

State of Alaska Deferred Maintenance Update

Senate Finance Committee

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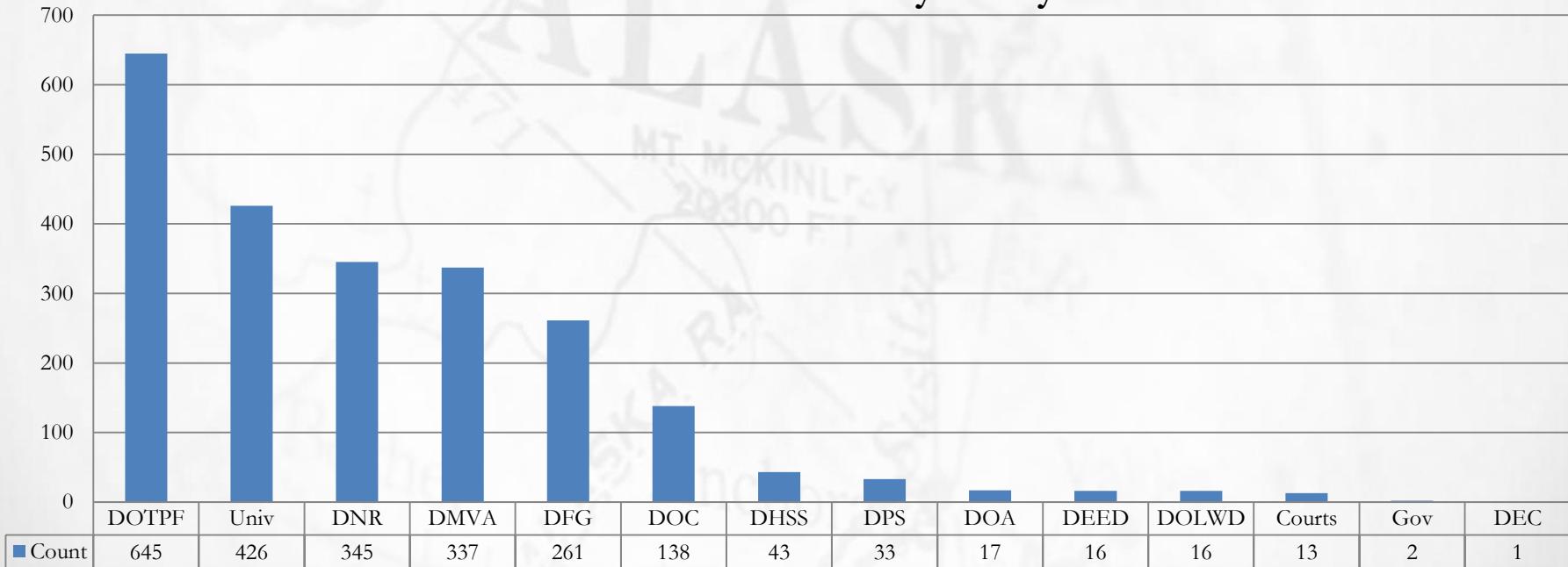
What is Deferred Maintenance?

- **Maintenance that is postponed due to lack of resources**
 - Keep assets in safe, effective, working condition
- **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

