

# State of Alaska

## Office of Management and Budget

**Deferred Maintenance**

House Finance Committee

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# Deferred Maintenance Overview

Deferred maintenance is maintenance or repair projects that have been delayed or postponed due to lack of funds within an entity's normal operating budget cycle.

State of Alaska property portfolio:

- 2,400+ facilities (includes University)
- 20 million square feet of space
- 14 State Agencies
- Type varies by Agency

# Funding Recommendations and Targets

There is no one definitive rule on the level of preventive maintenance necessary **to avoid** deferred maintenance, but a 2012 National Research Council publication references a range of 2-4% of replacement cost value

FY2021 replacement cost value (excluding University): \$7,678,370.1

1% = \$76.8 million

2% = \$153.6 million

4% = \$307.1 million

# Governor's Budget Maintenance Funding

FY2023 Capital Bill		Amount	Fund Source
Natural Resources Parks Sanitation DM	\$1,418.0	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)	
Fish & Game Vessel & Aircraft DM	\$500.0	Undesignated General Fund (UGF)	
Courts DM	\$3,820.0	Alaska Capital Income Fund	
Statewide DM	\$23,880.0	Alaska Capital Income Fund	
FY2023 Capital Total		\$29,618.0	
FY2023 GO Bond		Amount	Fund Source
University of Alaska Housing DM	\$18,650.0	Other - G/O Bonds	
FY2023 GO Bond Total		\$18,650.0	
Capital + GO Bond Subtotal		\$48,268.0	

