



## FALL CONFERENCE ANNOUNCEMENT

The fall conference of NAHEFFA will take place October 3-5 in San Diego, California. The location for the conference is the Hotel Solamar Gaslamp Quarter (Kimpton Hotel) in San Diego. Registration forms and information are available on the NAHEFFA website ([www.naheffa.com](http://www.naheffa.com)). If you are interested in becoming a Sponsor, please check the website, or contact Larry Nines, Executive Director of the Wisconsin Health and Educational Facilities Authority at (262) 792-0466.

## PRESIDENTS MESSAGE

*By Maribeth Wright*

Summer has quickly come and gone. It was filled with anxiety and anticipation as we all waited to see what Congress and the Administration would do regarding the debt ceiling, which was finally resolved on August 2<sup>nd</sup>. However, the question of tax reform is still looming with the pending actions and recommendations of the "Super 12" Committee. The NAHEFFA Advocacy Committee is currently working on our action plan going forward. The strategic planning process for NAHEFFA is well underway gathering input from the membership. The Education and Conference Committee has been working hard to plan our upcoming fall conference in San Diego. It has been a busy few months!

In early June, Bob Donovan, Chuck Samuels and I met with Commissioner Walter's team at the SEC to provide the Issuer's perspective on continuing disclosure. We provided information on examples of disclosure being driven by the market for 501(c)(3) institutions in both health and higher education. The SEC team was interested in NAHEFFA's perspective in regards to disclosure issues and we appreciated the opportunity to meet and share this information. We also attended the MSRB Roundtable, which included several other organizations in the industry to further discuss continuing disclosure issues where ideas were laid out for best practices and we heard updates on the federal budget, legislative issues and NABL's Pension Plan Disclosure Project.

On June 21<sup>st</sup> NAHEFFA hosted the Tax Reform Summit – *Justifying Health and Higher Education Tax-Exempt Bonds* at Jones Day in Chicago. Over 40 participants either attended the meeting in person or were connected via teleconference. The purpose of the summit was to bring together various representatives in the municipal bond sector to discuss the key role of hospitals and higher education institutions in carrying out charitable activities and how to best relay that message in Washington DC to preserve 501(c)(3) tax-exempt bonds. Pros and cons were discussed regarding various proposals to convert or limit tax-exempt bonds and the impact these changes could have on our sector.

NAHEFFA will obviously continue to work with various organizations within the municipal finance community, including The Public Finance Network, our higher education and hospital partners such as NACUBO and AHA, and the Society of Municipal Analysts ("SMA"), as we make our case both directly and indirectly with the "Super 12" Committee and other Congressional representatives. Analytical arguments have been developed by the SMA highlighting the benefits of tax-exempt financing as well as the effects if tax exemption for 501(c)(3) institutions were lost or replaced. *(Continued on page 2)*

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## PRESIDENT'S MESSAGE

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NAHEFFA is in a unique position to really highlight the benefits of tax-exempt financing for 501(c)(3) institutions by providing individual case studies on the valuable projects that either have been or are planned to be financed using tax-exempt bonds. We are hoping to have each NAHEFFA member prepare a case study as we focus specifically on the 501(c)(3) sector.

The NAHEFFA Board and committee chairs met in Chicago on June 22<sup>nd</sup> for a strategic thinking session with our consultant, Suzanne Lahl. By the end of the day, the working group had developed six key strategic issues for NAHEFFA. A questionnaire was developed and sent to the entire membership to be completed by August 18<sup>th</sup>. A second meeting of the NAHEFFA Board and committee chairs is scheduled for September 14-15 in Chicago where the strategic initiatives will be further refined in order to move the association forward in ways that support its value, impact and resiliency. A two hour session is planned with the entire membership on Wednesday, October 5<sup>th</sup> during the conference in San Diego. We have received good feedback from the committee and the membership to date and I want to thank all of you for your engagement in this process. Your input is very important to the Board and the future direction of the NAHEFFA organization.