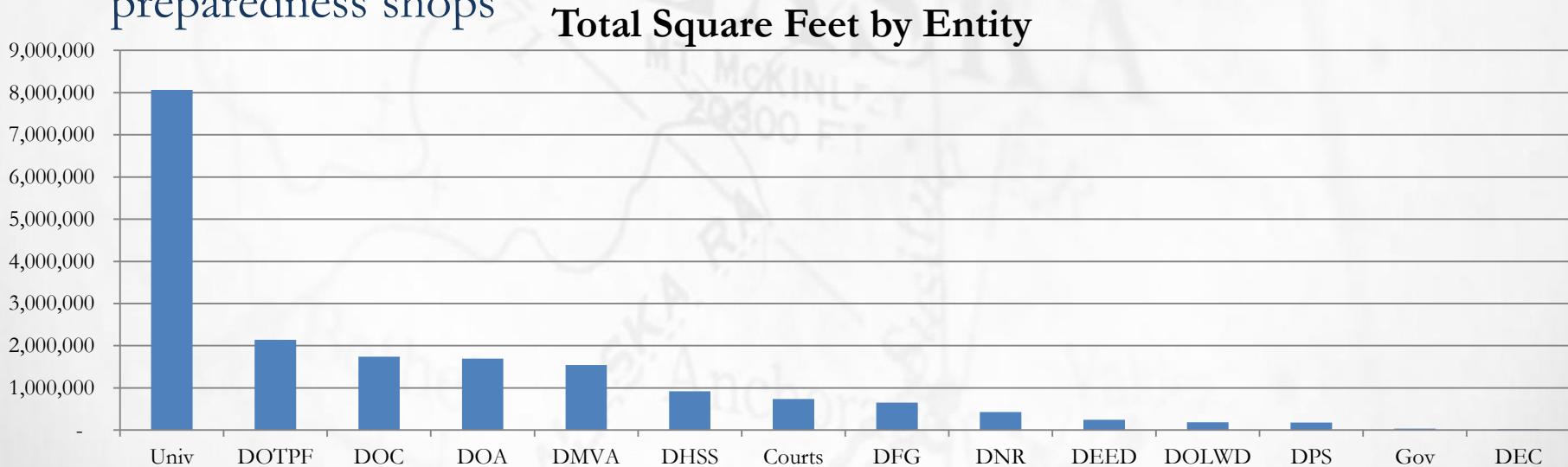
Number of Facilities by Entity



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What do our Facilities Look Like?

- **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 base facilities and statewide armories
 - DNR oversees park service cabins, shelters, fire suppression and preparedness shops



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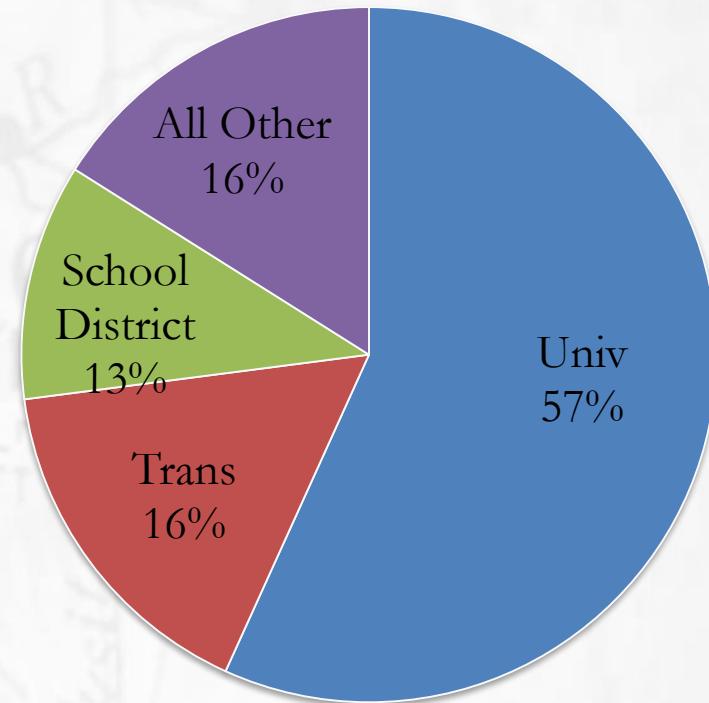
Statewide Deferred Maintenance Totals

- **Total of \$1.87 billion, including**
 - Executive agencies and Courts \$1.66 billion
 - School District Major Maintenance \$205.6 million;
\$142.9 million as the State share
 - ❖ Agency DM total is comprehensive
 - ❖ School Major Maintenance total are only district's highest priorities
- **Total peaked at \$2.3 billion in FY2012**
 - Reduced significantly through a five-year funding plan
- **Beginning to trend up**

