

State of Alaska Deferred Maintenance Update

Senate Finance Committee

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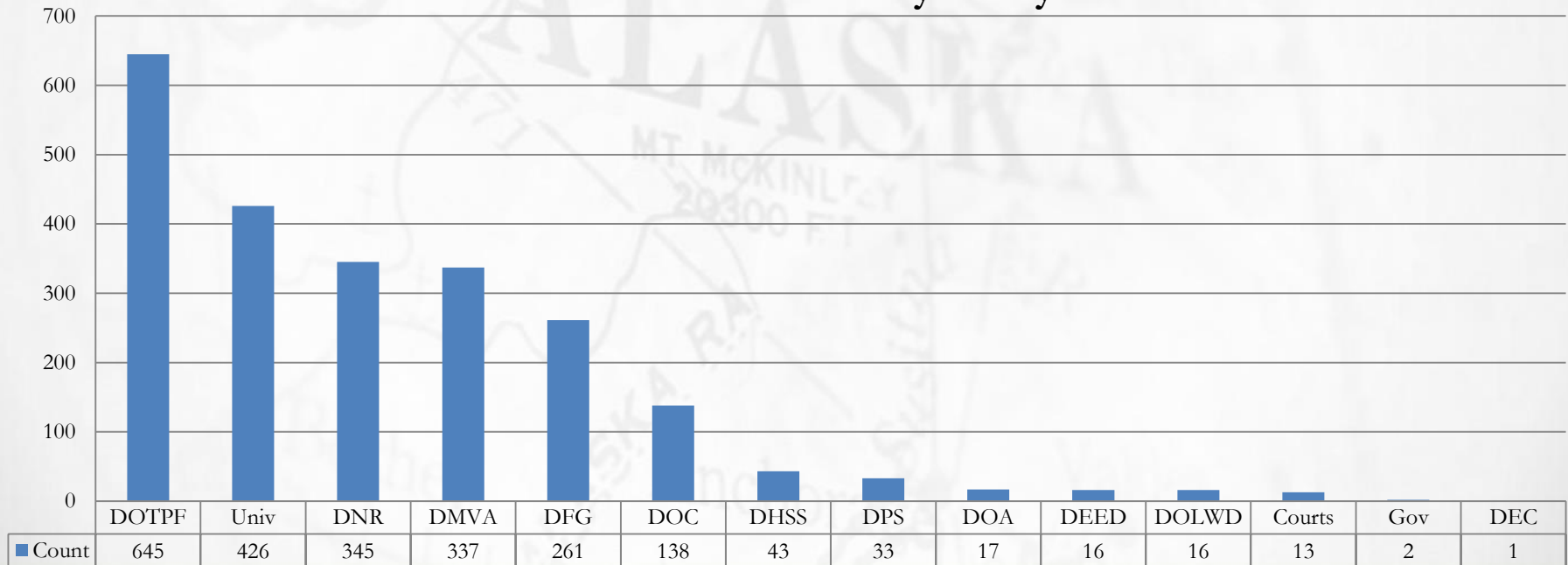
What is Deferred Maintenance?

