

# Cost Reduction & Operational Efficiencies

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IFMA's City and Country Club Council



# Topics

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- 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

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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

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- 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

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## □ 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

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- 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

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- 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

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- 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

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- 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

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



# Facility Recap Planning

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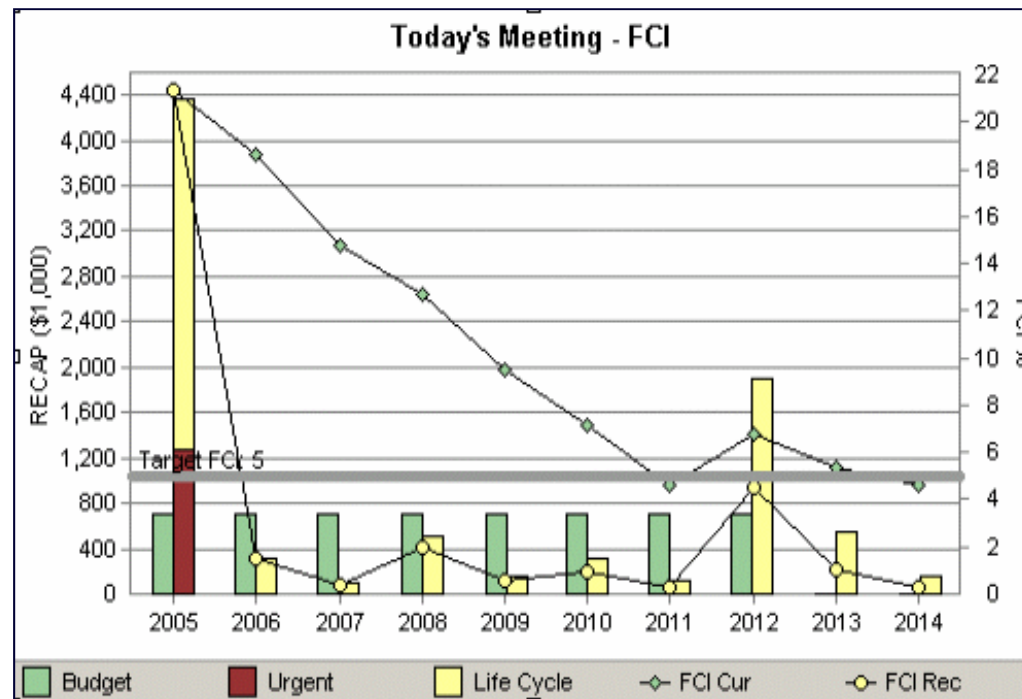
- Start With a Facility Audit
  - Inventory of assets
    - Location
    - Faceplate info
    - Condition
    - Criticality
    - Current Age

# Facility Recap Planning

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- 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

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- 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

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- 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

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- 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

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- ❑ 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...

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Questions, Comments, War Stories?