Once again this fall, the Bond Buyer is offering all NAHEFFA members a discounted registration to attend **The Bond Buyer's Healthcare, Higher Education, and Cultural Institutions Super Conference** on

October 16-18, 2011 in New York City. Please visit their website at [www.bondbuyer.com/conferences/supercon](http://www.bondbuyer.com/conferences/supercon) for more information. An announcement is also included on page 5 of this newsletter.

If you haven't already registered for the upcoming NAHEFFA conference in San Diego on October 3-5, 2011, I encourage you to do so. This is the first time NAHEFFA is offering online registration, as well as payment by credit card. You can access the registration by going to <http://www.regonline.com/naheffafallconference2011>. The schedule for the conference includes a lineup of great speakers and timely topics. NAHEFFA will once again be offering both CPE and CLE credits so I encourage you to take advantage of this professional development opportunity.

As you can see, there has been a lot going on over the summer months and several initiatives are in the works. Our fall conference will be an excellent opportunity to reconnect and I look forward to seeing you in San Diego.

## WASHINGTON ADVOCACY REPORT

**By Charles A. Samuels  
Mintz Levin**

**Dated: August 11, 2011**

The issue is joined, as the lawyers say.

The horrendous deficit ceiling fight ended in a political compromise. However you feel about that, we can take some relief that taxes and tax-exempt bonds were not directly and specifically affected. That's the good news. The more troubling news is the new "super committee," or Joint Deficit Reduction Committee, was

created. Made up of 12 members, equally from the House and Senate, equally Democrats and Republicans, the new 12 member panel is required to create a deficit reduction package by late November and the proposal must receive a vote on the House and Senate floors by December 23. Unless that process produces at least \$1.2 trillion dollars in deficit reduction, onerous automatic spending cuts will be triggered in 2013. The panel has wide jurisdiction, including the power to reduce spending and shape taxes and entitlements.

Will this new committee take on taxes, tax expenditures (including tax-exempt bonds) and the big enchilada of "tax reform"? The Republicans have taken this position that they are against tax increases and, in its broadest form, that has meant they will not consider any tax changes. That may not be realistic, however, given the cuts that will be needed in federal expenditures and entitlements. Even Senate Majority leader McConnell has stated tax reform is within the ambit of this new committee. If that is the case, then the tax-exempt bond community has to assume it is a potential target and 501(c)(3) financing should feel some vulnerability.

The Senate Democrats are Patty Murray of Washington, John Kerry of Massachusetts, and Max Baucus of Montana. The Senate Republicans are John Kyl of Arizona, Rob Portman of Ohio and Pat Toomey of Pennsylvania. Notably, none of these Senators were part of the independent "Gang of Six" group which looked at revenue/taxes. Instead, the Senate and House counterparts are characterized by their loyalty to the leadership. *(Continued on page 3)*

## WASHINGTON ADVOCACY REPORT

*(Continued from page 2)*

On the House side, the Republicans are Dave Camp of Michigan, Fred Upton of Michigan, and Jeb Hensarling of Texas. The House Democratic members are Chris Van Hollen of Maryland, James Clyburn of South Carolina and Xavier Beccera of California.

The question of whether the Republicans will allow tax changes to be on the table is one of the great questions in Washington and, unfortunately, will only be fully answered in retrospect. That's too late for organizing to prevent bad changes in the tax-exempt bond provision, particularly as it affects non-profits. Therefore, NAHEFFA already has well underway several initiatives. The recent meeting in Chicago brought major market participants together to discuss the issues, come to agreement on common positions and to review analyses of the benefits of tax-exempt bonds and critiques of revenue loss estimates and alternatives to tax-exempt bonds, such as direct pay and tax credit bonds. NAHEFFA members are developing case studies demonstrating the benefit of bonds and financial impact of the loss of tax-exemption.

Particular, but not exclusive, emphasis is being placed on those authorities from the states of the "Super 12" members. We are determining the best approaches directly, in alliance with state health and education groups and institution/borrowers as well as state and local governments. Further, NAHEFFA is integrated with the Public Finance Network which is led by the GFOA and other state and local government groups. The arguments of

state and local governments are critical to the overall advocacy for municipal bonds, as supplemented by our sector specific arguments.

