

Facilitator — February/March 2015



GET AHEAD OF THE GAME

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Consider a proactive approach to HVAC unit replacement

There are some common approaches to equipment replacement in the restaurant industry. Some facility managers can only obtain funding to replace equipment after it has failed. This sometimes leaves them scrambling to find the correct equipment and competent providers that can install the equipment within a short lead time. Other facility managers are given a dollar amount to manage their replacement programs.

The benefits of a planned unit replacement program are apparent to most in the facilities field, but it can be challenging to make a compelling case to the people who control the finances. This approach usually requires a change in the way capital dollars are spent, so the facility manager must develop a logical plan to convince the company's financial and operations teams of the benefits of this method. Using a process to evaluate the condition of each unit in the company's portfolio, the facility manager can effectively apply funds where they will produce the greatest return in energy savings and repair and maintenance reduction.

Proactive Approach Benefits

There are some clear benefits to using a proactive approach to replacement:

- The cost of equipment and labor can be more effectively managed through a bid process, since there is time to engage multiple suppliers and installers.
- The manufacturer has the lead time to produce the exact unit specified. In addition, multiple manufacturers can be included in the bid process, increasing the opportunity to obtain the exact unit required and driving cost down through competition.
- Replacing multiple units on a schedule can result in quantity discounting from manufacturers.
- The facility manager controls the timing of the project; the units can be installed when the impact to the restaurant is minimized.
- Installer costs can be driven down by installing the units when your contractor has capacity and is looking to keep his employees generating revenue.
- By taking the time to evaluate their company's entire portfolio, the facility manager can feel confident that they are maximizing their budget by replacing the units in their fleet that will provide the greatest return.

Obtaining the Funds

While the logic of a proactive approach is straightforward, obtaining the funding for the plan can be a challenge. The first step is for the facility manager to validate the plan's return on investment (ROI). A common approach to justify a unit replacement was through the reduction in R&M costs; however, the savings generated from reduced repair costs typically do not meet the minimum payback threshold.

Recent technological advances allow the facility manager to better quantify the amount of energy savings gained from higher efficiency units currently available. In the past, the amount of energy dollars saved from a unit replacement was not factored into the ROI equation. Now, energy savings is a key component of the ROI equation, allowing facility managers to produce a more robust justification for proactive replacement.

Implementing the Proactive Approach

This process requires upfront time and monetary investment prior to having in-depth discussions with the financial and operations teams. Early in 2014, The Wendy's Co. facilities team made the decision to develop a 2015 budget for unit replacement by performing an evaluation on each unit in the fleet. We identified a mobile software program that provided us with quantifiable measurement of the Remaining Useful Life and performance of each HVAC unit. Using these guidelines—Remaining Useful Life, equipment performance and energy efficiency—enabled us to

make the business case to proactively replace the lower performing and inefficient units.

The Proactive Approach Process

In order to use a proactive approach, we needed to evaluate each of our roughly 3,000 company-owned rooftop HVAC units using the following steps:

- Step 1: Ensure that the fleet's unit information is accurate. If the information is inaccurate, correct the data in the field in real time prior to taking any measurements.
- Step 2: Measure the condition, cooling performance and energy efficiency of each unit.
- Step 3: Compile the portfolio data, and then rank the units based on Remaining Useful Life.
- Step 4: Review findings with funding approvers and develop a budget for the plan.
- Step 5: Scope and test unit replacement candidates, and then verify savings assumptions.
- Step 6: Execute the replacement plan.

Getting Started

Developing a proactive approach to HVAC unit replacement allows facility managers to maximize the value of their capital budget. Advance communication within your organization increases the likelihood of obtaining the necessary funding, including that required to perform unit evaluations. The proactive approach allows you to maximize your capital budget dollars by improving the efficiency of the replacement process. Evaluating each unit's condition and energy efficiency allows the facility manager to identify the replacement candidates that will provide the greatest ROI. There are great tools available through RFMA members that allow them to perform the necessary measurements and compile the data into an actionable plan.

Jay Kelly is a Director of Facilities for The Wendy's Co. He has worked in the facilities field for 20 years with a variety of companies that have provided him with insight into different methods of capital planning.