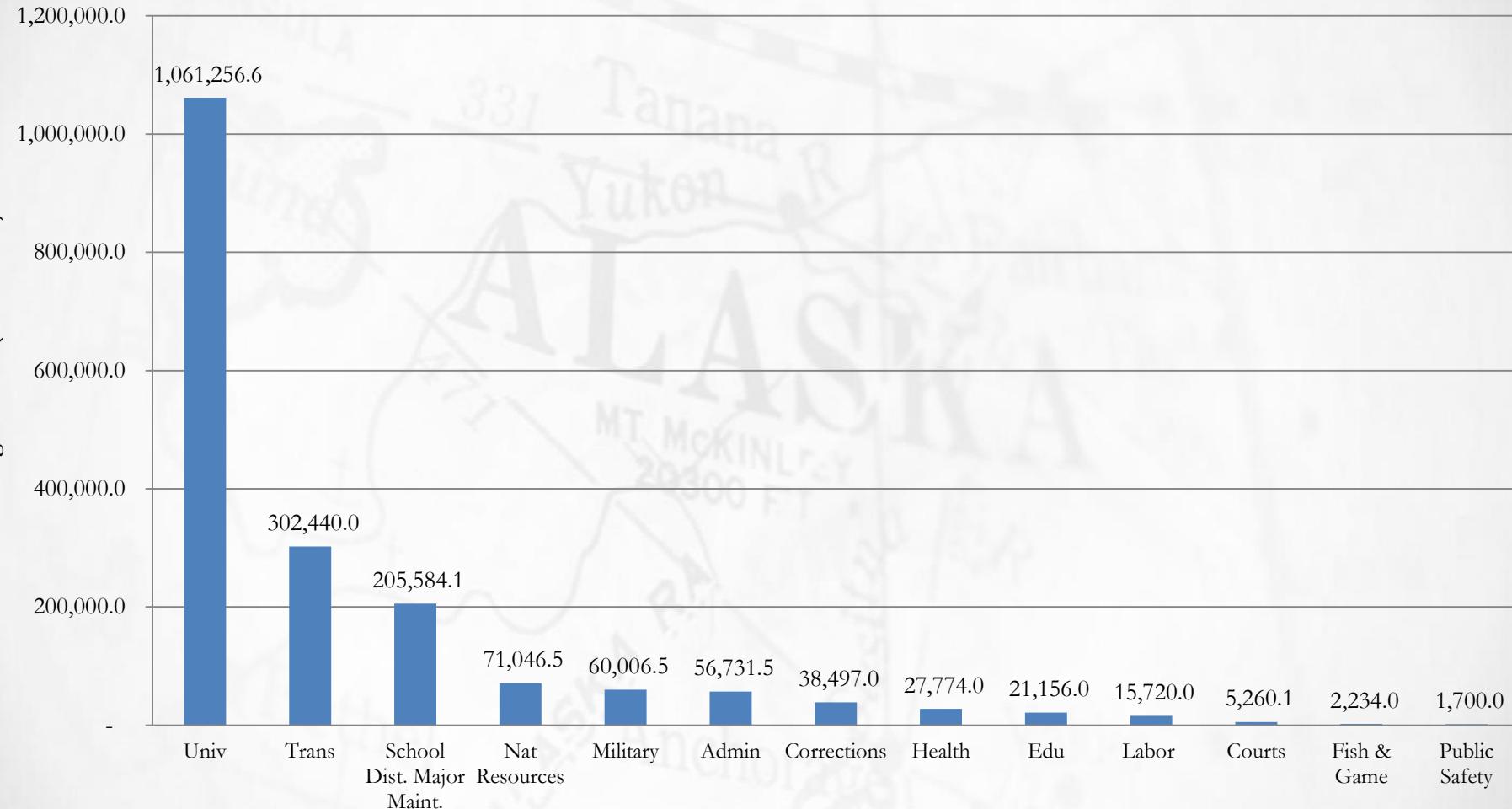
FY2018 Deferred Maintenance Backlog by Entity

- The majority of deferred maintenance backlog is within the University of Alaska (\$1B) and the Department of Transportation and Public Facilities (\$302M)
- School District Major Maintenance requests total \$206M
- All other entities total \$300M

FY2018



FY2018 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**
 - Gov initiative of \$100M annually for five years
 - Actual average funding of \$123M for DM; \$18.6M for School Districts