# Governor’s Budget Maintenance Funding

FY2023 Operating

Amount

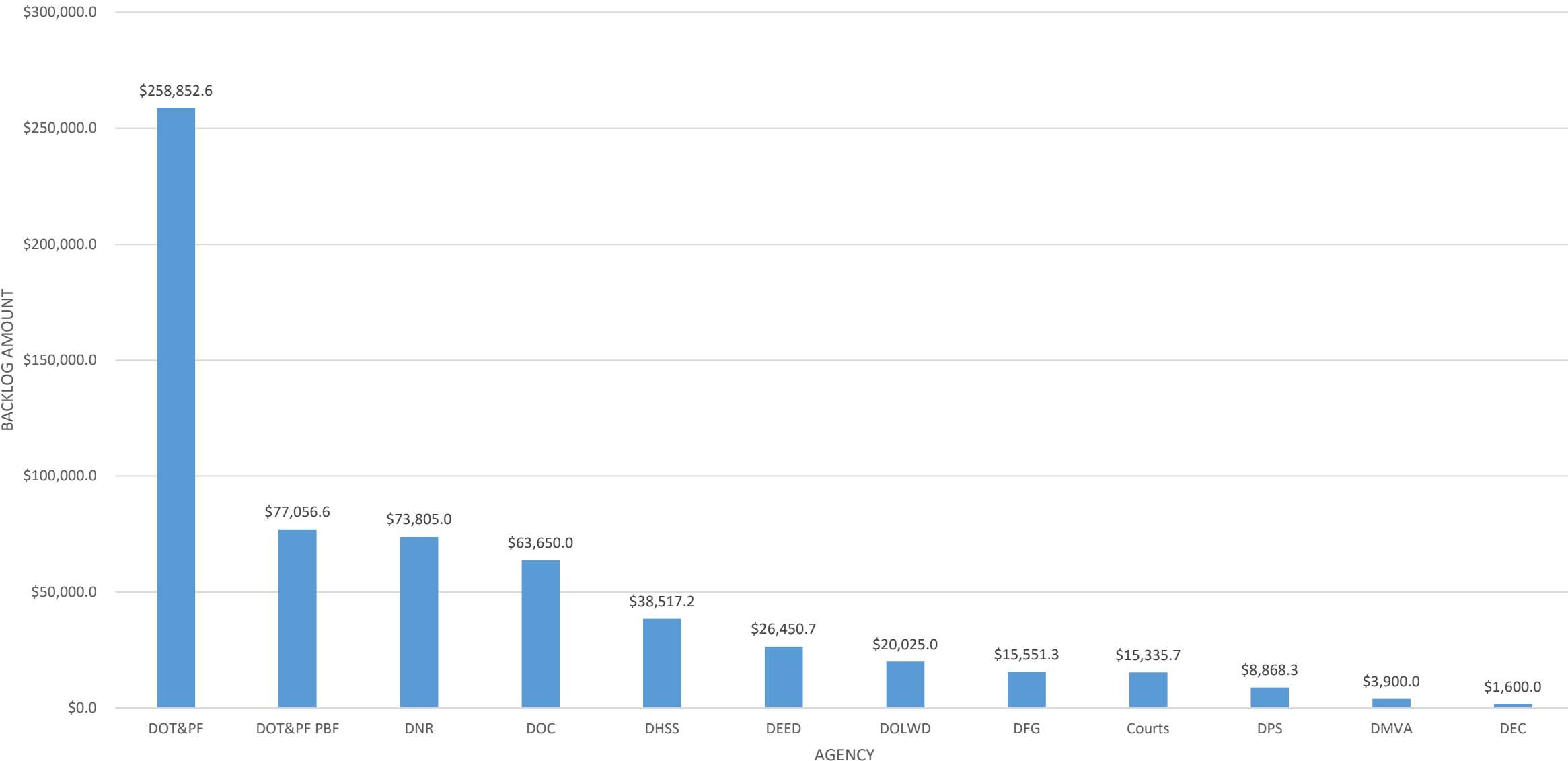
Fund Source

Maintenance & Operations (M&O)		
All Agencies	\$76,389.5	Various

FY2023 Capital Total	\$29,618.0
FY2023 GO Bond Total	\$18,650.0
FY2023 Operating M&O Total	\$76,389.5

Grand Total	\$134,657.5
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# Backlog \$603,312.4 (excluding University)



## Allocation process

- OMB facilitates the collection of agency deferred maintenance lists
- State Facilities Council reviews and prioritizes deferred maintenance projects across executive branch agencies
- Facilities Council deferred maintenance workshops anticipated February through May, with goal of Statewide prioritized list to OMB May 2022
- Projects to be prioritized based on combination of significant factors including facility importance, building system, and urgency to create a \*Project Index Value (PIV).

# Project Ranking Formula

- Project prioritization a combination of the below to create a Project Index Value (PIV):

$$\text{PIV} = (\text{MAI}) \times (\text{System Factor}) \times (\text{Need})$$

- **MAI** - Mission Alignment Index, alignment of facility to an Agency's mission
  - **System Factor** - Scale related to various building systems and their impact on building
  - **Need** - The urgency and criticality for replacement
- If known, other attributes are also considered such as anticipated return on investments, any matching funds, or eligibility as a financed energy savings performance project



# Mission Alignment Index

- Mission Alignment Index ([MAI](#)) identifies the relative importance of a facility in relation to an agency's primary mission. Besides how critical the facility is to the agency mission it considers:
  - *How capable is it to deliver services*
  - *How utilized is it, how many people, citizens or state services does it impact*
  - *Availability of other facility options at that location*
- The most critical facilities of an agency are directly aligned with the agency's purpose to exist
  - *Amongst multiple critical facilities within in an agency, there are still varying degrees*
- Allows better risk management to programs, and guides investment and divestiture decisions
- Determined by the agency. Periodically revisited.

# Mission Alignment Index Examples

	Index Scale	Facility
<ul style="list-style-type: none"><li>• Critical:<ul style="list-style-type: none"><li>• The Agency <b>cannot</b> meet its mission without this facility. There are no viable workarounds</li></ul></li></ul>	0.75 – 0.9	Key Maintenance Station, Correctional Center, Hangar, School, etc.
<ul style="list-style-type: none"><li>• Important:<ul style="list-style-type: none"><li>• Would impact the Agency’s mission if unavailable. Possible workarounds</li></ul></li></ul>	0.5 – 0.74	Certain Office Buildings
<ul style="list-style-type: none"><li>• Supportive:<ul style="list-style-type: none"><li>• Would possibly impact the Agency’s mission if unavailable, but other options available</li></ul></li></ul>	0.25 – 0.49	Certain Warehouses or Storage Buildings
<ul style="list-style-type: none"><li>• Other / Non Mission Critical:<ul style="list-style-type: none"><li>• Would not have an effect on the Agency’s mission if unavailable</li></ul></li></ul>	0.0 - 0.24	

