



# Strategies for the Development of the O&M Cost Pool

**NECA Meeting 2019**

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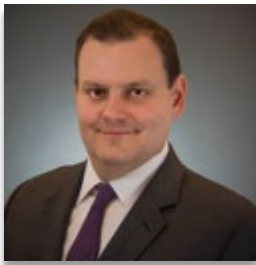


# Your Presenters



## Mark Davis, Partner

**Mark** is a founding member, and the Practice Lead of Attain's Education, Non Profits and Commercial Services business unit headquartered in McLean, Virginia. He has been consulting for 34 years and has worked as a key business advisor to more than 100 major universities, academic medical centers and research institutes and hospitals.



## David Moore, Manager

**David** has 14 years of experience assisting universities and academic medical centers in the preparation of F&A cost proposals and the negotiation of rates. David is the the lead designer and product manager of both *AttainRate* and *AttainSpace*.

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# Operations and Maintenance (O&M)

## Why are we here talking about O&M?

- Largest Uncapped Pool in F&A – can account for 15+ points in the rate.
- Allocation to Organized Research can be improved by 30% on average by selecting the appropriate allocation base
- How do you allocate your O&M Costs to Organized Research now?

# Types of O&M Costs

- Administration
- Asbestos Removal
- Buildings/Grounds
- Carpenters
- Contract Services
- Controls
- Electricians
- Electricity
- Emergency/Contingency
- Environmental Services
- Equipment
- Fabrication
- Fuel Oil
- Grounds
- Locksmiths
- Natural Gas
- Painters
- Plant Maintenance
- Program Development
- Project Management
- Radiation Safety
- Refrigeration
- Residence
- Security
- Steam
- Water

# How O&M costs are allocated?

## ➤ O&M expenses shall be allocated as described in Uniform Guidance

- 2 CFR Part 200 Appendix III Section B.4.a. and b. and c.
- 2 CFR Part 200 Appendix III Section B.2.b.(2) and (3)

## ➤ Multiple function space – space used in support of more than one function

*"Shall be allocated to the individual functions performed in each building on the basis of useable square feet of space"*

- Usually through a space survey

# A Closer Look at the Different Type of O&M Costs

## NON UTILITY RELATED

- Buildings & Grounds
- Elevator
- Fire Protection
- Flooring
- General Contracting
- Housekeeping
- Laundry
- Locksmith
- Painting
- Security
- Training
- Transportation
- Waste Disposal
- Window Replacement

## UTILITY RELATED

- Building Management Systems
- Emergency Generation
- Facility Management
- Heating Ventilation and Refrigeration Repair
- Lighting
- Maintenance Contracts
- Project Management

## UTILITY COSTS

- Electric
- Steam
- Oil
- Natural Gas
- Chilled Water
- Water & Sewer

Ways to allocate = Campus wide or Building specific

# Space Survey

- The Most Important Process!
- Most often will be reviewed by the HHS - CAS
- Should correlate closely with MTDC bases of research departments = *Space and Base*
- Facility components are NOT CAPPED
- Will support the allocation of space related pools.
  - » Including Operation and Maintenance expenses
- Space is weighted by the REUI to calculate the UCA



# UCA / Utility Metering

# The Uniform Guidance re: Utility Cost Allocation: What HAS NOT changed?

- Special studies for utility cost allocation are not allowed.
- Utility expense can account for largest component of the O&M cost pool
- The allocation of Utility Cost is to be calculated using the same methodology as building depreciation.
- Utility related cost is allocated by metered usage or consumption by utility (electric, steam, water, etc.)
- The UCA is to be added to the calculated rate in the F&A proposal.

# The Uniform Guidance re: Utility Cost Allocation: What CHANGED?

- Many schools have prepared a F&A proposal using the UCA.
- UCA must be justified by calculations provided by the UG.
- UCA is CAPPED at 1.3 percentage points.
- An REUI (Research Energy Use Index) is used to weight Research Laboratory Space to calculate the UCA.
- The REUI is currently stipulated to be 2.0. It may be adjusted by OMB not more frequently than annually; not less frequently than every five years

# Research Lab Space

## ➤ Define "Research Laboratory Space?"

Room Type	Standard HEGIS Code
Research Laboratory space includes wet and dry labs, lab support rooms such as cold rooms and dark rooms.	250, 255
Some space in animal facilities	570, 575
Greenhouse	580, 585

➤ All space that is classified as Research Laboratory Space (regardless of functional use and the funding source) should be weighted by the REUI.

