

Washington State Energy/ Facilities Conference

“BEING A GOOD PARTNER WITH YOUR CFO: Speaking their Language”

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APPA, “*Leadership in Educational Facilities*”
May 4, 2016**

PURPOSE

- To increase your understanding of the CFO's perspective on the built environment in making the business case for your energy and facilities portfolio;
- To provide some ideas, tools, and best practices for assessing its overall effectiveness and determining future reinvestments."



Agenda...what we will cover

- Understand some myths & misconceptions
- Provide CFO's perspective on the concerns & value of the built environment
- Ensure “stewardship” role for facilities
- Focus on facilities “investment” decisions
(performance metrics/measures; analytics; TCO principles; issues & challenges)
- Promote strategic value to the institution
- Highlight shared role in shaping the future

Myths & Misconceptions . . .

- The value of endowments are the largest institutional asset.
- Facilities represent an institutional ‘cost center’, only.
- Facilities managers primarily possess technical skills.
- Facilities professionals don’t think business officers are knowledgeable about facilities issues, priorities, and strategies.

Myths & Misconceptions... (continued)

- When it comes to workplace violence, it won't happen on my campus!
- Emergency preparedness plans don't need drilling or practice.
- All campus buildings are equal in their need for maintenance and repair.
- Space is “free”!
- Energy costs are fixed...known variables?!

Facilities: Target or Opportunity

- One of an institution's largest entities for budget reallocation (NACUBO Bus Off July /Aug 2015 p. 20)
- Yet, most institutions largest fiscal asset

Strategic application of improvements and priorities can ensure those assets are stronger, fiscally and physically!!!

Misapplication – a liability!!

What keeps CFO awake at night?

With respect to your facilities...?

***Possibly latent financial risks
and the relative reliability of your
facilities investment portfolio...***

Your Role with Your CFO

“To increase the CFO’s understanding of the importance of planning, managing, and leveraging your facilities as a strategic, long-term institutional asset (an essential investment) optimized to support the institutional mission.”



Why do facilities matter?

- Draws students & parents to you
- Aids in recruitment of faculty & staff
- Represents a place where learning occurs in and outside the classroom
- Encourages donors to participate with your institution
- Creates that sense of community & place
- Enhances safety & security
- Fills a vital community need



***“Good
facilities are
essential to
good
learning!”***

Ernest Boyer



***“Facilities represent the one
real constant...”***







**“Gee honey, the campus
doesn’t look anything like the
pictures in the brochure.”**

Definition of Facilities Stewardship

“The long term viability and preservation of the most valuable asset your institution owns –
its physical infrastructure.”



Prognosis for 2020

- ***Economics***
- ***Public support***
- ***Accountability***
- ***Demographics***
- ***Competition***
- ***Technology***
- ***Energy Policy & Volatility***
- ***Sustainability & Compliance***



