Understanding the Space Allocation Driver

- **Source Data File**: Space Allocation dataset maintained by Integrated Planning & Space Management

- **Change Approval Authority**: Dr. Gelasco on behalf of Dr. Sothmann

- **Important Dates**:
  - Data Request: December 1st, 2011
  - Data Finalized: December 13th, 2011

- **Included in Calculation**:
  - 6 Colleges (ARCs)
  - Prorated portions of Business Services & Wellness rolled into one Auxiliary group

- **Excluded from Calculation**:
  - AHEC
  - A&S – Parking, Engineering, Facilities, etc.
  - Leases
Space Allocation
Design & Definitions

• **Design**: Two-tier allocation structure classifying space as either “Dry” (non-research) or “Wet” (research) in order to reallocate expenses associated with:
  - Net Plant Operations
  - Deferred Maintenance
  - Utilities

• **Wet Space Defined**: Space located in the “mission” field of the space allocation dataset that is listed as “research”, “clinical”, “animal facility” or any of the following room codes:
  - 540A/B (clinical research lab)
  - 545A/B/C/D (clinical research lab support)
  - 570A/B (animal rooms)
  - 210 (teaching labs)
  - 215 (teaching lab support)
Space Allocation Methodology

• Space Cost Allocation Method:

  - **Determine Dry Space Allocation:** Uses a market based lease rate. (Currently employs an FY10 Market Base Rate of $25.13 per sqft, minus 10% discount incentive, plus 5% growth, resulting in a dry space rate of **$23.75 per sqft**). To be updated annually. The $23.75 rate is then multiplied by assigned Dry space sqft for each ARC and Auxiliary group.

  - **Determine Wet Space Allocation:** The model takes the remaining sum of plant, deferred maintenance and utilities expense not attributable to dry space allocation, and divides this total by the unit’s proportional share of assigned Wet space sqft. The result is a derived Wet space *effective rate* which stands at **$54.83 per sqft** in Huron Group’s RCM Base model. (The wet space rate is reduced to **$32.85 per sqft** once $19 million in deferred maintenance is excluded).

  - **Reallocation Of Expenses:** The above totals are reallocated as an expense across all ARCs and Auxiliary group based on proportional distribution of plant, deferred maintenance and utilities.
Space Apportionment Process

Total Assigned Sqft → Assigned Wet Space Sqft → Assigned Dry Space Sqft

Combined Expense Allocation of:
Net Plant Operations
Deferred Maintenance
Utilities

Wet Tier Allocated Expense → Dry Tier Allocated Expense

$54.83 Effective Wet Rate
$23.75 Market Dry Rate

Expense Reallocation Process

Net Plant Operations
Deferred Maintenance
Utilities

13 December 2011
Office of Controller
Understanding the Space Allocation Driver

An Important Concept To Remember:

Changes made in space allocation by one ARC/Auxiliary unit may directly impact expenditure reallocations to other ARC/Auxiliary units proportionally. The greater the change, the greater the impact.

Example: The College of Medicine vacates 1,000 sqft in the Strom Thurmond Building. This would negatively impact certain Colleges in the following manner:

<table>
<thead>
<tr>
<th>1,000 Sqft Reduction in COM Total Sqft</th>
<th>COM</th>
<th>COP</th>
<th>CON</th>
<th>COGS</th>
<th>CODM</th>
<th>CHP</th>
<th>Bus Svcs &amp; Aux</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense Reallocation Before Change:</td>
<td>$29,925,175</td>
<td>$2,424,527</td>
<td>$745,469</td>
<td>$51,747</td>
<td>$5,325,929</td>
<td>$1,824,486</td>
<td>$1,959,031</td>
<td></td>
</tr>
<tr>
<td>Expense Reallocation After Change:</td>
<td>$29,920,168</td>
<td>$2,426,162</td>
<td>$745,469</td>
<td>$51,747</td>
<td>$5,329,062</td>
<td>$1,824,725</td>
<td>$1,959,031</td>
<td></td>
</tr>
<tr>
<td>Variance:</td>
<td>$5,007</td>
<td>$1,635</td>
<td>$0</td>
<td>$0</td>
<td>$3,133</td>
<td>$239</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Financial Impact:</td>
<td>Favorable</td>
<td>Unfavorable</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Unfavorable</td>
<td>Unfavorable</td>
<td>Neutral</td>
<td></td>
</tr>
</tbody>
</table>

Note: The RCM Model defaults to a one-tier dry space allocation for those colleges that do not possess wet space.