



**Plant Operations  
Construction Services**

**FY 2005 Annual Report**



## Introduction

Fiscal year 2005 (July 2004-June 2005) was a mixed year for Construction Services. The economy in the state of Michigan has suffered a lot over the past several years and this has put a great deal of stress on budgets of the Schools and Colleges in the University. Our customers have taken a very conservative approach to the improvement projects that Construction Services performs for the campus community. As a result, for the first time our group suffered a significant decline in total revenue for the year from just over \$25,000,000 in fiscal year 2004 to \$23,650,000 in the past fiscal year.

The slowdown in work load has been evident in our group for the past several years as the department cut our general fund expenditures, reduced our training budget, reduced our travel budget and severely cut overhead expenses. These steps were taken to meet Financial Analysis's goal of holding the recharge rate to FY2004 levels. Our department had experienced a steady influx of new employees as trade's people in our group retired and moved on to other units in Plant Operations. In FY 2005 most positions that opened up due to attrition remained open and unfilled as the department moved to maintain employment for our full time regular employees.

In September of 2004 Plant Operations conducted the Dennison Survey and the results showed a decline from the levels achieved by the department in 2000. On the heels of that survey Business and Finance performed a survey of "job satisfaction" for all of the employees under Vice President Tim Slottow. The department scores on this survey were very encouraging as the overall job satisfaction rating was an 84 (on a 0-100 scale). This was much better than the unit average and better than the overall average in B & F by 7 points. The department excelled in the areas of:

- University of Michigan Commitment
- University of Michigan Loyalty
- Customer Focus-Especially in helping to solve customer problems
- Caring about the future of Construction Service

The survey along with four roll-out sessions provided the department with areas where changes will help improve the job satisfaction of our employees and as a result improve the services we provide to the campus community. We established a Labor Management Council consisting of three Skilled Trade Employees and three managers to work to establish targets for improvements for our department.

In fiscal year 2005 we completed a successful negotiation with the Health Care System to extend the contract established in 1998 for renovation services for another three years. This extension was unique as we worked with the hospital to craft a recharge model for work in the health care facilities that is different from the model used for the past 6 years. It allows the hospital greater flexibility in services by enabling them to easily "buy up" the services we provide for them.

Construction Services has had an agreement with Recreation Sports to perform a variety of work in the three major intramural facilities on campus. Construction Services worked to develop a 15 year program for painting, pool care and floor care in their facilities. This program balances the work performed each year and identifies the years when additional capital funding will be required to achieve the goals of the program. This new SLA will benefit Construction Services, Recreation Sports and the users of the facilities.