- **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

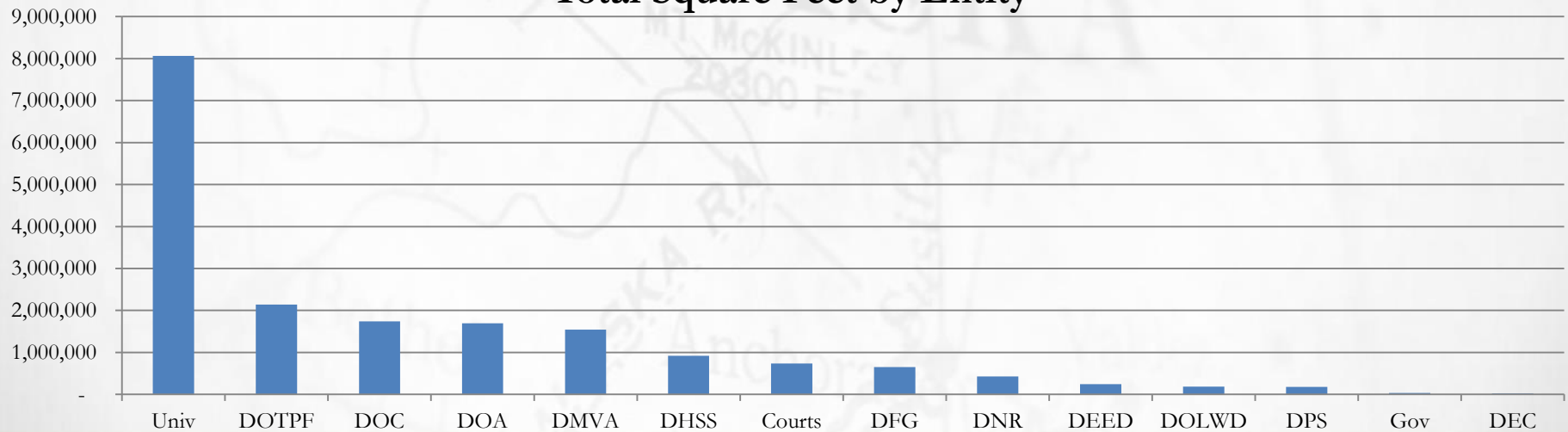
Number of Facilities by Entity



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



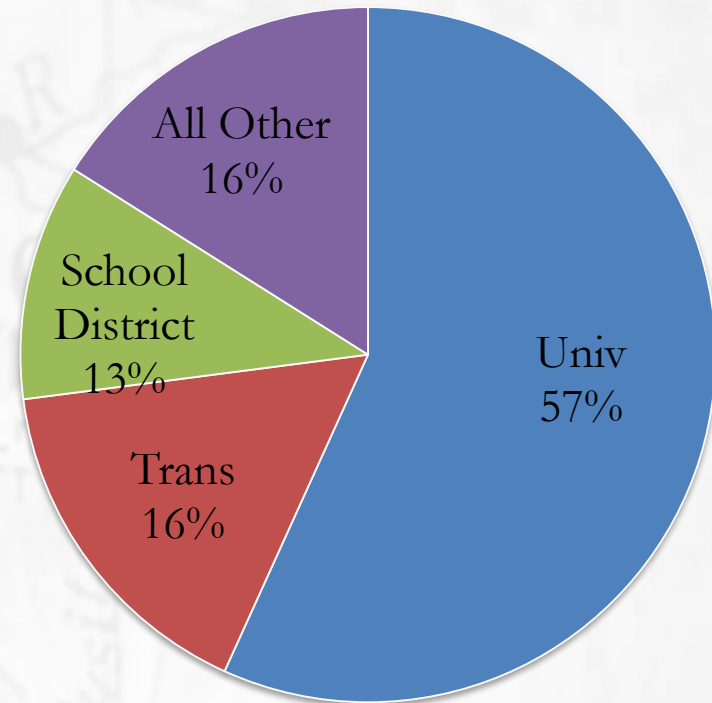
Statewide Deferred Maintenance Totals

