible to most people.
- To approach this immense enterprise, we are going to break it down into three main components....

Building project requests and approvals

Planning and design of projects

And finally, the construction and operation of projects

Building Program: Reforms

5

- Long history of reform efforts



- Power of the status quo
- Are the stars aligning for change?



- The task of reforming or streamlining the building program is daunting due to its complexity and a long history of attempts.
- This memo by one of my predecessors describes efficiency proposals in 1990, but process reforms have been discussed since the 1970s with little change.
- The status quo is a powerful bulwark against change. It has been said: those seeking change should remember that the status quo is there for a reason.
- If we think of the dozens of steps of a building project as a factory assembly line, there is a person or entity behind each touch of the project. Those actual people and entities have a vested interest in protecting the status quo.
- Conversely, efficiency has no advocate. This is because creating efficiency by definition means eliminating some of the steps in the assembly line.

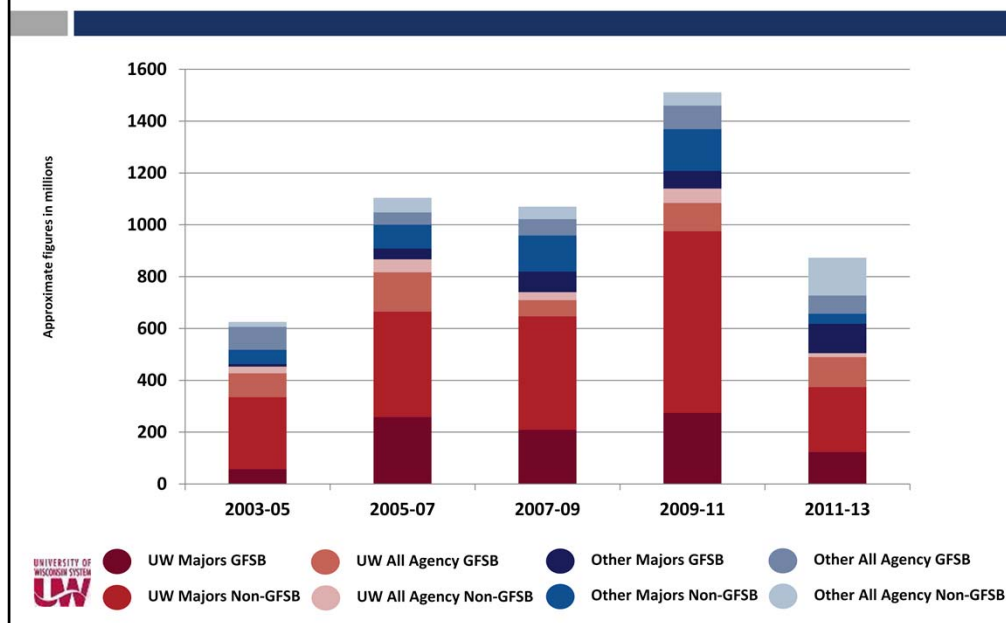
Why not solved before now?

6

- Past efforts in Wisconsin have either undershot or overshot the appropriate level of change.
- Current recommendations are intended to be “right-sized” by recognizing stakeholders’ needs and responsibilities.
- Recommendations focus on stewardship, protecting existing assets, and investing in university facilities for future generations.



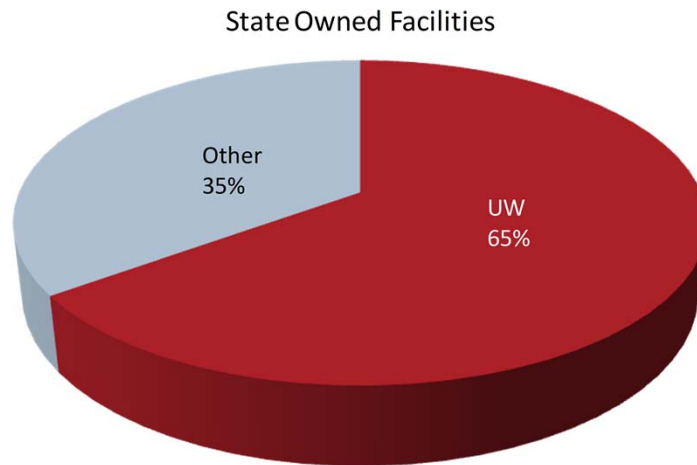
Building Program: All Agencies, All Funds



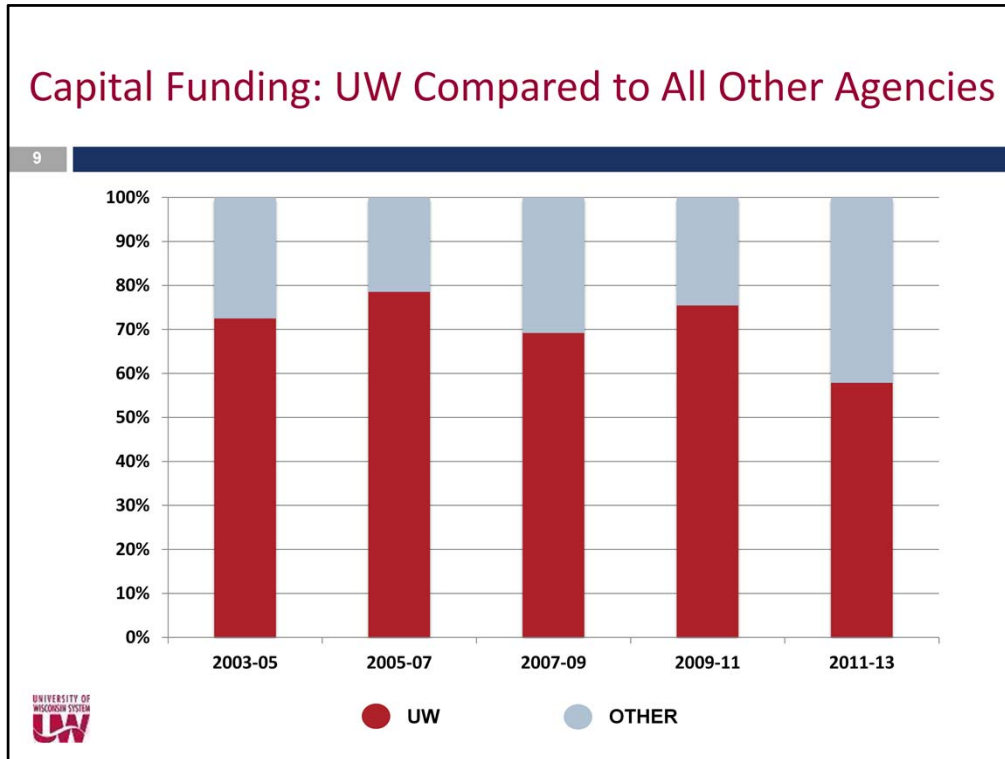
- One reason that creating efficiency in the building program is imperative is the sheer magnitude of the dollars involved.
- The chart illustrates that the building program averages more than \$1 billion in project spending each biennium through a combination of all fund sources.
- The red shades are various types of UW System projects and the blue shades are other state agencies.
- Of the UW System projects, nearly 60% each biennium are funded by university-generated revenue and receive no taxpayer support.

