

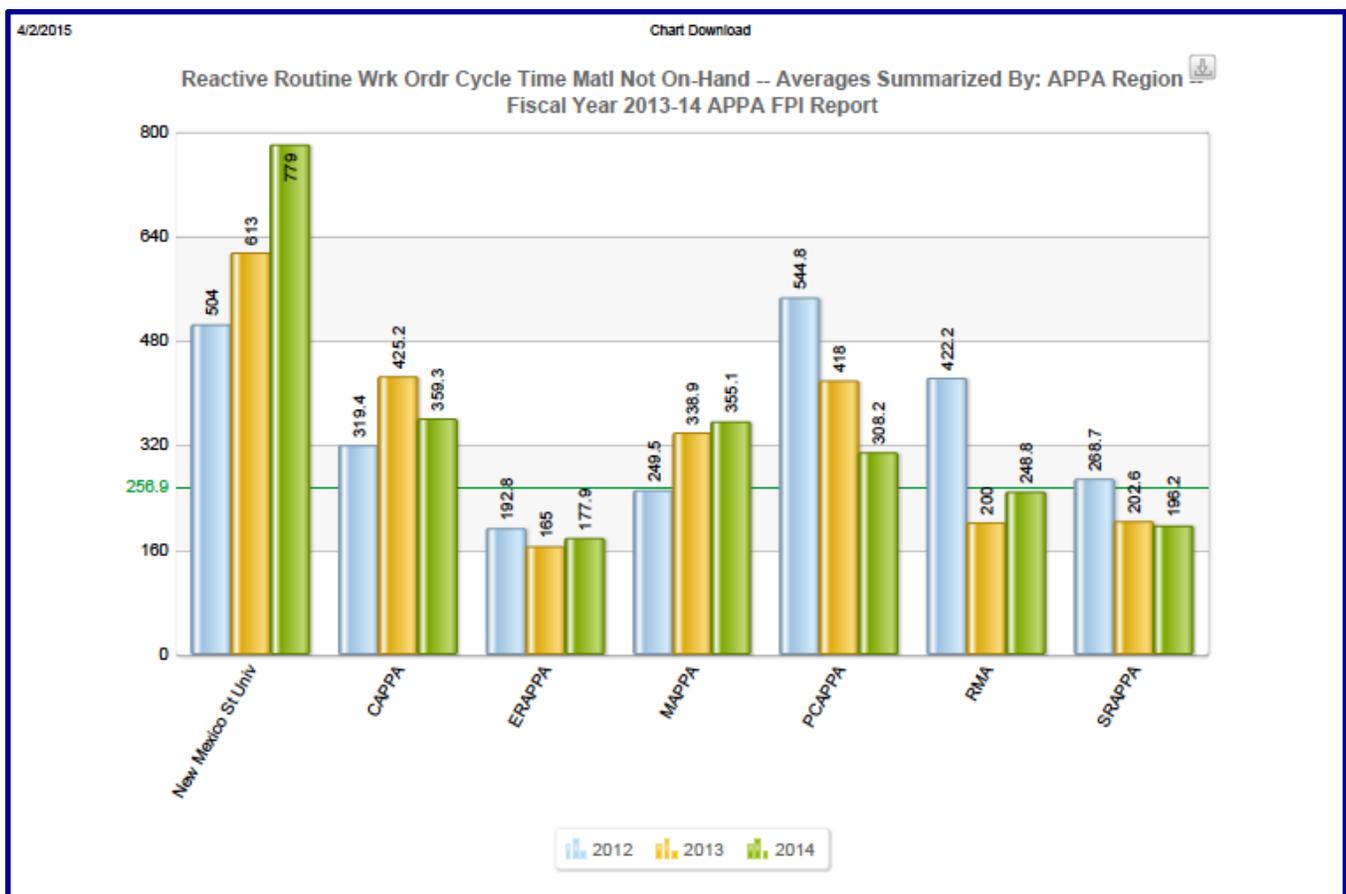
NMSU Administration and Finance

Proposal to Transfer

Material Services to Facilities and Services

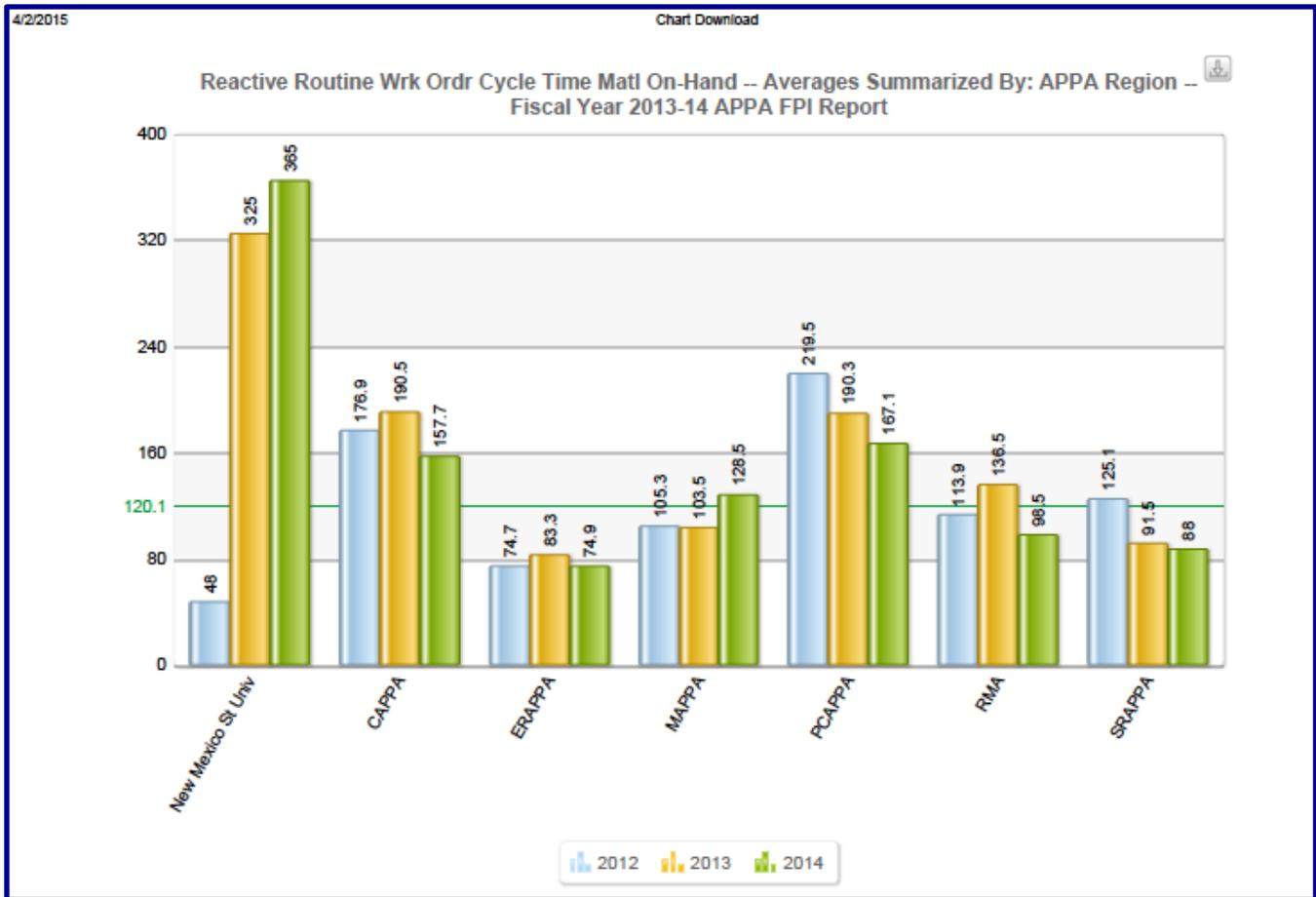
BACKGROUND

In 2007, there was an instance of significant undesirable behavior in Facilities and Services. At the time, the materials warehouse was stocked at high levels with expensive items and had little controls. The reporting line was moved to the Purchasing Department and controls put in place. These controls have worked; however, while the fiscal controls are doing their job extremely well, the overall mission of any warehouse is to facilitate the quick delivery of repairs. The goal of the move that is proposed here is to improve on the material delivery times while still maintaining an acceptable level of controls. We are also confident that we can save precious dollars for the university at the same time.