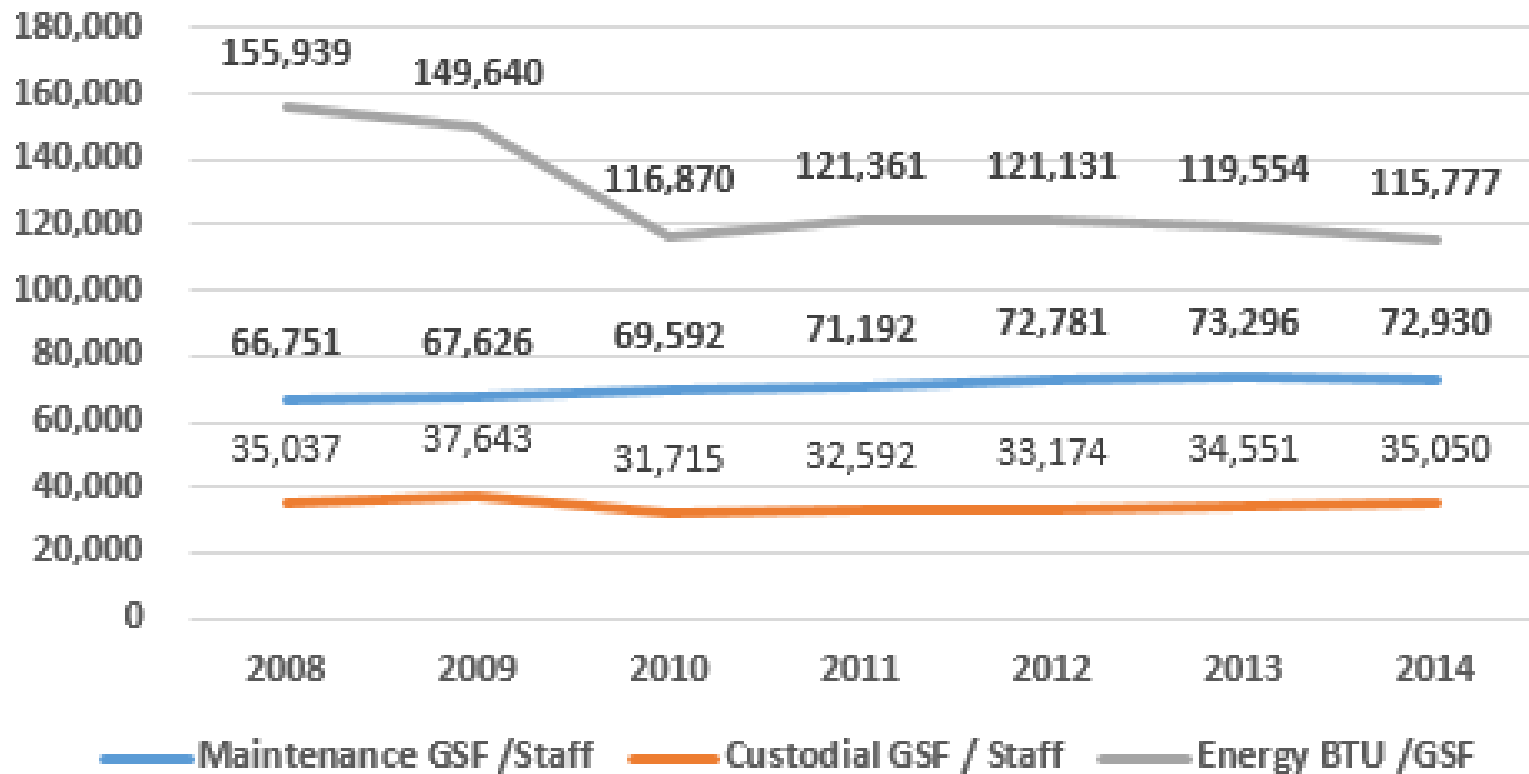
“It’s about demonstrating value!”

“We measure what we value. We manage what we measure!”



