

Healthcare Facilities Management

Module 4: Finance

Student Workbook



Lesson 16 ~ Finance 3





4

Contract Development

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- ### Service Level Agreement
- An introduction
 - Identification of the services, scope and limits
 - Lowest acceptable quality of service
 - possible improvements
 - methods of communication
 - rules of grooming, appearance and conduct
 - required quality of contractor-supplied materials
 - reporting hierarchy
 - who inspects service levels
 - performance measures
 - suspension of work losses
 - methods for resolving conflicts
 - payment terms and conditions
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General terms and conditions

- Term
- Pricing and rate-setting
- Subcontracting
- Allocation of responsibility and communication
- Termination of contract
- Other terms and conditions

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Service Level Agreement: One or Multiple?

The diagram illustrates two models of Service Level Agreements (SLAs) within a Service Contract. On the left, a single large cyan square labeled 'SLA' is centered within a blue rectangle labeled 'SERVICE CONTRACT' at the top and 'GENERAL T & C' at the bottom. On the right, three smaller cyan vertical rectangles labeled 'SLA' are arranged side-by-side within a blue rectangle labeled 'SERVICE CONTRACT' at the top and 'GENERAL T & C' at the bottom.

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5

Elements

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Contract Management: Elements

Professional Services

➤ Process -> Request for Proposal (RFP)

- Description of Project
- Scope of Work
- Qualifications
- Project Approach
- Description of Proposing Company
- References
- Pricing
- Selection Criteria
- Selection Process & Schedule
- Terms & Conditions

➤ Contract Includes many elements of RFP. Form may be:

- Your standard agreement
- Contractor/Consultant's standard agreement
- Should be reviewed by legal department if not your paper
- Should reference RFP
- Should reference bidder's proposal

▪ *If Scope is unclear/undetermined consider starting with a Request for Qualifications (RFQ) also called an Invitation to Tender (ITT)*

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Contract Management: Elements

Maintenance Services

➤ Process -> Request for Proposal (RFP)

- Description of Work (SLA)
- Bidder Qualifications
- Project Approach
- Description of Bidding Company
- References
- Pricing
- Selection Criteria
- Selection Process & Schedule
- Measurables
- Terms & Conditions

➤ Contract Includes many elements of RFP. Form may be:

- Your standard agreement
- Contractor/Consultant's standard agreement
- Should be reviewed by legal department if not your paper
- Should reference RFP
- Should reference bidder's proposal

Remember when contracting services to establish clear expectations.

- Prescriptive specifications
- Performance specifications

Consider incentives for exceeding minimum requirements

- Money
- Extended term

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Contract Elements Important to FM

Elements of Contracts most affecting Facilities members

- Scope of Work & Service Level
- Schedule
- Cost (particularly variable fee elements)
- Management meetings/cycle
- Dispute Resolution
- Rights to terminate agreement
- Right to replace vendor and withhold partial fee for non-performance

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Contract Elements Important to FM

Dispute Resolution

- Peer to Peer / front line managers
- Next tier of management/ both sides
- Mediation (may be binding)
- Arbitration (may be binding)
- Courts

Time is money.

- If courts would take 6 months or longer, usually not an effective option.

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7

Administration

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Contract Administration: **FM Contracts**

Different styles of contracts are used depending on the situation:

- Admin/Management
- Renewal/Bid Cycle
- Vendor Review/Management

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Contract Administration: **Manager**

- FM Contract administrator
 - Coordinate 2-way communication between end users and service provider
 - Review/manage financial accounting of service provider
 - Cost control
 - Hours, materials, etc.
 - Quality control
 - SLA is governing document

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Contract Administration: **Reviews**

- Performance Reviews
 - End-user review
 - Operational review
 - Financial review and payments
 - Human resources review
 - Statutory and regulatory compliance review
 - Action for the coming period
- Operational reviews
 - Relationship management
- Contract reviews
 - Assess continued operational efficiency and effectiveness

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Contract Administration: **FM Contracts**

Contract Administration

- O&M Contracts
- Service Contracts
- Repair Contracts
- Construction Contracts

Renewal/Bid Cycle

- 3 to 5 years for Operations contracts
- May renew instead of re-bidding (depends on organization)

Vendor Review & Management

- 6 months normal? 3 months high value or problems

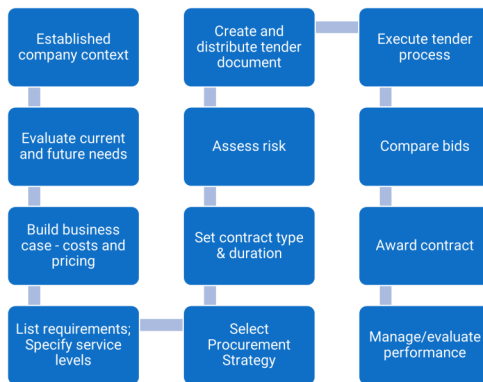
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8

Procurement

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Procurement: Process



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Procurement: **Types of Bids**

- Request for proposal (RFP)
- Request for quotation (RFQ)
- Invitation to tender (ITT)

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Procurement: **Bid Evaluation**

- Best Value
- Highest Evaluated
- Lowest Responsive
- Special Service

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Procurement: **Sustainable Products & Services**

- Operations and maintenance
- Food service
- Janitorial services
- Care of exterior and grounds
- Waste management
- Leased office space

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MODULE 04-M
CONTRACTED/OUT-SOURCED SERVICES

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1

When to Contract

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When to Contract: Why Outsource

- Access to expertise not available in house
- Improved resource flexibility
- Improved cost flexibility
- Improved career opportunities for FM staff
- Access to investments or systems that would require capital that cannot be justified in the host organization
- Management time freed up to focus on strategic issues and planning
- Focus on core business

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2

Structure Development

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Structure Development: Outsourcing

- Institutional facility management companies
- Large property management contractors
- Small property management contractors

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Structure Development: Out tasking

- Food service
- Vending machine stocking and service
- Energy supply
- Architecture, construction, interior design
- Seasonal grounds of services
- Cleaning
- Security
- IT services, telephony, internet access
- Mail and courier services
- Window washing
- Technical repairs

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3

Vendor Management

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Vendor Management: Challenges

- A certain level of expertise
- Investment of time
- Management of outsourcing process
- Management of outsourcing relationship

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Vendor Management: Key performance indicators

- Well structured SLA
 - Performance management tools
 - Balanced scorecard
 - Multiple perspectives, balancing strategy and operations
 - balance objectivity and subjectivity
 - balance quantity and quality
 - short-term and long-term goals
 - Measure and manage the most important activities
 - Measure only what the contractor can control
- Use S.M.A.R.T objectives
 - Specific
 - measurable
 - achievable
 - relevant
 - time bound

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THANK YOU

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