

State of Alaska Office of Management and Budget

Deferred Maintenance Update

Presentation to the House Finance Committee

April 17, 2019

OMB: Neil Steininger & Shelly Willhoite

DOT&PF: Mark Davis



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

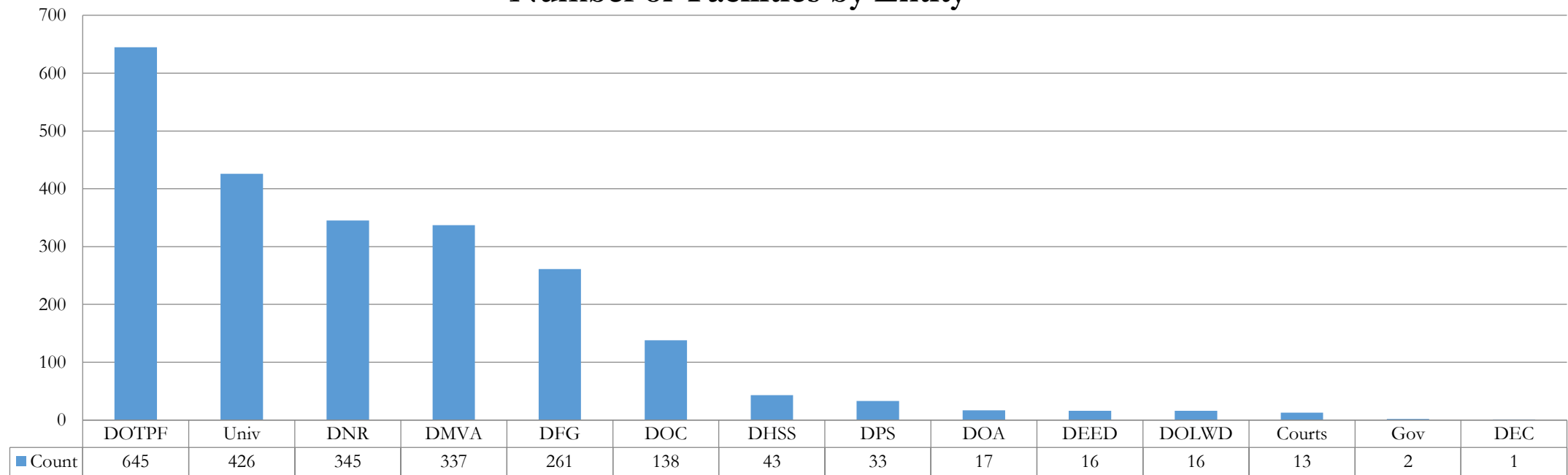
Deferred Maintenance: **Explained**

- **Deferred Maintenance is maintenance and repairs postponed due to lack of resources, construction/repair schedules, etc.**
 - Maintenance and repairs are activities that keep assets in safe, effective, working condition
- **Deferred maintenance projects are most often items that cannot be addressed through preventative maintenance**
 - Preventative maintenance is important to managing growth and severity of future deferred maintenance
 - Currently, most entities manage maintenance independently
 - Legislature appropriates funding for preventative maintenance annually - facilities management allocations; Public Building Fund
 - Maintenance decisions must consider changing business needs

Deferred Maintenance: State Maintained Facilities

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

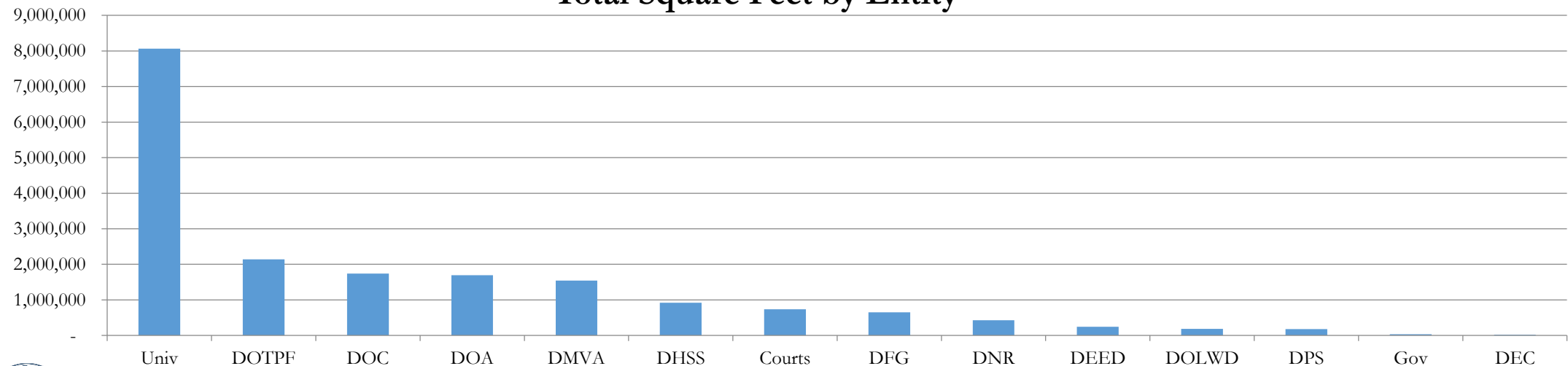
Number of Facilities by Entity



Deferred Maintenance: Facility Types

- **Types of facilities vary by entity**
 - UA manages classroom, laboratory, research, residential, and office space
 - DOA manages general office space
 - DOC and DHSS both manage 24 hour facilities
 - DMVA manages military and other facilities and statewide armories
 - DNR oversees park service cabins, shelters, fire suppression and preparedness shops

