

# FACILITY CAPITAL PLANNING IN A HIGH INFLATION ENVIRONMENT

Webinar

May 25, 2023

# 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





## QUESTION #2



# QUESTION #3





# 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?

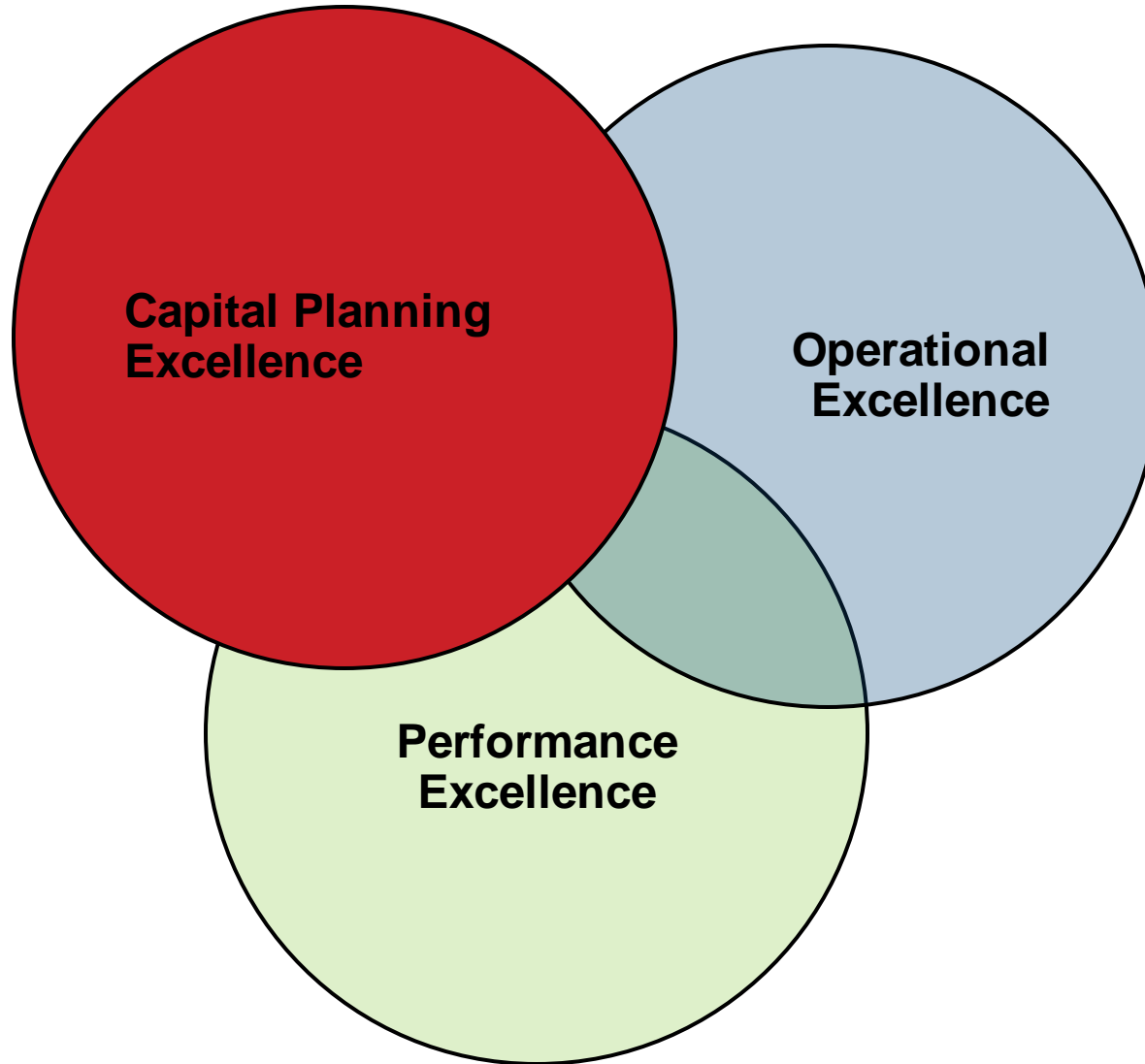


# MANAGING INFLATION

(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

## 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?

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

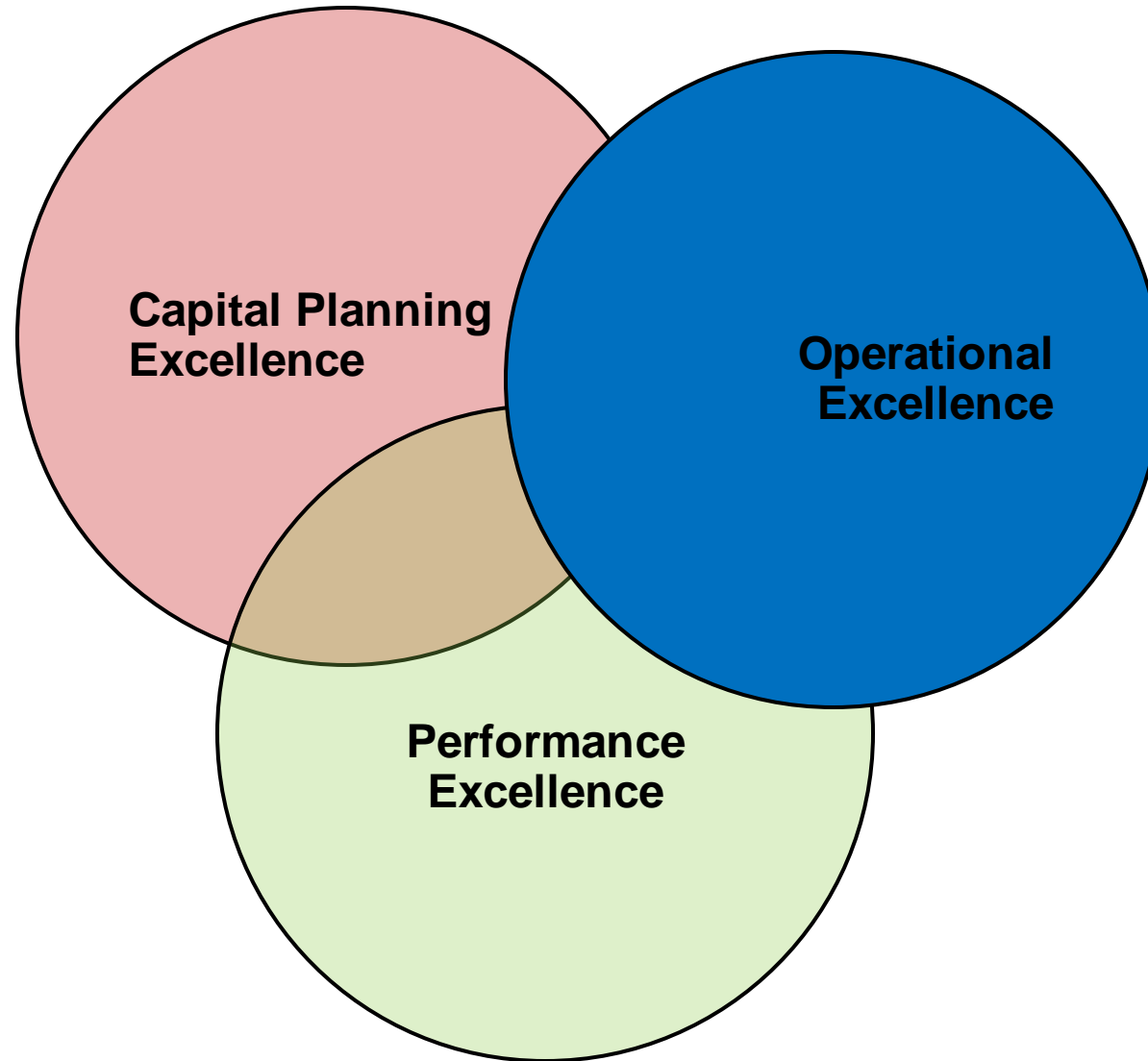


CITY OF CORNWALL

## ASSET MANAGEMENT PLAN



# IAM – WHERE IS OUR FOCUS NOW?







## **STRATEGY #3**

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



# 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?



Roth **IAMS**

Integrated Asset Management Strategies

# 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

# FEEDBACK SURVEY

Roth **IAMS**

Integrated Asset Management Strategies

# Q & A



# THANK YOU FOR ATTENDING

- ▶ Visit our website at [rothiams.com](http://rothiams.com)
- ▶ Follow us on [LinkedIn](#) for more content
- ▶ Connect with us directly through email at [bill.roth@rothiams.com](mailto:bill.roth@rothiams.com) or call **(727) 247-9419**
  
- ▶ **For more content on Facility and Infrastructure Asset Management please visit our thought leadership page**

