

State of Alaska Deferred Maintenance Overview

Senate Finance Committee

April 19, 2017

Office of Management and Budget

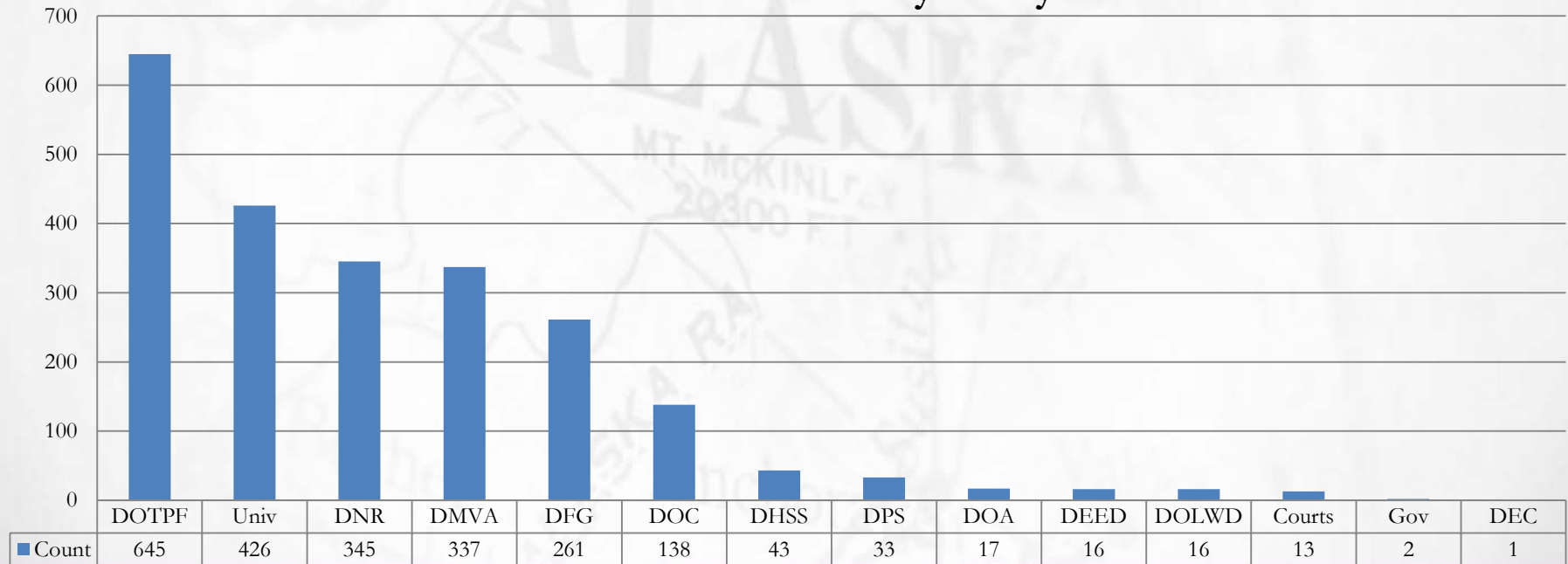
What is Deferred Maintenance?

- **Maintenance that is postponed due to lack of resources**
 - Replacement of building components as they reach end of useful life such as roofs or HVAC systems
- **Deferred maintenance projects are mostly items that entities cannot address through preventative maintenance**
 - Preventative maintenance is important to managing growth and severity of future deferred maintenance
 - Each entity manages maintenance independently
 - Legislature appropriates funding for preventative maintenance annually - facilities management allocations; Public Building Fund
 - Maintenance decisions must consider changing business needs

How many Facilities does the State Maintain?

