Capital Replacement Program

Planning for Success

John Rimer, CFM
FM360consulting.com
Introduction

John Rimer, CFM

- 18 Years Facility Management
- Numerous Industries & Various Roles
- Owner, FM360, LLC
- Certified Facility Manager (CFM) - IFMA
- IFMA & BOC Qualified Instructor

Related Experience

- Established & Managed CRP for large software company – 10M square feet
- Corporate, healthcare, etc.
- Leverage CMMS for CRP
Agenda

- Need for Capital Planning
- How to Implement
- Reporting
- Benchmarking
- Q&A
Poll #1

How reactive is your facility management department?

A. <20%
B. 20% to 30%
C. 30% to 50%
D. > 50%
E. I have no idea...
Our Own Worst Enemy

- Most maintenance organizations operate between 10% to 40% efficiency (MT-Online)
- Nearly 70% of failures are self-induced (MT-Online)
- Most spend >50% time on emergency work (FacilitiesNet)
No More Firefighting

Cost of Reactive Maintenance

- RM Costs 3X to 5X more than PM (MT-Online)
- DOT Study found 8X higher costs

- Downtime/Business Loss
- Customer Satisfaction
- Employee Retention/Burn-Out
Value of a Robust Program

- Increase Production by 28% (IFMA)
- Double Productivity of Staff (IFMA)
- Reduce Maintenance Costs by as much as 50% (Piper/FacilitiesNet)
- Reduce Energy Use by 15% - 20% (Piper/FacilitiesNet)
Poll #2

How much deferred maintenance and end of life (EOL) equipment do you face?

A. We’re in a hole and digging deeper
B. Lots, but starting to climb out
C. Nice, new building – all is good for now...
D. Scrap the building – it’s a fire sale...
In the Hole and Digging Deeper…

- Equipment “EOL”
  - At or Beyond End of Life
- Insufficient Capital Funding
- Lack of Maintenance
  - Due to Firefighting
- No Long-Range Planning
- Decisions vs. Consequences
Capital Planning = Band-Aid Fixes

- “Oliver Twist” Approach
- Growing Laundry List
- Fraction of List Funded
- Top-Down Budgeting
  - Last Year +/- 10%
Something to Manage

- Need a Plan – Capital Replacement Program (1/3/5/10-Years)
  - No roller coaster budgets
  - No surprises
  - Substantiate Funding
  - Realize consequences of decisions
- Selling your Plan
Real-World Examples

- High-Tech Campus
- University
- Utility Company Portfolio
Digging Out...

- Assess Facility Systems
  - Exterior to Interior
  - Age & Condition
- Define Life Expectancy
- Identify Replacement Date
- Estimate Replacement Costs
Poll #3

When was the last time you did a facility condition assessment?

A. Within past year
B. < 3 years ago
C. At least 5 years ago
D. Never
E. I don’t want to know...
Contract Out or In-House?

- Third-Party
  - Expertise & Resources
  - Pennies / SF
  - Software System
  - Templates
  - Reporting
In-House Low Budget Approach

- Prioritize Facilities
- Leverage Contractors
  - Assess Systems
  - Provide Estimates
- Utilize CMMS
  - Install Date
  - Life Expectancy
  - Replacement/Install Cost
Reporting

- 1/3/5/10 Year Forecast
  - 1Yr – Hard Estimates
  - 10Yr – ROM
- Smoothing it out
  - Push/Pull Replacement
  - Consistent Spend
  - Allow for Inflation
Poll #4

Have you calculated the FCI for your assets?

A. Yes
B. No
C. I have no idea what you are talking about...
Benchmarking

- Facility Condition Index (FCI)
  - Sum of Deferred Maintenance / Replacement Value

- FCI Scale
  - 0 – 0.05 Good
  - 0.05 – 0.10 Fair
  - 0.10 – 0.30 Poor
  - 0.30+ Critical
Benchmarking

- Compare Internally
- Benchmark Industry
- Track & Report Progress
  - Show Return on Investment
Questions?

John Rimer, CFM
john@fm360consulting.com
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