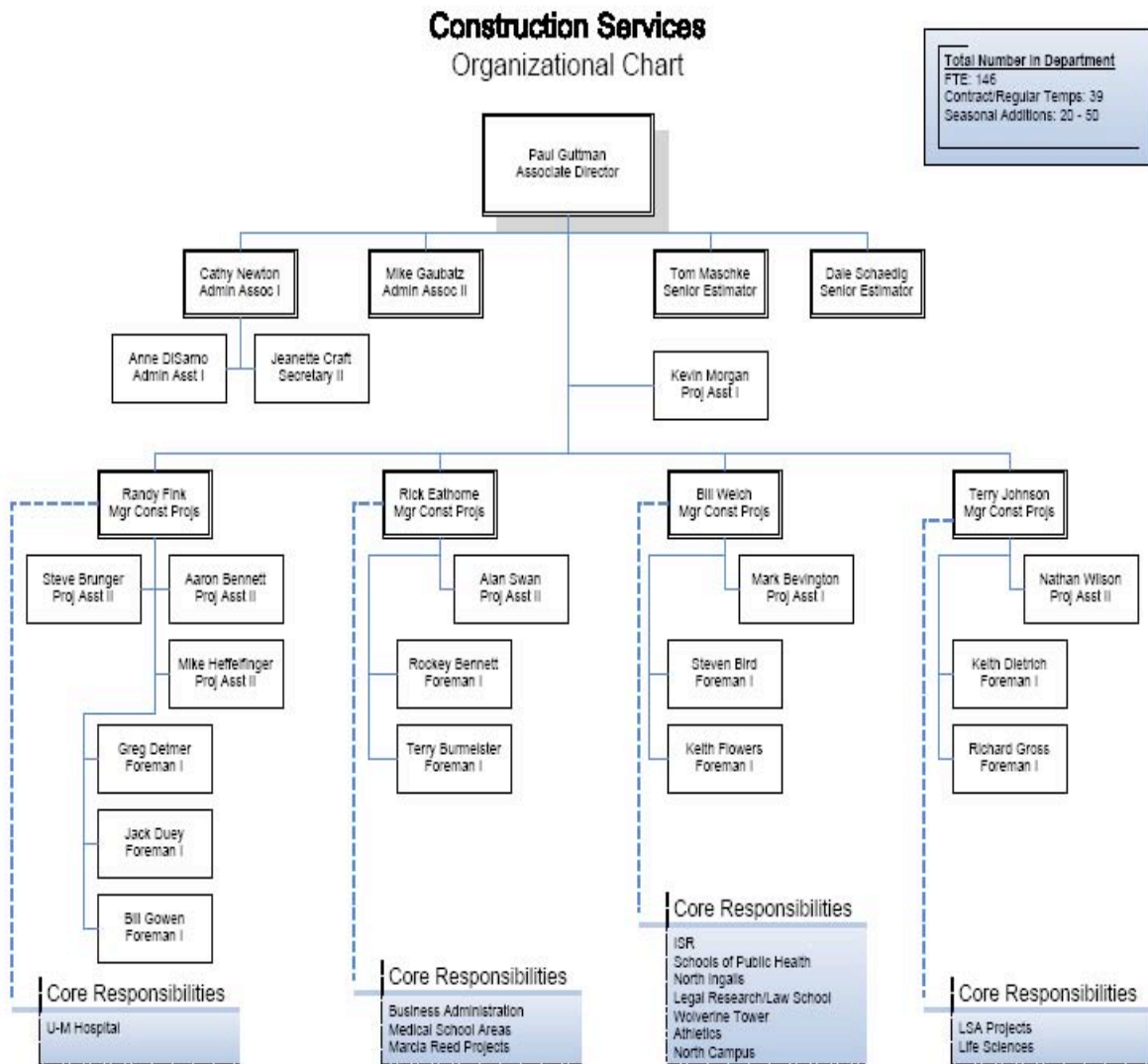
Although fiscal year 2005 was marked by a significant downturn in volume for the department, the financial picture for the year and the future is extremely bright. Thanks to exceptional planning and execution the deficit in the Construction Services enterprise account was reduced by over \$850,000.00 and should be wiped out completely by the end of the current fiscal year.

The department has also shown a significant turnaround in our fixed priced work order accounts. The original WOIP account that was established over 15 years ago for Engineered fixed priced work orders finished the year in a cash position that is over \$400,000 ahead of where we began the year and all of the Customer Pay fixed priced accounts have cash positions that are positive. From a financial perspective fiscal year 2005 was an exceptional year for our group.

As director I am very proud of all of the members of the Construction Services department for the work they have done for our campus and health care customers over the past fiscal year. Everyday they contribute to the success of the University of Michigan. Their craftsmanship and attention to detail leaves a permanent legacy on our facilities. It is through all of our exceptional employees that Construction Services continues it's slogan of "**Building on a Great Tradition**"

