

UNIVERSITY COUNCIL
PLANNING AND PRIORITIES COMMITTEE
REPORT FOR INFORMATION

PRESENTED BY: Fran Walley, Chair, Planning and Priorities Committee

DATE OF MEETING: June 19, 2014

SUBJECT: **Report on Capital Planning**

COUNCIL ACTION: For information only

PURPOSE:

The planning and priorities committee terms of reference state the committee is responsible for:

- *Considering the main elements of the Operating Budget and the Capital Budget and reporting to Council.*
- *Advising the President and senior executive on operating and capital budgetary matters, including infrastructure and space allocation issues, referred from time to time by the President, providing the advice is not inconsistent with the policies of Council...*

The purpose of the report is to report to Council on university lands and capital renewal.

CONTEXT AND BACKGROUND:

This year, the committee determined to refocus on the topic of capital renewal and the university's overall capital budget and expenditures, beyond the sustaining capital grant¹ received from the province. In the past, the committee has reported somewhat sporadically to Council on capital matters. The intent is to regularize the committee's reporting and consideration of capital items to encompass lands, infrastructure, preventative maintenance and renewal, new builds, space allocation, and report on new capital processes, such as the university's intent to create capital profiles of each college and school.

¹ now referred to as "preventative maintenance and renewal"

The committee's capital and finance subcommittee met twice during the year on November 13, 2013, and January 17, 2014 to review emerging and ongoing major capital projects. On March 19, 2014, the planning and priorities committee received a report on the university's endowed lands; on May 7, 2014, the committee devoted a meeting to discussion of a wide range of topics related to capital planning.

DISCUSSION SUMMARY:

UNIVERSITY LANDS

The magnitude of the university's land holdings is significant, consisting of 1800 acres of land that comprise the main campus and surrounding area within the City of Saskatoon limits. The university also has 8,000 acres that are outside of the city used to support research, primarily the Kernen Crop Research Farm, the Goodale Research Farm, and other research facilities related to Geological Sciences and Physics and Engineering Physics. With rising real-estate values, the university's land holdings are becoming increasingly valuable and create the opportunity for land development to be a source of revenue to support general university purposes. In developing its lands, the university also has an opportunity to demonstrate leadership in sustainable urban development.

The 1999 Land-Use and Urban Design Study, which determined that regional retail would be financially beneficial to the university led to the development of Preston Crossing shopping centre. The university articulated three objectives attached to the development of Preston Crossing which continue to hold: (1) to retain university ownership of the land, as part of our core campus (e.g. lease-hold basis); (2) to provide a financial return to the university (Preston Crossing presently yields \$2.0 million in revenue to the university, which is designated toward scholarships); and (3) to benefit the city and bring new tenants to the city as a high-quality development.

In 2008, the land use task force completed an inventory of all of the university's land holdings, and contemplated how the university might further use its lands to advance its strategic initiatives. The Vision 2057 task force succeeded the land use task force and provided a framework as to the certainty of the status of the lands related to development; identifying lands as either core campus lands, or endowment lands, which have an indirect role in supporting the university's core mission by providing a revenue stream through land development. In developing those lands designated as endowed, central considerations relate to protecting the interests of the university in terms of the economic value of the lands and the use of the land.

As the university has almost 20% of the land base in the core of Saskatoon within a 5 km radius, the university is a significant factor in the city's planning. The City of Saskatoon has initiated a major planning project titled "Future Growth Strategy." In addition to undertaking community consultation with respect to future growth, the City has requested that the university consider the future use of its lands within city boundaries.

The planning and priorities committee has recommended that Council receive a presentation on its endowed lands in the coming year, in support of Council understanding the significance and value of the university's land base.

CAPITAL RENEWAL

Capital renewal and deferred maintenance is included as one of the top ten risks in the university's enterprise risk management (ERM) system. The two main risks associated with capital renewal and sustaining capital are (1) that facilities are not maintained adequately to ensure buildings and infrastructure meet acceptable condition standards and (2) that facilities are not renewed on an ongoing basis to effectively support and serve the university's academic mission.

The university's buildings and infrastructure are valued at \$5.1 billion in capital assets based on their current replacement value (CRV), with a facility condition index (FCI) set at 11.6%, equivalent to \$590.0 million, as the amount required in order for the university to maintain its buildings and building infrastructure. The sustaining capital grant received from the provincial government has declined over the past several years from \$20.0 million to \$11.0 million or 0.2% of the CRV. A CRV index of 0.8% or \$40.0 million would enable the university to maintain the current standards of its buildings, with the goal of developing a program and funding level over time to reduce the university's facility condition index.

A new strategy is being designed to continue to renew and maintain existing buildings and to build new buildings based on the following five strategies:

1. **Run to failure** (maintain structure and safety to end of predetermined life cycle with a master demolition plan in place);
2. **Deferred maintenance focus** (maintain pre-determined facility condition index objective);
3. **Renewal and Adaptive Re-use Focus** (RenewUS) (focus on core academic facility renewal); (*e.g. renewal of the campus core*)
4. **New Building and Comprehensive Restoration Focus** (new buildings and restoration of select buildings);
5. **Blended Strategy** (develop a blended master plan based on the funding assumptions of the four above strategies).

In the past new buildings on campus have had as much as 90% of the funding attributed to the provincial government; the investment of the government in any capital projects is likely to be lower in the future, with contributions from university's own budget, donor contributions and grants figuring more prominently as sources of capital funding. Given this reality, the planning and priorities committee advised that a balance between making

capital investments and investments in quality education be carefully considered, based on the recognition that funds directed toward capital priorities are by necessity not available for investment in teaching and learning.

The development of a classroom space plan to make the most efficient use of the university's available space is planned. The development of such a plan is supported by the committee and would meet the committee's mandate to consider the allocation of space. In addition, a space analysis will be conducted over the summer with the intent of blending the higher priority academic needs within the College of Arts and Science with priority deferred maintenance issues within the college's teaching and research space.

The committee will report to Council in the fall on the university's major capital projects, when it submits the university's Annual Capital Plan to Council for information.