

Cost Reduction & Operational Efficiencies

IFMA's City and Country Club Council



Topics

- The Small Things
 - Cost Effectiveness
 - Constant Efficiency Improvement
- The Big Things
 - Strategic Planning
 - Facility Recap Planning
 - In-House vs. Contract Workforce
 - Computer-Aided Facility Management



The Small Things

Dave Cotts, Author of *The Facility Management Handbook*:

“Cost Effectiveness. The key is to properly identify and compare costs; comparison must be made over time.”

“Constant Efficiency Improvement. Efficiency should be judged through comparators, through user feedback, and through MBWA (management by walking around).”



Comparing Costs Over Time

- Compare to What?
 - Internal: yourself over time
 - External: benchmarking
- Need a Budget and Accounting System That Supports Facility Management Cost Comparisons

B&F Category Needs

□ Business Operations

- Golf Operations
- Tennis Operations
- Fitness Operations
- Food and Beverage Operations
- Etc.

□ Accounting

- Labor
- Materials
- Contracts
- Etc.

□ Facility Management

- Utilities – cost and usage
- Facility M&R - \$/sf
- Custodial - \$/sf
- Grounds keeping
- Vehicles
- Facility Leases
- Etc.

Benchmarking

- NCA?
- CMAA?
- IFMA
 - Benchmarks V, Annual Facility Costs Report #30
 - Hospitality Industry? Multi-Use Facilities?
 - O&M Benchmarks Report #26
- BOMA
- Problem is One of Compatibility in Scale & Usage

Benchmarking

- Customized Service
 - E.g., FM Benchmarking Cost Survey
 - First building @ \$275
- Initiative of Your New Council?
 - Don't overreach
 - Use solid definitions

Constant Efficiency Improvement

- What do Other FMs Try?
- From FM Link Surveys
 - 52.4% use sensors to control lighting in offices
 - 69.7% use compact fluorescent bulbs or LEDs
 - 22.2% have reduced frequency of HVAC filter changes
 - 31.6% have conducted a comprehensive energy audit in the past two years
 - 13.5% use water-free urinals
 - 46.8% have upgraded HVAC system to reduce energy consumption
 - 50.8% have outsourced majority of maintenance functions
 - 52.0% have participated, or considered participating, in a benchmarking group of similar facilities



The Big Things

- Facility Resource Plan
 - Develop it to support your club's vision and strategic plans
- Insert Facilities Considerations in Appropriate Elements of the Club's Strategic Plan, e.g.,
 - Goals & Objectives
 - Budget
 - Action Plans
 - SWOT
 - Assessing Progress



Facility Recap Planning

- Not to be Confused With the O&M Program
- For Major Facility Component Replacements or Overhauls, etc.
 - Roofs
 - Chillers
 - HVAC
 - Roads



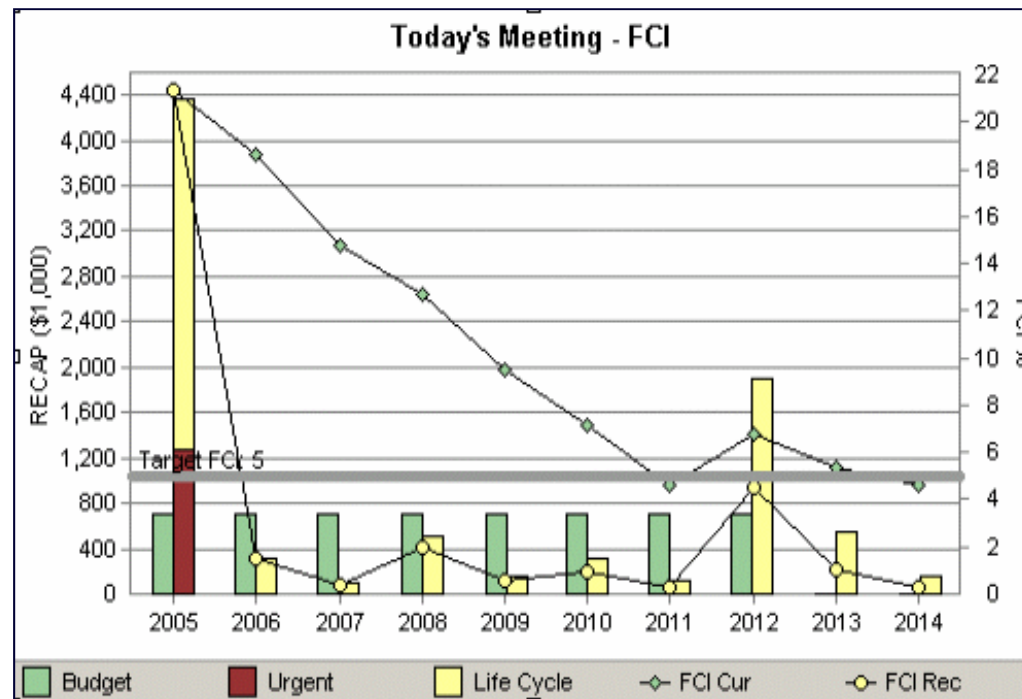
Facility Recap Planning

- Start With a Facility Audit
 - Inventory of assets
 - Location
 - Faceplate info
 - Condition
 - Criticality
 - Current Age

Facility Recap Planning

- Determine Economic Life of Each Asset
 - Or at least the major ones...
 - Why “economic life”?
 - Cost of M&R escalates after the economic life
 - Cost of an emergency replacement is high
 - Risk of failure becomes too high
- Estimate Cost of Replacement and Overhaul Projects
- Develop a 10 to 20 Year Budget Profile

A Graphic Representation



In House Vs. Contract Workforce

- Which is More Efficient And Which Saves Money?

It Depends...

- Reasons For Keeping In House
 - Want tight control
 - Desire for employee loyalty
 - Easier to Establish a Corporate Culture

- Reasons For Contracting
 - Don't have expertise
 - Need workforce flexibility
 - Uncertain business outlook
 - Trying to establish staffing needs

In House Vs. Contract Workforce

- Does In-House Save Money?
 - Avoids profit and overhead costs of about 20%
 - Some states have 6-8% tax on services
 - But “blue sky” scope of contract often exceeds scope of in-house services, and
 - Reluctance to downsize in-house workforce
- Does Contracting Out Save Money?
 - In-house janitors cost \$12/hr. Contract \$6/hr
 - Avoids excessive in-house benefits
 - But contract management and QC costs can be high



Computer-Aided Facility Management

- Efficiency Demands Something More Than MS Excel and Access
 - Asset management
 - Work order and service call management
 - Project management
 - Facility recap data
 - Performance and cost management reports



Computer-Aided Facility Management

- ❑ CAFMs Start at About \$1,000
- ❑ Develop Your Requirements Before You Go Shopping
- ❑ Do Your Research And Watch Demonstrations
- ❑ Do an Honest Lifecycle Cost Assessment of a CAFM System
 - Don't Underestimate the Data Management Resources Needed

Your Turn...

Questions, Comments, War Stories?