# Utility Metering is Priority #1!

## ➤ Metering

- A Major Tool to Increase the Recovery of \$\$\$
- **Primary Meters**: Utility Company meters
- **Building Level Meters**: Institution installed meters
  - Price
  - Installation and maintenance issues
  - Can have significant impact on recovery
  - Enables the Segregation of Energy Dense Research Buildings

# Observations About Metering on Campus:

- Facilities management always said YES when asked if buildings were metered (although some were not)
- Some buildings were metered for some utilities some of the time; seldom were all of utilities in key buildings or at strategic locations metered
- Often meters were not located in buildings that they served
- Meters were not properly applied or sized

# Final Thoughts

- The UCA is not the “end all be all” but rather a number that is part of the equation.
- The objective is to defensibly MAXIMIZE the recovery of utility cost from the cumulative results of the normal allocation of cost PLUS the UCA.
- The allocation at the building level meters plus the UCA will be greater than an allocation using campus wide assignable area plus the UCA.
- The intent is not to maximize the UCA but maximize the identified cost to research and meters still play an instrumental role.
- Timeframe impacts strategies

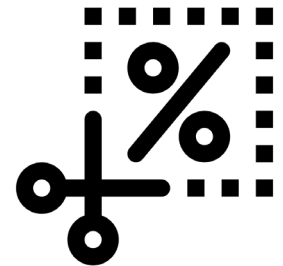
# Vendor Rebates



# Vendor Rebates

## What are they?

- Rebates obtained from vendors from the purchase of specific items
- Example: an institution gets a “rebate” from a vendor for purchasing a certain volume of items
- Generally P-Card and credit card rebates



# Vendor Rebates

## What do we do with them?

- Doing nothing is not OK
- Checks not preferred – No benefit to programs
- Q: So what should we do with them?

**A: Credit the rebates to the O&M pool**

# Vendor Rebates

## What do we do with them? (cont.)

➤ Q: What if we haven't done anything with these cost in our F&A proposal yet?

**A: Crediting the O&M pool for 2 years of rebates may be acceptable**

**Could argue that the rebates credited to the O&M pool should be net of the costs of managing the program**

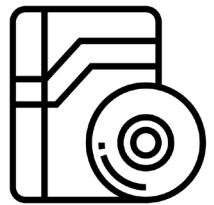


# IT Security

# IT Security

## What is it?

- Separating IT Security costs from General IT costs is a new concept
- Costs for protecting an institution's sensitive information located within the network
- Examples of costs:
  - Security software costs
  - Salaries of individuals performing cybersecurity:
    - Security Analyst, Engineer, Architect, Administrator
    - Chief Information Security Officer



# IT Security

## Where is it?

- Might need to do some digging and coordinate with your institution's IT group
- May reside in Academic and Dean's department operating budgets
- Software costs might be lumped in with other non-security software
- Will need to specifically identify salaries and non-labor costs



# IT Security

## Allocation

- These are new costs that are growing in today's environment
- These costs can be included in the O&M pool
- Allocate based on square feet or FTE's

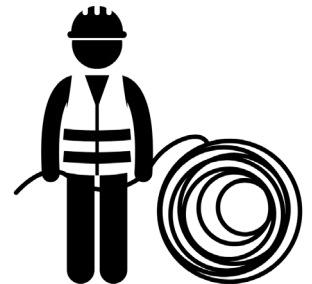
# IT Infrastructure



# IT Infrastructure

## What is it?

- Costs usually associated with network wiring and other related hardware that helps transport data from point A to point B
- Includes salary and non-labor costs



# IT Infrastructure

## Where is it?

- Might need to do some digging and coordinate with your institution's IT group
- Wiring and hardware costs may be lumped in with other costs
- Will need to specifically identify salaries and other non labor costs of those who install wiring and hardware



# IT Infrastructure

## Allocation

- These costs can be moved to the O&M pool
- Allocate based on square feet or FTE's

# Departmental O&M

# Departmental O&M

## What is it?

- O&M costs paid for directly by departments that are not part of normal routine
- Not a new idea
- Examples include minor repairs and maintenance such as:
  - Painting, renovations, custodial, maintenance
  - What's new?
    - Equipment maintenance contracts
    - Equipment leases

# Departmental O&M

## Where is it?

- Often buried within department's operating budget
- May need to do some account/sub-account code digging...
- Be careful with assuring costing consistency. Should not include the same types of costs in departmental O&M that are directly charged to sponsored programs or justify unlike circumstances



# Departmental O&M

## What do we do with it?

- Create a separate departmental O&M sub-pool for these costs, and
- Allocate costs based on the assignable square footage of the respective departments

# Computational Labs



# Computational Labs

## What are they?



A room used for work associated with very complex and sophisticated computer modeling projects involving definitive research protocols. Research is conducted via connection to specialized, centralized, stand-alone hardware/software.

# Computational Labs

## What do we do with them?

- May be classified as an office area by Facilities Management
- Be Careful!
  - You need to assess the energy used by these areas to support the UCA calculation
- If justified by high energy usage, treat them as research labs
  - May want to create a new room type code

# Questions and Comments

Feel free to contact us!

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