- Over 2,200 facilities
- 14 entities including University of Alaska and Courts
- 19 million square feet of space
- Combined replacement value of \$8.6B

Number of Facilities by Entity

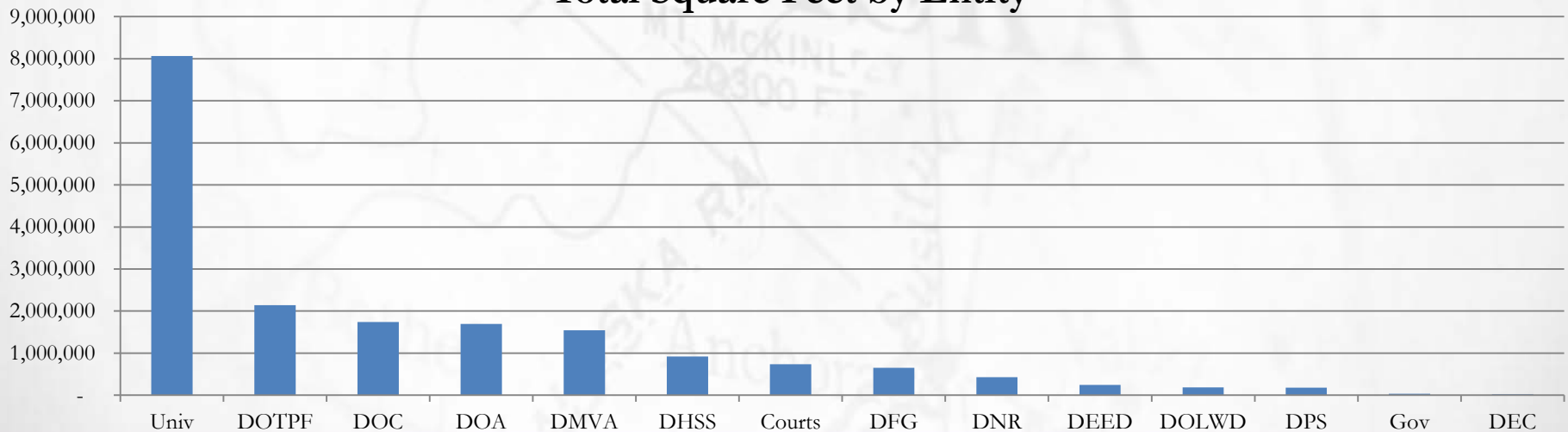


What do our Facilities Look Like?

- **Types of facilities vary by entity**

- DOA manages general office space
- DOC and DHSS both manage 24 hour facilities
- DMVA manages base facilities and statewide armories
- DNR oversees park service cabins, shelters, fire suppression and preparedness shops

Total Square Feet by Entity



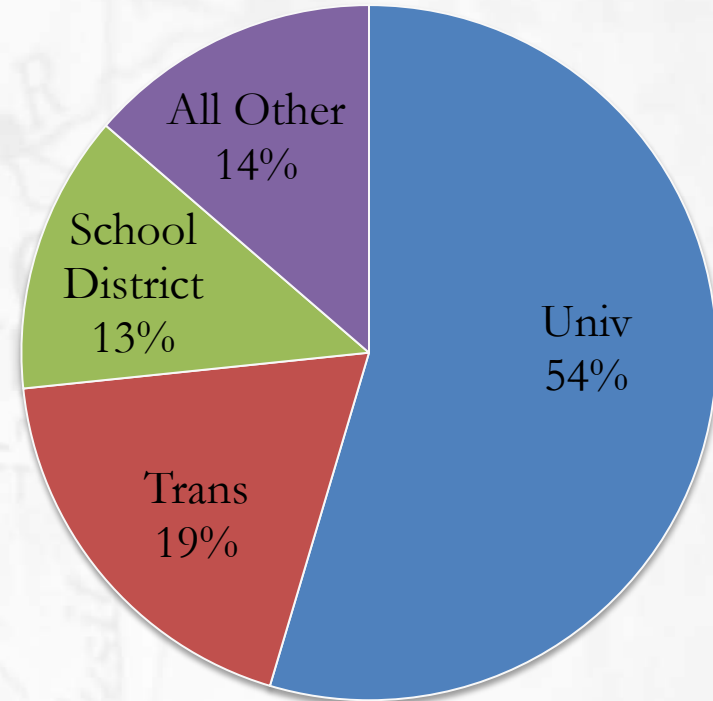
Statewide Deferred Maintenance Totals

- **Total of \$1.84 billion, including**
 - Executive agencies and Courts \$1.6 billion
 - School District Major Maintenance \$240 million;
\$165 million as the State share
- **Total peaked at \$2.3 billion in FY2012**
 - Reduced significantly through a five-year funding plan
- **Expect to trend up without consistent funding**