Building Program: Magnitude

8

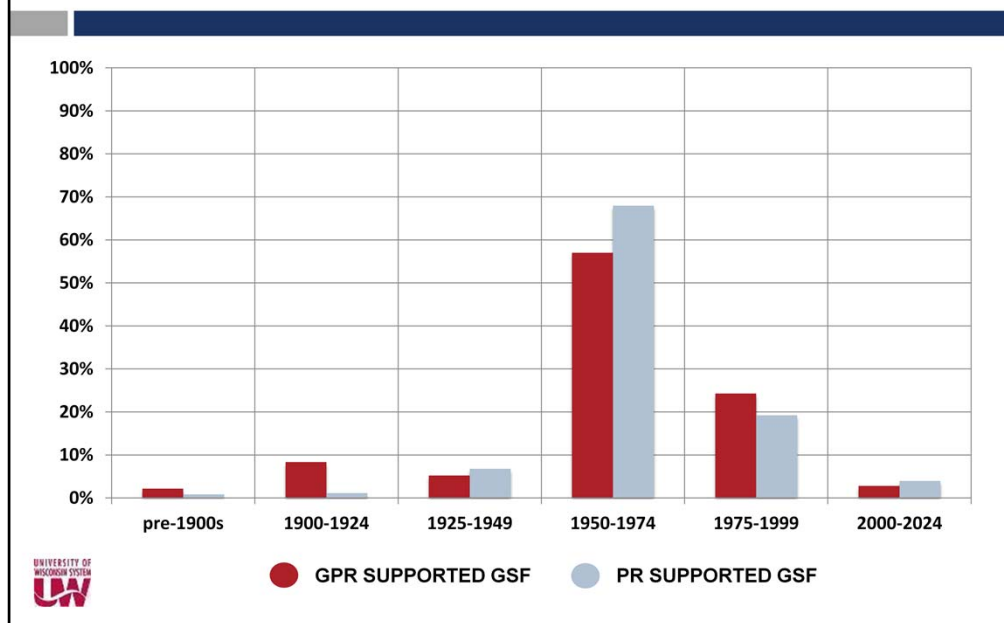


- The funding is weighted toward UW projects because the university comprises about 65 % of all state-owned space.
- The UW System operates about 58 million gross square feet.



When considering all funding sources, the UW System comprises about 70% of each biennial capital budget.

