



## Align FM with Institutional Goals, Optimize for Cost Efficiency, and Prepare for the Challenges of Tomorrow (Real Life Case Study)

The AFOE (Annual Facilities Operations Expenditures) is a calculation that compares total FM costs against gross institutional expenditures to provide a metric to help gauge the value of FM operations against the costs incurred. This metric typically includes utilities, maintenance, repairs, cleaning, security, and administrative expenses.

It is a comprehensive tool for strategic planning, operational efficiency, and sustainability in higher education. It empowers senior leaders to ensure their facilities management operations are aligned with institutional goals, optimized for cost efficiency, and prepared for the future.

### How to Use AFOE

Its purpose is to help senior leaders make informed decisions about resource allocation, guide strategic investment in infrastructure and serve as a strategic gauge that reflects the delicate balance between the costs of maintaining and enhancing facilities and the institution's overarching goals and services.

It is crucial to thoroughly understand the AFOE metric to use it effectively. Important questions are raised when an institution analyzes its AFOE and compares it to similar institutions. The answers to these questions provide critical guidance, enabling the institution to allocate resources more efficiently to its core educational missions.

### Short and Long-term Management of the AFOE

It's also important to be aware of the potential challenges and controversies in measuring and managing AFOE, such as the comparability of cost allocation, the impact of deferred maintenance, and the balance between immediate cost savings and long-term sustainability goals. This introduces a discussion around the use of capital versus operating budgets.

AFOE is not about cost-cutting. AFOE is about strategy and ensuring an institution's physical environment is the right one at the best possible cost to enable the institution to achieve its vision and mission and to help display its values.

### Stakeholder Engagement

The Facilities Management function has a longer list of stakeholders than any other part of the organization, including faculty, students, staff, neighbours, auditors, and regulatory bodies. It is crucial to effectively engage them in discussions about AFOE management.

Different stakeholders have varying priorities on budgeting and facilities management. Achieving consensus on strategies for managing AFOE requires transparent communication and demonstrating how proposed strategies align with the institution's broader goals.

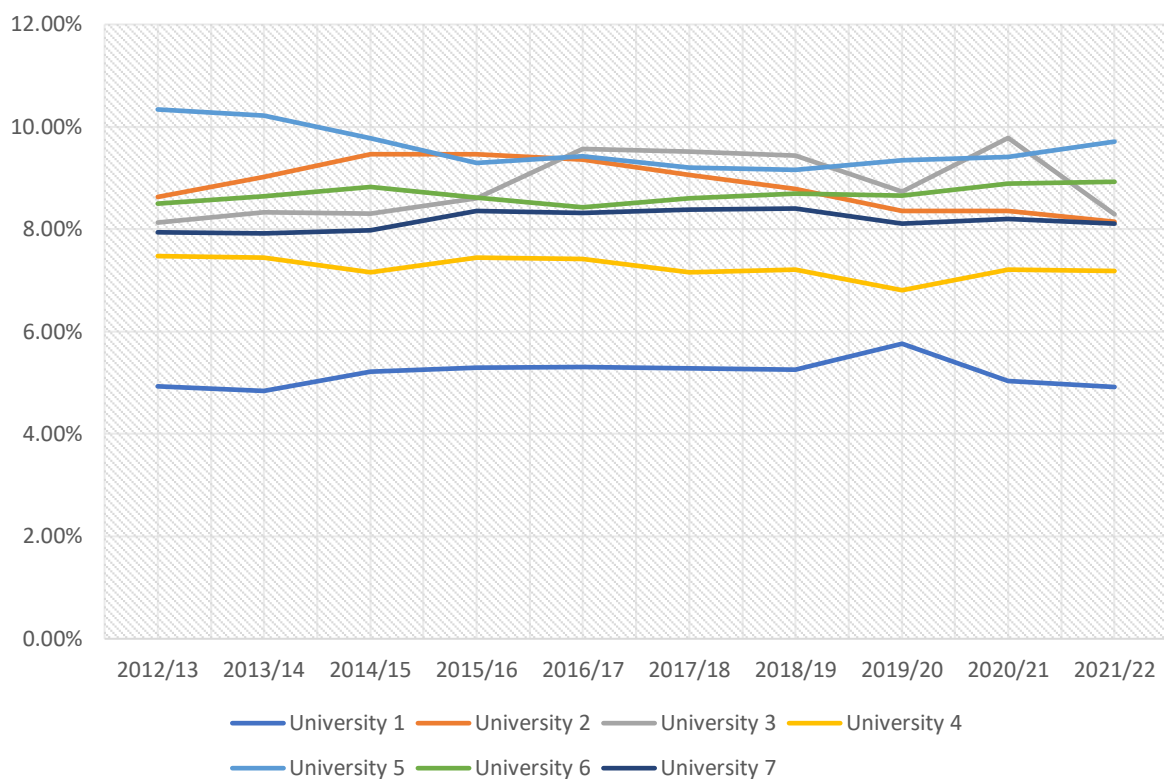


## Case Study

The following chart uses unadjusted actual data from seven universities in British Columbia. When examining this chart, senior leadership in any of the universities will have essential questions such as:

- What is causing my AFOE to trend up or down?
- Why are some of the universities operating with a lower or higher AFOE?
- What does the AFOE trend look like without the impact of inflation?
- What are we planning that might change our AFOE?
- Can we improve efficiency or use new technology to reduce AFOE without impacting services?
- What is the operational impact of a 1% change in our AFOE?
- Can we spend our capital budget in a way that lowers our operating budget?
- Are our stakeholders satisfied with what they receive at this level of expenditure?

Actual AFOE Data from Seven Post-Secondaries in British Columbia  
(AFOE = FM Costs/Gross Institutional Expenditure)



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Understanding the details and nuances behind the Annual Facilities Operating Expense is a critical step for any post-secondary institution. The answers to the questions it will raise can be transformative.

<sup>1</sup> Data drawn from published annual reports.