We must recognize a number of our authorities also issue bonds for for-profit businesses in the area of economic development. A significant case can be made for the maintenance of this limited bond issuance authority as important to industrial development policy. The arguments for the non-profits is they serve critical public purposes and provide critical services in health and education which otherwise will require government intervention. While there are similarities in that, like all bonds, these issues support new jobs and economic development, the essential public policy rationales are sufficiently different that they should not be confused in our advocacy and should be kept separate at this time.

Among the possible proposals we may confront through the new committee, or in the longer run, are proposals to make all bonds taxable; substitute direct pay or tax credit bonds; eliminate or cap the issuance of non-profit bonds themselves for as part of an expanded private activity cap and limitations on the amount of tax-exempt interest or exemptions, deductions and non-recognition of income that high income taxpayers can use. Our argumentation will need to be prepared to deal with all these scenarios.

Meanwhile, the SEC continues its study of our market with a field hearing in Jefferson County, Alabama in order to build its case to Congress for greater authority to directly regulate issuers. The disastrous proposal to expand the definition of municipal finance advisor

for registration and other purposes demonstrates the threat of this possible expansion. Our position was made in a recent NAHEFFA meeting with the SEC.

Most people believe the MSRB scheme is a more reasonable alternative (although there is some concern that it is a stalking horse for the SEC's agenda.)

MSRB is continuing to promote more and better disclosure, and its core activity continues to be the EMMA system. But, recently MSRB has proposed that continuing disclosure agreements be required to contain compliance and enforcement mechanisms in order to deal with alleged tardiness by some issuers and obligated parties to publicize financial reports and other material events. NAHEFFA will have to consider its position.

All in all August is not nearly as lazy a month in Washington as it used to be.

## STRATEGIES FOR ACCESSING CAPITAL IN LATE 2011

With today's capital markets being so volatile and uncertain, borrowers need to pursue strategies to establish and defend an appropriate level of risk in the capital markets, given their available resources, risk tolerance, and credit position. Fears about whether Greece, Portugal, and other sovereign nations might default, along with the turmoil occurring in numerous Arab nations, continue to send ripples through various markets. The concern is the effect on worldwide capital liquidity and rapidly increasing cost challenges for borrowers in the bond and bank markets. *(Continued on page 4)*

## STRATEGIES FOR ACCESSING CAPITAL IN LATE 2011

(Continued from page 3)

The most important thing executives of health and education systems can do is to expect that volatility and unexpected events will occur, with all of the potentially damaging consequences. In preparation for these circumstances, borrowers should consider pursuing the following eight strategies:

**1. Protect the Organization's Credit Rating** – Boards and management teams should do everything they can to protect as high a bond rating as possible. The stronger the rating, the more alternatives and flexibility the organization will have to solve the many significant strategic and financial challenges going forward.

**2. Identify and Address Organization-Wide Risk** – The confluence of current risks for organizations makes the stakes extremely high. The downside of any specific risk, singly or in combination with other risk sources, can come rapidly, leaving little to no response time.

**3. Establish a Global Strategy for the Organization** – This strategy should include both assets and liabilities and their interrelationship, concrete parameters regarding where the management team wants the organization to be on volatility and risk-reward spectrums, and metrics to gauge where it is on those spectrums.

**4. Make it a Point to Diversify** – Diversification reduces risk and volatility associated with any one particular debt vehicle or investment. Choosing the mix of debt products and investments that best meets the

organization's overall capital structure strategy should be an ongoing high-priority task for leadership. There continue to be positive reasons for organizations to use derivatives or swaps to adjust debt mix in response to market changes so as to achieve risk-reward objectives over time.

**5. Anticipate Challenges in the Municipal Bond Market** – With market challenges continuing to be present, organizations will need to ensure that their bankers are marketing the bonds broadly and effectively to a wide investor base. Also, particular attention should be paid to obtaining security and covenant provisions that are consistent with market comparables. Organizations should pay attention to market timing and other transactions that may be competing in the market at any given time.

**6. Anticipate Challenges in the Banking Market** – Banks may be facing new regulations and borrowers should evaluate each Letter of Credit or other credit provider to assess the likelihood of renewals or new capital loans over the next few years and start the renewal process of credit facilities as early as possible.

