Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

<u>**DISCUSSION ITEM**</u>

For Meeting of March 18, 2020

INTEGRATED CAPITAL ASSET MANAGEMENT PROGRAM

EXECUTIVE SUMMARY

The University occupies approximately 140 million gross square feet (gsf) of space and close to half of this space (66 million gsf) is more than 30 years old. Aging facilities are more expensive to maintain and many building systems are at or beyond their useful life. Moreover, specialized research facilities comprise a growing percentage of the University's inventory of space and are costlier to maintain. As a result, the University's deferred maintenance is escalating. To accurately quantify this issue and determine prioritizations and remedies, the University is systematically assessing all of its State-supportable space for deferred maintenance needs through the Integrated Capital Asset Management Program (ICAMP).

BACKGROUND

Deferred maintenance is a multi-billion dollar issue exposing the University to significant operational risk. Unplanned asset system and component failures divert operating funds and management attention to emergent issues which impair or interrupt operations in the costliest, least convenient manner. Appropriate planning for proactively addressing and prioritizing deferred maintenance mitigations necessitates a detailed, systemwide asset inventory and condition assessment including a risk prioritization based on potential interruption to the University mission.

As a result of the reduction in State support, the University's deferred maintenance (DM) liability has increased. The Integrated Capital Asset Management Program (ICAMP) has been developed to systematically analyze facility condition to determine the magnitude of the DM issue in order to develop a funding strategy to address the need, as well as determine the risk posed to operations to prioritize mitigation strategies. The University began investing funds in 2014 to develop a common software implementation platform. In 2017, the University obtained State funding for the inventory and condition assessment of State-eligible building assets (Phase 1, described further below). University funds of $9 million have been allocated for development and implementation of the ICAMP database platform, which includes staff, program management, and software and data licensing. To complete Phase 1, $15 million of State funds was approved for facility condition assessments (FCAs) of State-eligible space, and $5.6 million of additional University funds is allocated for non-State-eligible space.

ICAMP has modernized the University's legacy enterprise asset management platform and provided a standard, systemwide methodology for classifying and organizing capital asset information. ICAMP is currently inventorying and assessing asset condition, assigning risk rankings to asset systems and components, and providing campuses data necessary to develop a sustainable, long-term funding strategy to address the deferred maintenance liability and optimize the total cost of ownership of the University's portfolio.

ICAMP supports the California Legislative Analyst's Office's interest in articulating how projects are prioritized. Additionally, the categorization of assets in ICAMP will help address the Legislature's interest in tracking how resources are directed to address the highest-priority needs over time. Specifically, ICAMP will be used to satisfy informational requirements detailed in the LAO Supplemental Report of the 2019-20 Budget Act Item 6440-001-0001 on deferred maintenance plans and backlog buy down to prevent accumulation.

PROJECT DESCRIPTION

ICAMP is currently in the process of inventorying and assessing the approximately 140-million-gross-square-foot (gsf) building portfolio as well as other campus major physical support infrastructure. The project is split into three distinct phases: Phase 1, inventory and assessment, covers the State-eligible space portfolio; Phase 2 covers infrastructure – major campus assets and systems that support campus buildings such as roads, central utility heating and cooling plants, as well as water and waste delivery systems; and Phase 3 is anticipated to cover auxiliaries. Once inventoried and assessed, asset condition data will be continuously and efficiently updated by applying the developed knowledge base to ensure planning and modeling accuracy.

The Phase 1 inventory and assessment process began at UC Davis in November 2017 and is currently in process at all ten campuses. Phase 1 is on schedule to be completed by December 2020. Phase 2 Infrastructure launched in July 2019, is running concurrently with Phase 1, and will also conclude by December 2020. Phase 3 will follow subsequent to the completion of Phases 1 and 2.

ICAMP has developed an enterprise system to house and maintain requisite asset data and, with completion of Phases 1 and 2, will provide a systemwide "apples to apples," risk-prioritized building and infrastructure asset inventory and condition assessment; centralized and consistent data gathering and data storage methodology; and a streamlined reporting process for building location hierarchy and space function (for Equipment, Infrastructure and Assets – EFA database). ICAMP has the capacity to include capital planning integration with seismic, energy, accessibility, and other program requirements that will allow the University to overlay multiple variables to further inform decision-making in the future.

As of January 2020, approximately 46 million square feet of building asset space have been inventoried and assessed. This exceeds 75 percent of the Phase 1, 61-million-gsf portfolio, and represents more than 75,000 asset records and deferred maintenance requirements totaling more than $2.4 billion over a five-year period.

Key to Acronyms

ICAMP	Integrated Capital Asset Management Program
GSF	Gross-Square-Feet
DM	Deferred Maintenance
EFA	Equipment Infrastructure and Assets Database

ATTACHMENT

Attachment 1: ICAMP Program Overview