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From Data to Action:
5 Steps to Creating a Strategic Capital Plan

Capital planning in higher education has been fundamentally altered as a result of the COVID-19 pandemic. No longer are institutions being asked to choose between "this project" or "that project." All eyes are on the impacts of the virus on campuses and how each institution can weather the current storm. This unprecedented situation has put many institutions into survival mode where the short-term is the only concern.

Counterintuitively, this short-term focus on capital planning puts an increased importance on planning tools. Nimbleness and cost-effectiveness are paramount. The goal of a COVID-era capital plan should be to ensure that short-term decisions do not hamper the long-term mission and vision of the institution. Colleges and universities need to survive now and thrive later. This provides an opportunity to change from per-COVID tools to a more modern solutions that provide the clarity and confidence decision-makers desire while delivering the flexibility and cost-effectiveness that they need.

Even absent a pandemic, 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 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. 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.

> **When it comes to capital planning during COVID, the goal for higher ed leaders is to successfully balance the institution's long-term future and its short-term survival.**

A multitude of challenges make that tightrope walk ever-shakier for higher ed planning teams. They face an overwhelming number of stakeholders who feel entitled to having their demands met and compete for scant resources with necessary changes as a result of the virus. Addressing these challenges takes a coordinated effort between finance and facilities with support from institutional leadership. Most importantly, it requires a clear, five-step plan of attack.

Step 1
Gather the RIGHT data

Step 2
Include KEY stakeholders

Step 3
Develop an OBJECTIVE toolkit

Step 4
Create OPTIONS for funding

Step 5
Generate a plan for ACTION

By organizing the plan's creation into an appropriate framework, seemingly insurmountable challenges can be overcome. The resulting plan will be flexible, sustainable, and most importantly, actionable

Step 1
Gather the RIGHT data

The goal of capital planning is to appropriately prioritize needs and understand their relative financial impacts so leaders can make confident decisions. This approach does require data, but not necessarily to the level of detail one might assume.

There is a three-way trade-off between detail and cost and time. Hiring engineers to complete a detailed assessment of all facilities and components on campus will produce accurate results. But such an assessment is expensive and time-consuming, and it should be reserved only for buildings on the short-term project list. Few institutions have the luxury of paying for component-level detail in all their facilities. Yet these campuses still need a holistic baseline that provides a clear roadmap to where investments will be most needed. They need a way to balance the necessary details with the cost and time it takes to gather them.

An accurate baseline of all campus buildings should assimilate as much existing data as possible and use technology to fill in the gaps. Starting with system-level models allows for rapid baseline creation without much legwork. Typically, using a model instead of an engineer's assessment means sacrificing accuracy. But there are ways to close the accuracy gap. Layering on maintenance data is critical to ensuring the integrity of the models, as is checking them against the experiences of those who maintain the systems in on a day-to-day basis. Historical project datasets are also useful for estimating the financial impact of future projects. And any existing plans should be added to system models to ensure facilities needs align with expectations.

Step 1
Gather the RIGHT data

Lastly, it's important to set the right horizon for the focus. Ten years is a good middle ground that allows planners to focus on necessities in the near future without losing sight of the long-term strategy. Creating this well-defined window allows for far out needs to be de-prioritized so that time and attention can be focused on what matters today.

The conclusion of this step results in a trustworthy system-level inventory that has been validated by existing information and has a close approximation of financial needs. Understandably, the resulting list is focused on existing assets, particularly those that are the focus of facilities. To create a plan that's more than a "deferred maintenance" total, we need to engage other groups around the institution.

Sightlines Strategic Capital Planning is a tailored solution that gives you the tools to create a flexible facilities investment plan, take decisive action on shifting priorities and pick your next project with confidence. It's capital planning...reinvented.

Step 2
Engage KEY stakeholders

A capital plan affects all campus stakeholders, not just those in facilities and finance. Appropriate communication and transparency give all members of the institutional community a say in its development and creates buy-in as the plan starts to develop.