**7. Fully Integrate Leasing Into the Organization's Capital Structure Strategy** – Although use of leases as an alternative source of capital is entirely appropriate and effective in certain cases, the approach to leasing used by many organizations can and should change. Finance executives should spearhead an evaluation of current lease use and weigh use of leasing for qualified projects carefully against other funding alternatives.

**8. Ensure the Solidity of the Organization's Financial Plan & Future Strategies** – All organizations need a detailed knowledge of their capital position as it will be critical to strategic decision making going forward. Allocating capital will involve thorough utilization and financial projections, with much more proactive "what-if analyses" on underlying variables and assumptions.

Given changes now occurring and on the horizon, it is a challenging time in the capital markets. By focusing on these eight strategies, organizations can pursue opportunities and enjoy a stronger strategic-financial future. (Source: *Healthcare Financial Management*; April 2011)

## EARNING A DEGREE ABROAD MEANS MORE COMPETITION FOR U.S. PRIVATE HIGHER EDUCATION

The Institute for International Education reports 229,000 U.S. undergraduates received credit for studying abroad for a semester or two in 2008-09. Most paid tuition to their U.S. schools as well as travel costs. This drove up their total college costs in many cases. By contrast, only 4,015 Americans last year were studying at U.K. schools for U.K. undergraduate degrees, even though this can save big dollars.

During 2010-11 tuition and fees at U.S. private four-year colleges and universities averaged \$27,293, with room and board running another \$9,700, for a total of \$36,993, according to the College Board. Dozens of top private schools posted tuition and fees exceeding \$40,000 and total costs of \$50,000 plus.

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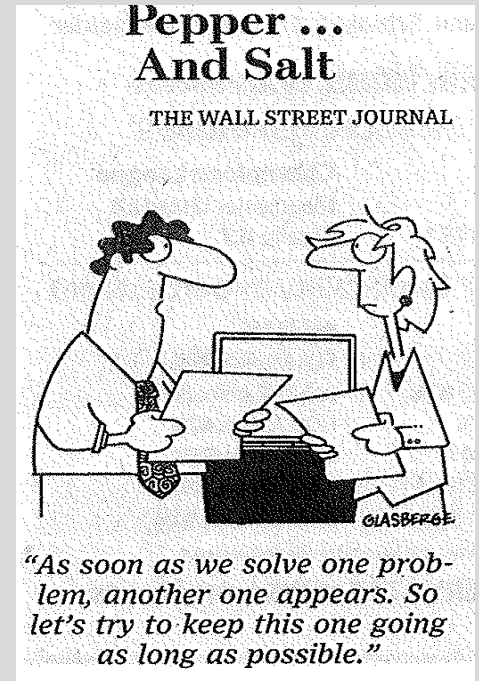
**EARNING A DEGREE ABROAD MEANS MORE COMPETITION FOR U.S. PRIVATE HIGHER EDUCATION**

*(Continued from page 4)*

But, St. Andrews, the oldest university in Scotland and the alma mater of Britain’s Prince William and wife, Kate, will charge tuition of just 13,500 pounds (\$21,650) to U.S. students for 2011-12, while the University of Oxford will charge 12,700 to 14,550 pounds, depending on the course of study. Tuition and fees at Canada’s McGill University will total \$16,689 Canadian (\$17,400 U.S.) for U.S. students studying for a B.A. and \$25,722 Canadian for those working toward an engineering degree. Other countries have high quality universities that, thanks to government subsidies, are cheaper or even free.

The major barrier for Americans earning a degree abroad is they just don’t know they can. Plus, studying abroad is not for every teen. Maturity is a must and since most undergraduate degrees outside the U.S. require three years of study instead of four, students move directly into a major. That doesn’t work for 18-year-olds who haven’t decided what to do with their lives.

