

FEFPA

Florida Educational Facilities Planners' Association

FACILITY CAPITAL PLANNING IN A HIGH INFLATION ENVIRONMENT

July 10

2:45 – 3:45

Estate I & II Ballroom

Roth **I** **A** **M** **S**

Integrated Asset Management Strategies

AGENDA

Introductions

Setting the Table

Today's Environment

Managing Inflation

Q & A



INTRODUCTIONS



INTRODUCTIONS – ROTH IAMS

Bill Roth

- ▶ President & CEO of Roth IAMS
- ▶ Co-Founder of SLAM Technologies
- ▶ Over 27 years of experience collaborating with public and private sector clients across North America on all aspects of facility and infrastructure asset management
- ▶ Unprecedented experience managing Facility Condition Assessments (FCAs), having overseen over 20,000 FCAs for all types of buildings and campus infrastructure.
- ▶ Bill's experience working with government clients has given him unique insight into institutional Asset Management.



SETTING THE TABLE

QUESTION #1

In 2020 and 2021 in terms of capital and maintenance activities my team:

- ▶ Hunkered down to wait out the storm
- ▶ Continued with business as usual
- ▶ Took advantage of getting more things done since student traffic was reduced



QUESTION #2

How much over budget have you seen quotes come back for capital renewal work in the last 2 years:

- ▶ 0 to 10%
- ▶ 10% to 25%
- ▶ 25% to 50 %
- ▶ Over 50%
- ▶ I can't even get equipment delivered in two years?



QUESTION #3

What is the biggest challenge you are facing right now in terms of capital renewal?

- ▶ Costs
- ▶ Availability of Contractors
- ▶ Availability of Equipment/Materials
- ▶ Availability of Staff



TODAY'S ENVIRONMENT





HEADWINDS TO INFLATION

- ▶ Unprecedented government stimulus entering the market
 - ▶ Much of it with strings attached or time limits to spend it
- ▶ Supply chain disruption caused by the pandemic
- ▶ War in Ukraine
- ▶ Historically low unemployment
- ▶ Other challenges that you are seeing?

MANAGING INFLATION

(AS BEST WE CAN)



IAM – WHERE IS OUR FOCUS NOW?





STRATEGY #1

**DIFFERENTIATE
BETWEEN SUPPLY CHAIN
SHOCKS AND LONG-TERM
INFLATION TRENDS**

REMEMBERING LUMBER IN 2020

- ▶ Early in the pandemic the cost of lumber went up over 400%
- ▶ Returned to “normal” shortly thereafter
- ▶ Considered a supply chain shock



REMEMBERING LUMBER IN 2020

Lumber Spikes Again: Chicago Lumber Futures

\$ per 1,000 board feet



What would have happened if you updated your 20-year forecast of renewal needs to reflect the “new” price of lumber in 2021?

WHAT TO DO?

Use	Use Consumer Price Index (CPI) to inflate your future needs annually
Don't react	Don't react to short-term supply chain hyperinflation (lumber, chips, etc.) in longer term forecasting
Avoid	If you can, avoid doing projects that are impacted by supply chain in the near-term
Adjust	If you must do renewals impacted by supply chain issues, adjust the project-specific budget in your capital plan to reflect the current state

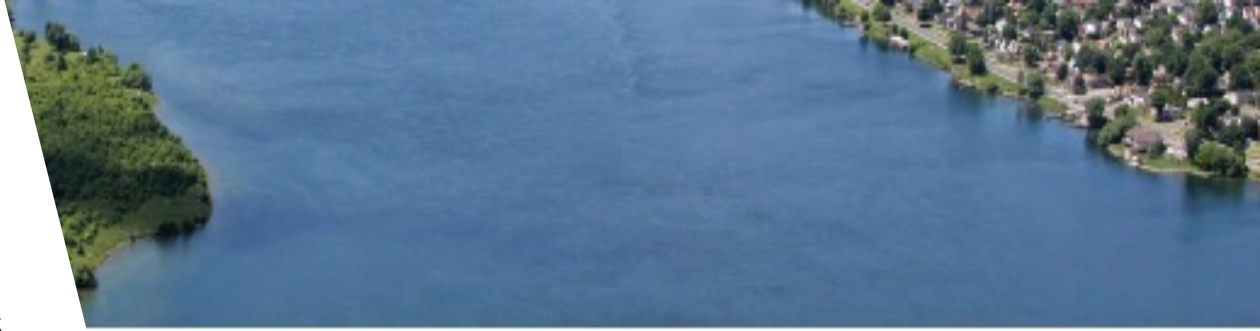


STRATEGY #2

DEVELOP MULTIYEAR CAPITAL PLANS

HOW DOES A MULTIYEAR PLAN HELP?