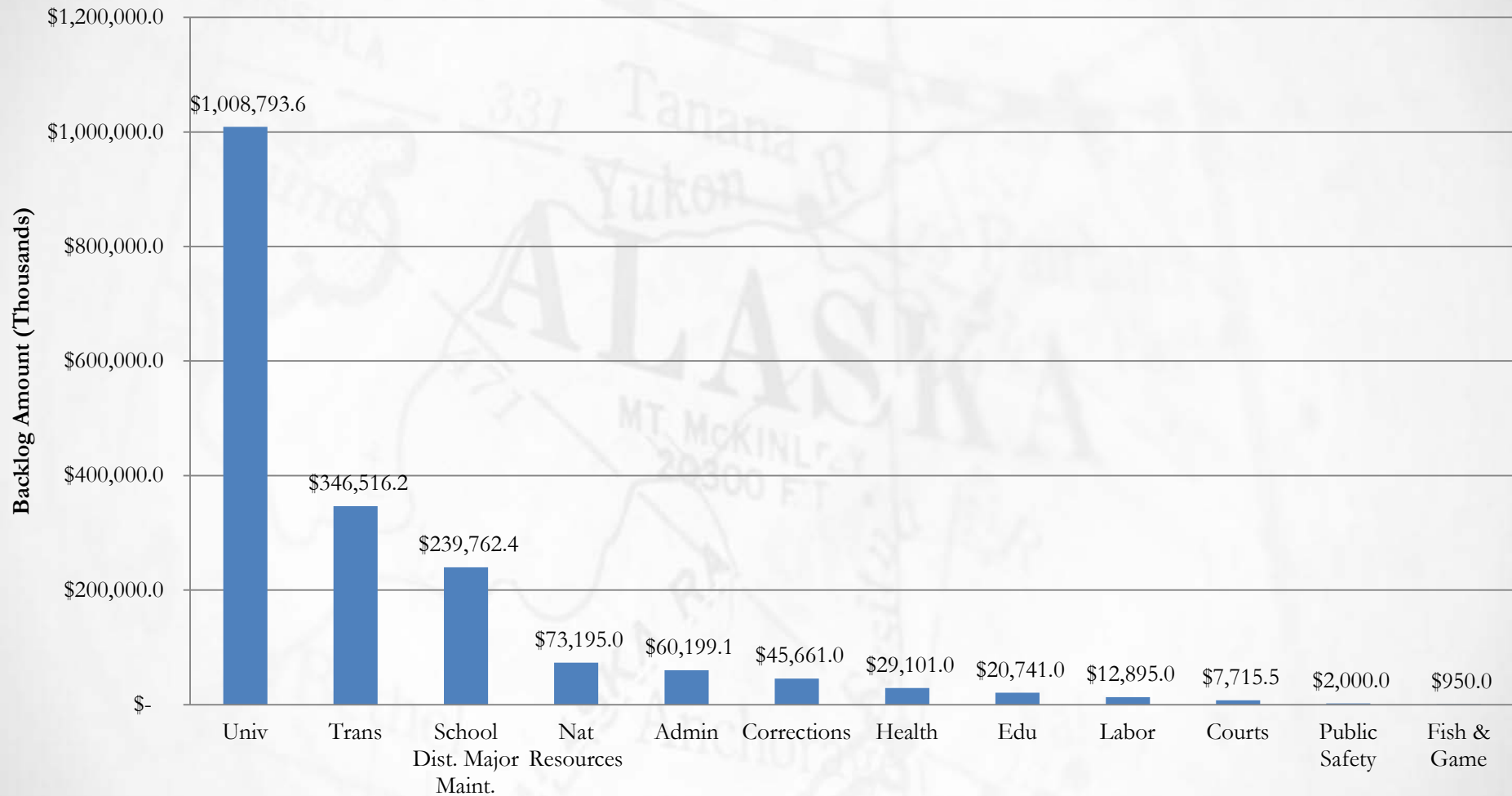
FY2017 Deferred Maintenance Backlog by Entity