- **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**

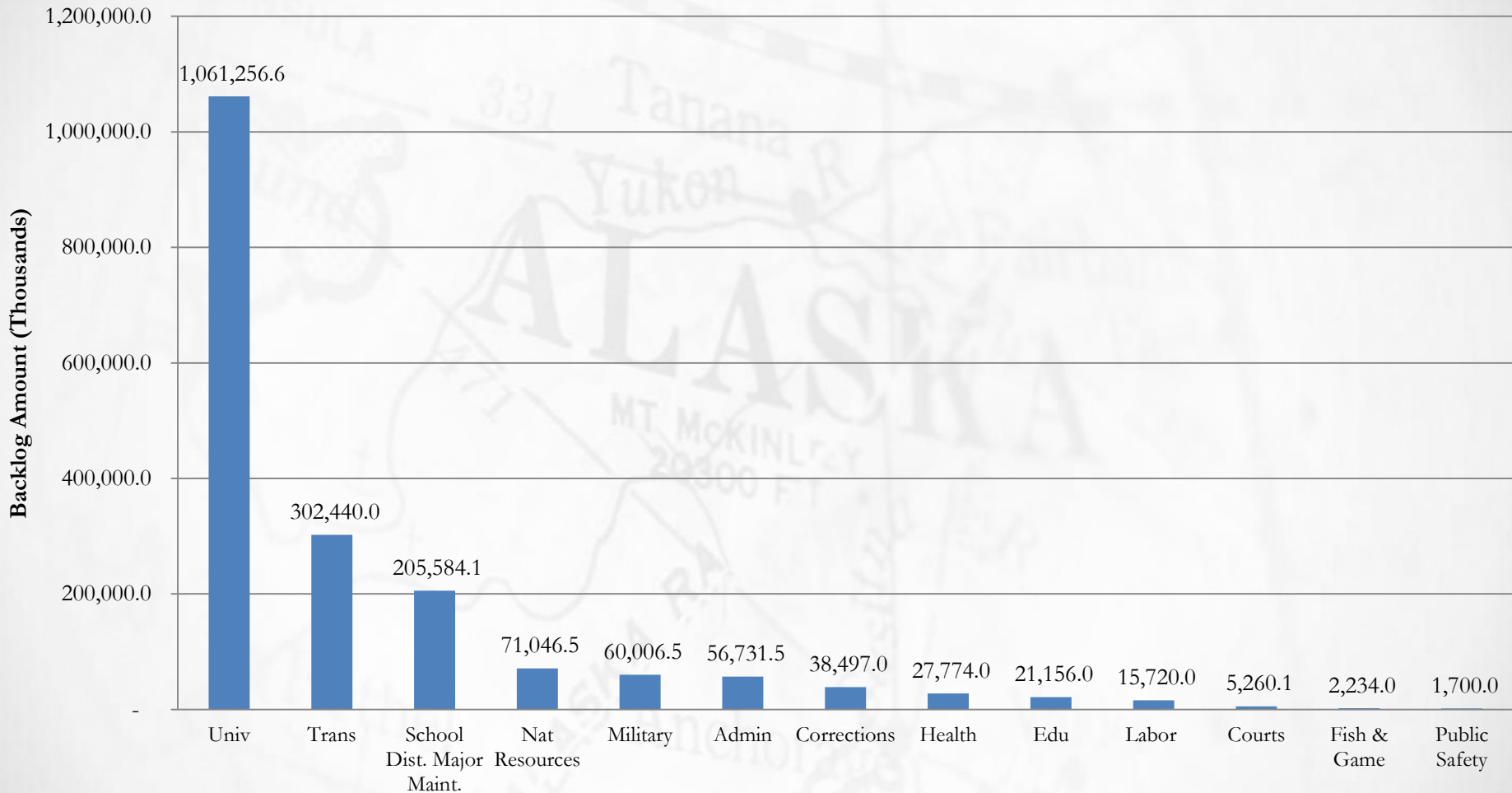
FY2018 Deferred Maintenance Backlog by Entity

FY2018

- 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 Deferred Maintenance Backlog by Entity