There are more reasons than ever to look abroad. Foreign degrees are increasingly accepted by U.S. graduate schools, and global contacts and experience can help a student stand out when applying for a job these days. *(Source: Forbes; August 8, 2011)*




**THE BOND BUYER'S | 2ND ANNUAL**  
**Healthcare, Higher Education and Cultural Institutions**  
**SUPER CONFERENCE 2011**  
 October 16 – 18, 2011 | New York Marriott Marquis, New York, NY

The mission of **The Bond Buyer’s Healthcare, Higher education, and Cultural Institutions Super Conference** is to address the financing challenges and industry-specific obstacles facing the nation’s healthcare organizations, colleges and universities, and other non-profit institutions.

The Healthcare Track will focus on the unique problems facing –non-profit hospitals and healthcare providers. Topics include:

- The IRS is here to audit your tax-exempt bonds—are you ready?
- Healthcare Consolidation—Inevitable
- Restructuring, Workouts and Bankruptcy

**The Bond Buyer’s Health Care, Higher Education, and Cultural Institutions Super Conference** is the only conference that focuses exclusively on how institutions like yours are successfully tapping the capital markets to fund their ongoing capital needs Use Promo Code NAHEFFA and take \$100 off the current rates. For more information visit our website: [www.bondbuyer.com/conferences/supercon](http://www.bondbuyer.com/conferences/supercon), or call 800-803-5797.

## BRIEFLY NOTED

### Long-Term Care

- ... Today, 5.4 million Americans have Alzheimer's disease. 43% of people over 85 have the disease. (Source: *Provider*; June 2011)
- ... One quarter of Medicare money is spent for elders in their last year of life. 35% of voters queried favored allowing mentally able seniors to end their own lives in an effort to help save health care costs. With regard to end of life decisions, men were much more likely to say yes, as were people over 65, and those with higher incomes and education levels. (Source: *Boston Globe*; 06/06/11)
- ... Niche retirement communities are growing in number, diversity, and popularity. Communities targeted at specific college alumni and intellectuals have doubled in the last decade. Others target gays and lesbians, Asian Americans, and lovers of art and music. (Source: *The Wall Street Journal*; 06/26/11)
- ... A new study on Alzheimer's disease concludes that more than half of all cases are preventable through simple life style changes such as exercising, quitting smoking, and losing weight. (Source: *San Jose Mercury News*; 07/26/11)

### Education

- ... With the increasing economic uncertainty, the number of homeless youth has increased 69% in the past two years to 1.6 million. Yet in Colorado, as an example, several homeless students were valedictorians. Colleges with their stable residence halls and available student services can be an ideal environment where many homeless students can thrive. (Source: *Inside Higher Education*; 07/25/11)
- ... More and more interested parties from government, students, parents, and employers are holding colleges accountable for the results of the education process. Measures of what is learned, how many leave with a degree, and debt and job prospects are all being developed and used to measure colleges in a more competitive, transparent way. (Source: *The Chronicle of Higher Education*; 07/15/11)

- ... For the first time, American women have passed men in gaining advanced college degrees as well as bachelor's degrees, part of a trend that is helping to redefine who goes off to work and who stays home with the kids. (Source: *Associated Press*; 04/27/11)
- ... At least 500 colleges have started parent giving programs, many in just the past decade. Giving in such programs is up over 50% from 2001 to \$539 million in 2010. (Source: *The Chronicle of Higher Education*; 05/20/11)
- ... Out of state students account for over 50% of enrollees at North Dakota public universities. Faced with declining in-state student populations over a decade ago and rather than downsize, North Dakota put money into improving academics, kept tuition low and found jobs for graduates in their growing oil boom. (Source: *The Wall Street Journal*; 07/16/11)
- ... One federal program receiving more federal funding even in the deficit reduction era is Pell grants, which help low-income students pay for college. The maximum Pell grant is increasing by \$819 per year to \$5,550. (Source: *The Wall Street Journal*; 08/04/11)
- ... To meet a reduction in operating costs and to utilize new on-line technology, many college libraries completing major construction projects are downsizing their on campus storing of books and instead will utilize low cost offsite storage options for up to 80% of their collections. Another strategy employed by some schools is to build storage facilities on campus, but deep underground in high density, automated retrieval storage bunkers. (Source: *Inside Higher Education*; 04/27/11 & 05/18/11)
- ... More colleges are employing incentives to reduce the number of on campus resident students bringing cars. Carpooling, short-term rentals, and free bicycle use are all being used. (Source: *Inside Higher Education*; 06/27/11)
- ... Two studies show that stress during high school can negatively affect students' likelihood of success in college. (Source: *Wisconsin Independent*; Summer 2011)