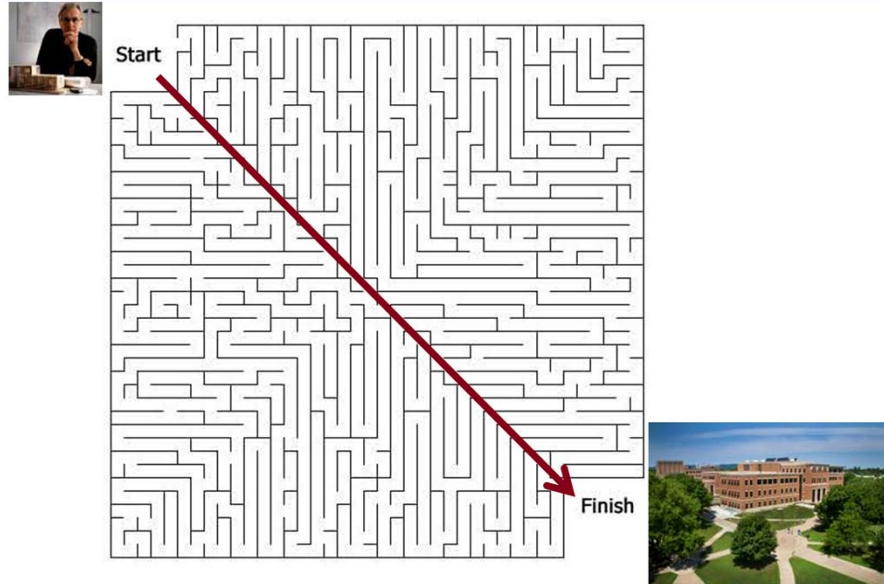
UW Construction Chronology



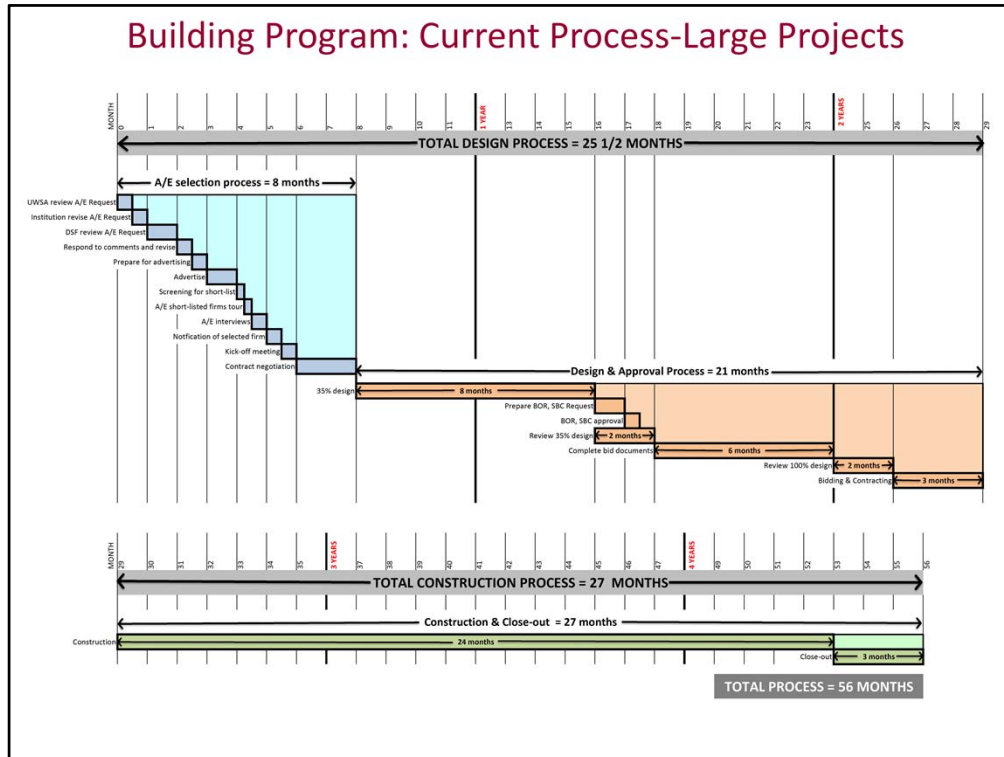
- Like most universities in the US, about 65% of all UW System buildings were built in the 1960s and '70s.
- Many of these buildings were built fast and cheap with a 30-40 year life span and the burden is falling on this generation to rebuild or replace them.
- This background will relate to the capital budget portion of our discussion a little later.

Building Program: Current Process

11



- I mentioned that the capital building program is complex and it must look like this maze to those not navigating through it day-to-day.
- I am often asked to meet with external groups or private firms to provide an overview of the building program and the response is generally one of dismay at its complexity.
- To create efficiency, you have to change the view and imagine the straightest line possible and only add steps that create value.
- A DOLLAR OF EFFICIENCY CREATED RESULTS IN SAVINGS TO THE PAYER, IMPROVEMENTS IN THE BUILDING, OR BOTH.



- This overwhelming slide details the steps in the approximately 56 months of a large scale project from architect selection through completion.
- Don't worry, I'm not going to go through all the steps.
- This is really to show that the process is documented, can be measured, and (thinking back to the assembly line) can be evaluated as a product value chain.
- **A critical factor of value chain analysis is not to make the mistake of retaining a step just because it adds value. Rather, the value added must be greater than the time and cost of the step.**
- This chart is for large projects; however, the top portion detailing planning and approvals does not condense as the scale of projects reduces.
- A project that takes less than a year to construct may take twice that long in planning and approvals.
- **GOAL: THE TIME SPENT ON PLANNING AND APPROVALS SHOULD NOT EXCEED THE TIME TO CONSTRUCT ANY PROJECT.**

Building Program: Reform Goals

13

Oversight

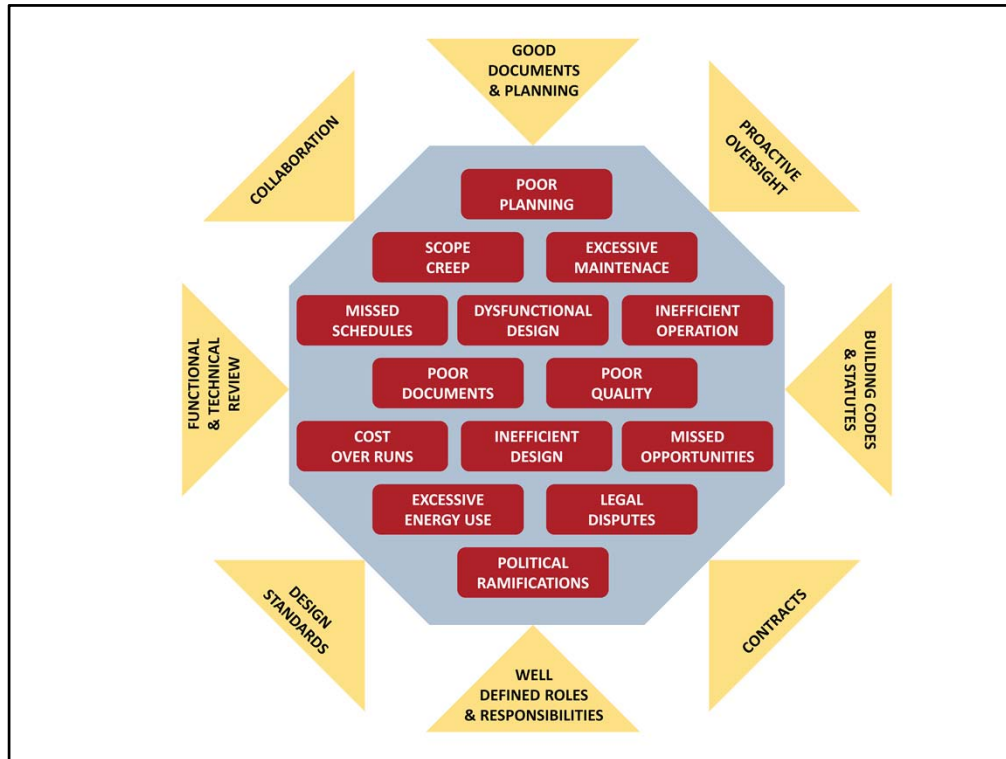
- Board of Regents and Legislature should maintain sufficient oversight.
- Approvals and oversight should correlate to the scale of the project.
- Oversight should ensure an open and transparent process.