- ▶ Allows you to defer hyperinflated projects to later years but still demonstrate the commitment to doing them
- ▶ Getting approval allows you to order equipment earlier where there are long lead times
 - ▶ Lock in pricing today to avoid future inflation
- ▶ Build programs or projects to find economies of scale in pricing
 - ▶ Program is replacing the same element in multiple buildings
 - ▶ Project is replacing multiple elements within the same building



CITY OF CORNWALL

ASSET MANAGEMENT PLAN



November 2016 | Version 2.0

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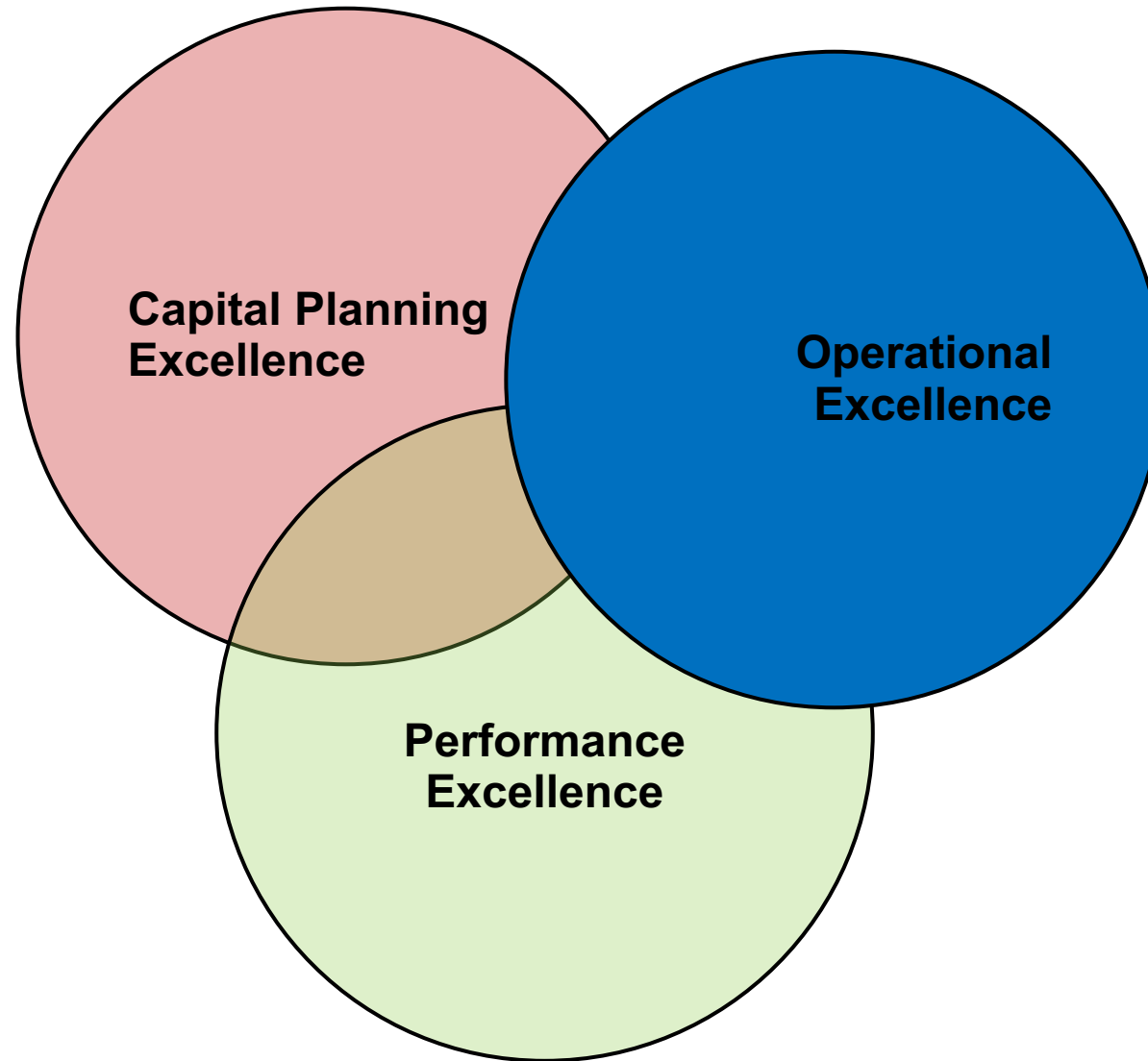
Cornwall
ONTARIO CANADA



STRATEGY #3

**INCREASE PREVENTATIVE
MAINTENANCE TO
EXTEND THE LIFE
OF EQUIPMENT**

IAM – WHERE IS OUR FOCUS NOW?