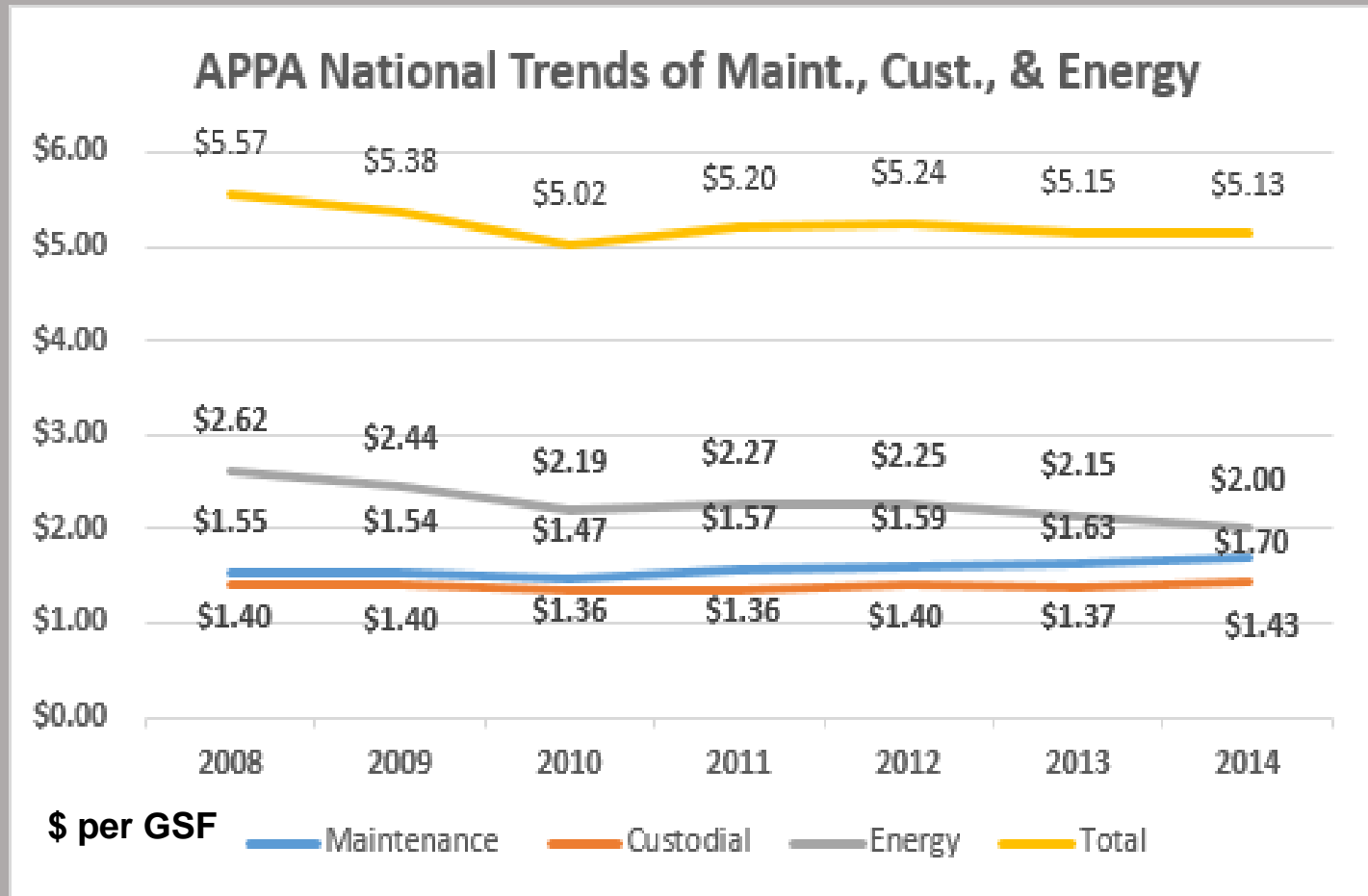
7-year Coverage & Energy

APPA National Average Coverages & Energy Use



Source 2014 APPA FPI

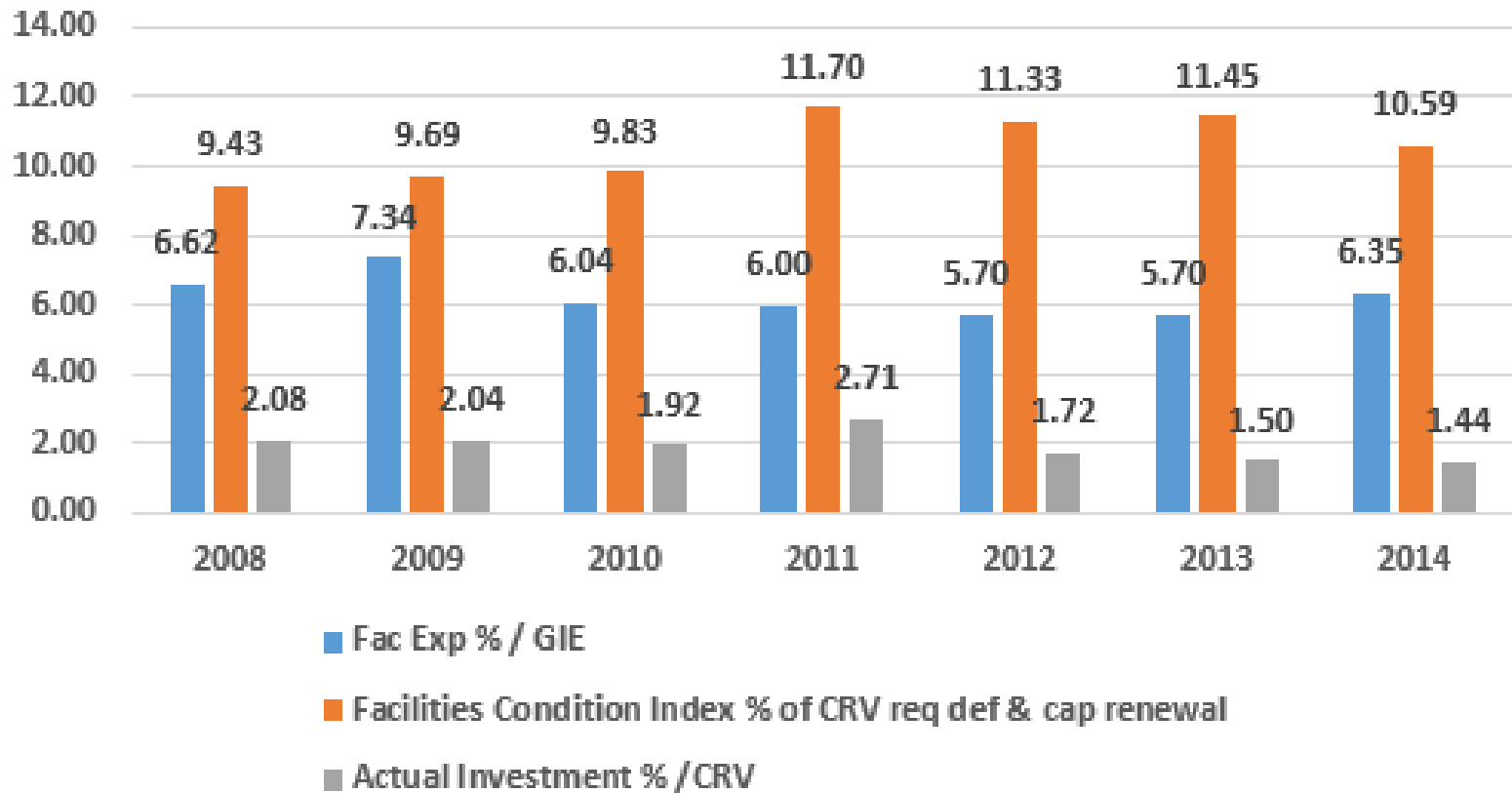
7-year Cost Trends



Source 2014 APPA FPI

7-year Trends

APPA National Expenditures & Condition



Source 2014 APPA FPI

Some Facility Related ROI's

- *Energy Management:*
 - Many 10% ROI opportunities; but the potential still exists for 30-100% opportunities
 - Trending towards a 100,000 BTU /sq ft standard with goals even lower
 - Effective / Efficient use of space- Sustainable Culture
- *Two-fer's:* Things that support program AND facility stewardship
- *Customer Service:* Encourages departmental support and confidence; does not necessarily require more \$
- *Aesthetics:* Specifically for enrollment enhancement
- *PM's:* that can extend systems' life

A Key Question for CFO's:

- ***Are we getting full value from the investments we make in our facilities portfolio? (NOT – are we spending enough)***
 - ***Do we have a set of metrics in place to measure the performance of our facilities?***
 - ***Do our metrics respond to the institution's primary stakeholders?***

Better Question for CFO's:

- ***Is the facilities portfolio (infrastructure investment and organization) appropriately optimized to support the institutional mission and strategic goals?***
 - ***Are our investments aligned with the institution's strategic goals and mission?***
 - ***Are they providing the right information to enable us to manage appropriately?***

Performance Measurement Evolution

1. First Generation:

Question:

Are we spending enough on our facilities portfolio?

Measures Considered:

Cost comparisons against averages and benchmarks

Sample Metrics

- Facility Operating Expenditures/ Gross Institutional Expenditures [FOE/GIE]
- O&M Cost/ GSF (% of CRV; of GIE)
(also breakdown by trades, custodial, grounds, other...)
- Energy Cost/ GSF
- Energy Cost/ Student FTE
- Energy (MMBTU) /Student FTE (/GSF)
- Capital Exp of Existing Space as % of CRV
- Institutional Investment Gap (Needs Index)

Performance Measurement Evolution

2. Second Generation:

Question:

Are we getting full value from the resources committed to sustaining our facilities portfolio?