FY2017

- The majority of deferred maintenance backlog is within the University of Alaska (\$1B) and the Department of Transportation and Public Facilities (\$347M)
- School District Major Maintenance requests total \$240M
- All other entities total \$252M

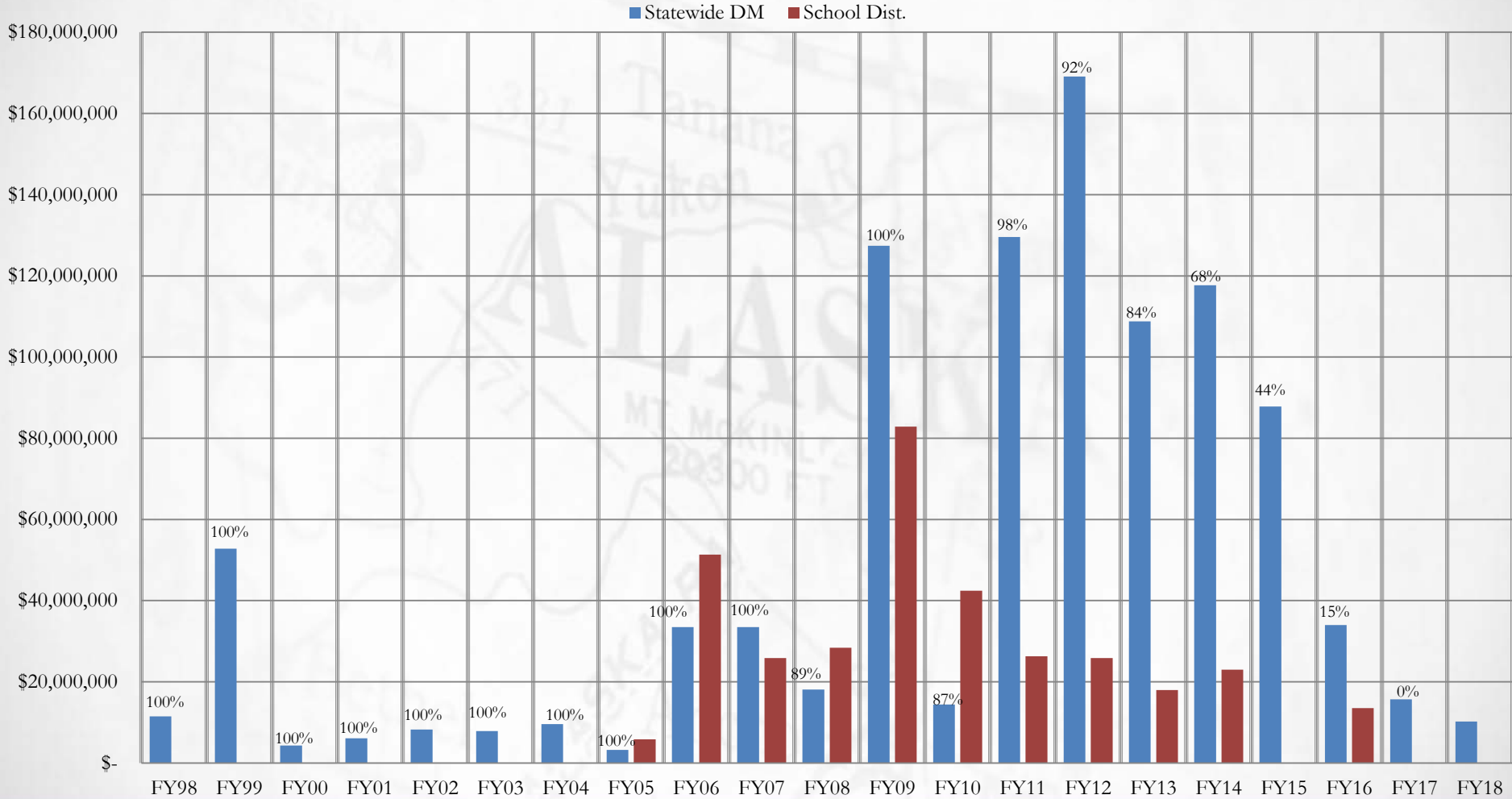


FY2017 Deferred Maintenance Backlog by Entity



Deferred Maintenance Funding History

Statewide DM and School District

