From Assessment to Action: 4 Steps to Creating a Sustainable Capital Plan
Capital planning in higher education is unique to other industries. In business, a board of governors establishes a plan for the future of the company with assistance from C-level executives. This plan is then shared with the rest of the company as “written in stone” and the organization works to bring the plan to fruition. In government, a plan is created through politicking, then put to the community for a vote. If the plan does not pass, it goes back to the politicians for renegotiation. Only in higher education do the capital planning challenges of both business and government overlap. Like a company, a board discusses and ultimately makes major decisions. However, the board reaches these decisions by accepting constant input from stakeholders, like politicians gathering constituent feedback at a town hall. When it comes to capital planning, the goal for higher ed leaders is to successfully balance the institution’s long-term future and its short-term requirements and needs. This is a delicate tightrope walk.

Higher education leaders face a multitude of capital planning challenges: An overwhelming number of stakeholders who feel entitled to having their demands met. Ill-defined and limited funding. Disagreements about what data to include in the process. Addressing these challenges is no small feat. It takes a coordinated effort between finance and facilities with support from institutional leadership. Most importantly, it requires a tactical plan of attack.

**Step 1**
Gather the RIGHT data

**Step 2**
Include KEY stakeholders

**Step 3**
Develop an OBJECTIVE project selection toolkit

**Step 4**
Create OPTIONS for funding

By organizing the plan’s creation into an appropriate framework, seemingly insurmountable challenges can be overcome. The resulting plan will be impactful, sustainable, and most importantly, actionable.
Step 1
Gather the RIGHT data

The higher education industry is rich with capital planning data. There’s component-level deficiency data, day-to-day maintenance data, major capital project data, small project data, construction estimate data, the list goes on. Any or all of this data can be crucial for capital planning, but none of it is sufficient independently.

Component-level deficiency data is a good base as it provides information about the current condition of assets across the institution. Such granularity is critical when it comes to packaging needs into projects, but it’s not enough to act as a capital plan.

Layering on maintenance data is critical to validating the deficiencies list and ensuring the underlying information agrees with real-world facilities conditions. For institutions whose maintenance data could best be described as “soft,” the alternative is to solicit input directly from the operators to confirm and validate deficiency data based on their own experiences.

Historical project data is useful for estimating the cost and financial impact of future projects, particularly if the historical data is detailed. However, it’s important not to focus too much time trying to get the price exactly right; estimates within 5-10% are sufficient for planning. The goal of this process is to create a list that can be prioritized and segmented, not to scope a project. The truth is, costly assessments are not always necessary. Engineered estimates need be created only for the highest-priority items.

Lastly, it’s important to set the right horizon for the focus. 10 years is a good middle ground for focusing the plan in the short term without losing sight of the long term. Creating a defined window allows for some information to be de-prioritized in the short run so that time and attention can be focused on what matters today.

The result of this step is a component-level list that has been field-validated with rough, but realistic cost approximations. This list will focus on existing physical assets. To create a plan that’s more than just a deferred maintenance assessment, leaders must engage other groups around the institution.
Step 2
Engage KEY stakeholders

An effective capital plan must include input from those outside of facilities and finance. Creating cross-institutional transparency is often an overlooked part of creating a sustainable, broadly-supported plan. Leadership must communicate the importance of the plan to all campus stakeholders. Open, transparent communication fosters a collaborative environment and helps all constituents feel they’ve had a say in its development and creates buy-in as the plan starts to develop.

To move toward a plan, decision-makers must build the appropriate strategic framework.

Sitting down with leaders of various colleges, departments or sections and asking what they need is a challenging and potentially humbling endeavor, but the resulting information is invaluable. Finding out, for example, that the science department is looking to renovate a laboratory connected to deficient assets identified in the initial condition assessment allows for more effective project execution.

At this step it’s also important to identify the purpose behind each potential project. Is the need simply a replacement of what’s currently in place? Or is it modernizing older equipment to provide operational or programmatic benefit? As potential projects are added to the deficiency list, these distinctions become a way to compare, organize and prioritize needs.

