

The True Costs of Deferred Maintenance and Poor Planning

If it's not broken, don't fix it, right? Well not necessarily. Like a car, facilities need to undergo regular maintenance and upgrades to ensure they're always in peak working condition. Deferring maintenance and upgrades to another budget year or until they are absolutely necessary can result in higher costs in the long run. Not only that, deferred maintenance can leave you open to liability issues and also affect other systems.

When formulating a budget plan and balancing the cost and benefit of projects there is a temptation to make cuts in building maintenance and improvements. It can be seen as an easy way to save some cash that might cover shortfalls in other areas. The reality is that you're gambling that equipment won't need to be repaired or replaced. You may win for a while and become complacent, but eventually your luck will run out and you could end up having to pay for multiple major repairs or replacements that will decimate your budget for year to come.

Deferred maintenance on your buildings is estimated to result in more than \$1 per square foot extra in utility bills, according to a US Department of Energy analysis. That adds up quickly and could easily outpace the cost of the original repairs. In the effort to save money for the company, systems become less energy efficient and will put an increasing strain on the utilities budget.

When budgets are tight, everyone is asked to do more with less. It may seem an easy fix to cut the maintenance staff and budget. Unfortunately, in that situation, a major repair or catastrophic failure could easily result in costly overtime or even more costly employee safety risks. Planning for proper maintenance requires an appropriate level of staffing and resources to efficiently deal with routine maintenance, but also any emergency repairs that may arise.

A building where the ventilation system has been neglected or a leak has been ignored can become a "sick building," causing increased employee sick days and medical costs. This will begin to impact the budget in higher costs to provide benefits to employees, decreased efficiency, and loss of employees. Not only that, it can have a profound effect on a company's reputation and ability to attract top talent. No one wants to be known as the company that allowed poor ventilation or black mold to make thousands of employees ill.

Often the effects of postponed maintenance spread and begin to affect other systems. In fact, a neglected repair in one system can cause a catastrophe in another system or area. A faulty heating and cooling system does more than just make employees uncomfortable. A cooling failure can cause servers and computers to overheat and fail. Not only does that mean a work stoppage, it could result in a permanent loss of data. A roof leak can flood buildings, destroying infrastructure, technology, paper files, and valuable furniture and artwork.

Imagine the cost of having to tear your building down to the skeleton and to rebuild it and replace all the furnishings. This could result from that leaking roof that was not repaired in time to avoid flooding. Or perhaps an electrical repair was put off resulting in a fire that damaged the building beyond repair. Catastrophes like these are often so cost prohibitive companies have difficulty recovering and the effects ripple through the company for years to come, if not destroying the company outright.

Something that may not be thought about in relation to deferred maintenance, especially when a particular project has been deferred for years, is how it will impact a company's reputation and ability to make a good first impression. Broken or outdated infrastructure and furnishings can immediately make the most modern of companies seem behind the times. Imagine having a potential client meeting after the client has a ride in a shuddering elevator.

Maintenance Projects That Should Never Be Deferred:

1. Roof Repairs
2. Structural Issues
3. HVAC System
4. Backup Generators
5. Leaking Pipes or Other Leaks
6. Concrete and Walkways
7. Electrical Wiring and Systems
8. Ventilation System
9. Potholes or Damaged Asphalt
10. Brickwork and Masonry
11. Snow and Ice Removal
12. Fire and Carbon Monoxide Sensors and Systems

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What does that have to do with costs? Everything! A poor reputation and bad first impressions have an increasing impact on a company's ability to do business over time. If you cannot attract clients or business, and talented employees, your budget will begin to shrink and it will become even more difficult to make a profit.

A very real risk of deferred maintenance is that it leaves you open to paying fines to regulatory agencies or settlements for lawsuits. Are the cost savings really worth the possibility of failing an inspection? How would you feel if someone was physically harmed as a result of a postponed repair? The settlement of a lawsuit, and the legal costs, are likely to be many times the cost of having made the repair or performed the maintenance in the first place.

So what is the answer? Planned maintenance and prioritizing operational investments will reverse the compounding costs of neglect. Planning for maintenance and upgrades ensures that they get addressed in a timely fashion, before they become a costly catastrophic failure. Equipment and facilities that are well maintained work more efficiently and safer, thereby they are less likely to incur additional costs.

When budgets include an adequate allotment for planned maintenance, it's possible to set up a schedule of maintenance that ensures all equipment will receive preventative maintenance or upgrades on a routine basis. With careful planning, this can actually increase return on investment and decrease costs over time.

Sounds logical, but how do you make it happen. Well first you have to prioritize your planned maintenance projects. Make a list of the things that must be done, the things that need to be done but can wait for next year, and the things that would be nice to do if the money is available. See the sidebar for maintenance that should never be neglected. Once you have this list in hand, estimate the cost of the repairs that should be scheduled for the year and then add funds to deal with emergencies. You may need to fine tune it from year to year until you get a good idea of the usual costs.

So you're in the budget meeting and resistance is rampant. Everyone thinks it would be best to cut the facilities budget and you need to convince them that course would not be advisable. Hopefully you have done your research and planning ahead of time so you can convince your fellow managers and/or VPs that the possible costs of deferring maintenance are just too great. With this preparation you will be able to defend your budget lines and make a case for good facilities planning and the budget to ensure it.

Highlight the high costs of deferring maintenance to save money. Make sure they understand that the money you save now could end up costing the company so much more in the long run. Paint a picture of the budgetary impact of one or more of those neglected issues resulting in a catastrophic failure that must be addressed. Make sure to contrast the lower cost of maintenance with the higher cost of replacement if the equipment fails.

Point out the cost savings in energy and gas usage when equipment is performing at peak efficiency. Employee morale and safety also impacts future budgets by increasing the productivity and innovation of the company overall, and the ability to attract clients and top talent for years to come. What it comes down to is return on investment and ensuring leadership understands the power of that return to ensure a healthy facility going forward.

Expect that you may be required to defend this planned maintenance each year until it becomes part of the normal operating procedure. Buy-in from leadership should increase as they see a savings in overall costs and how much more problem-free the facilities become. It will become easier and easier to see that well-funded planned maintenance avoids the compounding (reportedly as much as 7% per year) cost of deferred maintenance.

Once the cost savings begin to be realized you can begin to move up some of the items on your "nice to have list," ensuring your facility is always state-of-the-art, modern, and running well. All your hard work and planning will continue to pay huge dividends going forward. Just keep an eye on the plan and make it happen.