

2013 Energy & Sustainability Conference

Track: Higher Education

Session Title: Chief Financial Officers Roundtable

Managing New Construction, Renovation and Operations During Challenging Economic Times



Moderator

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Historical Trends in Higher Education

- 30 years of growth & prosperity
- Enrollment up 25% last 10 years; 15.3M-20.4M (good demand)
- 5.6% annual tuition increases for 10 years
- Energy prices very reasonable
- Cheap access to capital
- Record donations to schools
- Lots of construction, new buildings



Traditional Sources of Revenue Shrinking

- 37 States have reduced funding
- After 2008 Recession, donation levels have dropped off
- Federal government, outside of one time stimulus, is providing less revenue to schools
- Federal deficit looms and it's potential impact



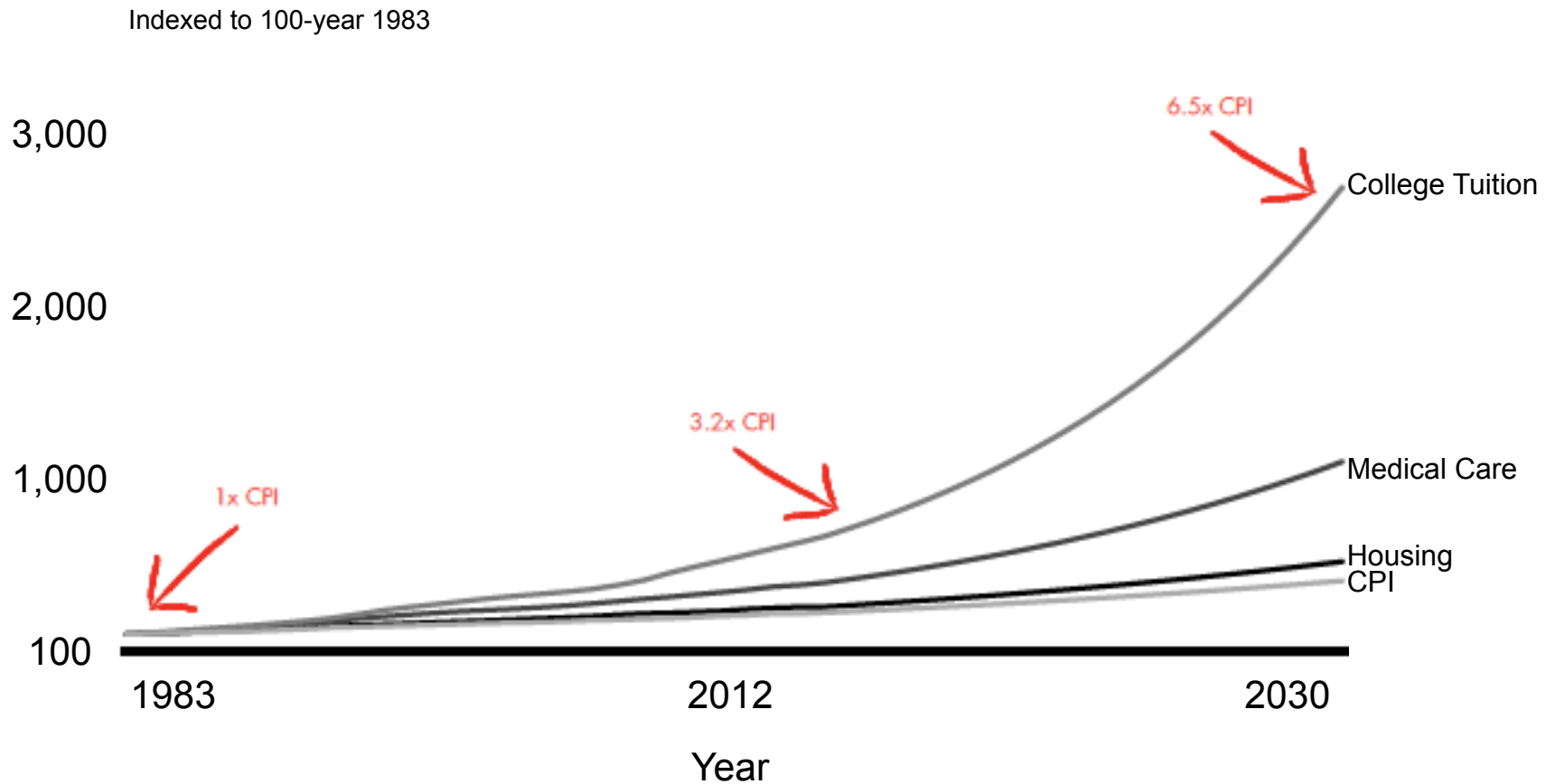
Traditional Sources of Revenue Shrinking

- Parents
 - reduced home equity
 - smaller nest eggs
 - anxiety about job security
- Student debt (\$1 trillion) larger than all credit card debt



Projected Tuition Levels

Figure 4: Projected tuition levels based on historical trends



*Note: Housing costs—owner's equivalent rent; all metrics based on US city averages and are seasonally adjusted; forecast based on compounded annual growth 1983 – 2010.
Sources: BLS; Bain & Company and Sterling Partners analysis*

The Translation

Institutions have more liabilities, higher debt service, and increasing expense without the revenue or the cash reserves to back them up.

Thus how do schools manage their new construction, renovations, and operations during these challenging economic times?

Hmmmm...