Lastly, leaders must identify and account for major construction projects planned in the near or distant future. While it’s important to identify the needs facing assets currently in use, it may not be worth the effort. To use another example, there is no need to plan for a $10 million renovation of a theater if the arts department is actively fundraising to build a new one. Master plans should also be folded in at this point as they are one of the best sources of leadership-approved long-range construction planning. Adding these future construction projects, and coding them accordingly, completes the financial picture.

At this point the list we’ve created contains deficiencies, departmental projects (needs and wants), and future construction projects; but it’s not a plan yet. To move toward a plan, decision-makers must build the appropriate strategic framework.
**Step 3**

Develop an OBJECTIVE project selection toolkit

Project selection meetings can often feel like untangling a knot of competing interests. Sometimes, the person with the most clout takes priority in decision-making. Sometimes, the squeaky wheel gets the grease — the loudest voice wins. In the name of fairness, departments are sometimes instructed to wait their turn for funding to come their way. Keeping people happy is the name of the game, but that’s no way to develop an effective capital plan. Creating a more strategic outcome may cause pain in the short run but will lead to positive results for the institution as the decisions made provide benefit beyond temporary peace.

Creating an objective toolkit for project selection begins by outlining what factors must be considered. Typical considerations include, but are not limited to: institutional mission, program popularity, risk mitigation and criticality to operations. Organizing key stakeholders to decide what factors should be valued most helps move the selection conversation away from individual projects. Instead of discussing “my classroom renovation” or “a boiler in the basement,” the conversation shifts to “program improvement” and “reliability of building operations.” Re-framing the conversation helps institutional stakeholders determine what’s immediately important and what can wait.

Leadership may also consider plans for buildings as a whole, or even plans for groups of buildings. Organizing buildings into portfolios allows institutions to make funding decisions based on mission, program-type, location, historical character, divestment plans or a number of other potential metrics.

The key to these tactics is that stakeholders are engaged in the development process, not just the results. If the creation of the project selection toolkit engages the right people and integrates their opinions, there will be limited infighting about which specific projects get chosen and the order in which they’re selected. The conversation from leadership moves away from “This project or that project,” and shifts to “How much funding should we allocate to projects which mitigate failure risk?” These conversations often revolve around funding, which will be discussed more in the final step of the process.
Step 4
Create OPTIONS for funding

Higher education planning is difficult, in part, because stakeholders are concerned with different horizons. Facilities is looking out 50+ years in the management of their assets; finance is using a 10-30 year window when deciding to take on debt; academics are worried about the 4-5 years that a student spends at the institution; recruitment is worried about the incoming class next year. This inherent friction means that even the best laid plans are forced to be flexible and those that aren’t will inevitably crack and eventually break.

Planning horizons are why the 10-year focus is so critical. Looking too much at the short run will lead to decisions that negatively impact the long-term goals of facilities and finance and can lead to resource misappropriation. On the opposite side, institutions that focus too far out can become too conservative and miss changing student demands.

Creating buy-in for a flexible 10-year plan is no easy task, but one of the most effective approaches is to present leadership with funding and timeframe options. Developing options allows for leadership to discuss strategy and consider next steps, rather than getting bogged down in details. It may feel redundant to create multiple versions of the same plan, but if the previous steps are done correctly, particularly the project selection toolkit, it’s not the challenge it appears to be. The objective tools and high-level selection criteria create a scenario where project prioritization happens almost automatically. Prioritized projects rise to the top of the list and become targets for additional research.

Following the steps to create an effective capital plan are neither easy nor quick. This process is a concerted effort between facilities, finance and institutional leadership. If any of those groups are not appropriately involved or engaged, the effort will fall flat. Engaging with an experienced, objective partner is an excellent way to bring everyone to the table with a distinct purpose and create a sustainable action plan. Removing subjectivity through a third-party perspective and focusing on broadly verified data will be critical to preventing bias from infiltrating decision-making and helping ensure the best outcome for the institution.

Gordian can be the partner that makes this process easier and more effective for you. We use data and expertise to help higher education institutions make smarter facilities decisions and develop effective strategies for facilities stewardship. Gordian can help you prioritize project selection and establish an actionable multi-year capital plan.

Contact us at gordian.com to learn how you can take your assessment to the next level and create actionable results.