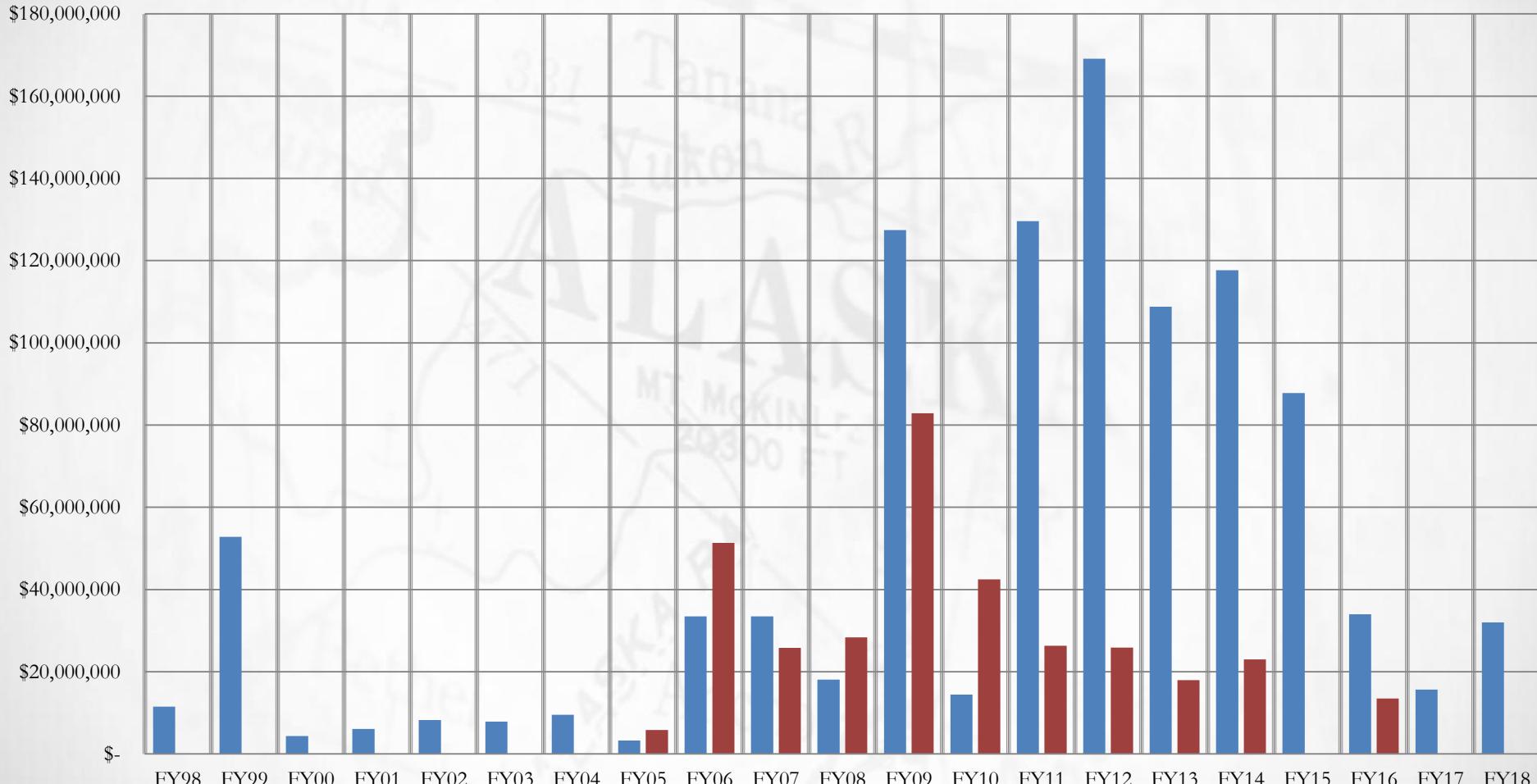


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Deferred Maintenance Funding History

Statewide DM and School District

■ Statewide DM ■ School Dist.