Total Square Feet by Entity



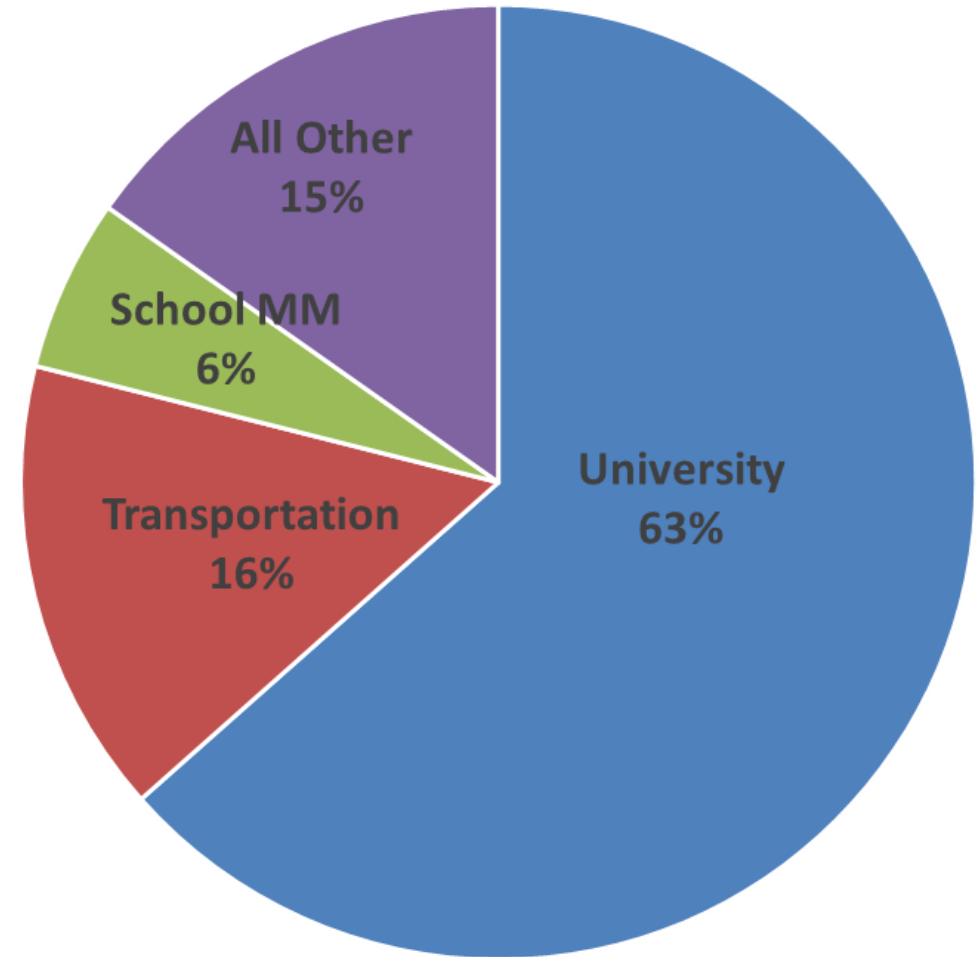
Deferred Maintenance: **Statewide Totals**

- **Total of \$1.98 billion, including**
 - Executive agencies and Courts \$1.85 billion
 - Agency DM total is comprehensive
 - School District Major Maintenance \$134.7 million*
 - School Major Maintenance total is only district's highest priorities

*(\$113.8 million is State's share of the total)
- **Total peaked at \$2.3 billion in FY2012**
 - Reduced significantly through a five-year funding plan beginning in FY2011
 - DM was \$1.6 billion in FY2017 & \$1.7 billion in FY2018
- **FY2018 and FY2019 show an upward trend**