Efficiency

- Each step in the process should ensure value added.
- Non-value added steps should be eliminated.
- Incentives should be created to increase efficiency.
- Efficiencies should apply to all projects, not a select subset.



- Before considering specific restructuring tactics, it is important to set out some guiding objectives and goals.
- We have considered two areas presented in this slide.



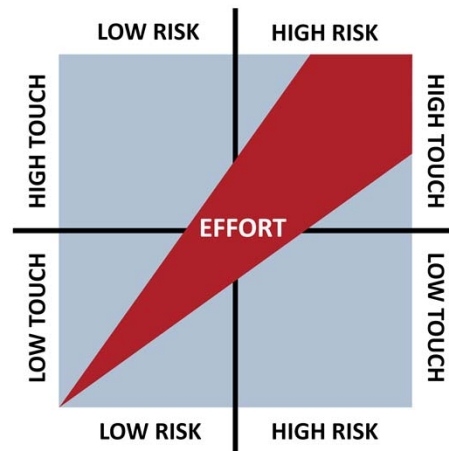
- In planning and constructing any project there are a host of issues that can go wrong.
- Like most endeavors, problems arise from insufficient planning.
- In this series of issues one thing leads to another, beginning with poor planning at the top.
- However, through acquired best practices we can hedge most of these problems. Good planning and management, quality technical review, and well-defined roles and responsibilities will minimize the problems.

THE PROBLEM: MISALIGNED ATTENTION & EFFORT



- If we examine the process that each project goes through from beginning to end, we could place those projects on a grid that measures “risk” and “touch.”
- The vertical columns measure risk – low to high; left to right.
- The horizontal rows measure the amount of touch each project receives, touch includes the amount of planning and design, management, oversight, and approvals.
- In WI public projects, we believe we have a structure that treats almost all projects the same and does not adequately categorize projects weighing the level of risk against touch.
- This shape illustrates that the greatest amount of attention and effort is exerted upon those projects in the mid-range of risk. Projects that are low risk receive excessive effort and projects that are high risk receive too little effort.

THE SOLUTION: ALIGNING ATTENTION & EFFORT



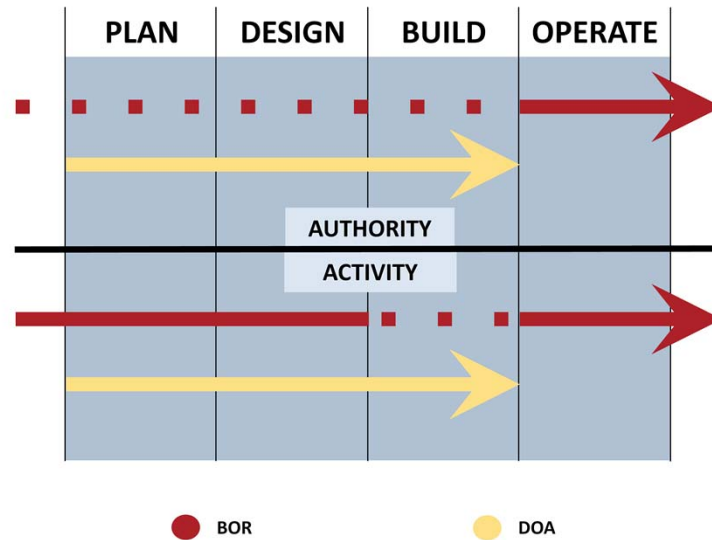
- We believe that all projects should be evaluated to properly align the level of attention and effort with the level of risk.
- Those projects with the greatest risk should receive the greatest level of touch.
- Those projects with little risk should be streamlined and as efficient as possible.

THE FOUR KEY ELEMENTS OF BUILDING OPERATIONS

PLAN	DESIGN	BUILD	OPERATE
<ul style="list-style-type: none">➤ Master Planning➤ Programming➤ Feasibility➤ Delivery Method➤ Project Approval➤ A/E Selection	<ul style="list-style-type: none">➤ Design Review➤ Design Approval	<ul style="list-style-type: none">➤ Final Review➤ Bidding➤ Construction Contracts➤ Construction Oversight➤ Substantial Completion➤ Certificate of Occupancy➤ Commissioning➤ Move In➤ Punch List	<ul style="list-style-type: none">➤ Adapt➤ Maintain➤ Operate➤ Plan➤ Schedule➤ Secure

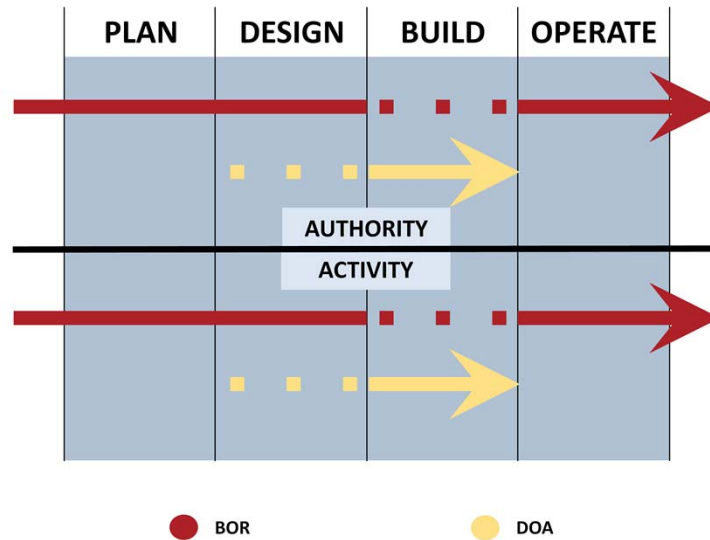
- To break down the long process of a project from beginning to end, we are going to focus on four groups of steps.
- Read each title and highlight 3-4 items in each column.