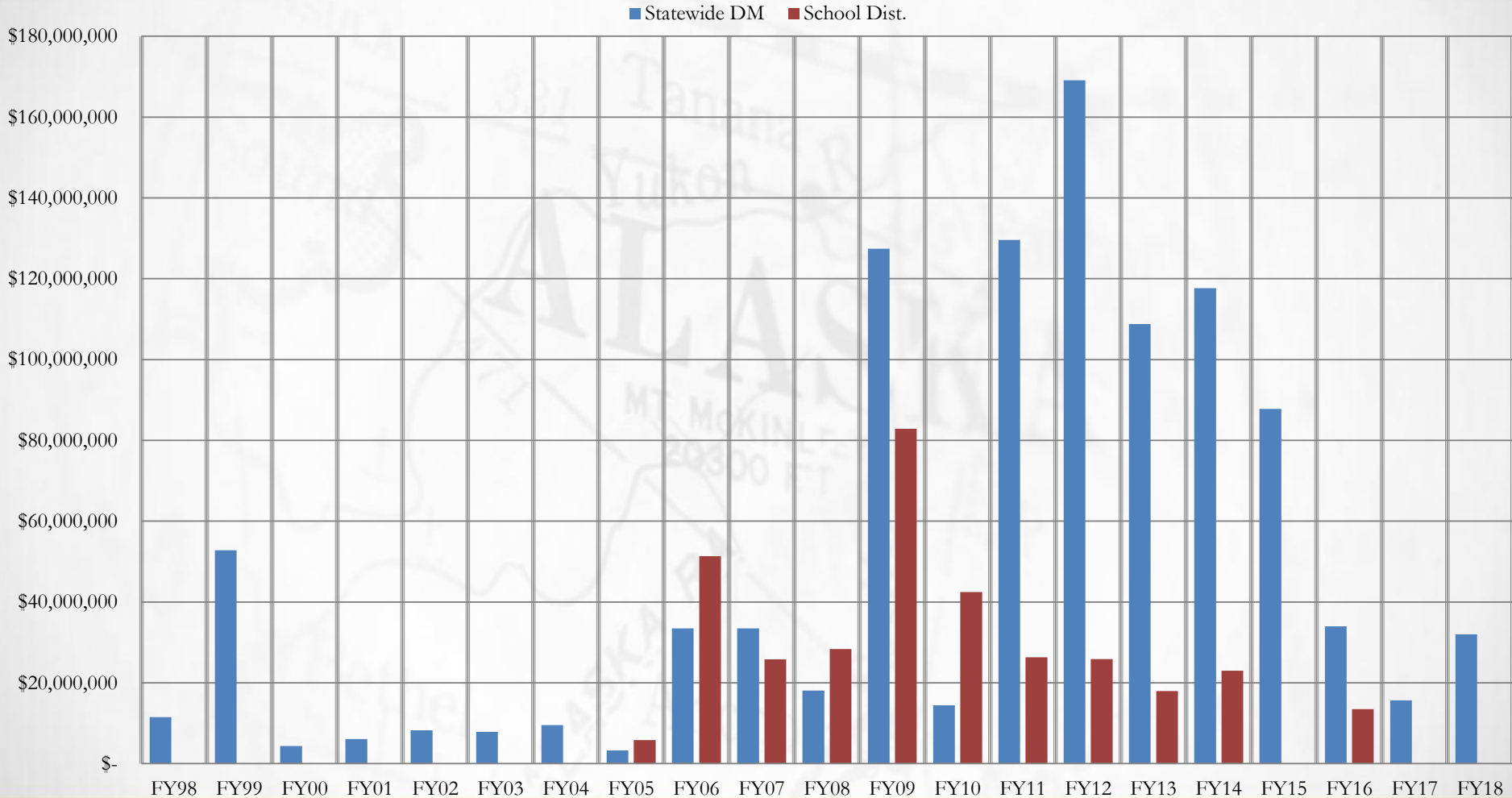


Deferred Maintenance Funding History

- **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

Deferred Maintenance Funding History

Statewide DM and School District

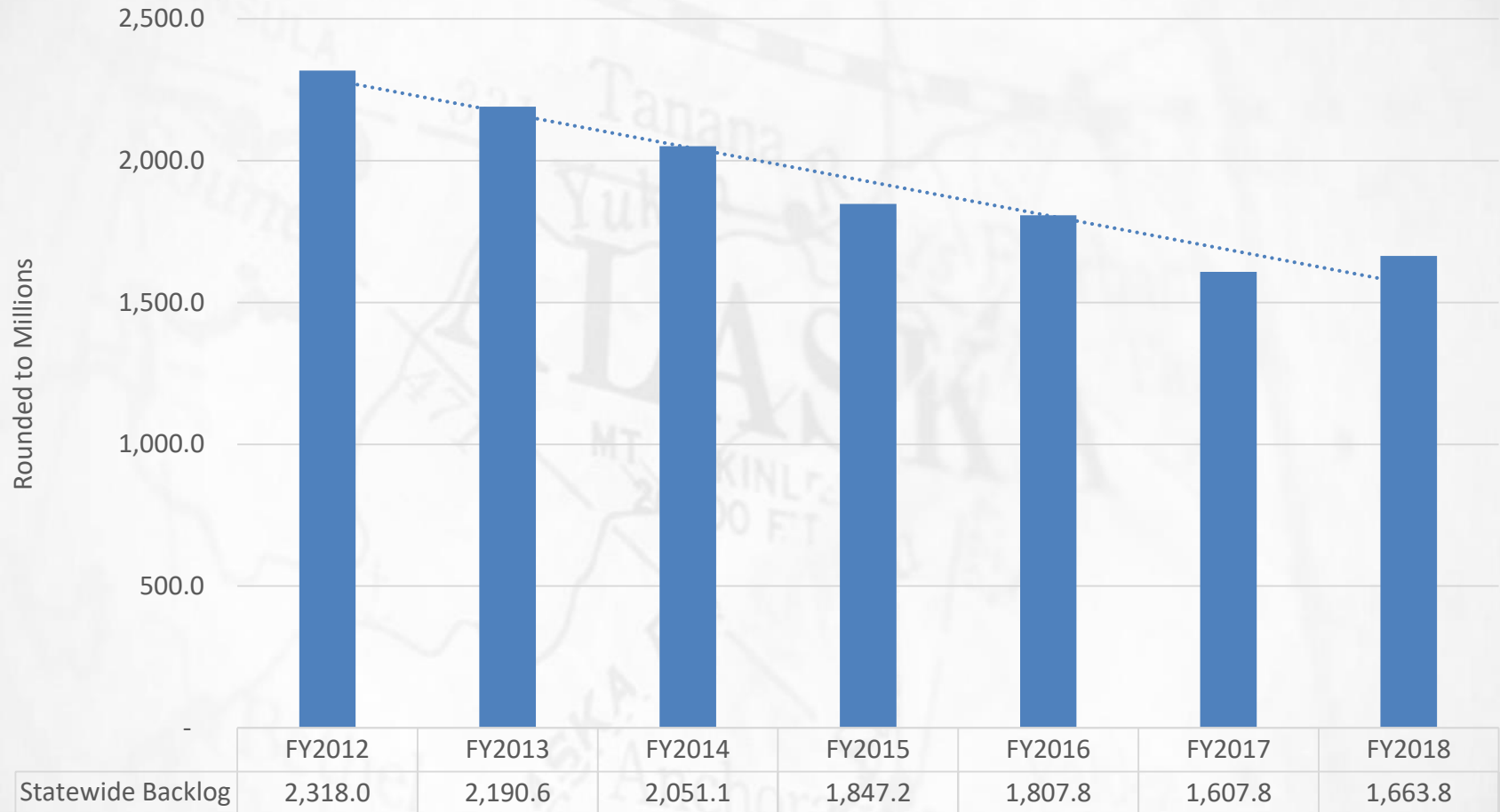


What We've Learned & A Plan Forward

- **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, sunseting 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:

*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**
 - One lead agency (DOT&PF)
 - Commonality of processes, procedures
 - Consolidate contracts