A little explanation of the chart above is in order: work order **cycle time** is the time it takes from the beginning a work order is opened to the time it is closed, in other words, it is what our customer sees. Because universities work different hours, and some have 24 x 7 x 365 shifts, this time is measured in hours. While NMSU's current KPI is an unacceptable 779 hours, some of what is displayed above is due to issues with the way we manage our work orders. This metric was new to us, and our preliminary data leads us to believe that there will be significant improvement in this area next year. Note that this chart above is when material is "not on hand".

Now, however, look at the chart below that shows the current cycle time is when material is “on hand”. Note that cycle time decreases from 779 hours to 365; divided by 24 hours, that would mean that the average delivery of material is 17 days, or a little over two weeks.



This may possibly overstate the case by including long lead-time items for small projects, but material delivery still represents a significant target area for improvement.

PROPOSAL

The AVP of Facilities and Services is president of the regional facilities association and has numerous contacts throughout the international higher education facilities organization, APPA. Our informal research indicates that the most common arrangement on campuses is for the materials warehouse to report to facilities, primarily to keep the goal of rapid customer service consistent. There is a synergy as the two areas work with the technicians in the field to keep the service time to the customer as short as possible, and they should also strive to keep the technician working in the field instead of chasing parts. These become secondary when the primary goal is enforcement of controls. This proposal would move the materials warehouse to the Facilities Business Office. Existing controls to remain in place but will be evaluated and no changes made unless approved by the Senior VP for Administration and Finance.

ADVANTAGES AND BENEFITS

Essentially what is happening now is that the technicians request material; if the material is not on hand – which is usually the case because of limited inventory – the parts are ordered on a p-card. The gory details are beyond the scope of this proposal, but we believe that much inefficiency exists as the parts are shopped for the best price possible. Simply put, it is very easy to expend more time and effort to obtain a small price savings than is justified.

Should the transfer be approved, Facilities would immediately do two things:

1. Several entities exist that will either help manage or completely manage (outsource) warehouse operations. In advance of this proposal, the AVP met with Grainger, the largest player in this field. We discovered that Grainger's works with no less than 12 NMSU departments on p-card purchases; this offers an opportunity for consolidation and perhaps the consideration that the warehouse could provide inventory to Ag, Special Events, College of Engineering, and other entities that most likely have the same issues that facilities technicians have.
2. One of our "sister institutions" that we work a lot with is the University of Oklahoma (OU), because they use both Banner and AiM as NMSU does and because they are several years ahead in the implementation of the various automation features of these systems. OU has implemented "just in time" delivery for electrical and plumbing items, and is receiving deliveries three times per week. Something like this will improve the delivery times, but will also reduce the onesies and twosies p-card purchases and thus take less effort on the p-cards.

NEXT STEPS IF APPROVED

One materials technician FTE has already been eliminated and placed in FS as part of the budget reduction. We would transfer the remaining 5 FTE plus the warehouse supervisor and begin conversations with Grainger and other outsourcing firms. We would contact the other 12 entities on campus currently buying from an online catalog and ask for their ideas on improvement of stock. We would take a team on the plane to OU for a day to investigate "just in time" delivery of parts and material. And, we would work closely with accounting folks to make sure that proper controls remain in place so that the pendulum does not swing too far back the other way.

We will provide a report of activities at the end of the 2015-2016 fiscal year when we report the facilities metrics.