*Paul Guttman*  
*Construction Service Director*

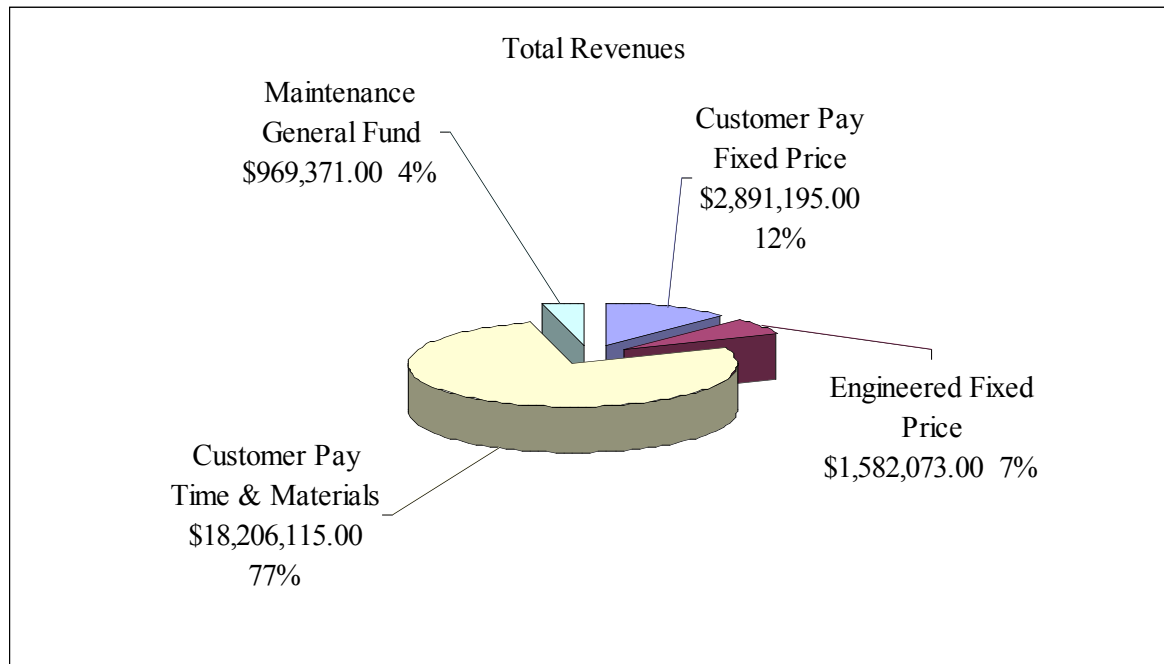
# Construction Services Organization Chart



## FY 05 Financial Summary

FY 2005 was a significant year financially for Construction Services. Deficits were eliminated or reduced in Engineered Fixed Price, Customer Pay Fixed Price and total Enterprise Programs. Remaining operating deficits are expected to be eliminated during FY 2006 with one notable exception. Due to a long term deficit in the Engineered Fixed Price Program (12134), a significant deficit was increased by interest paid to UIP (University Investment Pool). Margins are small in this Program and it is not likely that the negative UIP will be eliminated for many years.

Overall revenue for FY 2005 was \$23,648,754 vs. \$25,024,605 for FY 2004. This is a reduction of \$1,375,851 or 5.5%. Expenses were \$23,081,604 for FY 2005 vs. \$24,638,283 for FY 2004. This is a reduction in expenses of \$1,556,679 or 6.3%. Engineered Fixed Price (Program 12134) had FY 2005 revenues of \$1,582,073 vs. FY 2004 revenues of \$2,467,675. This represented a reduction of \$885,602, or a 35% drop in activities from FY 2004. Other Customer Pay Fixed Price Programs (13592, 13853, 14114, and 14366) had revenues for FY 2005 of \$2,891,195 vs. FY 2004 revenues of \$1,426,553. There was a significant shift from Engineered Fixed Price to Customer Pay Fixed Price work during FY 2005. In FY 2005, Engineered Fixed Price revenues represented 6.7% of Total Revenues (vs. 10% for FY 2004). Customer Pay Fixed Price revenues represented 12.2% of Total Revenues (vs. 6% for FY 2004)