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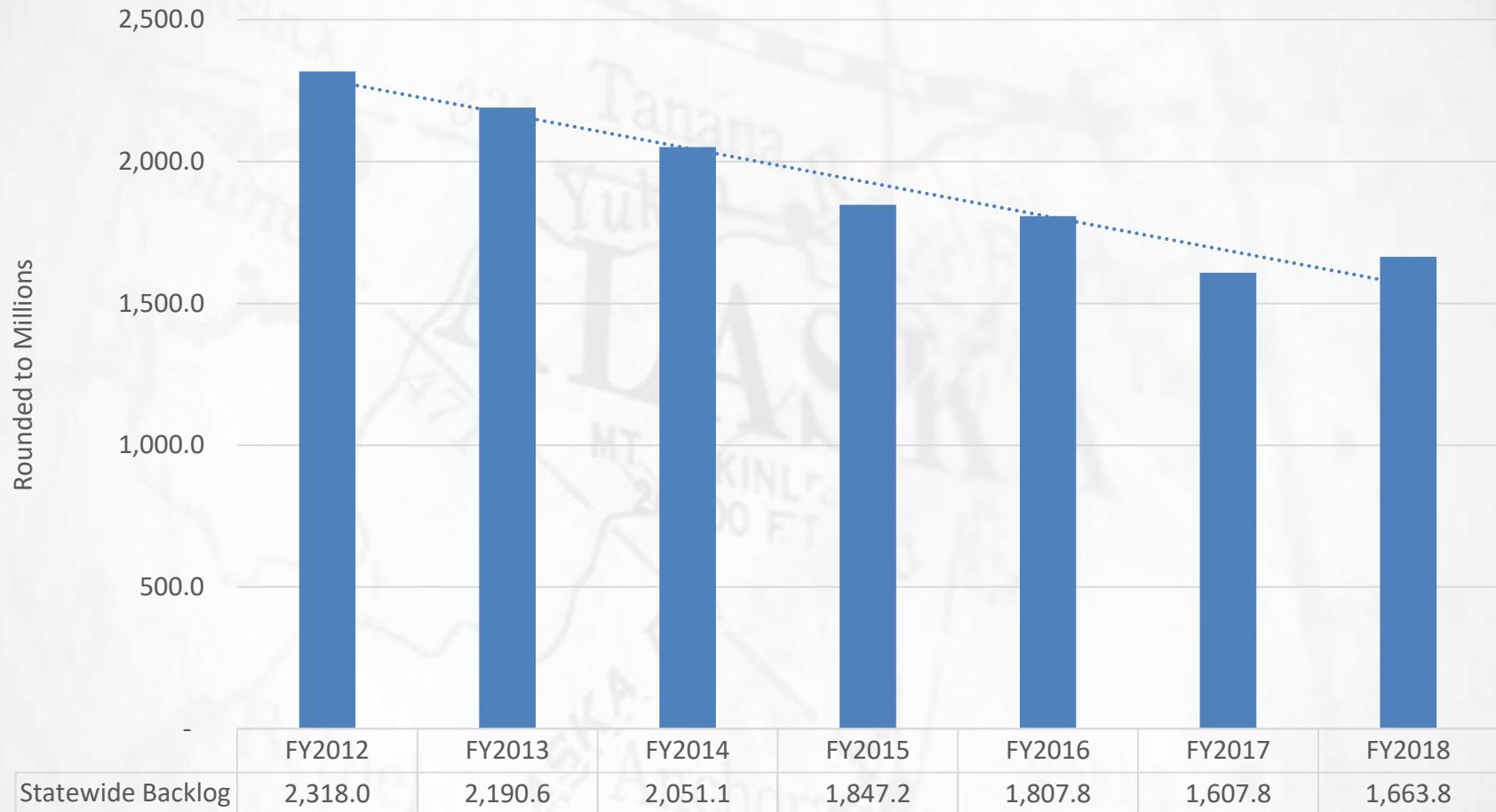
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What We've Learned & A Plan Forward

- **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 Backlog

*Excludes School Major Maintenance



Alaska Economic Recovery Act Plan

- Separate capital appropriation - SB140
- Funded by a 1.5% wage tax, sunsetting after 2.5 years – SB139
- 3-year plan to address the growing maintenance liability; put Alaskans back to work
- Statewide Agency; UA, and Courts DM:
 - \$113M in FY19; \$106M in FY20; \$94M in FY21
- School District Major Maintenance:
 - \$40M in FY19 and FY20; \$38M in FY21

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

FY2018 Statewide Appropriation Status

| Agency | Amount |
|--------------------------------------|-----------------|
| Administration | 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 |
| Transportation and Public Facilities | 3,820.0 |
| Total | 19,595.5 |

- **41 projects across the 8 agencies**
- **Common projects include roof replacements; fire and sprinkler replacements; sewer and water repairs**