THE PROBLEM: MISALIGNED ROLES & RESPONSIBILITIES



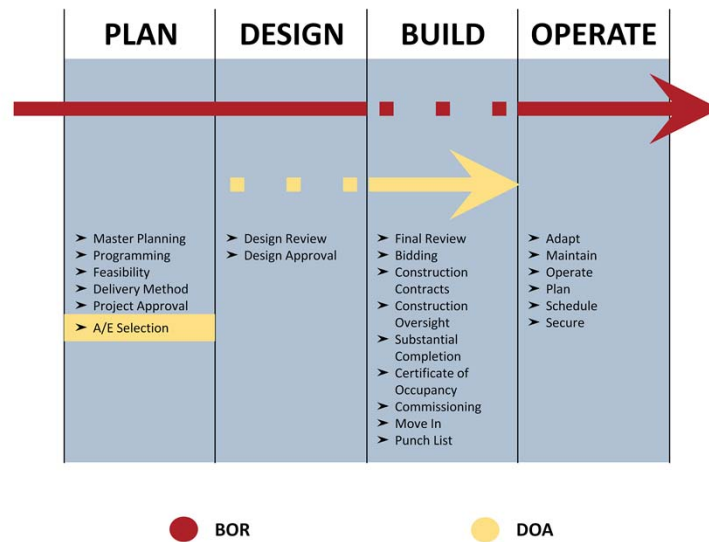
- Taking these four areas and overlaying the amount of authority shared by the Board of Regents and the Department of Administration compared with the amount of activity by each agency in each area, we believe there is significant misalignment.
- The dotted portions indicate minimal activity or authority.
- As you can see there is significant duplication in planning and design.
- Specifically, each university has an ongoing responsibility for the planning and operation of all of their facilities, but has no authority over actual maintenance and construction projects.

THE SOLUTION: ALIGNING ROLES & RESPONSIBILITIES



- We believe and recommend that a better method is to align the amount of authority with the amount of activity in projects. This would eliminate a great deal of duplication.
- Specifically, this would allow the university to maximize its expertise in planning and design and allow the Division of State Facilities to maximize its expertise in bidding, contracting, and construction.

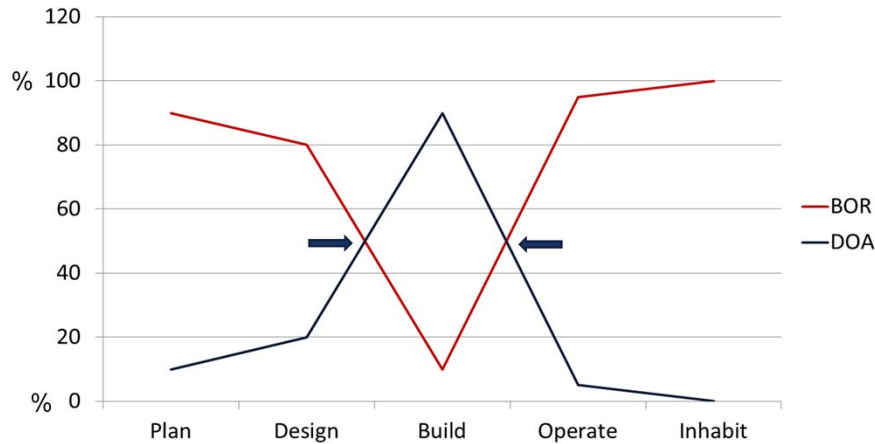
THE SOLUTION: ALIGNING ROLES & RESPONSIBILITIES



- To illustrate how this specialization would work in a single, but critical area, we'll focus on hiring architectural and engineering firms.

