

2007/2008 SERIES: ENABLING CAMPUS GROWTH AND OPTIMIZATION

Public Private Partnerships: Strategies for Managing Your Facilities

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PUBLIC PRIVATE PARTNERSHIPS STRATEGIES FOR MANAGING YOUR FACILITIES

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There is a saying that goes something like this: “Difficult times require desperate measures.” With state budgets seemingly getting tighter and tighter, there has been a tendency for purse strings to be pulled to the point of breaking. All governmental agencies have been forced to trim their budgets—line item by line item.

I was recently discussing some ways our community college attempts to save dollars, and the subject of outsourcing services came up. The obvious outsourced services such as bookstore and food service were noted; however, when I mentioned that we outsourced facility maintenance, I got a strange look.

At that point, I was informed we were likely the only community college in North Carolina (out of 58) that outsourced facility maintenance. That got me thinking—are we ahead of the curve or behind the times? It made me address the question: why are we outsourcing facility maintenance?

Since the services had been outsourced prior to the start of my presidency eight years ago, I never really thought about abandoning the process. I just made the assumption that someone had performed a cost/benefit analysis and deemed outsourcing a worthy investment.

Each college has a different set of factors to weigh when considering outsourcing. In this article, I will assess those factors that would be of importance to the majority of institutions. More importantly, I will provide some concrete examples of why the relationship works for us.

“In difficult economic times, most all procedures and ways of doing business are subject to review.”

Why Consider Outsourcing Facility Maintenance?

If, like me, your leadership style is similar to that of President Abraham Lincoln—MBWA, or management by walking around, then if no problem exists with the status quo, you might not be too likely to consider change. However, after reading this article, your perspective of what constitutes “no problem” may be questioned.

In difficult economic times, most all procedures and ways of doing business are subject to review. For most college administrators or boards of trustees making major changes that potentially affect expenses, revenues, human resources, and students, analyses are required to show that the conclusions lead to one overwhelming result.

It is common to review items for change that are too costly, demand more of our time than we would like, or may better be handled by others outside our campus. For example, if we are satisfied with the way our maintenance staff is keeping up the buildings and grounds, we may embrace the status quo. On the other hand, if costs seem excessive and complaints outweigh compliments, maybe it is time to review current conditions.

The easiest analysis is probably one concerning cost. To analyze costs, be sure to include the cost of cleaning supplies and equipment to perform the services, because many outsourced companies include these items in their cost estimates. Also, consider what your average increases in expenses have been over the past three to four years and compare it with the escalator factor used by a vendor. Do not forget to look at hidden costs, such as advertising positions, interview costs, application processing, sick leave, and annual leave. Although many of these items do not have an actual cost factor, they are very significant expenses to the institution. It is simple enough to look at the bottom line: Cost A versus Cost B.

When putting together an analysis, be sure to carry the costs out over a five-year period. In our case, our vendor contract has a multiplier associated with the Consumer Price Index, but it is not to exceed a certain figure. This makes budgeting a little easier.

Additionally, take into account salary increases over this term. Our trustees have been very generous in providing salary increases to employees. Over the past five years, we have averaged more than five percent increases, not including merit raises. Our vendor increases have been about half that figure.

Next, look at the quality of service you are receiving from your current maintenance staff. If service is less than stellar, maybe you need to change personnel or alter how the service is delivered. To help assess the quality of service you might receive from an outsourced vendor, ask for a list of clients the vendor serves and call references. Also, as a precaution, you might ask for a written contract to ensure certain parameters are met before payment is made in full.

While assessing costs and determining whether to outsource, remember potential cost savings of unemployment insurance. While it may not be popular to discuss, state agencies have many more procedures to follow before they can dismiss marginal workers. In the private industry, if an individual is not performing to standards, a pink slip goes in his or her mailbox, and (s)he is shown the door. This brings the issue of unemployment insurance cost into play. If you are not the employer, you do not have to worry about paying this insurance.

What Resources Do Outsourced Vendors Command?

The many resources at the disposal of large private service vendors help us to get our money's worth from outsourcing. As a major player in the market, the maintenance contractor we use has economies of scale with its purchasing power. For example, when chemicals are purchased by the tanker instead of by the carton, savings quickly add up.

Outsourced vendors also bring an army of experts to help us with some of our problems on campus. A few years ago, we were having difficulty achieving satisfactory results on the durability and degree of shine for our floors. Our vendor brought in their experts to do chemical analyses to determine the most appropriate formula for our floor finishes. Can your current staff do that type of analysis?

As we were planning the construction of our two newest buildings, we consulted with this vendor's engineers to help us decide on materials for walls, bathroom, and floors. The fact that this company has an entire division dedicated to R&D was reassuring as we narrowed down our choices. Additionally, we have used their expertise when buying some of our own equipment.

Another area of merit for this vendor is the implementation of preventive maintenance and scheduling of routine maintenance. This vendor has developed software programs that take into account cyclical periods for certain repairs or actions such as changing light bulbs. This software allows changes in schedule as the college sees needs arise that may not fit their formula, such as fall and winter breaks or extended breaks between the end of summer school and the beginning of fall.

How to Choose

Undoubtedly, there are a number of quality vendors capable of providing the services you need at a price that you feel is fair. If you decide to investigate the possibilities of outsourcing maintenance, I would strongly suggest you develop a detailed laundry list of services you would expect from a vendor. This list should include the most simple of tasks, such as frequency of emptying trash cans in offices. I would also include a timetable addressing when certain actions need to be taken to correct specific problems such as burned-out bulbs, plumbing problems, or lack of HVAC. What functions do you expect to be done while students are present or when the campus is closed? If you list all the tasks imaginable, the estimated expenses should be very close to an actual quote submitted by vendors.

Closing Thoughts

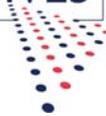
Without question, the size of the institution seeking outsourced services will come into play. About a decade ago, I served as president of a small community college with about 1,000 FTEs. We could not afford to have individuals assigned to each trade, and we relied on a few general handymen to perform basic repairs. When we experienced a critical maintenance issue, we brought in local specialists. If I had known then what I know now, I likely would have looked into outsourcing.

In my view, we are ahead of the curve, but others will have to decide for themselves.



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