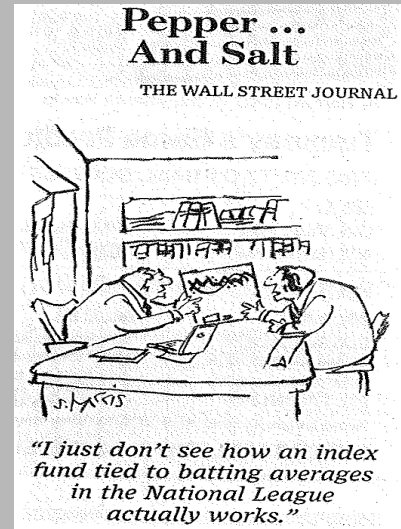
**BRIEFLY NOTED**

*(Continued from page 6)*

Acute Care

- ... Among the nearly 6,500 hospitals in the U.S., only 235 are run by physician administrators. However, overall quality scores were 25% higher when the hospital was physician run. (Source: *The New York Times*; 07/07/11)
- ... Hospitalists have become a fixture in medical centers, but not always at night and on weekends. Enter the nocturnist, an on staff physician who cares for the patient at night and on weekends and compliments the hospitalist function. (Source: *The Tennessean*; 07/11/11)
- ... A recent survey in New Jersey found that 61% of respondents felt better outcomes would come from facilities with “hospital” in their names, while 31% felt a “medical center” would be better. (Source: *NorthJersey.com*; 07/12/11)
- ... Approximately 50 million Americans are uninsured and have no savings. One half of families earning 400% of the federal poverty level (\$89,400 for a family of four) have financial assets of \$4,100. (Source: *HFMA*; July 2011)
- ... From 1996 to 2007, the rate of psychiatric hospital discharges rose 80% for 5-13 year olds, and 42% for older teens. At the same time, adult discharges dropped from 996 to 921 per 100,000 people and from 978 to 808 per 100,000 for people 65 and older. (Source: *ChicagoTribune.com*; 08/03/11)
- ... For the first time in years, federally qualified health centers face funding losses in the areas of federal grants and reduced Medicaid revenue. (Source: *Modern Healthcare*; 05/30/11)
- ... The U.S. Food and Drug Administration says that prescription drug shortages have tripled from 2005 (61 shortages) to 2010 (178 shortages). (Source: *Baltimore Sun*; 06/25/11)

- ... The annual cost of measurable medical errors in the U.S. was \$17.1 billion in 2008, according to a study published in *Health Affairs*. The most frequent errors involved pressure ulcers. The study found that 10 types of errors account for 69% of the total cost of errors. Other common errors included infections, hemorrhaging that complicates procedures, and mechanical complications of noncardiac devices. (Source: *HFMA's News*)

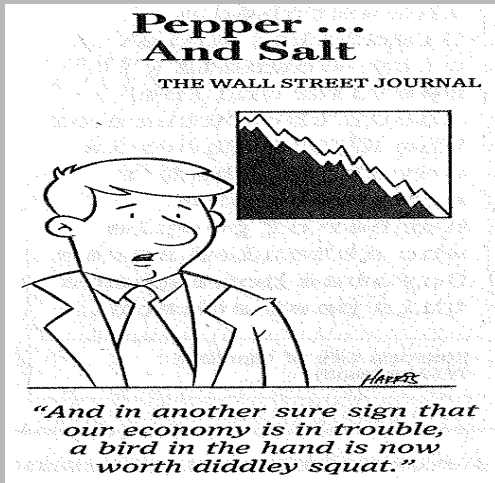


General

- ... Planets including Jupiter, Neptune, Mars, and now Earth, have trailing Trojan asteroids which follow these respective planets & their orbits. (Source: *LA Times*; 08/01/11)
- ... Research has repeatedly shown that when supplementing 7-9 hours of sleep, 20-30 minute naps do offer substantial benefit when taken between the hours of 10 to 11 a.m. or 2 to 4 p.m., when human sleep rhythms trigger a natural slump with grogginess and lack of focus. (Source: *Inside Higher Education*; 06/03/11)
- ... The languages spoken by the largest populations in the world are Mandarin (1.2 billion), English (450 million), Hindustani (401 Million), Spanish (390 million), and Arabic (280 million). The six official languages of the United Nations are Mandarin, English, Spanish, Arabic, Russian, and French. (Source: *Wikipedia*; 07/11/11)