# Systems & Needs Examples

	System Factor	Need
<ul style="list-style-type: none"> <li>Life, Health, Safety, Structure <ul style="list-style-type: none"> <li><i>Sprinkler, Fire Alarm, Structural,</i></li> <li><i>Including Life, Health, Safety issues caused by envelope, mechanical, electrical, or other system failures</i></li> </ul> </li> </ul>	0.75 – 1.0	<p><b>5 – Critical</b></p> <ul style="list-style-type: none"> <li><i>-Corrects critical life safety or code hazard</i></li> <li><i>-Imminent failure, requires immediate action to return facility to normal operations</i></li> </ul>
<ul style="list-style-type: none"> <li>Envelope and Shell <ul style="list-style-type: none"> <li><i>Roof, Exterior Walls and Windows</i></li> </ul> </li> </ul>	0.5 – 0.74	<p><b>4 – Important, not yet critical</b></p> <ul style="list-style-type: none"> <li><i>-Requires action within next 5 years to stop intermittent interruptions</i></li> <li><i>-Corrects deterioration or potential safety hazards</i></li> </ul>
<ul style="list-style-type: none"> <li>Mechanical, Electrical, Conveying, Process <ul style="list-style-type: none"> <li><i>HVAC, Plumbing, Power, Lighting, Elevators, Escalators, industry specific systems</i></li> </ul> </li> </ul>	0.5 – 0.74	<p><b>3 – Necessary</b></p> <ul style="list-style-type: none"> <li><i>-Require appropriate attention to preclude deterioration or potential downtime</i></li> </ul>
<ul style="list-style-type: none"> <li>Interior, exterior grounds, other <ul style="list-style-type: none"> <li><i>Interior Doors, Walls, Floors, Finishes</i></li> </ul> </li> </ul>	0.25 – 0.49	

Determined by Facilities Council from information amongst facilities, architectural and engineering professionals, condition assessments and indices, maintenance records, engineered reports, users, etc.

# Examples From Last Prioritization Cycle

Dept	Facility(ies)/Buildings/ Site(s)	Mission Alignment Index (0-0.9)	Project Title	Project Description	System Factor	Need	Project Index Value	Project Cost
DHSS	Ketchikan Pioneer Home	0.9	Domestic Water Supply Lines Replacement	Domestic water lines have reached the end of their useful lifespan due to internal corrosion. Replace the existing water supply lines throughout the facility.	0.908181818	4.45	3.640983471	\$ 300,000
DOT&PF	Palmer Highway SEF Maintenance Station	0.9	Palmer Highways/SEF Maintenance Station Trench Drain & Oil/Water Separator	Remove and replace existing trench drain and oil/water separator. The existing concrete and steel has become extremely corroded and is unsafe to drive heavy equipment over. It is failing structurally and will fail to support the heavy equipment that is maintained at this station. Existing hazard for equipment operators and mechanic personnel.	0.80	4.91	3.54	\$ 200,000

- **Mission Alignment Index** – Determined by the owning department. In this example, each is a critical building essential to serving the mission of the respective department.
- **System Factor** – Average of the inputs from each member of the Facilities Council
- **Need** – Average of the inputs from each member of the Facilities Council
- **Project Index Value** – Calculated and ranked for over 100 projects from the last ranking cycle

**Final prioritized list was reviewed and approved by Facilities Council, then shared with OMB to inform the recommended deferred maintenance allocation.**

# Statewide Management Approach

Division of Facilities Services' (DFS) mission is to deliver, improve, and maintain safe and reliable facilities across Alaska. This work encompasses all aspects of construction through maintenance during a facility's life cycle. This centralization provides consistency, expertise, care, and application of state rules to manage integral real property assets.

