



Capital Replacement Program

Planning for Success

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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

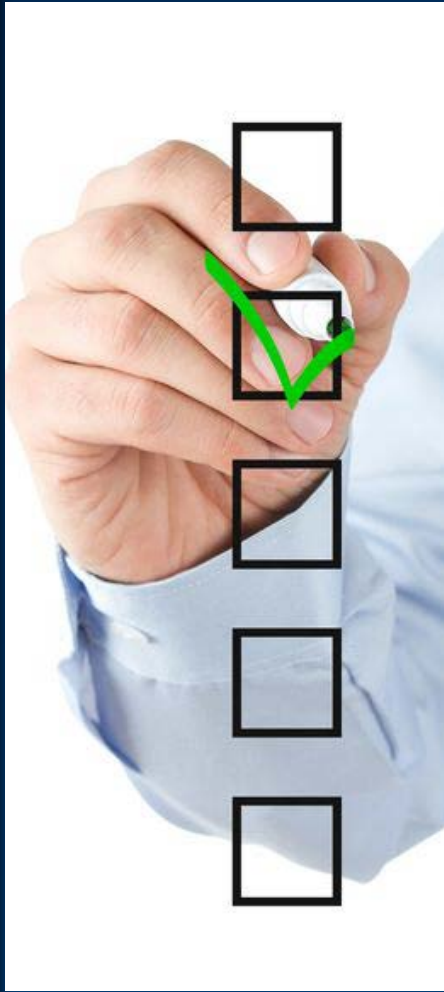


Agenda

- 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

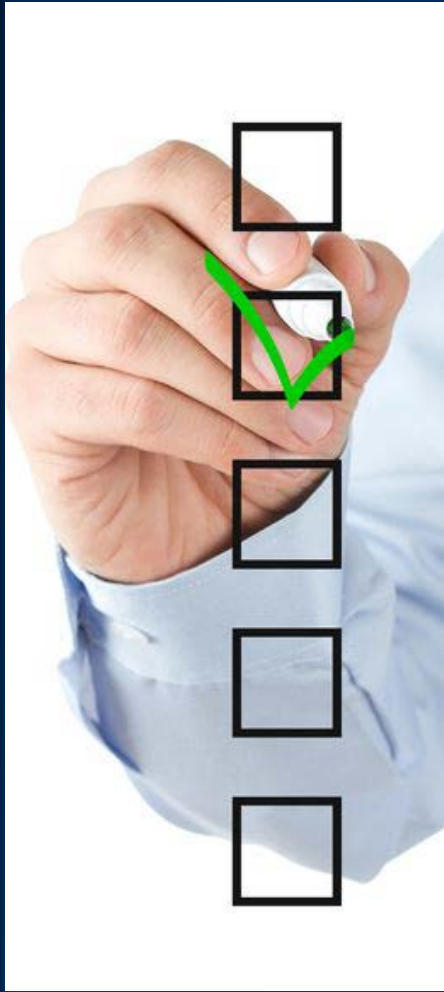


Value of a Robust Program



- 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



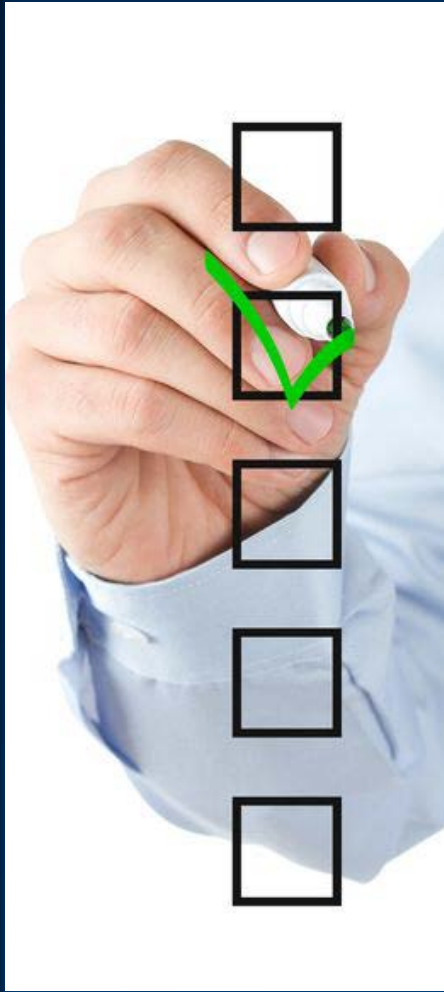
- High-Tech Campus
- University
- Utility Company Portfolio

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



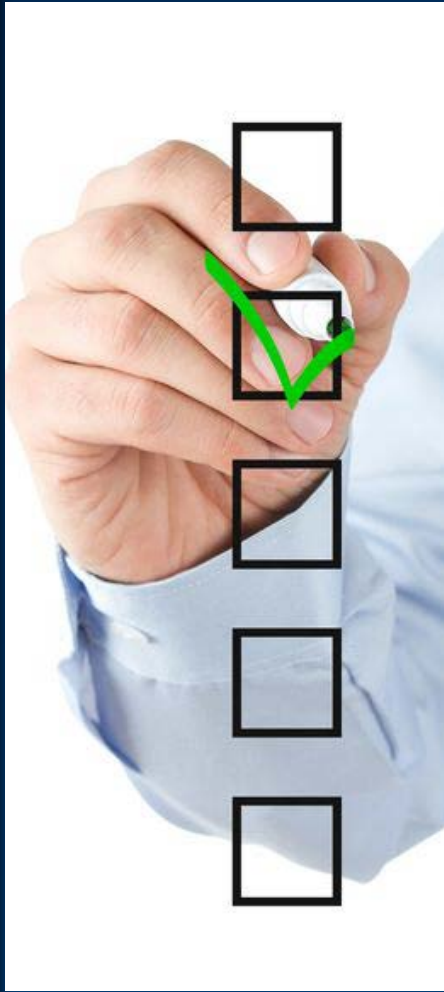
- Prioritize Facilities
- Leverage Contractors
 - Assess Systems
 - Provide Estimates
- Utilize CMMS
 - Install Date
 - Life Expectancy
 - Replacement/Install Cost

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?

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The Facility Industry Resource for Consulting & Education