Measures Considered:

Comparisons against identified best practices;

Lean management process analysis

“Hickling & Associates”

Performance Measurement Evolution

3. Third Generation:

Question:

**Is our institutional facilities portfolio appropriate/
optimized for the delivery of the mission?**

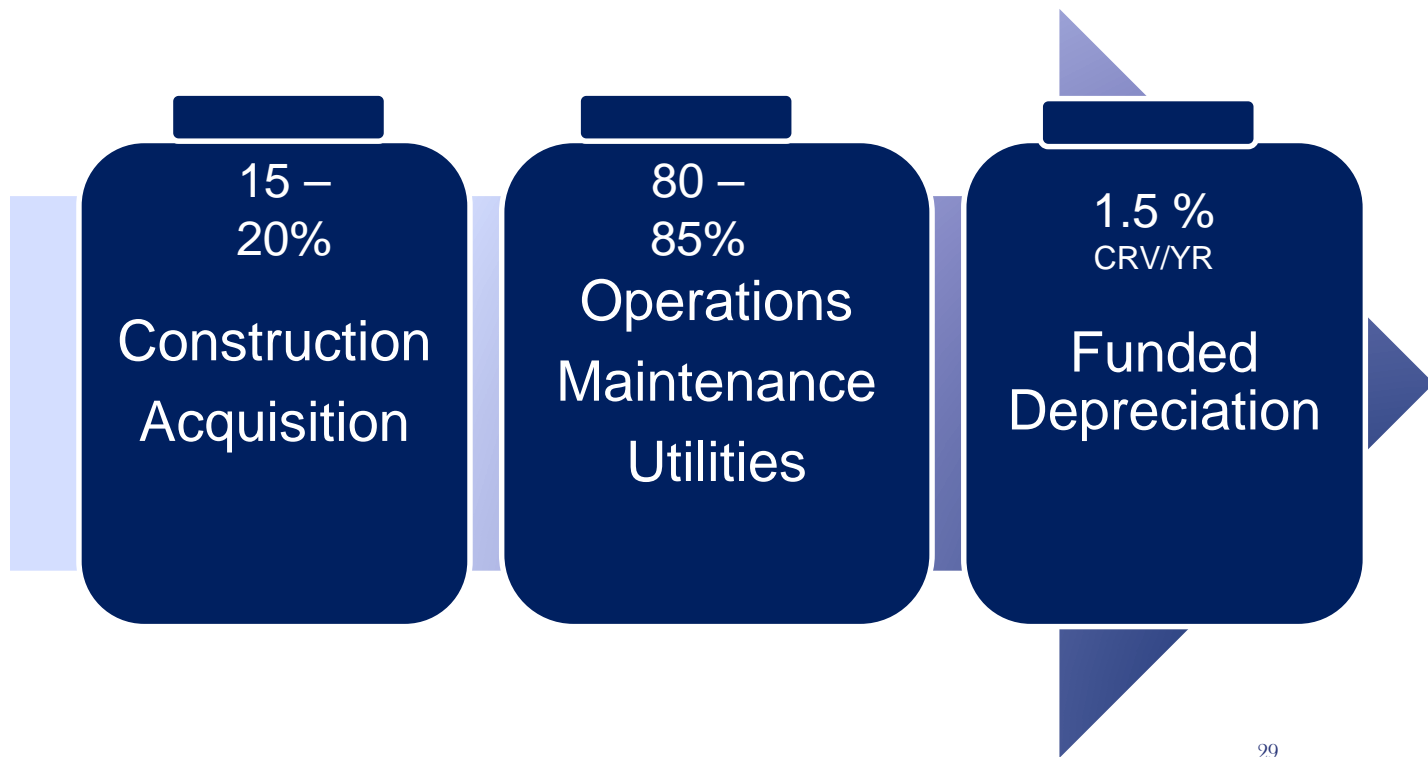
Measures Considered:

Intensity of space usage; technology analysis

“Hickling & Associates”

Total Cost of Ownership

Building Lifecycle Costs



Total Cost of Ownership

Life Cycle Components

Sources of Funds

1. Acquisition Costs

Build-Buy-Lease

2. Daily Maintenance Costs

Cleaning, Trash Handling, Gardening

3. Periodic Maintenance Costs

Corrective, Preventive, Predictive

4. Utility Costs

Electricity, Gas, Water, Sewer

5. Capital Renewal Costs

HVAC, Water, Electric, Gas, Sewer,
Roof, Fire, Safety, Streets, Tunnels

6. End-of-Life Costs

Demolition for New or Rehab

Gifts,
Endowment,
Bonds

Annual
Operating &
Maintenance
Budget

Annual Utility Budget

Capital Allocation to
Restore Physical
Assets to
Original Condition

Navigating Possibilities

- **Know your targeted ranges for facilities portfolio KPIs**
- **Address Analytics/ “Big Data”**
- **Utilize TCO principles**
- **Space...not free!**
- **Service levels for staffing MRAs**
- **Competency to ensure competitiveness**

What? A Space Problem?