Defining Roles and Responsibilities

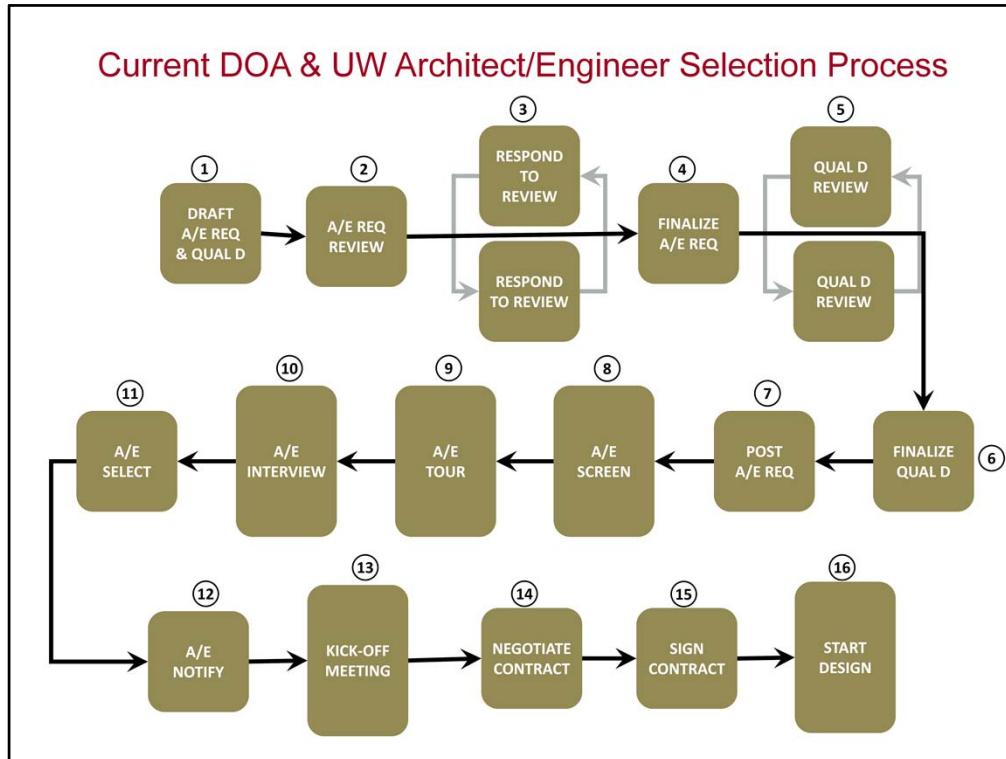
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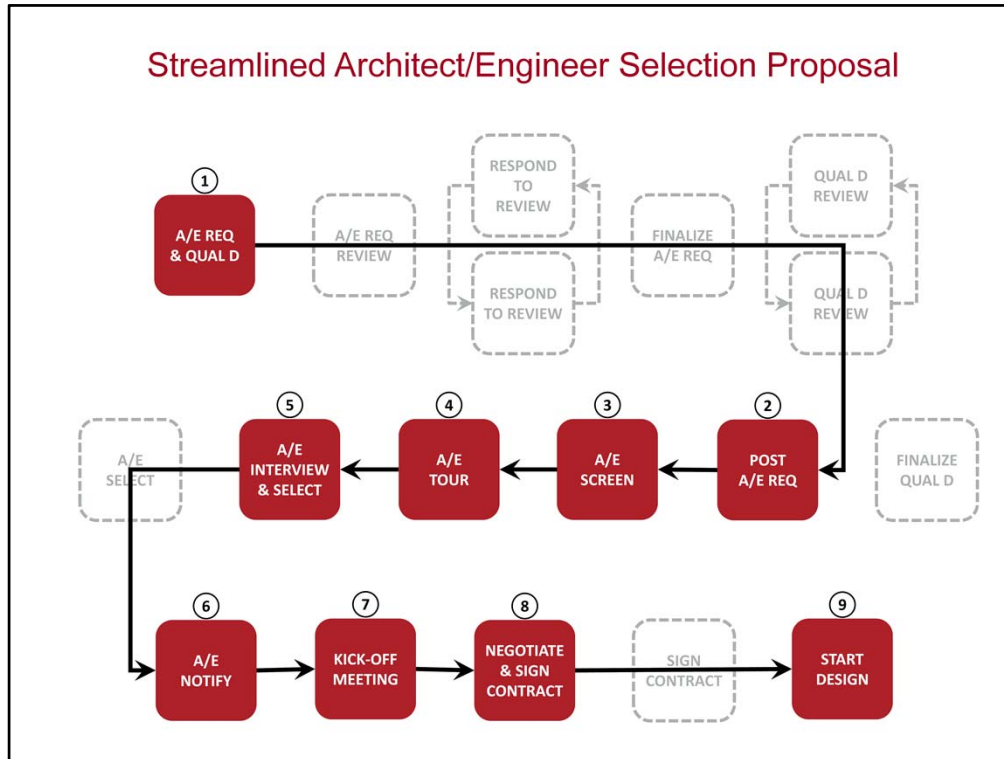
Agency efforts should be complementary and avoid duplication



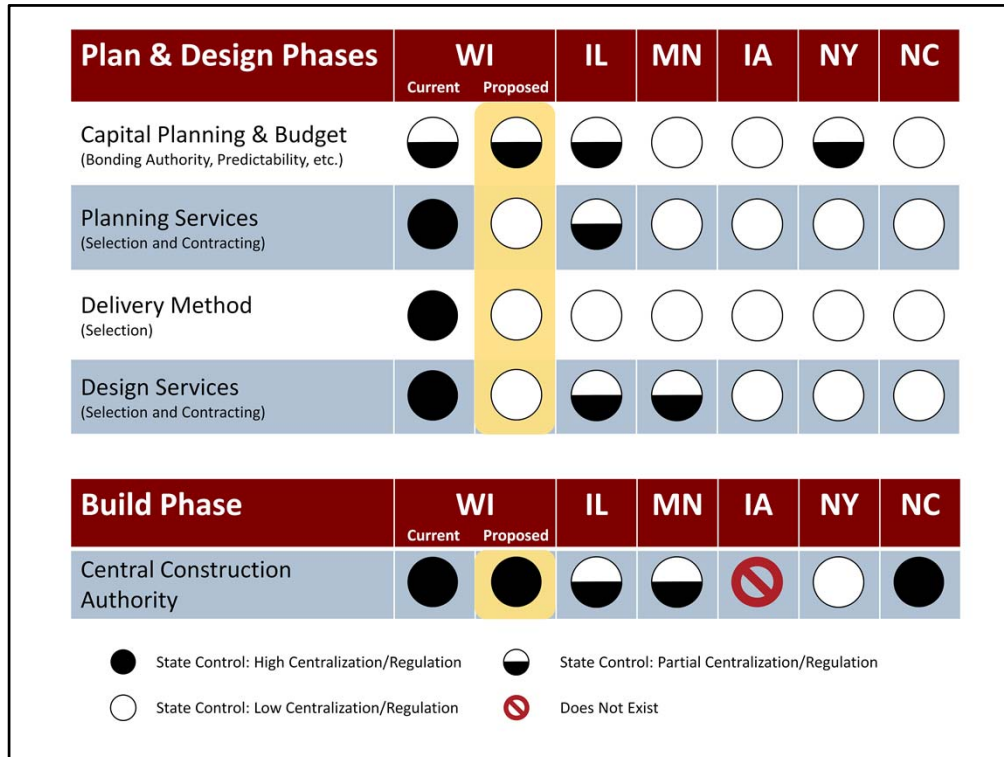
- This slide shows graphically how to reduce duplication and enhance specialization.
- Taking the same four phases of construction and adding *inhabiting the facility*, we show that the university would control the early phases of projects but control would decrease significantly at bidding through construction.
- As the Division of State Facilities completes construction, the facility is turned back over to the university to operate and inhabit.
- Clearly the key to this model are the two “handoffs.” First from design to bidding and second from completion to operation.
- This model works in other states, like NC and GA, and would work well here by maximizing the best skills of each agency.



- This is flowchart of the steps of AE selection and contracting.
- Currently, these steps are performed by DOA, UW, or jointly creating redundancy and duplication.