Sitting down with leaders of various colleges, departments, or sections and asking the question "What are your needs?" is a challenging and potentially humbling process. But the answers to that question are invaluable because they reveal priorities and uncover opportunities to create win-wins. Finding out that the science department is looking to renovate a laboratory connected to an air conditioner that facilities is constantly having to fix allows for effective project execution that benefits multiple groups.

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Step 2
Engage KEY stakeholders

As you engage with stakeholders, it's also important to identify the purpose behind each identified need. Is the need simply a replacement of a current component or system? Or is modernization of older equipment needed to provide operational or programmatic benefit? As both needs and wants are added to the growing inventory, these distinctions become a way to compare, organize and prioritize different types of requests.

The last element within this step is to 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 make sense to plan projects for facilities that are nearing the end of their use. There's no need to renovate a theater if the Arts department is currently 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 will complete the financial picture.
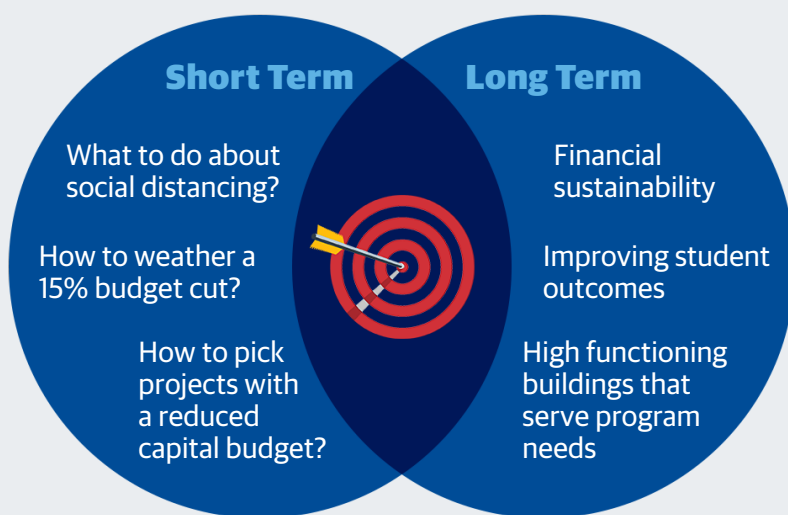
At this point, you have an inventory containing deficiencies, departmental projects and future construction projects. But it's not a plan yet. In order to move toward a plan, you have to build an appropriate strategic framework.

Step 3
Develop an OBJECTIVE toolkit

Project selection meetings can often feel like a struggle to untangle 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. Sometimes, in the name of fairness, departments are instructed to wait their turn for funding. 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 it will lead to positive results for the institution as the decisions made provide benefits beyond temporary peace.

Creating an objective toolkit for prioritization begins by outlining what factors must be considered for each project. 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, what can wait and, potentially most importantly, what should be avoided altogether.

Short Term

What to do about social distancing?

How to weather a 15% budget cut?

How to pick projects with a reduced capital budget?

Long Term

Financial sustainability

Improving student outcomes

High functioning buildings that serve program needs

It can feel like addressing current needs will compromise your long term goals. But it doesn't have to be that way. Read this blog post to learn how you can approach short-term budget decisions in way that positions your institution for future success.

Step 3
Develop an OBJECTIVE toolkit

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 prioritization toolkit aligns with the institutional mission, engages the right people, and integrates opinions from across the institution, there can be confidence that the priorities in the plan mirror those of the institution. The conversation from leadership moves away from the tactical to the strategic, discussions about "this project or that project," shift to "How much funding should we allocate to projects which mitigate failure risk versus those which improve the quality of program?"

These conversations often revolve around funding.

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 four or five 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 in accommodating various timeframes and needs; those that aren't will inevitably crack and eventually break.

The variety of planning horizons is why the clarifying 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 and faculty demands.

Step 4
Create OPTIONS for funding

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 while seeing examples of the results, 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.