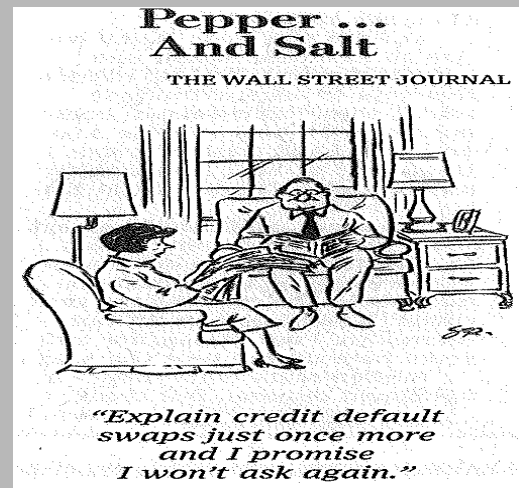
**BRIEFLY NOTED**

(Continued from page 7)



- ... The number of U.S. households with more than \$1 million in investable assets grew to 5.2 million in 2010, about 4.5 % of the nation's 115 million households. Globally, millionaire households rose to 12.5 million representing 0.9% of all households worldwide. (Source: MSN Money; 06/01/11)
- ... The Dodd-Frank bill requires the Fed to publicize the names of all banks that borrow from the discount window and the amounts borrowed, two years after each borrowing takes place. It is too soon to tell whether the certainty that discount window loans will be made public will dissuade banks from borrowing in times of need. (Source: Region Focus; First Quarter 2011)
- ... Wearing a cooling cap, which circulates cold water, has been proven to help insomniacs to sleep and stay asleep longer. (Source: TIME; 06/27/11)
- ... Broker dealers are objecting to the Financial Industry Regulatory Authority (FINRA) proposal that they pay a fee based on their municipal bond sales to help fund the Governmental Accounting Standards Board (GASB). (Source: The Bond Buyer; 08/03/11)
- ... The number of publically traded companies in the U.S. continues to fall, declining to 5,091 companies in February 2011, from a peak of 8,823 in 1997. (Source: CFO; May 2011)

- ... Denmark is joining Russia, Norway, Canada, and the U. S. with plans to lay claim to undersea territory in the Arctic where melting ice is uncovering new shipping routes, fishing grounds and drilling opportunities for oil and gas. (Source: Associated Press; 05/20/11)
- ... Defense Secretary Robert Gates says that pension and healthcare costs are eating the U.S. military alive. Healthcare costs in 2011 are expected to be \$52.5 billion and pension another \$50 billion. The average federal worker not in the military pays about \$4,000 a year for family health coverage, while the average military family pays \$460. (Source: NPR; 06/07/11)
- ... Municipal bond defaults for the first half of 2011 are only 24, representing \$746 million of bonds. This compares to 89/\$3.2 billion and 218/\$8.2 billion in the first half of 2010 and 2009 respectively. (Source: The Bond Buyer 08/04/11)
- ... A new law in Rhode Island places municipal bondholders ahead of other creditors in a default situation. (Source: The Wall Street Journal; 08/04/11)
- ... Implementation and documenting of the Dodd-Frank law designed to give U.S. financial regulations their biggest overhaul since the 1930's is growing and slowing. About 62% of the 387 sets of rules required by the law haven't even been proposed. In April, not a single U.S. agency met any of the 26 deadlines set for April under the law. (Source: The Wall Street Journal)
- ... 9 out of 10 urban areas that will experience the highest GDP growth between 2007 & 2025 are in China. 21 of the top 25 growth cities in the world are in developing countries. (Source: TIME; August 12, 2011)



## AVOIDING PROBLEMS IN CONSTRUCTION PROJECTS

Back in 2008 and 2009, many organizations had to postpone, cancel, or rethink projects that had been approved and were under way. Now construction projects are beginning to be revived, but at a moderate rate, and often with a scaled-down scope. Providers are being challenged by several factors, including tighter capital markets and the uncertainties that go along with that.

