

# A Facilities Primer for Business Officers

By E. Lander Medlin

Most CFOs/CBOs did not come to their position with a background in construction or facilities and energy management. So there is a big knowledge gap to bridge when it comes to their leadership role in overseeing the facilities management function. Therefore, it is critical that the senior facilities officer seek to bridge that gap by building a strong, collaborative working relationship focused on regular communication, education, and the provision of data and information about the needs and priorities of the physical facilities and utilities infrastructure.

With this in mind, I had the opportunity to deliver a 25-minute facilities “primer” videocast for NACUBO (National Association of College and University Business Officers) in February 2015 and that was posted on their website in early March ([www.nacubo.org](http://www.nacubo.org)). This column briefly captures a portion of that content.

## FACILITIES DO MATTER

From the CFO/CBO perspective, what probably keeps him or her awake at night when it comes to facilities are the latent financial risks and the relative reliability of their facilities investment portfolio. We all recognize that it is impossible to allay those fears in a short videocast. However, it is possible to highlight several key issues and challenges, and

provide some critical questions as a broad overview.

Certainly, my purpose was *to increase the CFO’s understanding of the importance of planning, managing, and leveraging their facilities as a strategic, long-term institutional asset (an essential investment) that is optimized to support the institutional mission.* This requires an increased focus on facilities stewardship—the long-term viability and preservation of the most valuable fiscal asset an institution owns...its physical infrastructure. Yes, facilities matter!

Facilities are especially important given the current investment in an institution’s built environment. Recognize that when the *total* current replacement value (CRV) of ALL higher education institutions’ facilities and utilities infrastructure is compared to the total endowment, the total CRV of that built environment exceeds the total endowment amount by 2.5 to 3 times! Furthermore, senior institutional officers are highly educated about the institution’s endowment, but that is usually *not* the case for the campus facilities portfolio (both short and long term). Both are strategic investments, strategic assets.

Making knowledgeable decisions about when and where to invest and the resultant long-term impact requires information from the facilities team to answer the most important institutional questions about your facilities investment portfolio.

## GENERATIONAL THINKING

The best question given the rapidly changing pedagogy, technology, research, and student expectations: *Is the facilities portfolio (infrastructure and organization) appropriately optimized to support the institutional mission and strategic goals?* Correspondingly, *Are our metrics aligned with the institution’s goals and mission? Are our metrics providing the right information to enable us to manage appropriately?* A brief look at the evolution of performance measurement through a maturity model for the analysis of FM KPIs (copyrighted by Duane Hickling of Hickling & Associates) is powerful and highly instructive.

**First Generation Thinking** asks: *Are we spending enough on our facilities portfolio?* Hence the measures are cost comparisons and averages and benchmarks. Unfortunately, this devolves into a conversation about being “average” and just focused on “spending.”

**Second Generation Thinking** asks: *Are we getting full value from the resources committed to sustaining our facilities portfolio?* Here the measures are comparisons against best practices, Lean Management process analysis, how productive we are, and so on.

However, **Third Generation Thinking** goes deeper by asking: *Is our institutional facilities portfolio appropriate/optimized for the delivery of the mission?* Therefore, our measures are focused

on such things as intensity of space use, technology analysis, etc. It is not just a facilities question asked in a vacuum.

Ultimately, it means we ALL have to come to the table with information in support of the larger institutional portfolio's strategy and direction. Thus, the focus of performance measurement is on continuous improvement to help the institution get better all the time over time. Using all this data to measure value and make it specific to the business goals of the institution is a far better, deeper, more meaningful analysis which gets at real value rather than just a comparative analysis. You then know why you are investing and what problem(s) you are solving.

#### LONG-TERM THINKING

It's easier for the CFO to put your numbers in perspective and assess your overall situation long term if you first explain and then apply the practices and principles of Total Cost of Ownership (TCO). In essence, rather than focusing on the "whole" building, the focus is on systems and subcomponents (roofs, HVAC, MEP, carpet and flooring, etc.), which allows a richer conversation concerning the different life cycles, repair, replacement, and upgrade schedules and timeframes of building systems and subcomponents.

This gives rise to a deeper discussion of the TCO framework's financial elements for each of the "life-cycle" Uses of Funds (costs/expenses) and their likely associated Sources of Funds (revenue/income). Rolling up those financial elements and the systems and subcomponents into three major categories—Planning, Design & Construction (one-time costs); Maintenance & Operation and Energy & Utilities (annual, recurring costs); and Funded Depreciation or Recapitalization (periodic costs)—highlights the fact that the costs in percentage terms over the life of a building and its systems and subcomponents general fall out at 15 to 25 percent for PD&C; 75 to 85 percent

for M&O/E&U; and about 1.5 percent of CRV for Funded Depreciation or Recapitalization.

The realization that 80%+/- of the building's systems costs over the life of the building are either lost in the excitement of a new building "donation" or not considered at all—hence growing amounts of deferred maintenance. And when scheduled maintenance is not done daily, weekly, monthly, annually due to the lack of these fund allocations, then it's the old adage: "Pay me now or pay me later...or in reality, pay me more later!" Hence, know your numbers, ratios, performance and trend data; why they are what they are; what story they tell about the qualitative and quantitative condition of your facilities infrastructure and organization; and finally, how they align with the institutional mission and strategic goals.

#### MORE TO TELL

The facilities primer videocast continues to tell more about the process of data collection, and highlights critical questions on other important FM topics such as space management, sustainability, energy management, safety and security/emergency preparedness, and organizational staffing guidelines, along with the importance of professional development for the facilities staff, and building a strong, collaborative partnership with the SFO team. Please take a moment to view the videocast, share it up and down the organization, and engage regularly with your CFO/CBO. 📺

Lander Medlin is APPA's executive vice president; she can be reached at [lander@appa.org](mailto:lander@appa.org).

**Open Doors for Everyone**  
with America's Durable Door Openers™

**Model 2300** residential and **Model 4300** commercial automatic door openers work with wall plates, switches, keypads, radio-operated hand controls and almost any activation method. Power Access continues to be the premier provider of automatic door openers for four decades, with many thousands of installations.

- For interior or exterior doors
- Easy installation and retrofit
- Automatic or manual operation
- Wired and wireless controls
- Programmable open, close & hold times
- Standard 115 VAC current

800-344-0088  
[automaticdoor.biz](http://automaticdoor.biz)

**POWER ACCESS**  
AMERICA'S DURABLE DOOR OPENER™