- This flowcharts illustrates how streamlined the process would become by assigning responsibility for AE selection and contracting to the Board of Regents.
- Thinking back to that assembly line again, this chart is NOT intended to say that those redundant steps have no value, but rather, the elimination of those steps will not reduce the value of the product.



- In developing this model, we looked at a many states and public universities. This chart shows three neighbors and two of our closest peer Systems. IL, MN, IA, NY, NC.
- Thinking back to Dr. McGuinness' table of states with a high degree of centralized control or more decentralized at the university level; the chart uses black circles to show where these states have centralized control and open circles indicate university control.
- Developing the capital budget is an area of shared control because the BOR originates the budget, however the BOR has no actual authority. Unlike MN, IA, and NC, the state determines the budget and projects.
- In master planning and pre-design contracting, all states except IL have complete authority, and in IL universities have authority over non-state funded projects.
- In delivery method (meaning design/bid/build or other alternatives) all universities make the determination.
- In architect selection and contracting three states have complete authority, and in IL and MN universities have authority over non-state funded projects.
- Finally, in bidding and construction, three states have some central construction authority, IA has none, and NC, like WI, has a complete centralized structure.
- In WI, we are proposing a shared responsibility model as I've described with DSF remaining the central construction authority.

Building Program

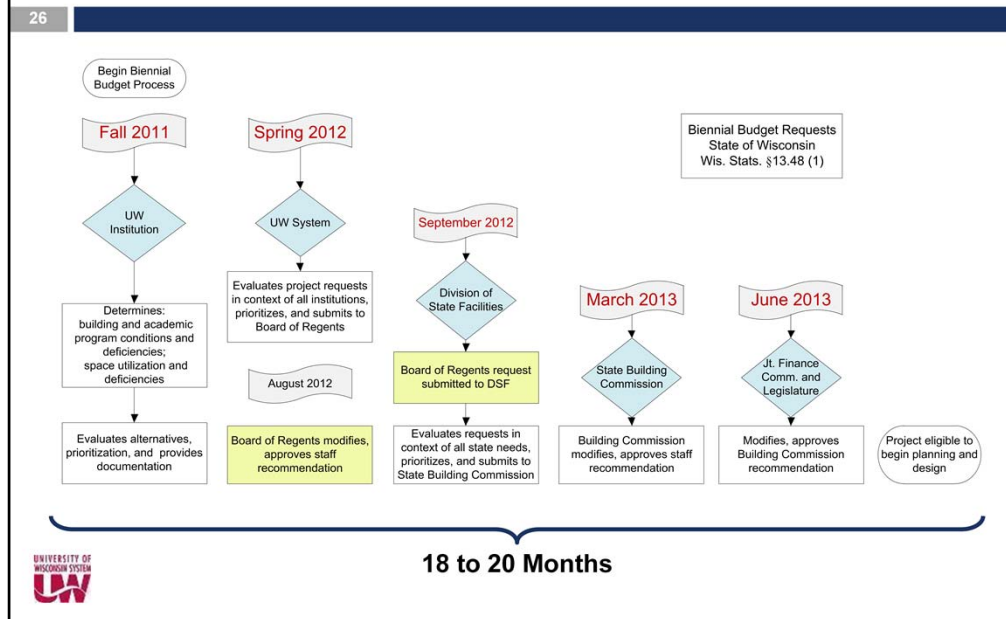
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Enumeration and Capital Budget

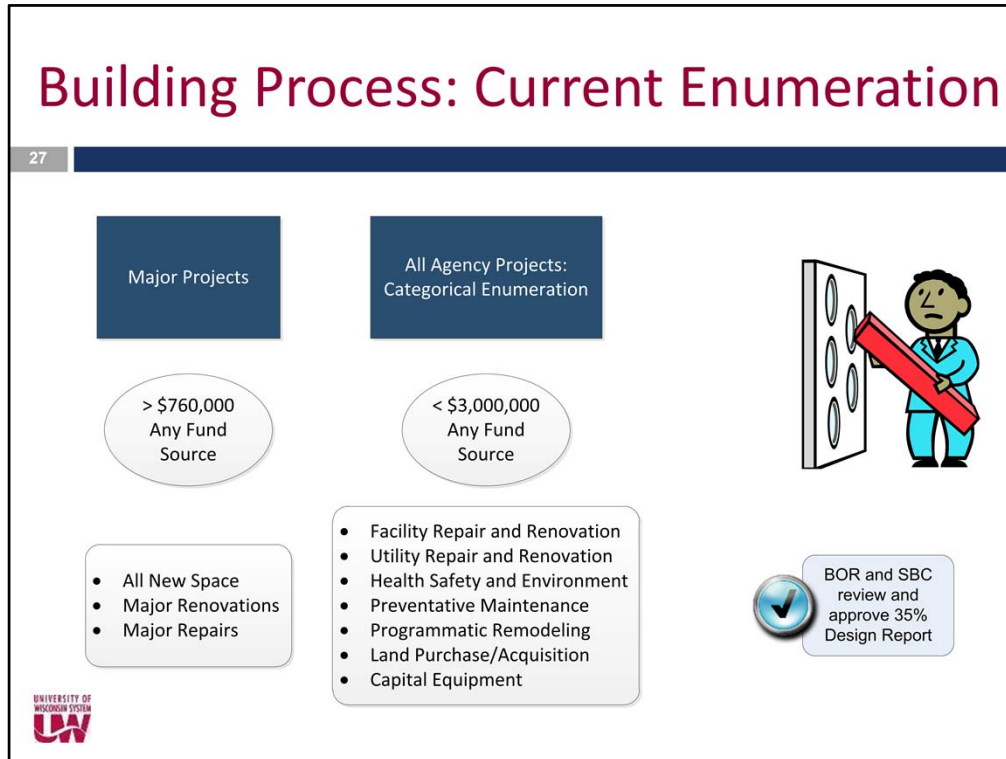


- We have also looked at how other states approve capital budgets and approve projects.
- WI requires enumeration of almost all projects and funding in the state's biennial budget. This requires identifying the anticipated scope and budget of a project long before the project actually occurs, which inevitably leads to poor guesses and frustrates all those responsible for carrying out and approving the project – especially Legislators.