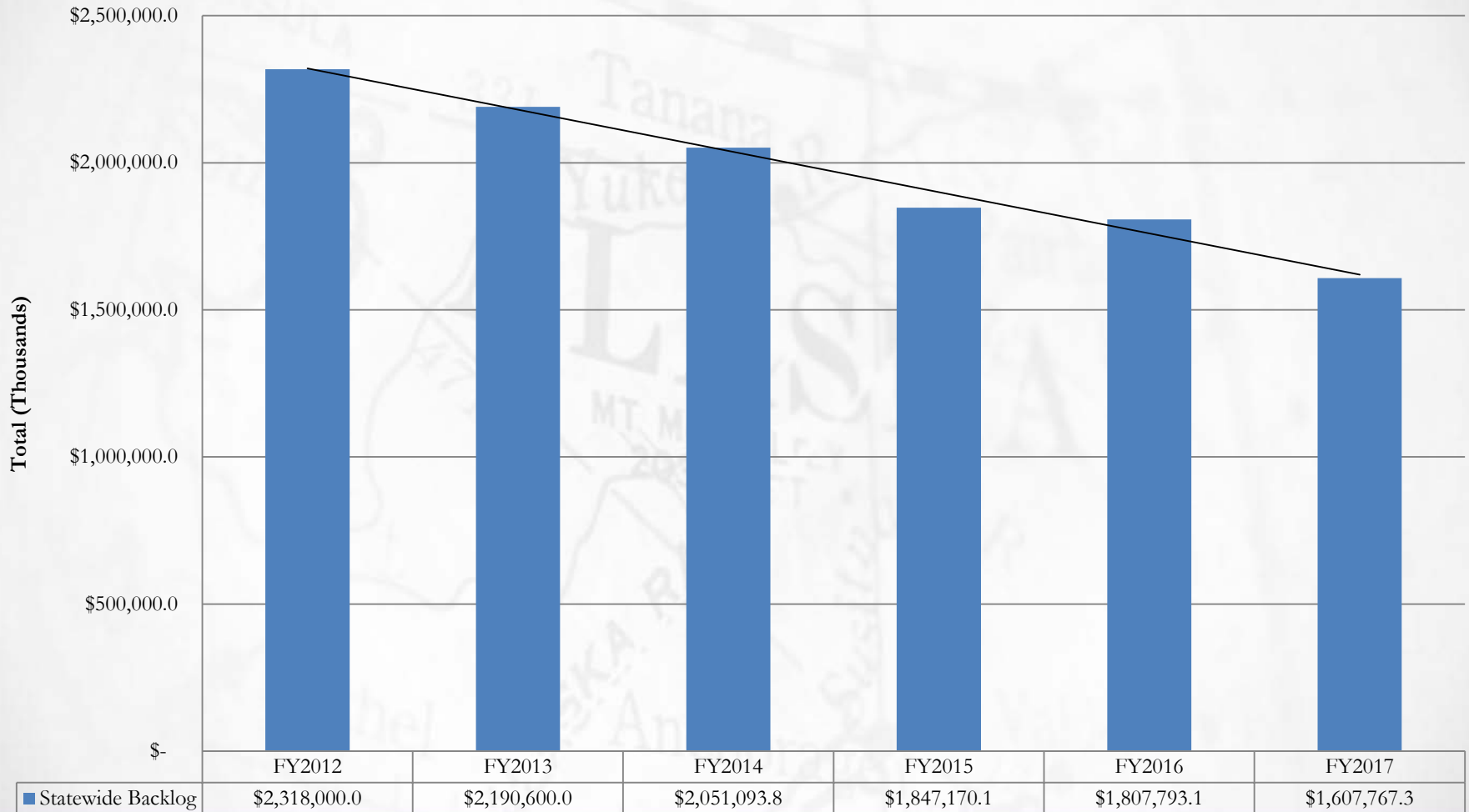


Deferred Maintenance Funding History

- **From FY1998 to FY2010, DM funding was sporadic and inconsistent**
 - Spikes in 1999 (\$53M), 2006 & 2007 (\$33M), 2009 (\$127M)
 - Low years 2000-2005 averaged \$6.5M
- **FY2011 began a five-year initiative to address DM backlog**
 - Gov initiative of \$100M annually for five years
 - Actual average funding of \$123M for DM; \$18.6M for School Districts