- Cost for Capital Construction Up 67% Since 1997
- Institutional debt has risen 88% since 2001 to \$307 billion
- 60% of Capital Expenditures Goes to New Construction
- Average utilization of Space Is < 50%
- But...isn't space FREE?!

“We Will be held Accountable!”

Best Practices for Effective Space Management

- Establish Metrics to Better Measure How Space Is Used
- Develop Effective Policies, Decision-Making Processes, and Standards
- Create Effective Organizational Structures
- Implement Incentives to Encourage Smart Space Management
- Design Spaces That Are Easy to Manage

“Space is a valuable, essential, powerful Institutional Asset!”

What is my
facility condition?

Grounds attentiveness

Is my campus
regulatory compliant?

Efficient response time?

Effective Sustainability

Cleanliness

Service vs. Stewardship

What is my level of
customer
satisfaction?

HOW CAN WE QUANTIFY SUBJECTIVITY??

How many maint. Staff
is sufficient?

What level of service do
we really provide?

To What Level of Service do we Aspire?

(How do you know??)

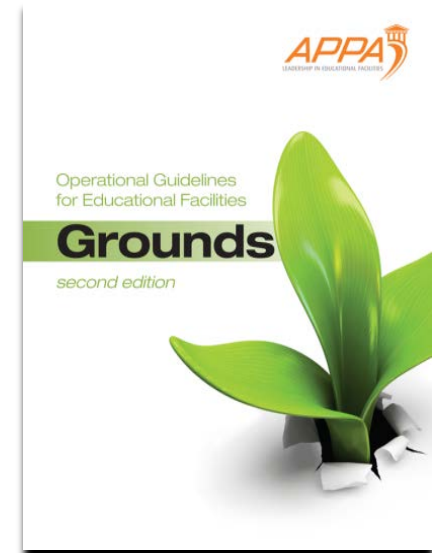
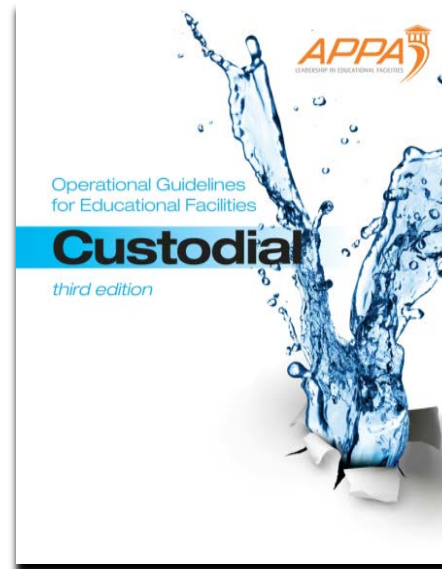
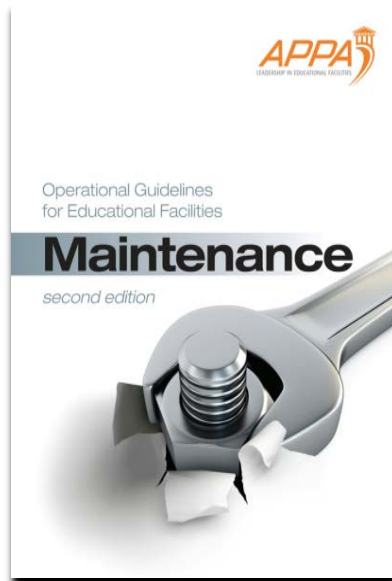
How many custodians SHOULD we have?

How often should we
clean & what?