Construction Services  
FY2005

	YTD	YTD	Monthly Budget	Variance	Variance
	2005 June	2004 June	2005 June	From Prior Year	From Budget
<b>Beginning Fund Balance</b>	(1,174,012)	(617,071)	(1,174,012)	(556,941)	0
<b>Revenue</b>					
Appropriations	0	0	0	0	0
Investment Transactions	(15,114)	(6,225)	(12,000)	(8,889)	(3,114)
Gifts and Grants	0	0	0	0	0
External and Other	0	0	0	0	0
Recovery from Rebill	23,648,754	25,030,830	24,175,000	(1,382,076)	(526,246)
<b>Total Revenue</b>	<b>23,633,640</b>	<b>25,024,605</b>	<b>24,163,000</b>	<b>(1,350,365)</b>	<b>(529,360)</b>
<b>Compensation &amp; Benefits</b>					
Base Salaries	7,836,738	7,863,082	7,909,155	26,344	72,417
Non-Base Compensation	290,746	241,831	195,066	(48,915)	(95,680)
Temp Salaries	338,879	397,744	251,445	58,866	(87,434)
Flat Rate Benefits	998,509	995,555	1,063,158	(2,954)	64,649
Variable Rate Benefits	1,629,314	1,649,022	1,694,537	19,709	65,223
Benefits	2,627,823	2,644,577	2,757,695	16,754	129,872
<b>Subtotal Compensation &amp; Benefits</b>	<b>11,094,185</b>	<b>11,147,234</b>	<b>11,113,351</b>	<b>53,049</b>	<b>19,176</b>
<b>Other Expenses</b>					
Equipment over 5,000	0	0	0	0	0
Cost of Goods Sold	2,173,699	534,961	0	(1,638,738)	(2,173,699)
TD Labor Billings	0	0	0	0	0
Consulting	5,930	6,757	0	827	(5,930)
Other Computing Services	13,587	27,531	15,375	13,944	1,788
Communications	21,650	30,651	41,508	9,200	19,658
Computers, Copiers, Fax	1,093	5,390	0	4,297	(1,093)
Inventories	0	0	0	0	0
Insurance	0	0	0	0	0
Overhead Recharge	1,336,022	1,325,936	1,324,735	(10,086)	(11,287)
Travel	10,866	5,752	0	(5,114)	(10,866)
UM Transportation	282,203	269,486	263,910	(12,716)	(18,293)
Conferences & Training	8,840	2,505	1,438	(6,335)	(7,402)
Postage and Courier	474	236	200	(239)	(274)
Hosting Related Exp.	2,878	1,994	0	(885)	(2,878)
Rental and Storage	775	5,894	0	5,119	(775)
Memberships, Dues and Subs	1,955	1,563	225	(392)	(1,730)
Printing	10,757	5,704	2,576	(5,052)	(8,181)
Utilities	0	0	0	0	0
Plant Rebilled Labor & Material	118,286	99,763	221,600	(18,524)	103,314
Plant Operations Maint. Materials	6,998,286	9,705,115	9,170,804	2,706,829	2,172,518
Other Supplies and Materials	706,572	1,062,124	1,063,821	355,552	357,249
Other Expenses	293,545	399,494	63,375	105,949	(230,170)
<b>Subtotal - Other Expenses</b>	<b>11,987,418</b>	<b>13,491,056</b>	<b>12,169,567</b>	<b>1,503,637</b>	<b>182,149</b>
<b>Total Expenses</b>	<b>23,081,604</b>	<b>24,638,289</b>	<b>23,282,928</b>	<b>1,556,685</b>	<b>201,324</b>
<b>Net Income before Transfers</b>	<b>552,036</b>	<b>386,316</b>	<b>880,072</b>	<b>165,720</b>	<b>(328,036)</b>
Net Expense Transfers (In)	(194,121)	943,256	0	1,137,377	194,121
General Fund Budget Transfers (In)	0	0	0	0	0
<b>Total Transfers</b>	<b>(194,121)</b>	<b>943,256</b>	<b>0</b>	<b>1,137,377</b>	<b>194,121</b>
<b>Net Change After Transfers</b>	<b>746,157</b>	<b>(556,941)</b>	<b>880,072</b>	<b>1,303,098</b>	<b>(133,915)</b>
<b>Ending Fund Balance</b>	<b>(427,854)</b>	<b>(1,174,012)</b>	<b>(293,940)</b>	<b>746,157</b>	<b>(133,915)</b>