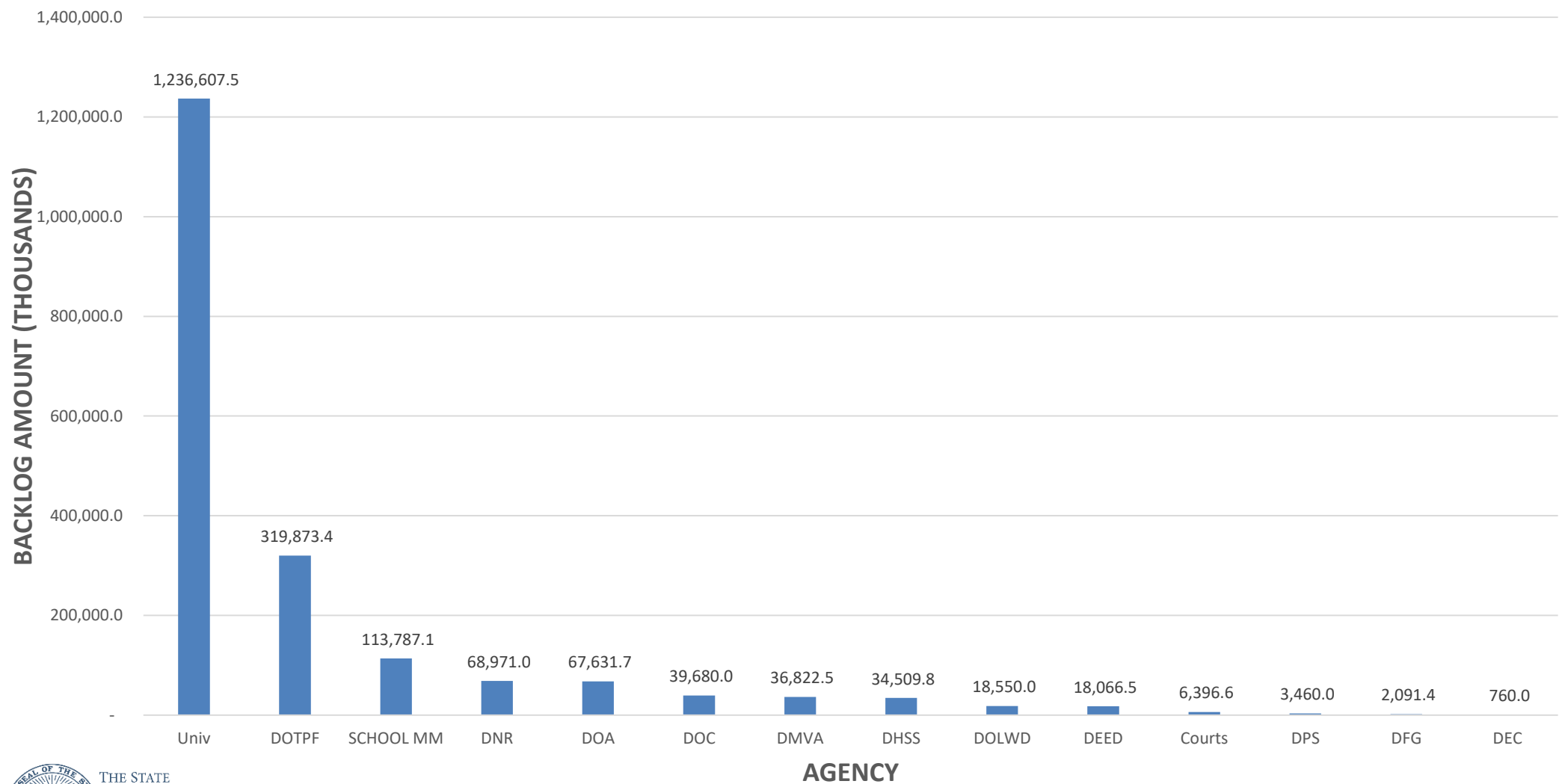
Deferred Maintenance: Backlog by Entity

- The majority of deferred maintenance backlog is within the University of Alaska (\$1.2B) and the Department of Transportation and Public Facilities (\$320M)
- School District Major Maintenance requests total \$135M
- All other entities total \$300M



