



FACILITY CAPITAL PLANNING IN A HIGH INFLATION ENVIRONMENT

February 21, 2023

10:15 to 11:15 AM

Rivers Room

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 25 years of experience collaborating with higher education institutions across North America on all aspects of facility and infrastructure asset management
- ▶ Proud Member of APPA, SRAPPA, ERAPPA, MW APPA, Several State Chapters



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 AS 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

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



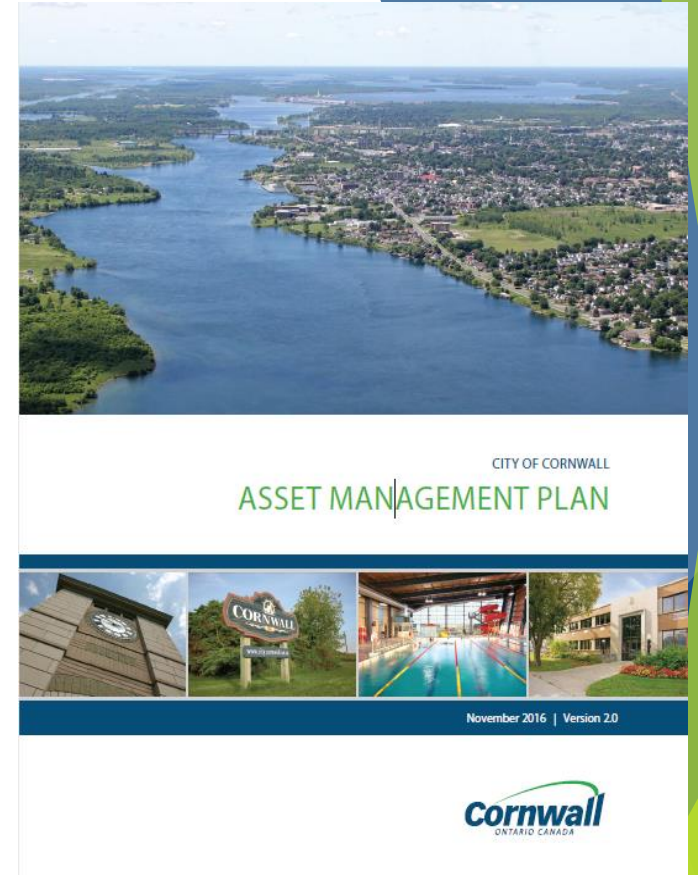
WHAT TO DO?

- ▶ Use Consumer Price Index (CPI) to inflate your future needs annually
- ▶ Don't react to short-term supply chain hyperinflation (lumber, chips, etc.) in longer term forecasting
- ▶ If you can, avoid doing projects that are impacted by supply chain in the near-term
- ▶ 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

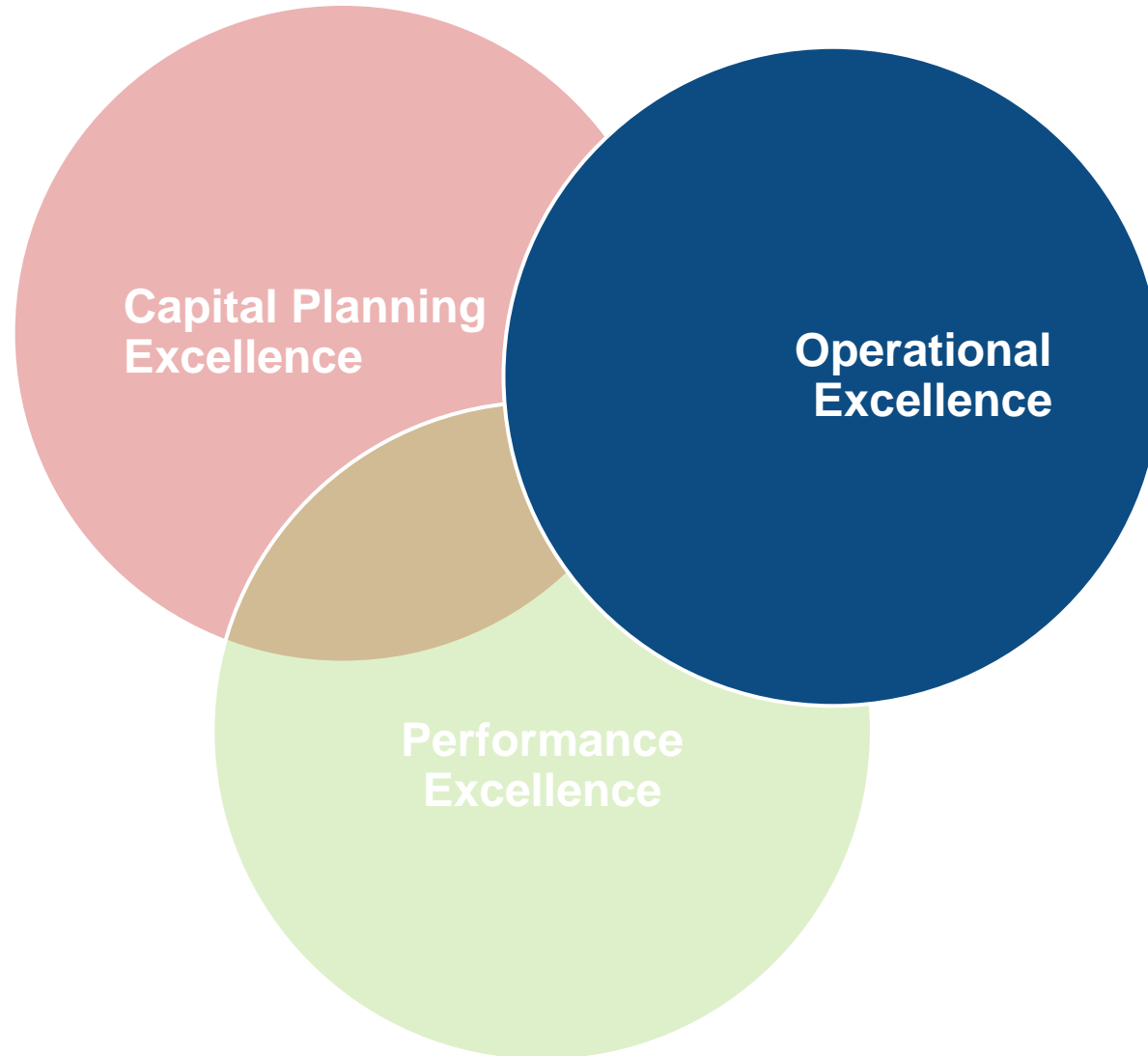
HOW DOES A MULTIYEAR PLAN HELP?

- ▶ 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



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

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?

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**