8/29/2005

Summary Financial Report  
FISCAL YEAR 2005  
Fixed Price WR and Rent Eq Pool

CONSTRUCTION SERVICES  
Fund

UIP Rate	Fiscal Year Total	Final Budget	Variance
<b>Engineered Fix Price Wrk Req.</b>			
Beginning Fund Balance	(769,600)		
Total Revenue	1,582,073	2,800,000	(1,217,927)
Subtotal Expenses	1,094,423	2,502,000	1,407,577
Total Transfers	42,705	0	(42,705)
Net Change After Transfers	444,945	298,000	146,945
Ending Fund Balance	(324,655)		
UIP Income(Expense)	(4,785.02)		
<b>Customer Fixed Price WR&lt;FY03</b>			
Beginning Fund Balance	(332,910)		
Total Revenue	414,713	5,000	409,713
Subtotal Expenses	864	15,000	14,116
Total Transfers	80,919	0	(80,919)
Net Change After Transfers	332,910	(10,000)	342,910
Ending Fund Balance	0		
UIP Income(Expense)	(1,358.02)		
<b>Customer Fix Price WR FY 03</b>			
Beginning Fund Balance	98,893		
Total Revenue	74,266	0	74,266
Subtotal Expenses	117,076	100,000	(17,076)
Total Transfers	13,284	0	(13,284)
Net Change After Transfers	(56,096)	(100,000)	43,904
Ending Fund Balance	42,797		
UIP Income(Expense)	1,423.93		
<b>Customer Fixed Price WR FY04</b>			
Beginning Fund Balance	626,343		
Total Revenue	29,355	25,000	4,355
Subtotal Expenses	456,342	25,000	(431,342)
Total Transfers	163,242	0	(163,242)
Net Change After Transfers	(590,228)	(0)	(590,228)
Ending Fund Balance	36,115		
UIP Income(Expense)	4,785.08		
<b>Customer Fixed Price WR FY05</b>			
Beginning Fund Balance	0		
Total Revenue	2,372,861	0	2,372,861
Subtotal Expenses	1,767,540	0	(1,767,540)
Total Transfers	22,912	0	(22,912)
Net Change After Transfers	582,409	0	582,409
Ending Fund Balance	582,409		
UIP Income(Expense)	7,411.43		

## Year-End Operational Highlights

### Vision 2005 Focus Areas:

#### Customers:

- ❖ Construction Services was recognized as “Champions of Quality” by our major customer (UMHS) for our efforts to renovate the Children’s playground at Mott Hospital.
- ❖ The unit continues to expand reporting tools to better inform customers of costs and status of projects.

#### People:

- ❖ Construction Services is proud of the outstanding Silver Arrow and Attendance award winners in the unit.

Attendance	Silver Arrow	Silver Arrow
Steven Breakefield	Timothy Carroll	Terry Johnson
James Bredenitz	David Clark	Wayne Keeling
Richard Felker	Michael Cobb	Rodney Lotz
Randolph Fink	Roger Cornell	William Love
Michael Gaubatz	Michael Crawford	Kenneth Lynn
Paul Guttman	Gregory Detmer	Dan McCready
Theodore Hayman	Keith Dietrich	Larry Miller
Chris Heilmann	Ann DiSarno	Sarah Morden
Terry Johnson	Jack Duey	Juan Morton
Robert Kennedy	Richard Eathorne	John Nichols
Catherine Newton	David Enz	Aaron Pollock
John Nichols	Richard Felker	David Pope
Aaron Pollock	Keith Flowers	Edward Ptaszynski, Jr.
Philip Reed	William Gowen	David Putman
Sam Rochon	Steve Greca	Michael Ramsden
Paul Snyder	Richard Gross	Philip Reed
Frank Williams	Paul Guttman	Steven Roberts
	Steven Hackbarth	Mike Robertson
<b>Silver Arrow</b>	Steven Hannah	Sam Rochon
Anthony Allain	Ken Hargrove	William Simpson
Aaron Bennett	David Hawks	Arthur Six
Rockey Bennett	Michael Heffelfinger	Alan Swan
John Bowdish	Chris Heilmann	Robert Taft
Robert Burch	Thomas Hoffman	Thomas Williams
Terry Burmeister	Mike Hornyak	Benjamin Zick
Mark Carpenter	Luigi Iannone	