INCREASING PREVENTATIVE MAINTENANCE

- ▶ May not work for equipment in critical/poor condition
 - ▶ Past the point of no return
 - ▶ Could potentially buy enough time to avoid hyperinflation due to supply chain shocks
- ▶ Hedge against longer term inflation
- ▶ Extending the life of an element reduces the long-term renewal needs
 - ▶ Over time may be able to reduce the number of renewals needed
- ▶ Many other benefits of PM

LIST OF NEEDED PREVENTIVE MAINTENANCE TASKS FOR THE ASSET #1

TASK	DESCRIPTION	FREQUENCY
EXAMINE KNIFE HEADS	First remove the cutter set.	EVERY DAY
GREASE THE LUBRICATOR NIPPLE OF THE SHAFT SEAL		2 X EVERY WEEK
GREASE THE LUBRICATOR NIPPLE OF THE CUTTER HOUSING	Check asset's user manual for detailed instructions.	ONCE EVERY WEEK
CHECK FOR LEAKS AT THE SHAFT SEAL	Exchange if necessary.	ONCE EVERY WEEK
CHECK BOLTED CONNECTIONS	Retighten if necessary.	ONCE EVERY 3 MONTHS

WHAT OTHER STRATEGIES ARE YOU USING?



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SUMMARY

Strategy #1 - Differentiate between Supply Chain Shocks and Long-term Inflation Trends

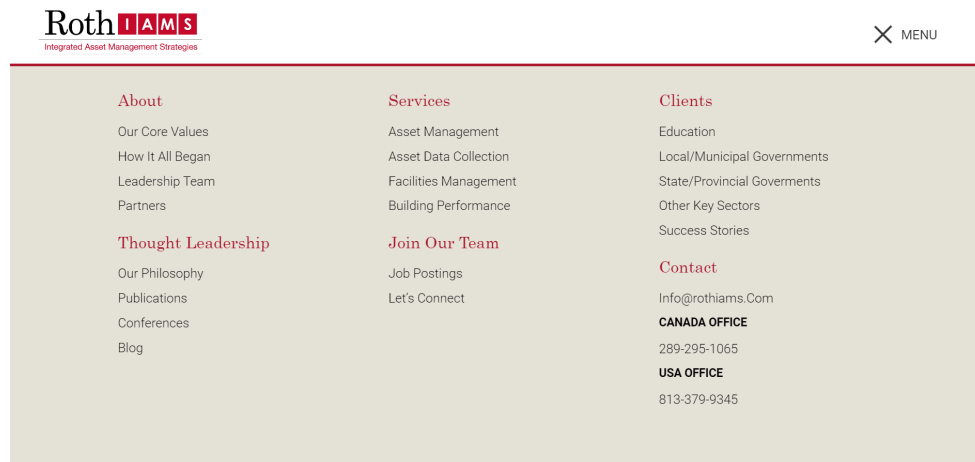
Strategy #2 - Develop Multiyear Capital Plans

Strategy #3 - Increase Preventative Maintenance to Extend the Life of Equipment

Q & A

THANK YOU FOR ATTENDING

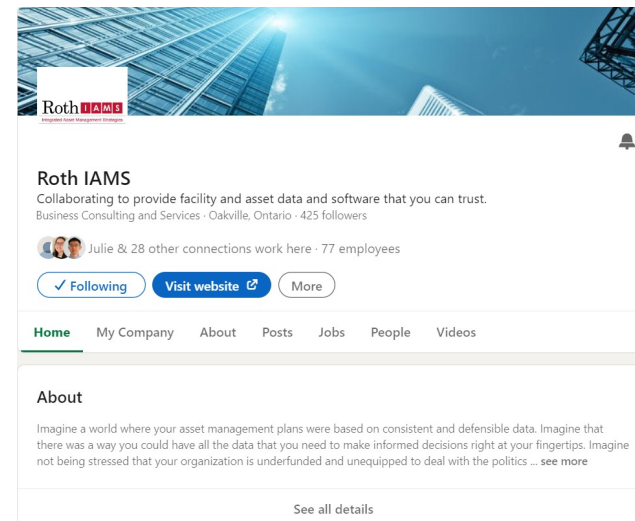
- ▶ Visit our website at rothiams.com
- ▶ Follow us on [LinkedIn](#) for more content
- ▶ Connect with us directly through email at bill.roth@rothiams.com or call **(727) 247-9419**



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Integrated Asset Management Strategies

× MENU

About	Services	Clients
Our Core Values	Asset Management	Education
How It All Began	Asset Data Collection	Local/Municipal Governments
Leadership Team	Facilities Management	State/Provincial Governments
Partners	Building Performance	Other Key Sectors
		Success Stories
Thought Leadership	Join Our Team	Contact
Our Philosophy	Job Postings	Info@rothiams.Com
Publications	Let's Connect	CANADA OFFICE
Conferences		289-295-1065
Blog		USA OFFICE
		813-379-9345



Roth IAMS
Collaborating to provide facility and asset data and software that you can trust.
Business Consulting and Services · Oakville, Ontario · 425 followers

Julie & 28 other connections work here · 77 employees

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About

Imagine a world where your asset management plans were based on consistent and defensible data. Imagine that there was a way you could have all the data that you need to make informed decisions right at your fingertips. Imagine not being stressed that your organization is underfunded and unequipped to deal with the politics ... [see more](#)

See all details