Building Process: Enumeration



- This flowchart shows the many steps involved in approving projects through the biennial capital budget. You can see that it takes more than a year and a half to get through the process. This all generally occurs before we begin the 56 month process of implementing the project.
- Sometimes this is shortened by beginning design before the project is enumerated, but this usually is only allowed if the university is willing to risk the early design fees.
- For most of this time nothing is actually happening with the projects.



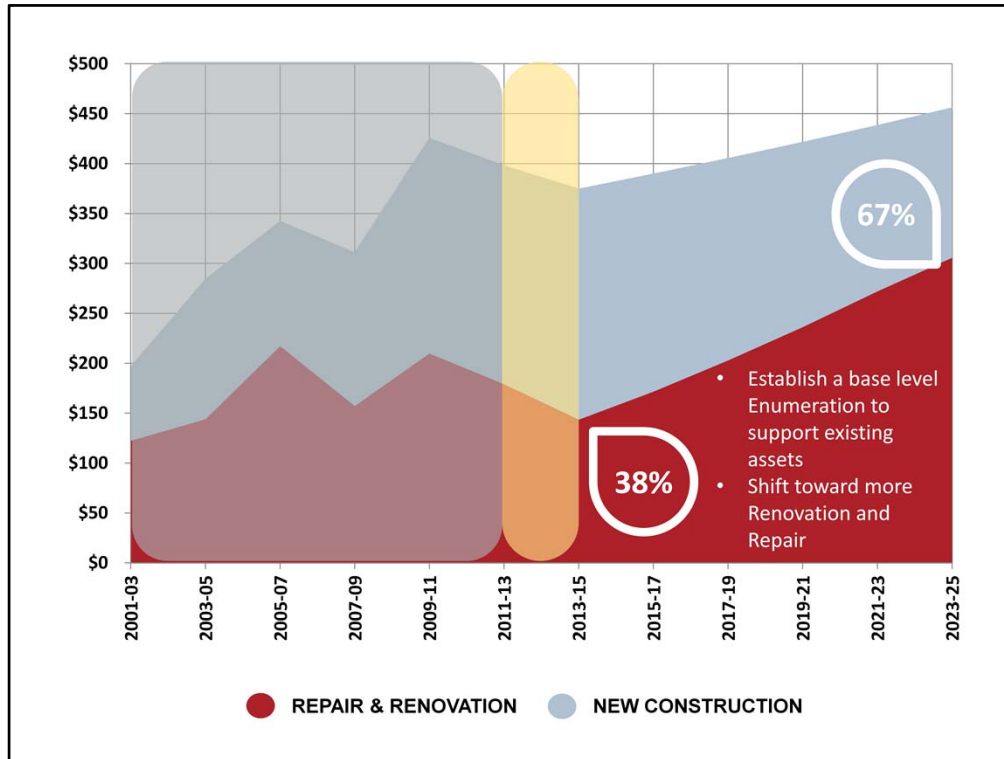
- Enumeration occurs in two ways. Major projects are defined as a total project cost over \$760,000 including all new space, major renovations and repairs.
- Another method is to enumerate categories of funding for maintenance and repair. These by practice are under \$3 million, but must fit into one of 7 or so categories.
- This process results in facility managers trying to fit square pegs into round holes.
- Projects are presented to the State Building Commission for approval at 35% of design.
- A statute requires the Building Commission to approve all projects over \$185,000.

Building Program: Alternative

28



- We believe a better structure would be to retain two paths for projects with some minor changes.
- Major projects would be those over \$1 million, but only those constructing new space (whether additions or new buildings).
- The second group would be everything else that occurs within existing buildings. In this enumeration model, the BOR capital budget would request a block of funding based on prioritized pending projects for all work within existing buildings.
- Thinking back to the chart of the age of university buildings, we have a great deal of backlog maintenance and repair. We believe this enumeration method would help prioritize existing buildings and reduce the backlog (or slow the increase).



- The left side of this graph shows 5 biennia of capital budgets: 2001-03 through 2011-13.
- The red portion shows the amount dedicated to existing buildings and the blue to new space. As you can see, the trend has been toward new space. Many of those projects were badly needed and some demolished obsolete buildings.
- Looking to the future, 2013-15 through 2023-25, we believe the emphasis should be on existing buildings and a base level funding established for those assets.
- If we were using a business model, we would recommend that 3% of the facility replacement value be invested in maintenance, repair, and renovation each year. For the university, that would equate to about \$300 million every year. We have been investing somewhere around one-third of that amount.
- This is not about increasing the overall capital budget more than a steady predictable amount, but rather about shifting the focus.
- We recommend a statutory change in enumeration to achieve that goal.

State Leases

30

Current

- Wis. Stats. 16.84(5) and 13.48(19)
 - DOA responsibility
 - Governor's signature
 - Building Commission approval
 - Funded by the university operating budget
 - UW is 15% of state leases (83 of 540)

Proposed

Assign responsibility for leasing to the Board of Regents



- The final area I would like to present is related to leases.

Recommendation Goals

31

- “Right-size” the current process and build on its strengths.
- Create efficiency by differentiating roles and emphasizing specialized skills of each agency.
- Focuses on stewardship, protection of existing investment, and renovation of university facilities for future generations.



Recommendations

32



- Place primary responsibility for planning and design with the Board of Regents.
- Strengthen DOA bidding and construction capacity.
- Redefine enumeration to create two categories: new space and existing facilities.
- Incentivize investment in existing facilities by establishing a base level budget for renovation and repair.
- Assign authority for leases to BOR.

Streamlining the Process

Less of this...



UNIVERSITY OF
WISCONSIN SYSTEM
UW

...and more of this...