■ University ■ Transportation ■ School MM ■ All Other

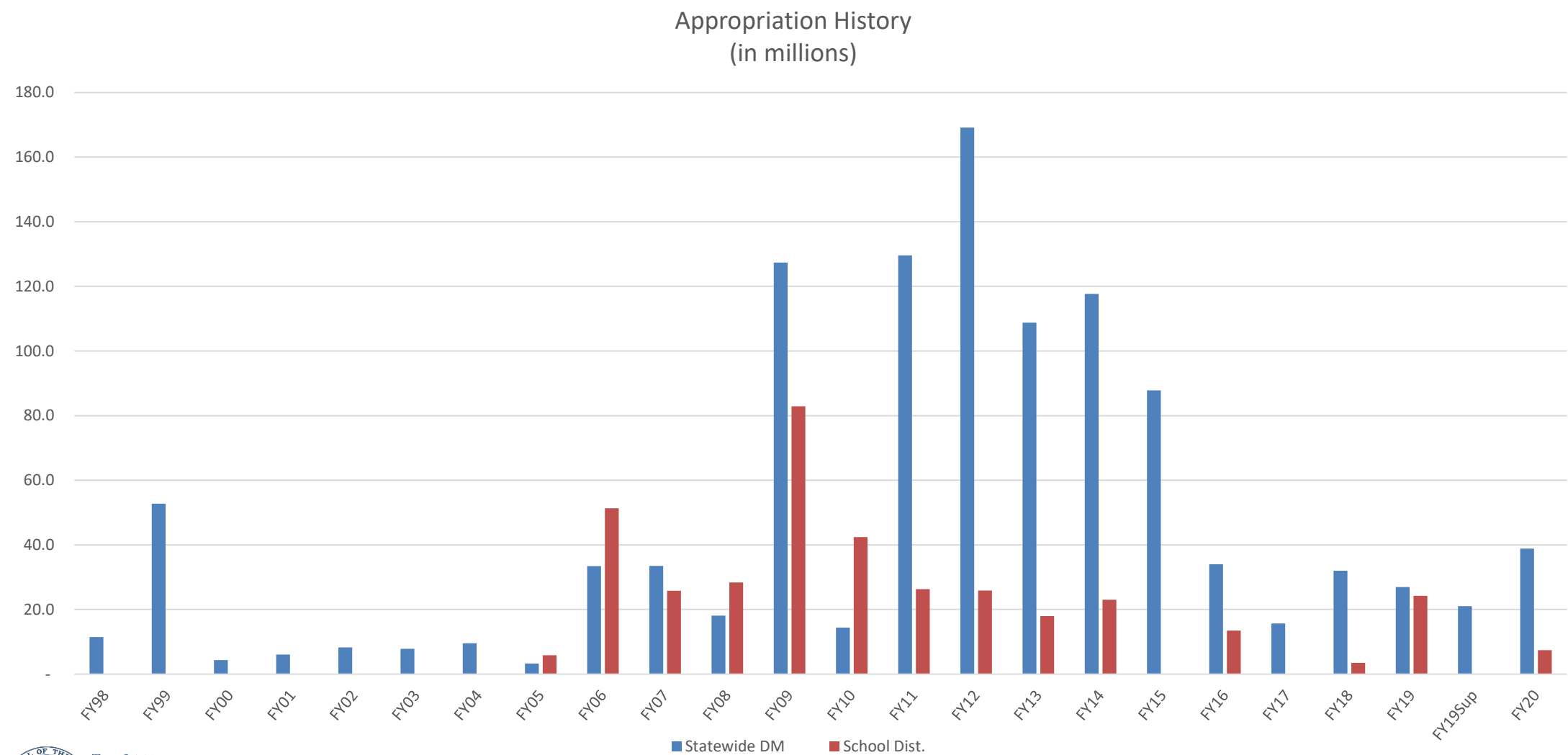
Deferred Maintenance: Backlog by Entity



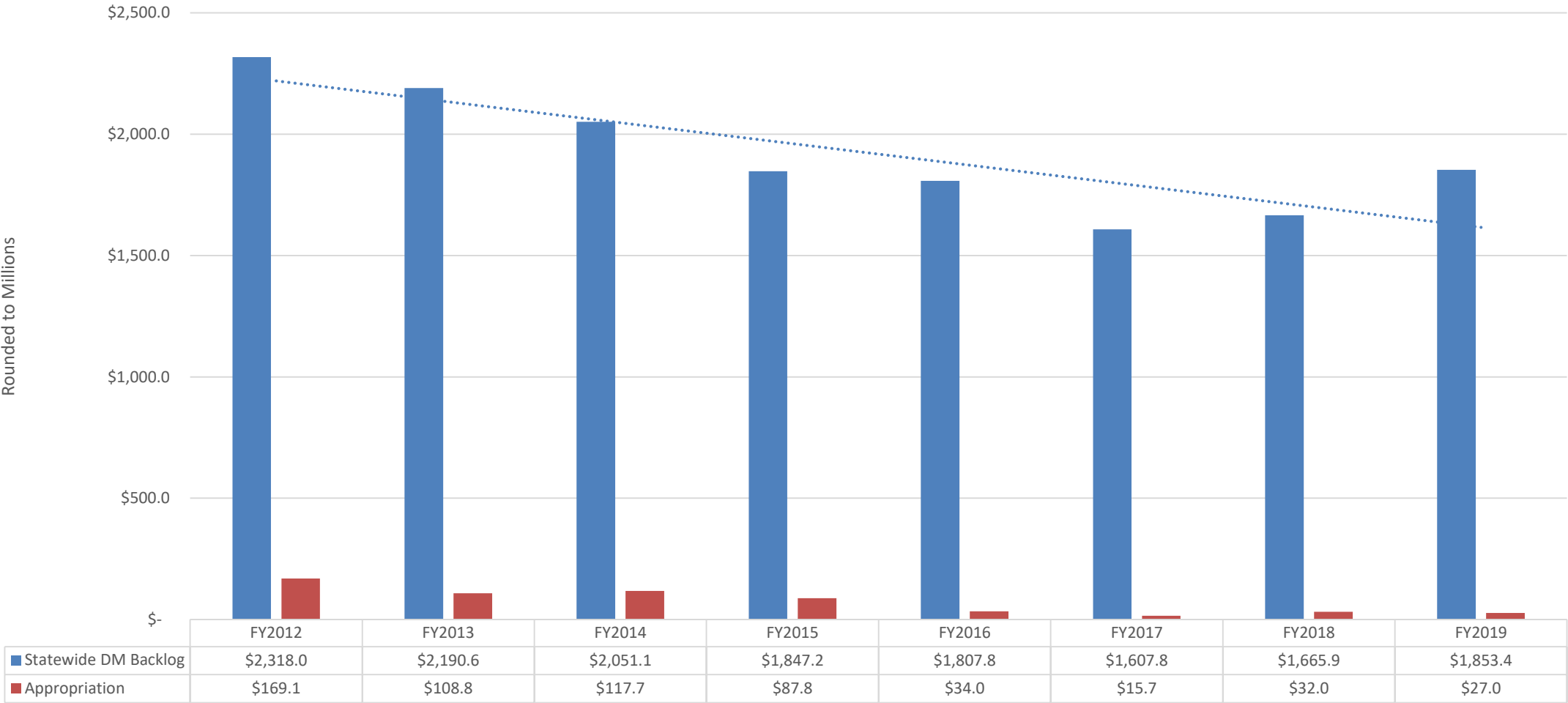
Deferred Maintenance: **Funding History**

- **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**
 - Initiative of \$100M annually for five years
 - Actual average funding of \$123M for DM; \$18.6M for School Districts

Deferred Maintenance: Funding History



Deferred Maintenance: Backlog (excluding school major maintenance)



Deferred Maintenance: [What We Have Learned & A Plan Forward](#)

- **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**

Deferred Maintenance: Alaska Capital Income Fund

- SLA2018 SB107 designated Alaska Capital Income Fund for Deferred Maintenance
- Supplemented by Large Passenger Vessel Gambling taxes in Governor's proposed budget
- Provides steady baseline funding for Deferred Maintenance
- Approximately \$35-40 million annually

Deferred Maintenance: Governor's Proposed Budget

- **FY2019**
 - **Supplemental: \$21 million DGF**
- **FY2020**
 - **Statewide Facilities: \$26.6 million DGF**
 - **K-12 Major Maintenance: \$7.4 million DGF**
 - **Public Building Fund: \$4.5 million Other**
 - **University: \$5.0 million DGF**
 - **Courts: \$2.8 million UGF**

Deferred Maintenance: FY2018 Statewide Appropriation Status

- SB23, FY2018 Capital, funded \$20M in statewide Deferred Maintenance
- Distributed across 8 agencies, prioritizing:
 - Life, health, and safety
 - Assets at risk of imminent failure
 - Timely project execution
 - Maintenance to space to meet program mission with demonstrated return on investment

Agency	Amount
DOA Facilities and SATS	5,140.0
Corrections	5,414.0
Education	601.5
Fish and Game	150.0
Health and Social Services	2,450.0
Labor and Workforce Development	1,000.0
Natural Resources	1,020.0
DOTPF Facilities and Marine Highway	3,820.0
Project Contingencies	404.5
Total	20,000.0

Deferred Maintenance: FY2019 Statewide Appropriation Status

- SB142, FY2019 Capital, funded \$20M in statewide Deferred Maintenance
- 28 projects across the 13 agencies
- Common projects include:
 - roof replacements
 - safety compliance replacements
 - plumbing and
 - electrical repairs
- Distributed remaining FY2018 funding

Agency	Amount
Administration	1,750.0
Corrections	4,080.0
Courts	193.0
Environmental Conservation	420.0
Education	691.0
Fish and Game	500.0
Military and Veterans Affairs	625.0
Health and Social Services	1,567.0
Labor and Workforce Development	1,350.0
Natural Resources	650.0
Public Safety	900.0
Transportation and Public Facilities	4,778.5
University	3,000.0
Total	20,504.5

Deferred Maintenance: Statewide Facilities Approach

Timeline:

2015 – EFMAC* Creation & Recommendations

*EFMAC = Executive
Facilities Maintenance
Advisory Committee

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

2017 – Determination of lead agency for Centralized Facilities Services – DOT&PF

- **Advantages to centralized operations and maintenance of state facilities**

- One lead agency
- A programmatic and inclusive view of our state building asset portfolio
- Commonality of processes, procedures and strategies