Allowing leaders to view and critique both the inputs and the outputs at a strategic level will keep those same leaders out of the weeds when it's time to create a more detailed action plan.
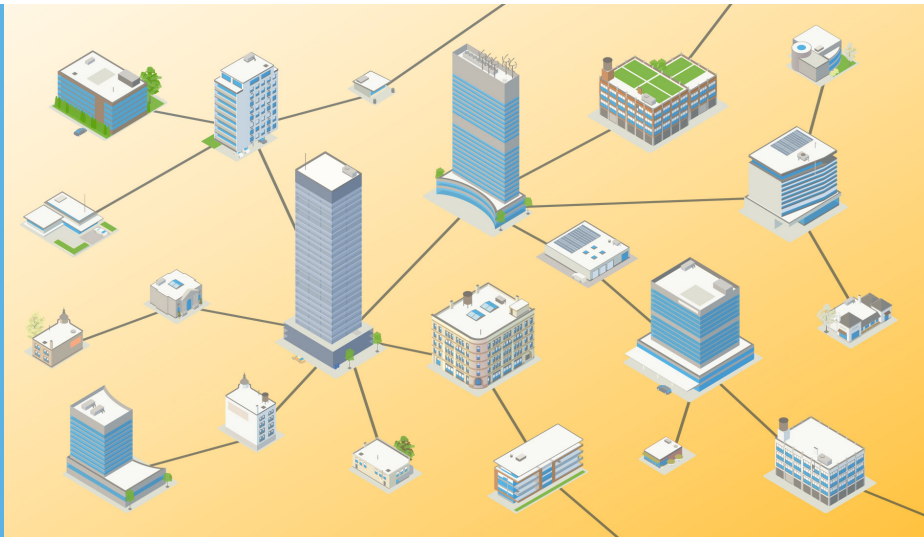
Read this blog post for more practical advice about building flexibility into long-term capital planning.

Step 5
Generate a plan for ACTION

With a prioritized plan in hand, it's time to roll up your sleeves and start digging into the details. Remembering the trade-offs between detail and cost, a complete capital plan provides finance and facilities leaders confidence that additional investments will go toward the areas that matter most, not just the systems in the worst shape or to those with the loudest voice.

This excavation means getting down to component-level detail where it is most needed. Component information empowers you to plan specific projects and bundle individual needs together to create a larger and more impactful project at one time. Without this detail, confidence in individual project selection may be hard to come by.

> **Building assessments are an essential part of any project selection process, but they shouldn't be the only step and they should be targeted where they'll have the most impact.**

Step 5
Generate a plan for ACTION

It is better to layer component details into an existing dataset than to create an entirely new one. Conducting a component-level analysis that doesn't communicate directly with prioritization tools will cause translation headaches, limit project buy-in and restrict your ability to communicate decisions to leadership.

Creating an action plan may require new tools that prioritize projects in a detailed, objective way. If assembled properly, these tools will allow for confidently making small decisions like choosing one pump over another by accounting for their age, condition, replacement difficulty, and what areas they serve. Coupling the detailed tools with strategic tools ensures that all of the priorities are connected to the vision of the institution. This creates confidence in big decisions, the kind that will reverberate across campus for years to come. Leaders know by resources are being allocated not just where they are needed, but where they will be most impactful for the future of the institution.

Not Easy. Not Quick. But Worth It.

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 partner is an excellent way to bring everyone to the table with a distinct purpose and create a sustainable action plan that assures the future of 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. We can help you prioritize project selection and establish an actionable multi-year capital plan.

Contact us at gordian.com to learn how you can reimagine the capital planning process and take decisive action on shifting investment priorities.

About Gordian

Gordian is the world's leading provider of facility and construction cost data, software and services for all phases of the building lifecycle. From planning to design, procurement, construction and operations, Gordian delivers groundbreaking solutions to contractors, architects, engineers, business and financial officers and facility owners in local, state and federal governments, education, healthcare and other industries. A pioneer of Job Order Contracting (JOC), Gordian's offerings also include our proprietary RSMeans data and Sightlines Facility Intelligence solutions. We develop and maintain the largest collection of labor, material and equipment data and associated costs for all areas of construction. Gordian's solutions are accessed through our innovative software platforms and supported by a team of industry experts proven to help clients maximize efficiency, optimize cost savings and increase building quality.