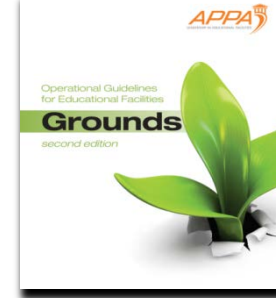
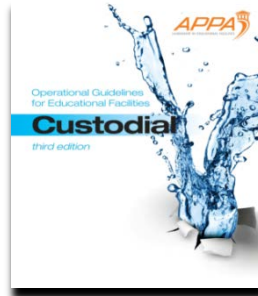
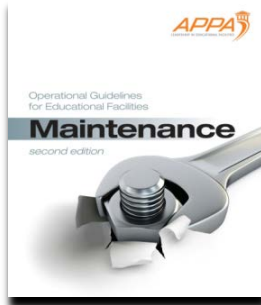
How many grounds personnel SHOULD
we have?

What is preventive vs predictive
maintenance?

SERVICE LEVELS for STAFFING MRA's: **APPA'S STAFFING GUIDELINES TRILOGY**



- **The content is powerful!**
- **Each sets the guidelines!**



- FIVE (5) Levels of Service
- Criteria & descriptors for each level
- Campuses are different, yet sufficient SIMILIARITIES
- Guidelines can be ADAPTED
- Baseline staffing formulas provided
- Multiple chapters with best management practices
- Can YOU BEAT the fact that there are guidelines which now allow you to make **quantitative assessment** and informed decisions about the **qualitative performance** of your institution's facilities?!



***“Good facilities
are essential to
good learning!”***

Ernest Boyer



CFO: Sustainability questions:

- Do you have a **policy**, goals, standards, guidelines, or guiding principles concerning sustainability?
- Do you have **systems** in place to track projects, make financial performance calculations (ROI, paybacks, etc.), and determine carbon savings?
- How are you/ your peers **implementing** sustainability and reduced carbon footprint programs?
- What programs exist to provide resilient **energy efficiencies** and advance **renewable** energy solutions?

CFO: Energy questions:

- *Do you know what your energy **usage** is (BTU's/GSF)?*
- *Is there an energy management **plan** in place?*
- *Are you achieving **measurable efficiencies** within your energy budget?*

“It’s about managing the risks!”

“12 People killed, 27 injured in Texas A&M bonfire collapse”

“The Citadel damaged by Hurricane Floyd ”

“Dorm Fire Kills 3 at Seton Hall”



“One dead, 19 hurt in balcony collapse at Virginia commencement”

EPA cites Brown University for infractions, fines could top \$500,000

“Earthquake damage to CSU Northridge estimated at \$400 million”

CFO: Emergency Preparedness

- *Have you done everything you can to **protect** the **students** (faculty, and staff) and the **institution's reputation**?*
- *Do you know your **vulnerabilities** (weather-related; geographic locale and the propensity for different/various problems to arise; violence of all sorts; business continuity needs and requirements)?*
- *Is a **security audit** used to guide your planning?*
- *Have you had **practice drills** of your emergency response plans to ensure they are well-understood and well-coordinated?*

Get Credentialed! WHY?

- Identify and recognize **competency**
- Assure educational institutions of the **quality** of their facilities management professionals
- Encourage **ongoing professional development** within the profession
- Establish **standards** for professional performance in educational facilities management
- **Advance** the profession

YOUR Validation!

“Without good people, it is practically impossible to ensure good facilities!”



STRATEGIES

- **Align facilities plan/ portfolio with Institutional Mission/ Strategic Plan**
- **Know/ apply your KPIs**
- **Increase focus on TCO**
- **Tackle “SPACE”**
- **Sustainability - environmental & economic**
- **Apply Staffing levels and guidelines for high productivity**
- **Invest in, train, and develop your staff**



**“COLLABORATION . . . THE
NEON SIGN FOR SUCCESS!”**

**Making your facilities a *strategic enabler*
for the institution and its academic
community . . .**

**can only be accomplished through a
strong partnership forged between
the *facilities professional***

AND

the *business officer*.

“The future is won by those creating the futureand not the ones trying to maintain the status quo.”

It's Your Choice!

***No silver bullet!**



***No magic wand!**



***No ruby red
slippers!**





- ✓ *Hard work/ Know your #'s*
- ✓ *Fact-based, data-driven decision making*
- ✓ *Collaboration and transparency*
- ✓ *Serious focus on space productivity*
- ✓ *Long-term view of prioritized investments*
- ✓ *Promote strategic value to institution*

CONCLUSION

**“The Power
is in Your Hands!”**