2018 – Initiation of the **Division of Facilities Services**

- Facilities from DOT&PF, DOA and DEED currently integrated
- Expansion ongoing through 2020 to include most agencies



Deferred Maintenance: **Opportunities**

- **Develop framework for facilities – maintenance, improvements and care - built on best practices, procedures and metrics**
- **Strive for a systematic, objective funding program**
- **Plan deferred maintenance improvements in a deliberate, comprehensive manner**
- **Integrate energy efficiency program into the process**
 - Leverage financeable energy improvement project opportunities to complement available deferred maintenance.
- **Develop Facilities Condition Indexes(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
- **Implement a Computerized Maintenance Management System (CMMS) for monitoring statewide maintenance and facilities conditions**

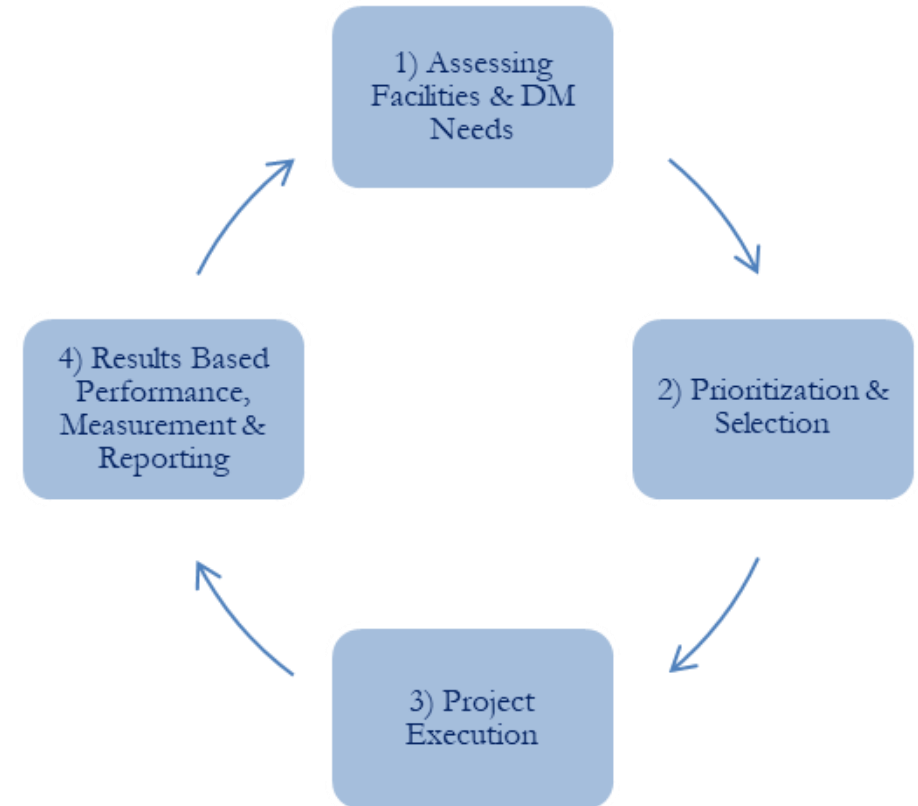


Deferred Maintenance: Strategy

Proposed Vision Forward - A Programmatic View

Establish effective, continuous, transparent and results based program to accomplish facilities deferred maintenance (DM) and energy efficiency improvements

- **Objective assessment** and uniform analysis of existing facility conditions, energy efficiency and DM needs.
- **Prioritization and selection integrating** - structured, consistent and predictable means of DM and energy projects.
- Execution of the selected and funded projects
- **Results based, measurable Key Performance Indicators** and reporting to show progress on project execution, facility improvement and return on investment.



Deferred Maintenance: Assessing Conditions & Needs

Deferred maintenance moving forward – statewide objective approach to assess conditions and comprehensively plan for preservation of assets:

- Beginning with Facility Assessments to develop Facilities Condition Indexes (**FCIs**) for each facility
- Incorporate building mission and system factors(Sf), (Mf)
- To arrive at *Project Index Values* that can be used to prioritize and vet priorities
- Further Incorporate **Energy Efficiency Factors** to determine opportunities to leverage a combined deferred maintenance and financed energy improvement project

$$FCI = \frac{\$ \text{Value of Maintenance, Repair \& Deficiencies}}{\$ \text{Replacement Value of Facility}}$$

Mission factor (Mf): based on criticality of the facility

*System factor (Sf): based on criticality of the system
(i.e. fire, life/safety, mechanical, etc.)*

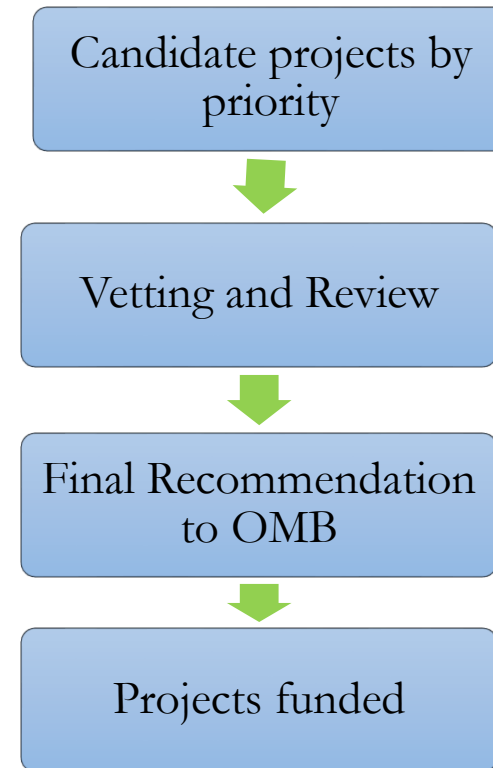
$$\text{Project Index Value} = FCI + Mf + Sf$$

*Energy Efficiency factors (Ef): based on energy intensity
of the facility (energy use or cost per square foot)*

Deferred Maintenance: Prioritization & Selection

Use a consistent and structured process for project selection:

1. Deferred Maintenance candidate projects prioritized by Project Index Value (PIV) and Energy improvement potential
2. Candidate projects reviewed by State Facilities Council for any adjustments and creation of recommended final list
3. Division of Facilities Services submits recommended deferred maintenance projects to OMB
4. State funds projects

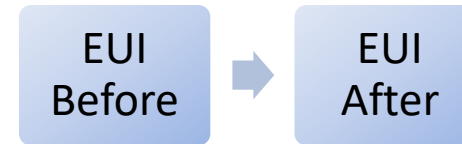
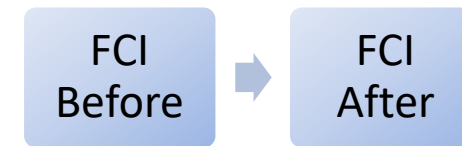


Deferred Maintenance: Results Based Performance & Reporting

Objective measurements to determine performance and improvements from completed deferred maintenance projects:

Potential Key Performance Indicators:

- FCI Improvements – before and after FCI values
- Energy Use Index (EUI) Improvement - before and after values
- Value of DM projects completed per year



Use or cost per sq. ft.

Measure the improvement

Deferred Maintenance: **Disposing of State Assets**

- **Property Disposal Directive**
 - State Facilities Council working group investigating options for reducing State's assets.
- **Broad and Complex** – each situation is a case-by-case basis
- **Governing Federal Regulations and Rules:**
 - Environmental regulations for contaminated sites and hazardous materials remediation
 - Multiple Federal Agency rules – Federal Highway Administration, Transit Administration, Aviation Administration
- **State Statutes**
 - AS 44.68.110, AS 02.15.060-070, AS 19.05.070, AS 14.07.030, AS 38.05.035 – authorizes Departments of Administration, Education, Transportation and National Resources over sales and transfers of property, dependent on type
- **Internal Policies**
 - Department of Administration Property Control Manual and guidance
- **Historical disposals** – have been limited
 - Includes DMVA, DOT&PF, DHSS, DNR, DF&G

Deferred Maintenance: **Looking Ahead**

- Develop framework for facilities – maintenance, improvements and care - built on best practices, procedures and metrics
- DM distribution considerations based on objective rating system to address most critical projects statewide
- Plan deferred maintenance improvements in a deliberate, comprehensive manner
- Build on successes and lessons learned
- Constant attention to preventative maintenance required
- Stewardship based on consistency and predictability

Deferred Maintenance: More Information on the Budget

OMB FY2020 Website:

<https://www.omb.alaska.gov/html/budget-report/fy2020-budget.html>

Agency and University Deferred Maintenance Listing:

https://www.omb.alaska.gov/ombfiles/20_budget/Gov/Amend/2020proj62700.pdf

https://www.omb.alaska.gov/ombfiles/20_budget/FY19AmdSupp_CapProject_2-13-19.pdf

School District Major Maintenance Listing:

<https://education.alaska.gov/Facilities/final/FY20MaintenanceFinalList.pdf>

Legislative Finance Division FY2020 Overview:

<http://www.legfin.state.ak.us/Overview/Overview2020.pdf>

Deferred Maintenance: Appendix

Deferred Maintenance: Backlog by Entity (excluding school major maintenance)

Statewide DM Backlog									
		FY2014 Total DM Backlog	FY2015 Total DM Backlog	FY2016 Total DM Backlog	FY2017 Total DM Backlog	FY2018 Total DM Backlog	FY2019 Total DM Backlog	Difference FY2018 to FY2019	% of Total DM Backlog
	Agency								
1	Administration	\$59,336,500	\$45,684,283	\$67,762,500	\$60,199,084	\$56,731,535	\$67,631,658	10,900,123	3.6%
2	Corrections	\$74,639,000	\$65,923,000	\$59,360,000	\$45,661,000	\$40,580,000	\$39,680,000	(900,000)	2.1%
3	Education	\$16,747,000	\$15,063,000	\$16,451,000	\$20,741,000	\$21,156,000	\$18,066,500	(3,089,500)	1.0%
4	Environmental Conservation	\$200,000	\$280,000	\$0	\$0	\$0	\$760,000	760,000	0.0%
5	Fish & Game	\$1,400,000	\$1,400,000	\$1,400,000	\$950,000	\$2,234,000	\$2,091,400	(142,600)	0.1%
6	Health & Social Services	\$23,830,449	\$18,220,049	\$24,151,000	\$29,101,011	\$27,774,047	\$34,509,834	6,735,787	1.9%
7	Labor	\$21,350,000	\$15,080,000	\$11,860,000	\$12,895,000	\$15,720,000	\$18,550,000	2,830,000	1.0%
8	Military	\$46,549,464	\$48,235,722	\$27,224,800	\$0	\$60,006,533	\$36,822,500	(23,184,033)	2.0%
9	Natural Resources	\$75,571,800	\$73,235,800	\$70,165,000	\$73,195,000	\$71,046,500	\$68,971,000	(2,075,500)	3.7%
10	Public Safety	\$6,266,940	\$6,674,743	\$5,288,100	\$2,000,000	\$1,700,000	\$3,460,000	1,760,000	0.2%
11	Transportation	\$515,319,809	\$459,183,724	\$434,923,900	\$346,516,150	\$302,440,330	\$319,873,400	17,433,070	17.3%
	Facilities	\$32,847,700	\$24,460,600	\$27,254,600	\$21,105,600	\$18,900,600	\$20,880,600	1,980,000	1.1%
	Highways	\$403,920,600	\$360,028,200	\$301,957,000	\$237,756,950	\$196,568,450	\$219,426,200	22,857,750	11.8%
	Aviation	\$50,194,500	\$51,597,500	\$77,618,500	\$69,447,500	\$70,962,500	\$58,110,000	(12,852,500)	4.3%
	Harbors	\$15,931,700	\$9,538,200	\$14,534,600	\$15,200,600	\$12,867,280	\$18,390,100	5,522,820	0.8%
	Marine Highways	\$12,425,309	\$13,559,224	\$13,559,200	\$3,005,500	\$3,141,500	\$3,066,500	-	0.2%
12	University	\$1,203,028,800	\$1,091,237,668	\$1,080,551,300	\$1,008,793,562	\$1,061,256,609	\$1,236,607,476	175,350,867	66.7%
13	Courts	\$6,853,996	\$6,952,090	\$8,655,500	\$7,715,454	\$5,260,054	\$6,396,600	250,000	0.3%
14	Total:	\$2,051,093,758	\$1,847,170,079	\$1,807,793,100	\$1,607,767,261	\$1,665,905,607	\$1,853,420,367	204,136,284	100%

