

Confronting Budget Cuts:

Making Your Budget Work for You

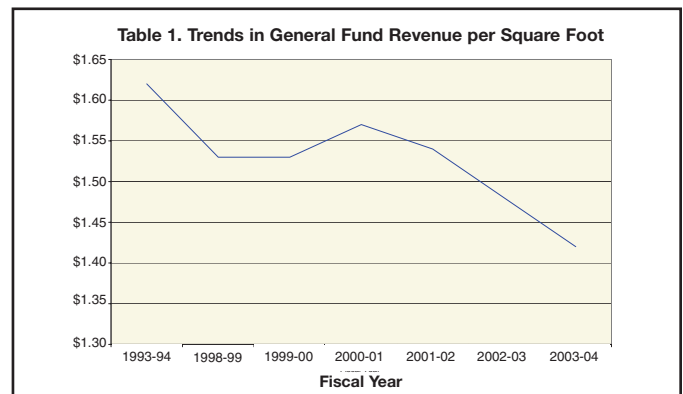
by Nathan Norman and Lisa Dugdale

Like many custodial departments, the University of Michigan Plant Building Services department has experienced a series of general fund budget cuts recently. These cuts are a direct result of the prolonged economic recession and the continued decline in state appropriations; in fiscal year 2003-04, Plant Building Services had to absorb a general fund cut of 6.5 percent, and in 2004-05 we anticipate another reduction of approximately 5 percent. As a result, the general fund revenue per square foot has decreased from a high of \$1.62 per square foot in 1993-94, to \$1.42 per square foot in 2003-04 (see Table 1).

This is not a problem just affecting higher education. The budgets of many other governmental agencies in Michigan were also reduced—the Department of History, Arts, and Libraries budget suffered a general fund budget cut of 25 percent for 2003-04. Other states are facing similar economic recessions and declines in federal funding, placing many of us in the same boat when it comes to finding ways to adjust to cuts in our budgets.

So How Should a Facilities Department Deal with This Funding Crisis?

The first response of many colleges and universities is to cut back on all spending as a defensive strategy, often result-



ing in staff layoffs. However, the University of Michigan Plant Building Services was determined not to lay off staff and to deal with the crisis in a positive and proactive manner. The department's approach was to first identify its priorities as to not adversely impact the University of Michigan's core functions. The goal of Plant Building Services has been to protect those services that directly impact core services, including academics and research.

Another priority was treating custodial staff with respect in order not to affect staff morale. Supervisors kept their eye out for opportunities to reduce staff that would coincide with other changes such as natural attrition and shift changes, in order to minimize the impact on staff. Positions were eliminated through attrition, but not achieved through layoffs. As layoffs often create decreased morale in excess proportion to the actual number of jobs, supervisors knew that layoffs would decrease the productivity of the remaining staff. This would cost them more money than they saved in layoffs, and create a workplace environment that was centered on fear of losing jobs.

Nathan Norman is director, and Lisa Dugdale is administrative assistant of plant building services at the University of Michigan, Ann Arbor, Michigan. Norman can be reached at nnorman@umich.edu. Dugdale can be reached at ldugdale@bf.umich.edu; this is her first article for Facilities Manager.

Once these priorities had been established, Plant Building Services chose to invest in research, technology, and training in order to realize long-term cost savings. In addition, the department combined cost saving measures and service cuts with innovative programs that achieved department and university goals.

To Save Money, You Must Spend Money

We've all heard this saying, and most of us react with justified skepticism. When you have less money to spend, caution is important but investment is key. Plant Building Services found that reacting to budget crunches with innovation, planning, and investment in technology and training actually saved us money in the long term.

administrative offices to collect trash, the basket was less than half full. In this instance, the department data showed that daily office trash pickup wasn't a good use of custodial resources. Based on their findings, the department moved forward in instituting a service change for private offices. Plant Building Services decided to move to once a week trash collection, allowing for a 1.3 percent reduction in the department's budget.

Another area researched was employee absenteeism: days lost due to sick days and unexcused absences. Knowing your absenteeism rate is key to managing your resources. Creating a system to produce monthly performance reports has enabled Building Services to address areas of low productivity due to absenteeism. For instance, one unit had an average

Plant Building Services General Fund Budget—Comparison and Analysis

FISCAL YEAR	93-94	98-99	99-00	00-01	01-02	02-03	03-04
REAL \$ SQ. FT.	\$1.62	\$1.53	\$1.53	\$1.57	\$1.54	\$1.48	\$1.42

How many departments have an in-depth understanding of their financial situation and opportunities for cost savings? Understanding your current financial situation is vital to looking at where future service changes could be made, but it comes at a price. At Building Services, investing in a new financial analyst position was a key decision that paid off in increased knowledge and fiscal awareness. The analyst is responsible for providing detailed analysis of the department's budget, including staffing costs, procurement, and billing monitoring.