Deferred Maintenance Backlog

Statewide Backlog



Example of DHSS Deferred Maintenance Management

- Annual facility condition audit
- Projects are logged on an ongoing basis in a Capital Asset Management system
 - 4 project categories
 - Fire and Life Safety
 - Security
 - Building Integrity
 - Code Requirements and Mission Efficiency
 - Priority weight applied (high, medium, low)
 - Facility Condition Index factor
 - 24 hour facility factor

Example of School District Major Maintenance Management

- **Eligibility Requirements:** six-year district plan, fixed asset inventory system, property loss insurance, preventative maintenance and facility management program certified by DEED
- **Applications evaluated on several factors resulting in an overall total points rating**
 - Condition survey
 - District rating
 - Weighted average age of facility
 - Previous funding through grant program
 - Complete planning and design
 - Effectiveness of preventative maintenance program
 - Emergency conditions and seriousness of life/safety and code conditions

What We've Learned

- **Pattern of funding DM backlog coincides with years of high revenues**
- **The SLA 2010-2014 initiative reversed the trend of growing DM backlog**
 - Gave entities predictability and confidence
- **Without a consistent level of funding, entities cannot effectively execute planned renewal**
 - Funding uncertainty leads to emergency only spending
- **In a constrained fiscal environment a statewide approach provides DM attention to highest priority needs across multiple agencies**

Statewide Facilities Maintenance

Timeline:

*EFMAC = Executive
Facilities Maintenance
Advisory Committee

2015 – *EFMAC* Creation & Recommendations*

2016 – *State Facilities Council Formed, Centralization Analysis Recommendation & Approval*

2017 – *Determination of lead agency for Centralized Facilities Services*

- **Advantages to centralized operations and maintenance of state facilities**
 - Enterprise approach
 - One lead agency (DOT&PF)
 - Economies of scale
 - Commonality of processes, procedures
 - Consolidate contracts
 - Juneau Pilot – four waves thru 2017 (approximately 20 buildings) followed by expansion statewide

Opportunities Going Forward

- **Opportunity to comprehensively plan recapitalization of State buildings**
- **Starts with inspections to develop a Facilities Condition Index (FCI)**
 - Provide holistic view of all state building assets
 - Baseline health of our assets; prioritize deferred maintenance needs
 - Analyze backlog of existing deferred maintenance items in relation to actual needs
- **Develop a framework built on best practices: processes, procedures; provide data/metrics to measure progress**
- **Implement a common Computerized Maintenance Management System**
- **Assess risk and prioritize work**
- **Strive for a systematic funding program for major maintenance and system life cycle replacement—ensure consistency, predictability**

Best in Class State Examples

- **Utah – Division of Facilities Construction and Management**
 - Provides centralized facilities related services – maintenance, operations, design and construction to 200 plus buildings.
 - Facilities Conditions Indices (FCIs) renewed every 5 years per facility.
 - A computerized maintenance management system used to manage their portfolio, reactive and preventative maintenance and real estate management.
 - Deferred maintenance funding appropriated into the annual budget as percentage of the value of all state facilities
 - Key Performance Indicators are measured - FCIs, maintenance costs per sq. ft.
- **Texas has benchmarked success as well**

The Long View

- **Build on Successes of Juneau Pilot**
- **Advance in waves to bring in all state facilities**
- **Results-based reporting to investors, stakeholders, public**
- **Continuous improvement culture**
- **Best stewardship of public funds rooted in consistency and predictability**

Future Considerations

- **The Governor's 10 Year Plan includes \$70M-\$90M combined funding level for DM and School Maintenance.**
- **DM should be a primary component of a GO Bond package**
 - DM funding has strong local and in-state economic impact
- **DM distribution considerations based on objective rating system to address most critical projects statewide**
- **Constant attention to Preventative Maintenance required**

For more information on the budget



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