Deferred Maintenance: University Funding & Backlog

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
University Funding	30,000,000	19,273,000	3,000,000	-	5,000,000	3,000,000
University Backlog	1,203,028,800	1,091,237,668	1,080,551,300	1,008,793,562	1,061,256,609	1,236,607,476

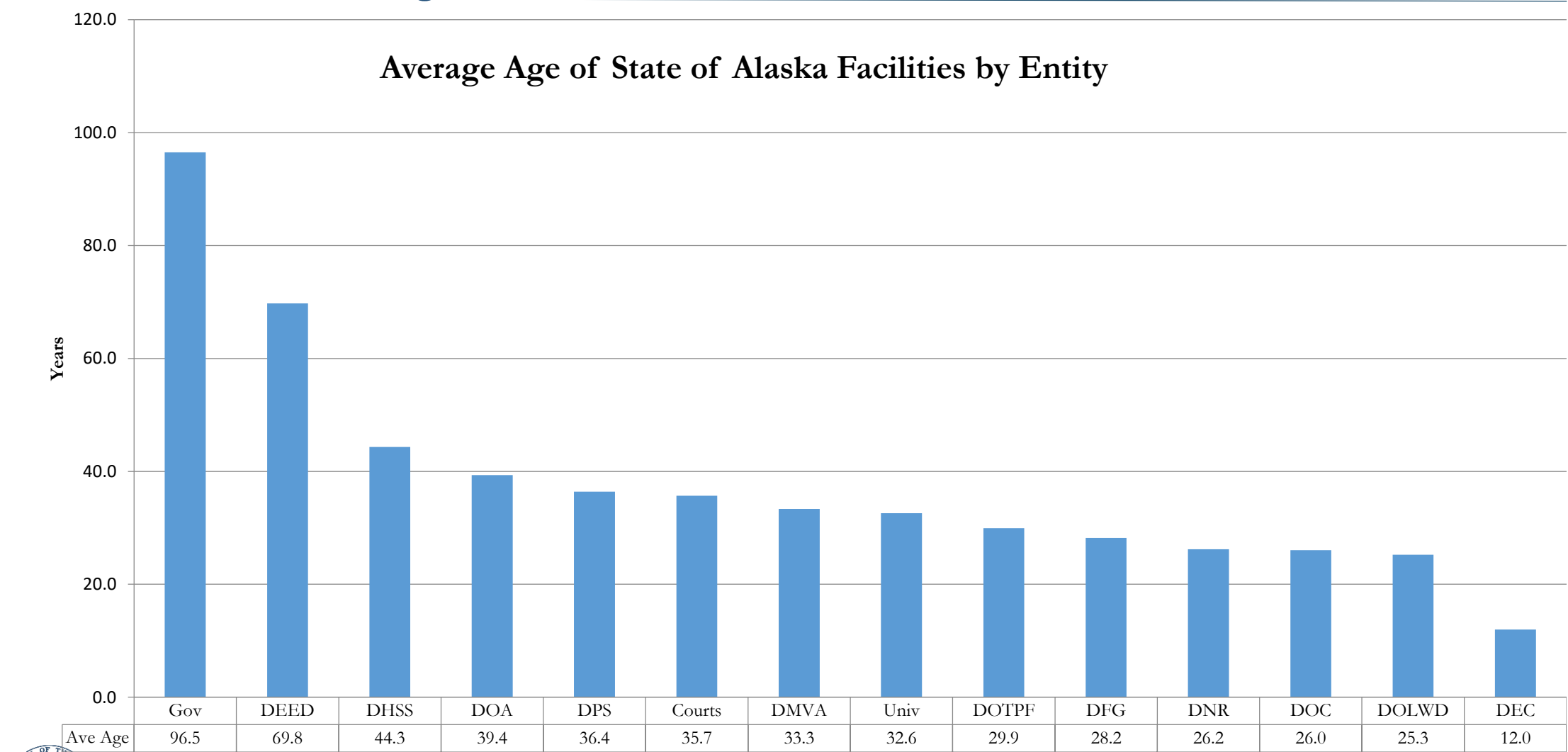
Deferred Maintenance: DM Expenditure Report (by Year)

	A	B	C	D	E	F	G	H
1	Fiscal Year	Auth	Exp	Enc	Unobligated	Anticipated Exp by 6/30/2019	Anticipated Exp by 6/30/2020	% Expended
2	2008	2,744.0	2,461.8	282.2	0.0	12.8	230.1	90%
3	2009	0.0	0.0	0.0	0.0	0.0	0.0	0%
4	2010	8,950.0	8,946.3	3.3	0.3	3.6	0.0	100%
5	2011	26,367.6	25,541.7	236.8	589.1	177.6	59.2	97%
6	2012	41,051.5	36,408.3	1,872.1	2,771.1	1,535.6	2,870.1	89%
7	2013	84,348.1	81,555.7	1,574.8	1,217.6	1,670.0	984.1	97%
8	2014	97,860.6	87,794.3	5,486.6	4,578.6	5,904.3	3,489.8	90%
9	2015	76,353.6	59,938.1	8,748.2	7,667.1	12,677.9	2,833.9	79%
10	2016	27,356.2	10,481.7	5,943.1	10,931.3	4,258.8	7,870.4	38%
11	2017	21,253.7	7,312.4	5,941.6	7,999.7	4,886.3	7,590.8	34%
12	2018	26,071.9	6,889.6	7,656.6	11,525.7	10,526.8	8,105.7	26%
13	2019	15,278.0	5.2	115.1	14,907.7	3,143.4	8,208.2	0%
14	Total	427,635.2	327,335.1	37,860.5	62,188.3	44,797.1	42,242.3	77%

