

APPA's TCO—What Are We Waiting For?

By Ana Thiemer and Deke Smith

As facilities professionals, we live and breathe stewardship and are passionate about the assets in our care. APPA's standard for Total Cost of Ownership (TCO), *APPA 1000-1, Total Cost of Ownership for Facilities Asset Management (TCO)—Part 1: Key Principles*, recognized by the American National Standards Institute (ANSI), moves the facilities manager into a position to make better long-term decisions with improved ability to plan, budget, and care for current and future assets in our care.

APPA TCO:

- Gives greater credibility to strategic planning by helping ensure facility and infrastructure resources exist to enable our vision.
- Increases organizational team focus, visibility, and understanding of key common data elements associated with asset-related decision-making processes.
- Creates better understanding of the long-term effectiveness of resource allocation.
- Improves our ability to assign and utilize resources in an efficient manner with continuous feedback.
- While funding may come annually, TCO enables us to prepare for future resource allocation and ensure that assets remain sustainable.

In APPA's first published standard for TCO, the definition of TCO and its Key Principles were introduced.

APPA TCO Definition: A holistic approach to maximizing return on investment of managed physical assets that includes the summation of all known and estimated costs to include first, recurring, renewal/replacement, and end-of-useful-life costs revised at critical decision points to aid in life-cycle asset management decisions.

AN OVERVIEW OF TCO

APPA TCO can be defined in two parts—one part summation of costs and one part decision-making based on information that goes beyond just the basic calculations. In its simplest form, the first part of the definition for TCO is the addition of costs: $1 + 1 = 2$.

Assets cost money. We purchase assets for a cost, and whether we acknowledge it or like it, they carry a cost long after their purchase: maintenance, repair, replacement, or demolition. Just like a house purchased for ownership, the total cost of owning a home over its life must be considered, not just the initial purchase price.

The second part of the APPA TCO definition shows how the information collected—but not just from costs—can assist facilities professionals to make decisions that can catapult our industry to new levels.

TCO PART 2

APPA 1000-2, Total Cost of Ownership for Facilities Asset Management (TCO)—Part 2: Implementation and Data Elements, scheduled for release in early 2020, outlines just how facilities managers can join the Key Principles of TCO and the summation formula to catapult our passion further into reality. Three major decision areas can be supported utilizing APPA TCO:

1. Procurement of new assets, products, facilities, infrastructure and any asset selection decisions
2. Sustaining and ensuring resilience of existing facilities and infrastructure assets, including renovation or removal decisions
3. Long- and short-term financial planning, budget analysis, and reporting

ON THE HORIZON

The upcoming Part 2 APPA TCO standard will offer facilities professionals the tools to get started implementing TCO or to enhance ongoing efforts that may align with TCO. The standard is a guidebook for successful implementation of APPA's TCO, which will allow organizations to implement it at a pace that works in their current environment. Every organization, large or small, can implement APPA TCO.

There are several elements to successful TCO implementation. APPA's TCO requires a culture shift, a mindset toward long-term collaboration across all levels of the organization, and a strong desire for decision-mak-

ing to be information-driven. APPA TCO's Key Principles are a strong foundation for implementation, but it's equally important to remember that TCO is not just a summation formula or collection of data. Leadership and culture are strong binding elements that must not be taken lightly; they are essential to implementation.

APPA TCO implementation is achieved at various levels. Some organizations may not be prepared for a complex implementation strategy. The standard, which is scalable by design, allows organizations to start small, with one asset if needed, or to scale to a multitude of subsystems, systems, and assets across various locations or campuses. The implementation standard describes basic, intermediate, or complex levels at which an organization can assess their current TCO state. An organization may be at different levels of TCO implementation for each of the TCO Key Principles.

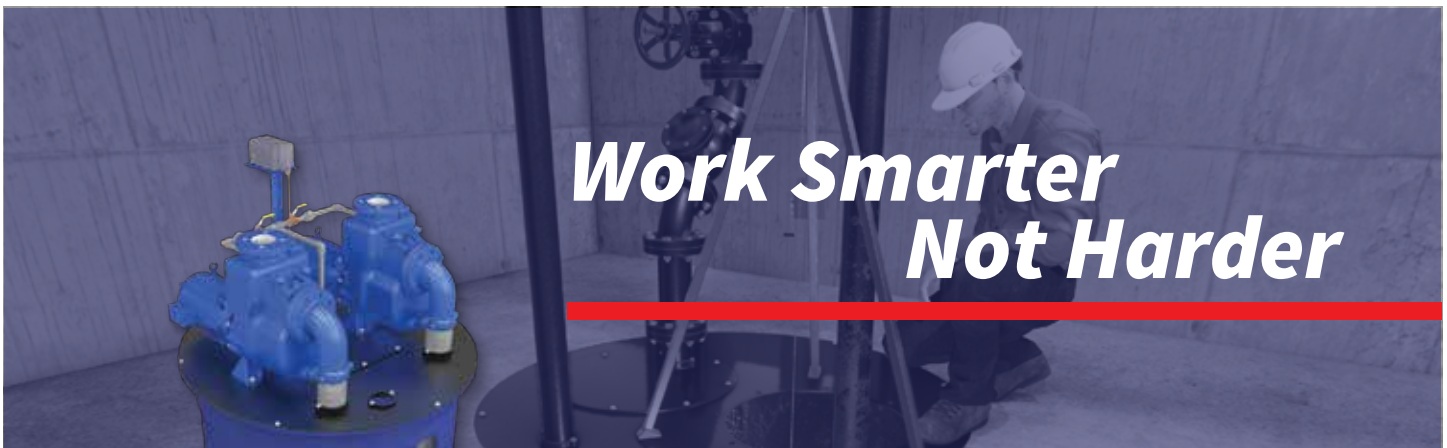
GOING FORWARD

Aging assets continue to age. Failures continue to occur, and many facilities departments find that it is becoming increasingly hard to keep up. APPA's TCO

standard assists our industry in addressing the complex issues we face today with reliable, executable answers. It offers us the means to align TCO with the organization's mission while increasing visibility, and to make informed decisions that provide the maximum return on investment. So, what are we waiting for?

The APPA 1000 ANSI-recognized TCO standard *Part 1: Key Principles* is available for purchase today at appa.org/bookstore. The accompanying TCO standard, *Part 2: Implementation and Data Elements*, will be released in early 2020. ☎

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