Statewide Facilities Maintenance

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*

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

Opportunities

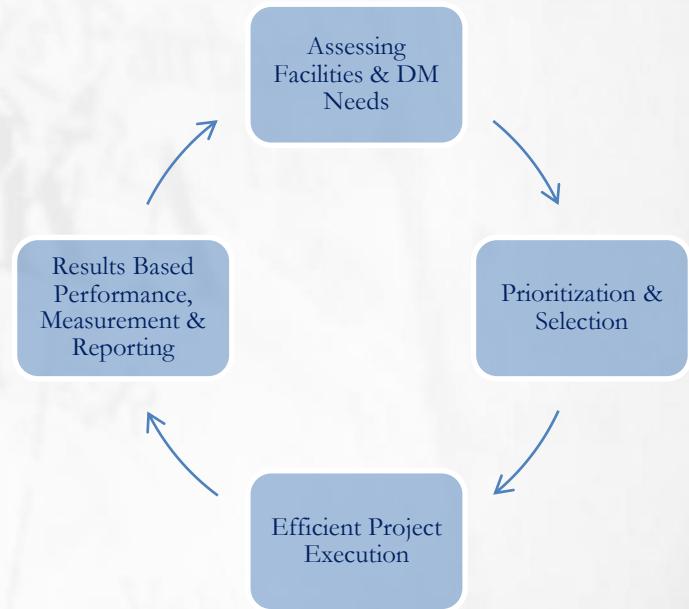
- **Plan deferred maintenance of facilities in a deliberate, comprehensive manner**
- **Starts with inspections to develop a Facilities Condition Index (FCI)**
 - Provide holistic view of all state building assets
 - Baseline health of our assets; prioritize deferred maintenance needs
 - Analyze backlog of existing deferred maintenance items in relation to actual needs
- **Develop a framework built on best practices: procedures; provide data/metrics to measure progress**
- **Implement a Computerized Maintenance Management System (CMMS)**
- **Strive for a systematic funding program for major maintenance and system life cycle replacement**



Deferred Maintenance Strategy

The Vision: Establish an effective, continuous, transparent and results based program of accomplishing facilities deferred maintenance (DM) projects through:

- **Objective assessment** and uniform analysis of existing conditions and DM needs.
- Structured, consistent and predictable means of **prioritizing** and **selecting** DM projects.
- **Results based, measurable Key Performance Indicators** and reporting to show progress on project execution, facility improvement and return on investment.



Assessing Conditions & Needs

Objective and data driven approach to assess conditions and comprehensively plan for recapitalization of state building assets:

- Begin with Facility Assessments to develop Facilities Condition Indexes (**FCIs**) for each facility:
 - Measure conditions based on uniform criteria
- Also Incorporate:
 - Building Safety Category Factor (**Sf**)
(to be further refined and developed – perhaps weighted)
 - Departmental Building Mission Critical Factor (**Mf**)
(to be further refined and developed)
 - Other possible additional factors

Example

$$FCI = \frac{\$ Value of Maintenance, Repair & Deficiencies}{\$ Replacement Value of Facility} \quad \frac{\$ 1M}{\$ 10M} = 0.1$$

| Category | Range | |
|--------------------|------------|--------------------------|
| Fire / Life Safety | 0.75 – 1.0 | Fire / Life Safety = 1.0 |
| Security | 0.5 – 0.75 | |
| Bldg Integrity | 0.25 – 0.5 | |
| Code /Other | 0.1 – 0.25 | |

| Bldg | Range | |
|-----------|-----------|-----------------|
| Essential | 0.5 – 1.0 | Essential = 1.0 |
| Other | 0.1 – 0.5 | |

$$\text{Project Index Value} = FCI + Sf + Mf = 2.1$$

Way ahead

- **Build on Successes of Juneau Pilot**
- **Advance in waves to bring in all state facilities**
- **Results-based reporting to investors, stakeholders, public**
- **Assess facility utilization**
- **Stewardship based on consistency and predictability**

Future Considerations

- The Governor's Economic Recovery Plan addresses the State's growing maintenance liability over a three-year period
- 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

OMB FY2019 Website:

<https://www.omb.alaska.gov/html/budget-report/fy2019-budget/proposed.html>

Alaska Economic Recovery Act Overview:

https://www.omb.alaska.gov/ombfiles/19_budget/PDFs/Alaska_Economic_Recovery_Plan_Overview_12-15-17.pdf

Agency and University Deferred Maintenance Listing:

https://www.omb.alaska.gov/ombfiles/19_budget/Gov/Proposed/2019proj61795.pdf
https://www.omb.alaska.gov/ombfiles/19_budget/UA/Proposed/2019proj45326.pdf

School District Major Maintenance Listing:

https://education.alaska.gov/facilities/final/FY19_MaintenanceFinalList.pdf

Legislative Finance Division FY2019 Overview:

<http://www.legfin.state.ak.us/Overview/Overview2019.pdf>