Deferred Maintenance: DM Expenditure Report (by Agency)

	A	B	C	D	E	F	G	H
	Agency	Auth	Exp	Enc	Unobligated	Anticipated Exp by 6/30/2019	Anticipated Exp by 6/30/2020	% Expended
17	DOA	55,694.9	34,142.4	6,958.6	14,593.9	9,697.5	9,253.2	61%
18	DOC	35,269.0	26,220.9	6,031.4	3,016.7	3,288.3	3,596.4	74%
19	DEC	820.0	340.8	6.0	473.2	263.2	420.0	42%
20	DEED	6,887.5	5,265.1	914.0	708.4	533.1	575.0	76%
21	F&G	11,074.5	9,948.9	132.7	992.9	296.8	100.0	90%
22	DHSS	25,637.3	14,327.3	5,283.2	6,026.8	6,636.8	4,677.3	56%
23	DOLWD	3,731.2	1,798.3	96.3	1,836.6	839.7	1,093.2	48%
24	DMVA	25,529.7	5,871.1	3,244.2	16,414.4	4,073.2	11,529.2	23%
25	DNR	9,492.1	7,257.0	475.0	1,508.9	1,431.1	0.0	76%
26	DPS	6,148.9	2,658.6	1,319.4	2,170.9	830.3	1,330.8	43%
27	DOTPF	140,430.0	128,606.6	11,326.1	497.3	8,867.6	2,955.9	92%
28	Univ	99,773.0	87,827.0	2,053.4	9,892.6	6,584.2	4,090.8	88%
29	Courts	7,147.1	3,071.2	20.1	4,055.8	1,455.3	2,620.6	43%
30	Total	427,635.2	327,335.1	37,860.5	62,188.3	44,797.1	42,242.3	77%
31								
32								
33	*Authorized amounts shown are from active projects only. Completed projects are ignored.							

Deferred Maintenance: Age of Facilities



Deferred Maintenance: Age of Facilities

	Prior to 1970		1970-1979		1980-1989		1990-1999		2000-2009		2010-Present	
Total (count)	386	3,537,805	347	4,371,920	372	2,726,401	615	3,094,803	467	2,373,858	87	1,030,542
Total (%)	17%	21%	15%	26%	16%	16%	27%	18%	21%	14%	4%	6%
Age	>47 Years		Between 47 & 38 Yrs		Between 37 & 28 Yrs		Between 27 & 18 Yrs		Between 17 & 8 Yrs		<8 Years	
Agency	Count	% Sq Ft	Count	% Sq Ft	Count	% Sq Ft	Count	% Sq Ft	Count	% Sq Ft	Count	% Sq Ft
DOA	5	14.3%	5	11.2%	2	5.2%	3	11.6%	1	3.3%	1	11.5%
DOC	3	4.2%	14	3.7%	46	19.9%	33	7.1%	34	9.9%	8	41.6%
DEED	13	5.9%	1	0.3%	2	1.0%	0	0.0%	0	0.0%	0	0.0%
DEC	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	1.0%	0	0.0%
DFG	29	1.3%	28	2.0%	21	1.2%	114	4.2%	47	3.8%	22	25.2%
Gov	2	1.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DHSS	13	8.1%	8	6.2%	8	3.4%	9	3.5%	4	6.3%	1	0.7%
DOLWD	0	0.0%	4	2.0%	3	1.2%	2	0.4%	5	1.4%	2	1.7%
DMVA	83	6.7%	40	3.8%	40	5.0%	126	22.2%	46	13.1%	2	0.3%
DNR	21	0.8%	16	0.9%	68	3.7%	121	3.9%	118	5.8%	1	0.1%
DPS	11	1.4%	3	1.0%	5	1.9%	9	0.4%	4	0.1%	1	1.5%
DOTPF	108	10.2%	113	16.0%	78	6.1%	137	8.4%	162	20.1%	47	17.1%
Univ	96	41.8%	109	49.1%	99	51.2%	58	28.7%	43	29.8%	2	0.5%
Courts	2	4.0%	6	3.7%	0	0.0%	3	9.7%	2	5.6%	0	0.0%

Deferred Maintenance: Replacement Value of our Facilities

Agency	Total		Total by %	
	Count	Replace \$	Count %	Replace \$
2 Administration	17	914,909,600	1%	11%
20 Corrections	138	945,057,005	6%	11%
5 Education and Early Development	16	121,198,350	1%	1%
18 Environmental Conservation	1	22,610,000	0%	0%
11 Fish and Game	261	258,345,075	11%	3%
1 Office of the Governor	2	21,496,000	0%	0%
6 Health and Social Services	43	729,893,750	2%	9%
7 Labor and Workforce Development	16	90,787,500	1%	1%
9 Military and Veterans Affairs	337	425,439,640	15%	5%
10 Natural Resources	345	112,036,200	15%	1%
12 Public Safety	33	67,673,648	1%	1%
25 Transportation and Public Facilities	645	1,168,510,868	28%	14%
45 University of Alaska	407	3,118,251,424	18%	38%
41 Courts	13	293,152,700	1%	4%
Total	2,274	8,289,361,760	100%	100%

Deferred Maintenance: Known Disposed Assets (Last 20 Years)

- **Department of Health and Social Services**
 - Ketchikan Youth Center – returned back to city
- **Department of Fish and Game**
 - Birch Lake Land parcel
- **Department of Natural Resources**
 - Sold facility associated with the Agriculture Revolving Loan Fund (ARLF)
- **Department of Labor and Workforce Development**
 - Vacated a facility in Glennallen
- **Department of Military and Veterans Affairs**
 - 15 Army National Guard facilities with 50 others either planned or in progress
- **Department of Transportation and Public Facilities**
 - 2 facilities sold from Kulis - ANC