Before the financial analyst position was created, the department relied upon the plant operations financial manager to analyze their budget. The financial manager had seven departments in addition to Plant Building Services to focus on, and therefore took a broader look at Plant Operations. The newly created financial analyst position has allowed the Building Services department to take a close look at ways to control costs, as well as to improve efficiency. The investment in this position has allowed the department to realize cost savings in excess of the costs necessary to maintain the position.

Research

The financial analyst has been able to realize cost savings in a number of areas by analyzing and monitoring productivity and efficiency, as well as conducting research on potential cost savings. This research has provided hard data that has enabled the department to confirm that proposed changes would allow for reduced staffing levels without reducing service.

For instance, a department study produced data that showed that 60 percent of the time that custodians entered

7 percent absenteeism rate. After reviewing the performance report, the unit's area manager challenged his supervisors to take action to reduce the absenteeism rate. Within two months, the rate was reduced to 2 percent. The point is that you can't fix a problem unless you are aware of it.

Technology and Training

Technology and training are areas in which managers are often reluctant to invest because of the perceived high cost. However, good cost-benefit analysis will show the benefits that investing in new technology and training can provide. University of Michigan Building Services took a long-term approach to investing in equipment and training that will increase productivity over several years. Plant Building Services looked at repetitive assignments such as floor maintenance, stripping, and buffing, and conducted research to identify new methods and technologies that would reduce the level of repetition. This resulted in the development of a floor maintenance program and the revamping of the department's custodial program. We increased our training investment by spending more time teaching custodians and supervisors good floor maintenance techniques, as well as providing refresher courses for those who had been trained in outdated methods. Finally, we purchased riding floor scrubbers to replace walk-behind floor scrubbers, in order to increase productivity and reduce operating costs.

Innovative Programs

Another way that Plant Building Services dealt with budget cuts was to develop innovative programs that supported the



Riding floor scrubbers are used by the University of Michigan Building Services to increase productivity and reduce operating costs.

goals of the department and university while allowing for necessary staff or service reductions.

Employees Working out of Classification (EWOC) Program

EWOC is a career development program that provides training to qualified custodial employees who desire upward mobility into facilities maintenance, grounds, waste management, and supervisory positions. These positions are for six-month periods, and the EWOC participant is paid by the host department instead of Building Services. Building Services typically schedules EWOC during slow times of the year, and the vacated positions are often left unfilled, allowing for some cost savings. Not only does it provide career opportunities to Building Services employees, but also it allows Building Services to decrease their staff during times when they don't require high staffing levels, thus creating a win-win approach.

High Performance Teams

The introduction of "high performance teams" to Plant Building Services has enabled the department to increase the level of productivity, while creating a more cohesive and effective work group. A high performance team is defined by Plant Building Services as "an interdependent team of job experts who are empowered to accomplish a common purpose guided by a mission statement and performance standards to which the members hold themselves mutually accountable." Research has shown that effective work teams increase customer and employee satisfaction in many work environments, but few Building Services' departments have implemented teams at the custodial level. At the University of Michigan, Plant Building Services' high performance teams have been able to interact more effectively with customers, decreasing the need for supervisory oversight and increasing employee efficacy and satisfaction.

Recycling Initiative

When the department's lead team was discussing decreasing the frequency of private office trash pickup, they thought about how this initiative could positively impact the university's vision. To lessen the impact on the environment as a goal of the university and of Plant Operations, Building Services decided to add recycling pick-up to their weekly office trash collection, and to offer new recycling receptacles to increase recycling rates. The result was an innovative program that fit all three aspects of the triple bottom line approach of maximizing positive impacts on people, profits and planet. Not only has the program reduced the number of custodial hours spent cleaning office areas, but it has increased the amount of recyclables collected in these areas.

Conclusion

Budget cuts often provoke understandable defensive reactions among facilities managers. However, instead of burying your head in the sand, have your department reevaluate your investment in research, people, and technology. When implementing a decrease in services, combine it with positive outcomes to help mitigate some of the negative effects. Budget cuts are never a pleasant experience for a department, but with a little planning and innovation, your department might just find that they emerge better off than they were before the cuts! 🚪

RAGS

- Towels
- Absorbent T-shirt Material
- Lint Free Wipers
- Soft Cotton Flannel
- Microfiber Cloths

Ask about color-coding for differentiating between jobs!

ERC

ERC WIPING PRODUCTS, INC.

www.ercwipe.com
800-225-9473 ■ fax 781-593-4020