 - Juneau Pilot – four waves thru 2017 followed by expansion statewide

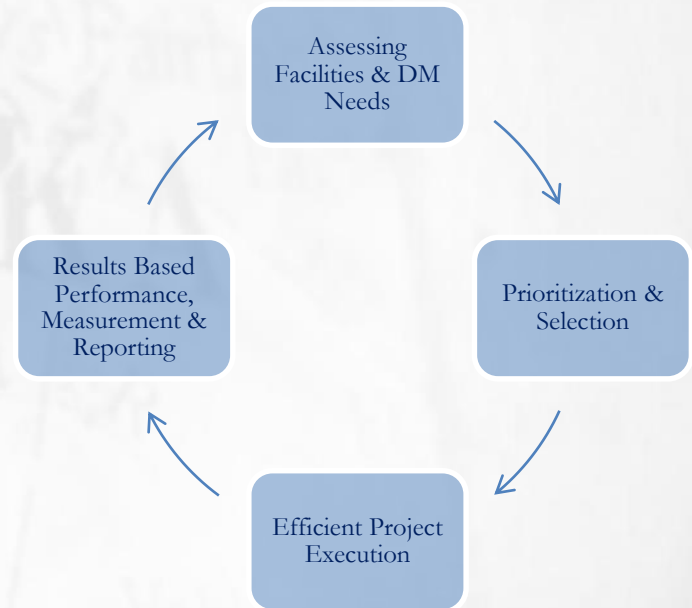
Opportunities

- **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:

Example

- 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

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

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

Fire / Life
Safety = 1.0

	Bldg	Range
Mf =	Essential	0.5 – 1.0
	Other	0.1 – 0.5

Essential = 1.0

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

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](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>