

REINVENTING THE DREADED BUDGETING PROCESS

How to Build a Successful Multi-Year Capital Renewal Program

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INTRODUCTION

Across all sectors of the facility asset management industry we have consistently heard organizations displeasure with their budgeting process. Staff members typically dread the process. Organizations recognize that they are missing opportunities to maximize their limited capital dollars. Despite these openly discussed concerns most often the process continues each year. We would like to introduce you to a different approach that we have developed that has improved overall capital investment decisions, while reducing the burden and stress on the team members involved.

The development of a multi-year capital renewal program is a crucial part of facilities management for District School Boards (DSBs) across Ontario, and must be developed through strategic and intentional on-going building and site upgrades. In addition, the program must be part of an overall board-wide facility improvement plan and linked to the DSB's long-term accommodation plan (LTAP). The foundation of the multi-year plan is built around a block budget approach based on the fundamental building and site components (as identified under CCDC) as well as program requirements and legislative priorities.

Establishing this structure ensures that there is consistency in identifying prioritized projects and allows for a transparent multi-year view of the program for decision-makers and DSB stakeholders.

To truly leverage this approach, it must be a fluid and ongoing process that is revisited annually.

FINANCE

The program generally consists of a 3 to 5-year plan, where the first year's prioritized projects are fixed/static. Years 2 through 5 (if selected) of the program (identified projects) are planned, but are noted as flexible in the annual report. The flexibility in later years allows DSBs to course correct based on unplanned system priorities that may occur or changes to available funding and DSB priorities.

DATA

Understanding the condition of your building(s) and site(s) is the critical first step of data acquisition. With the Ministry of Education's (EDU's) province-wide Building Condition Assessments (BCAs), Ontario's DSBs are provided with this information. However, it is critical that the condition data within TCPS (soon-to-be VFA Facility) needs to be up-to-date to provide a solid foundation for a multi-year plan.

Despite its importance, condition is not the only consideration that asset and facility leaders have to address within a capital plan. Integrating the other critical data streams (e.g., Asbestos/Hazardous Materials, Energy Efficiency, Accessibility, Program needs, etc.) provides an opportunity to enhance the effectiveness of the capital program.

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Although this other information is not part of the EDU program, DSBs should have a solid understanding of their regulatory compliance, efficiency and functional adequacy of their schools. The important step is mining your available data and integrating it with the condition data to make the best possible capital investment decisions.

PRIORITIZATION

Once you have a solid dataset to develop your multi-year capital plan, you will likely find that your available budget does not even address your highest priority (based on TCPS/VFA priority calculation). How do you determine “which high is higher than high”?

Applying a multi-variable priority (MVP) calculation to your dataset will allow you to build beyond basic condition needs. It will also align your budgets with your Board’s strategic objectives while still remaining compliant with EDU reporting and allocation requirements.

Developing an MVP system for your board involves bringing together stakeholders from across your Board to develop a list of key categories in addition to determining scoring and weighting that can be applied to your buildings and the components that are present within the buildings.

An MVP system ensures that your capital renewal program and the valued budget is based on more than just condition needs; it will align with the DSB’s priorities.

REPORTING AND COMMUNICATIONS

Reporting and communicating a capital renewal program is an on-going, fluid, and iterative process based on the data mining process and available annual funding to match the annual program. The stages of the capital renewal program including the following:

- Review of prioritized projects;
- Creation and approval of multi-year plan;
- Monthly update reports to senior administration and where appropriate the governance authority;
- Contract development and project administration; and
- Issuance of customer satisfaction surveys.

There are a number of tools that have been developed to assist with these processes including:

- Multi-year Capital Renewal Program Workbook;
- Annual Report Framework;
- Monthly Reporting Framework;
- Project Tracking Program;
- Project Management Process; and
- Customer Satisfaction Surveys

These education sector specific tools are available through the authors.

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PROJECT CLOSE OUT AND MINISTRY OF EDUCATION REPORTING

When the year's capital projects are completed and you are at the end of the annual cycle, the work is not over yet. Completed projects need to be closed out in TCPS/VFA and archived to satisfy EDU reporting requirements. In addition, lifecycle events associated with the completed projects must be generated so they are integrated into the strategic planning window.

BEGINNING THE CYCLE AGAIN

As one planning year passes, another begins anew. Planned projects that were deferred from the previous year must be reviewed in comparison to the following years' projects to ensure that the highest priority projects make it into the plan. The MVP must be reviewed and adjusted in the event of evolving Board and EDU priorities and any changes in Board accommodation strategies must also be integrated.

The asset management cycle then begins again!

CLOSING COMMENT

How satisfied are you with the process and results of your annual capital budgeting process? You do not have to resign yourself to doing things the same way this year as you have in the past. As Henry Ford said **"If you always do what you've always done, you'll always get what you've always got."**

If you would like to learn more about our suggested approach and how it could be applied within your Board, we would be pleased to continue the conversation.

Thank you for taking time out of your busy day to read this white paper. We appreciate the opportunity to collaborate in writing this article and hope that it provided you with some ideas and insights that you can use.



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