- ❖ A new bi-weekly newsletter was started in FY 05 to communicate general unit bulletins, Plant Operations updates and other highlights related to work assignments and general



news. It is posted on our home page on the web, on job site bulletin boards, in our offices and on bulletin boards at Plant Operations.

- ❖ Here is a sample:

## The University of Michigan



### *Plant Operations*

Paul Guttman-- Associate Director for Construction Services  
Phone (734) 936-0264 Fax (734) 647-2880  
August 30, 2004

#### **In the News for August 30, 2004:**

**QUARTERLY CONSTRUCTION SERVICES MEETING**—Construction Services will be holding a quarterly meeting on Tuesday September 14<sup>th</sup> from 2-3:15 in the Kipke Conference Center. Please mark your calendars for this mandatory meeting

**ELECTRICAL APPRENTICES**—Congratulations to our new Electrical Apprentices; Sarah Morden from the Dental School and our own Ben Zick. Sarah and Ben will begin their five year apprenticeship on September 13th

**DENNISON SURVEY**—Please take a look at the information on the Dennison Survey on the reverse side of this flier. Please let us know if you have any questions.

**GO BLUE!!**—The University of Michigan football team takes the field this Saturday against Miami of Ohio. Please make sure you park your service vehicles correctly for the weekend. Due to the reduction in some of the parking spaces for football games the Athletic Department has announced that it will “Tow Clean” parking lots on the Friday night prior to home football games.

**THANK YOU**—Thank you to all of our Construction Services employees who have worked together on all of the Summer 2004 projects. Thanks to all of your hard work campus looks great and ready for classes to begin next week. Please make sure you drive extra carefully this week as many out-of-towners come to drop off their students at the dorms, houses and apartments around town. In addition it’s time to watch out for pedestrians around campus. Unfortunately they do not always look before they walk out into traffic.

Please let me know if you have anything for the next “In The News”. Have a safe and happy Labor Day weekend.

#### **Financial:**

- ❖ Billing accuracy and error correction has improved.
- ❖ *(See earlier Financial Summary for financial improvements.)*

#### **Internal Business Processes:**

- ❖ The partnership with M-Stores was expanded during FY 2005 to allow timely billing for materials for nearly every project carried out during the past year. This has dramatically improved accuracy and speed in the billing process.
- ❖ Addition communications with PPAP has resulted in fewer time reporting errors and more timely correction of errors that do occur.
- ❖ A new shop was created to better reflect operational and financial differences in providing services to the Medical Center. The hospital administration was involve in the

planning process and approved recharged rates that reflected higher operating costs at the Medical Center.

- ❖ Journal Entries are now submitted to MAIS electronically, thus reducing errors and speeding up the process of correcting any errors during the same billing cycle in which they occur.

**Sustainability:**

- ❖ Construction Services teamed up with Grounds & Waste Management Services to pilot a new partnership to reuse and recycle construction and demolition waste. 25% of waste materials (1,700 pounds) were diverted from the landfill for a higher use. This program will continue as projects are identified that are well suited for this activity.
- ❖ The unit continues active planning with OSEH to minimize the use of volatile materials in operations.

**Equipment:**

- ❖ Responsibility for managing the unit's equipment rental pool was transferred to the unit during FY 2005. This has been a long term effort within Plant Operations to provide improved accountability.

## Attachments