



# “Line in the Sand” Between Auxiliaries and Central Plant

By Matt Adams, P.E.

Unless you spend time on many campuses, it’s difficult to appreciate how different each can be. While they might look similar as you drive past the front gate, the moving parts inside are unique. This is true for the organizational structure in particular. For decades our educational institutions have grappled with the principles of centralized versus decentralized operations, and continue to do so today.

The quandary of the split between facilities management (FM) residing centrally or within auxiliaries is alive and well. Some will argue that cost savings are achieved through economies of scale resulting from a largely centralized operation. Others feel strongly that only decentralized FM provision will effectively meet the unique priorities of each major facility owner on campus (be it residence life, athletics, student health, union, or even general fund classrooms and laboratories).

The split on this topic is demonstrated by the fact that over time some of our peers have drastically redesigned their FM operations from centralized to decentralized and back again. But if you also subscribe to the idea that each campus operation is unique, then it’s reasonable to assume that there are a few basic rubrics that assist in finding the “line in the sand.”

## FINDING THE THRESHOLD

### Size

For many, the size of the auxiliary operation makes a difference. Unfortunately, smaller operations are unable to

employ enough staff to represent every discipline, such as facilities management. As such, what is often referred to as “profound knowledge” is not present regarding FM. Without this critical mass the operation still struggles to effectively manage any maintenance functions with any sophistication.

On the other hand, some auxiliaries like the large residence life departments on many campuses are more than large enough to employ a full complement of FM staffers. Given this spectrum, what is the threshold that an auxiliary manager would look for when considering the make-versus-buy decision from central operations analysis?

### Make/Buy Metrics

One approach is to base it on normal make/buy metrics. In general when you are spending the equivalent of 150% of the cost of an internal full-time-equivalent (FTE) on purchased services it is likely that FTE should be hired in-house. However, one FTE for a small organization needs to be managed by someone with profound FM knowledge.

Typical management/supervisory ratios today suggest a 1 to 7 maximum standard. Therefore, when the purchased services of any one maintenance trade reaches the point of 7 (FTEs) X 150 percent (\$FTE with overhead mark-up) of centrally contracted trades persons, a manager is implied to be built



into that fully loaded cost. At that point the cost of the manager should be negotiated out of the \$ FTE mark-up and a supervisor can be hired by the auxiliary for essentially a “wash.”

### Funding

In any institution budgets and funding are critical, and for central plants and their auxiliary counterparts, this holds true as well. This area also varies from campus to campus, but there are some basic areas of analysis that are universal.

The most important distinction is that auxiliaries are typically self-supported. That is to say that they are designed to operate and provide services within the budget funded by the purchase of the services. This is different from other positions on campus included within the general fund or overall campus budget,

especially for state institutions.

The central FM department is part of the general fund and is typically fixed. Changes to this budget are incremental and not typically based on the actual level of service delivered, or even workload. They are a product of years of percentage increases and decreases that occur independent of the service load demand of the campus. This dynamic does not serve auxiliaries well.

Notwithstanding the other analytics of this analysis, auxiliaries are better served by hiring staff internally. This staff is more easily increased or decreased in direct relation to the change of the physical plant size (number of beds for example), and associated work load. Furthermore, the auxiliaries are able to redirect internal funds from budget to budget as the mission and priorities change. This is much more difficult to manage for a central FM department.

#### Economies of Scale

Many administrators hold the belief that larger central facility departments offer the economies of scale. However, examples of such benefits of scale are hard to find. With respect to both classified and exempt staff, the size of the service centers does not reduce per unit cost of service delivery. This is largely due to the strict work rules and benefits associated with university employment. The management ratios are relatively fixed.

The cost of training may be reduced slightly with size, but this is not a significant cost savings. In fact, time has shown that when a central facilities department grows beyond the basic organizational structure that includes a director, supervisors, and the trades and other classified staff, the overhead and back-office, human relations, IT, and other cost increase per delivered service unit. Unlike some modern industries, the most efficient facilities management organization is not necessarily the largest.

#### Priorities and Schedules

Finally are the dynamics of priorities

and schedules. Anyone that has seen the FM operations of a conference center, hotel complex, or hospital knows that the priorities and schedules are dramatically different than that of general fund facilities. The auxiliaries on campus also have priorities and operating schedules that are unique and demanding. The fundamental design of a service center is greatly impacted by these factors.

For example, a plumbing shop that must react within 30 minutes to service calls from 6:00 a.m. until 10:00 p.m. is organized much differently that one that can respond within 24 hours from 7:00 a.m. until 5:00 p.m. Auxiliaries often require fast response to requests in order to meet the priorities of high customer service. It is difficult if not impossible for centrally dispatched trades to meet this need, especially in the later hours when problems are likely to occur.

#### JUST RIGHT OR LEFT OF MIDDLE

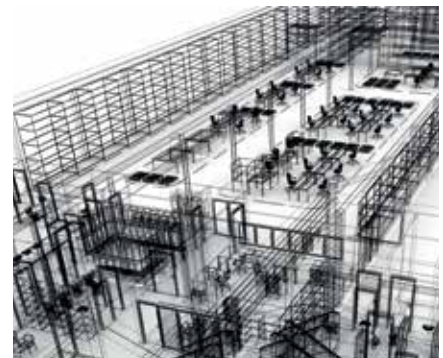
Politics aside, each campus should review the organizational structures of their own central and auxiliary FM functions. In most campuses, the line in the sand is somewhere just right or left of the middle, or in a hybrid arrangement. Peer best practices have proven the success of this design. Either extreme is typically dysfunctional for most institutions, except the very large and the very small.

There is no reason why there should be conflict between the two peer internal departments. Reorganization based on logical best practices will serve everyone and make the customers happier in the end. ☺

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