

**Capital Renewal Recommendation for Long Range Financial Plan
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Capital Renewal is the systematic process of repairing and replacing assets to extend the life and retain the usable condition of facilities. Capital Renewal projects are major activities like replacing roofs and painting buildings. In order to maintain a facility, colleges need to spend 1.5 to 2.5% of the current replacement value of the building stock on capital renewal¹. At Lane, this equates to an annual capital renewal budget of \$6.5 to \$10.8 million. Presently, Lane transfers \$1 million per year to a major maintenance budget, \$600,000 of which is used for capital renewal.

Table 1: Lane’s Capital Renewal Budget Compared to Industry Recommendation

Lane’s Annual Major Maintenance Budget		Recommended Allocation	
<i>Allocation for Capital Renewal Expenses</i>	<i>Allocation for Unplanned Items</i>	1.5% of Current Replacement Value	2.5% of Current Replacement Value
\$600,000	\$400,000 (ex: repairs to roofs, HVAC systems, clean up of water damage from pipe leak)	\$6,484,000	\$10,807,000

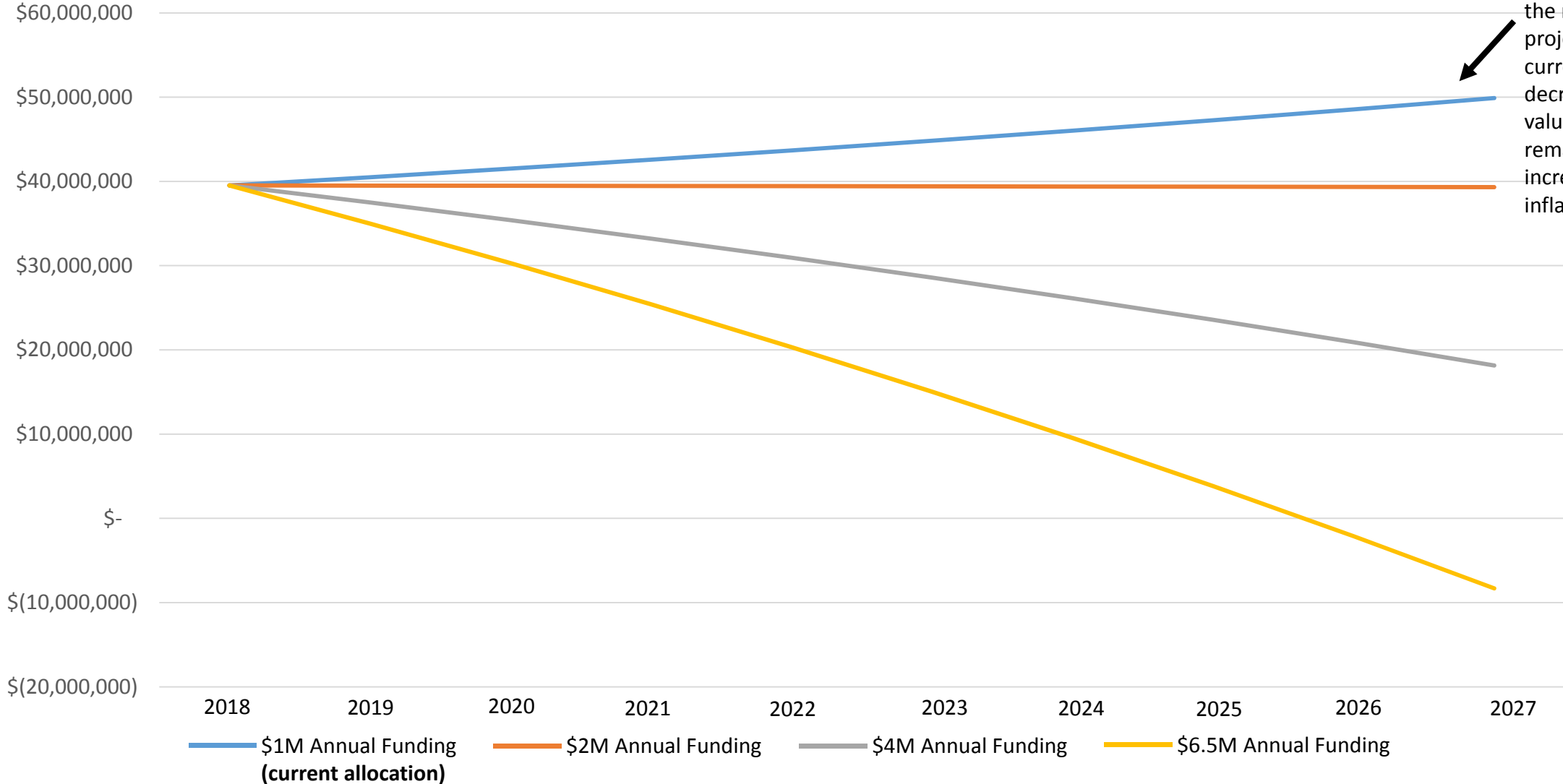
The current deferred Capital Renewal list represents \$38 million in needs and includes replacement of roofs that are leaking and beyond their service life, replacement of 50+ year old generators that provide critical evacuation lighting and fire system back up power, upgrades to 50+ year old HVAC systems, removal of rotting exterior truss beams that pose a safety hazard, and getting up to current ADA and seismic life safety codes. In 2017, Lane is overseeing a comprehensive Facilities Conditions Assessment. The result of the assessment will likely be an increase to the \$38 million Capital Renewal list.

If the current \$1 million funding level is maintained over the next ten years, Lane will get some of the projects on the list done, but even with subtracting those projects, the cost to complete the remaining items on the list will continue to increase due to cost escalation. With a steady funding of \$2 million per year, the cost to install the items on the current backlog list will stay level. Again, this means that Lane will be completing projects every year, but because doing a project in 2025 is more expensive than it would have been to do it in 2018, the total cost to complete 40 projects in 2018 is the same as the cost to complete 30 of those projects in 2025. By investing \$3 million dollars or more per year, the college will be able to begin reducing the cost of the current Capital Renewal backlog. Please note that new Capital Renewal needs will be added to the list every year. This graph only shows scenarios for funding the items that are currently on this list. The graph on the next page shows the effects of different major maintenance funding levels on achieving progress on the current deferred Capital Renewal list.

In order to comply with board policy *BP205: Asset Protection*, the Facilities Management and Planning Department and the Facilities Council recommend that Lane develop a plan for incrementally increasing the \$1,000,000 major maintenance budget.

¹ Kaiser, Harvey. “Capital Renewal and Deferred Maintenance.” APPA Body of Knowledge, 2015.

Capital Renewal Funding Scenarios for Completing Current Deferred Items



If Lane keeps the major maintenance allocation at \$1M, the number of projects on the current list will decrease, but the value of the list of remaining items increases due to inflation.