Many projects are at risk of failure at the onset because they have inadequate dedicated resources, lack coordination between external and internal teams, or have poor internal management processes. Moreover, once these projects are under way, project managers may act too late to engage proper outside assistance. Management teams should be aware of eight key problem areas that can delay or increase costs for their expansion project(s).

### 1. Assignment of Inadequate Resources at the Beginning.

Many organizations approach capital projects thinking they can manage them in-house. The best way to avoid having a capital project become a manager's back-burner issue is to make sure you have adequate resources at the launch of the project. At a minimum, this means having one to two dedicated project managers whose sole responsibility is to shepherd the capital project through its key milestones.

### 2. Over-Reliance on Equipment Planners.

Many organizations rely too much on the quantity, specification, and budget projections of equipment planners when budgeting for equipment and getting buy

-in for capital projects. This can lead to false expectations and resentment among department managers when the end product does not match the originally budgeted for items.

### 3. Limited Coordination Between Construction & Acquisition Teams.

Poor communication between the construction and equipment acquisition teams can cause significant project delays or budget overruns. To avoid this error, changes should be communicated to all key teams and coordinating plans as they happen, not after the fact.

### 4. Having an Insufficient Budget Management Process for Additions & Deletions During Discovery.

There is roughly a 24- to 48- month time lag between planning and executing a project, which means plenty of time for ideas and plans to change. As a result, the first set of budget numbers end up having no real bearing on the actual project, but if those changes are not communicated to the managers, they will still be working to meet those now irrelevant numbers.

### 5. Failure to Engage Proper Outside Assistance.

A capital project is not the time to learn as you go. Many organizations try to manage the project themselves and get overwhelmed by the urgency of the project and by its complexity. Consultants are familiar with managing complex time lines, know the milestones that have to be met, and can guide organizations in developing and managing budgets.

### 6. Limited Experience in Managing Large Capital Projects.

Despite the growth in capital project spending, many leaders will build only one new facility or undertake only one large expansion project in their entire

career. Few executives have direct experience in managing large capital projects, which means they may overlook critical issues that a more experienced leader would know to anticipate and proactively manage.

### 7. A Lack of Predefined Internal Process Management.

The normal capital procurement process is not applicable in a large capital project. That is, the status quo capital process will not work when the volume and variation is significantly higher as when executing a build-out or expansion. Processes need to be put in place to manage these constantly changing project elements.

### 8. Having Inefficient Organizational Feedback Channels.

Keeping a project on track requires that issues be quickly identified and communicated to all affected parties so they can be solved before they become problems.

Finance leaders should invest time in planning and preparation before a construction project is undertaken. The early stages of a capital project are critical to its success or failure. Just as doing things wrong can derail the process, doing things right, the first time, will help construction go smoothly and on budget. (Source: *Healthcare Financial Management*; April 2011)



**Announcing the 15th Annual  
Women in Public Finance Conference**

**Thursday, October 6, 2011**

**The Standard Club  
320 S. Plymouth Court  
Chicago, Illinois**

**REGISTRATION • 11:30 A.M.  
LUNCHEON & CONFERENCE • 12:00 P.M.  
COCKTAIL RECEPTION • 5:00 P.M.**

**KEYNOTE SPEAKERS:**

**MICHELLE D. BERNARD**, founder of The Bernard Center for Women, Politics & Public Policy and an MSNBC political analyst.

**KATTY KAY**, Washington correspondent for *BBC World News America*, a nightly newscast airing on BBC AMERICA and BBC World News.

*moderated by*

**NORAH O'DONNELL**, Chief White House Correspondent for CBS News, principal substitute anchor for *Face the Nation* and contributor for the award-winning *60 Minutes*.

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