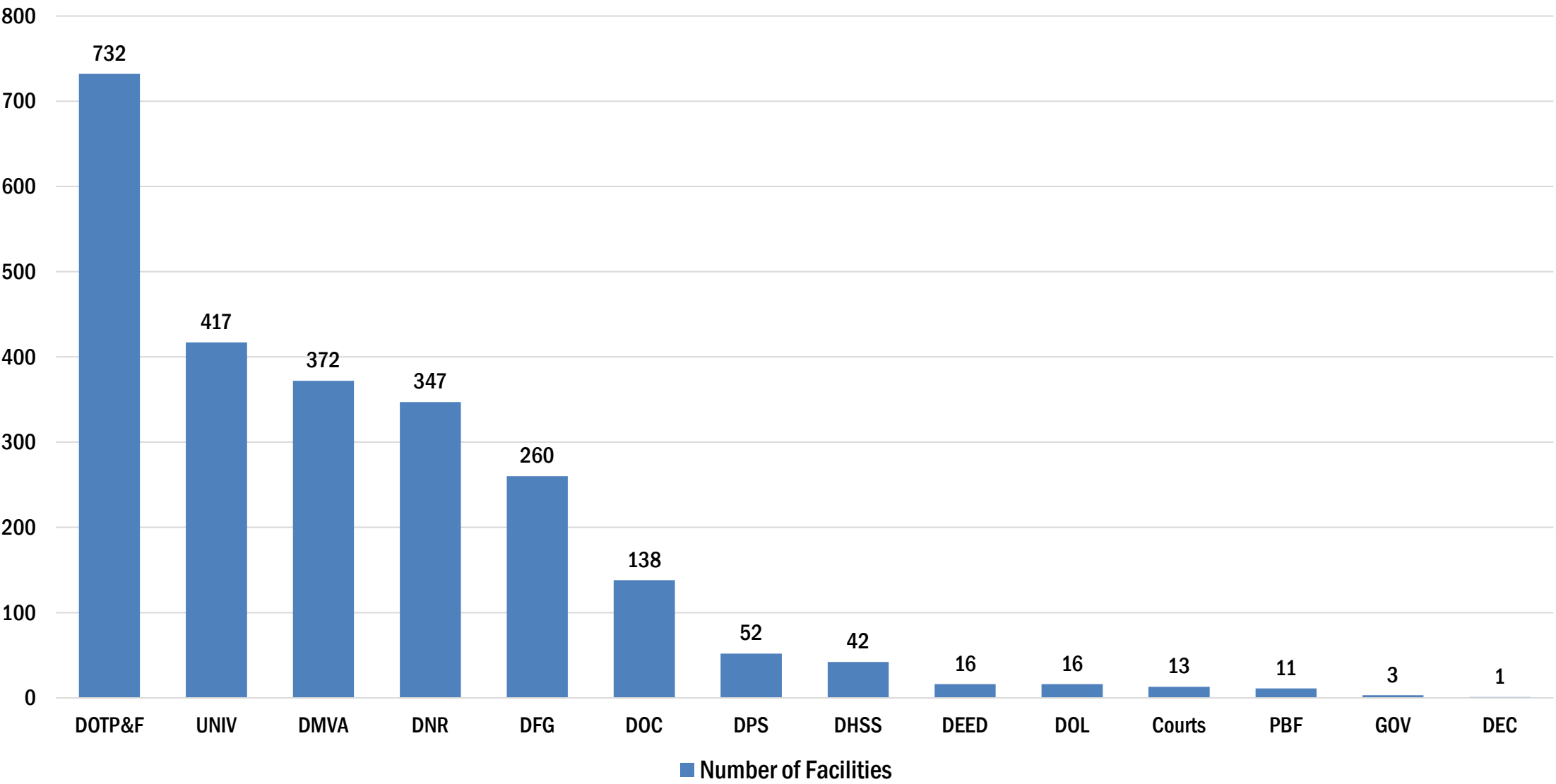
DFS' administrative costs and Department of Transportation and Public Facilities overhead are billed to agencies based on a federally-approved indirect cost allocation plan rate of 9.28% for FY2022.

$$\frac{\text{Indirect Cost}}{\text{Direct Cost (Labor + Non Labor)}} = \text{Indirect Rate}$$

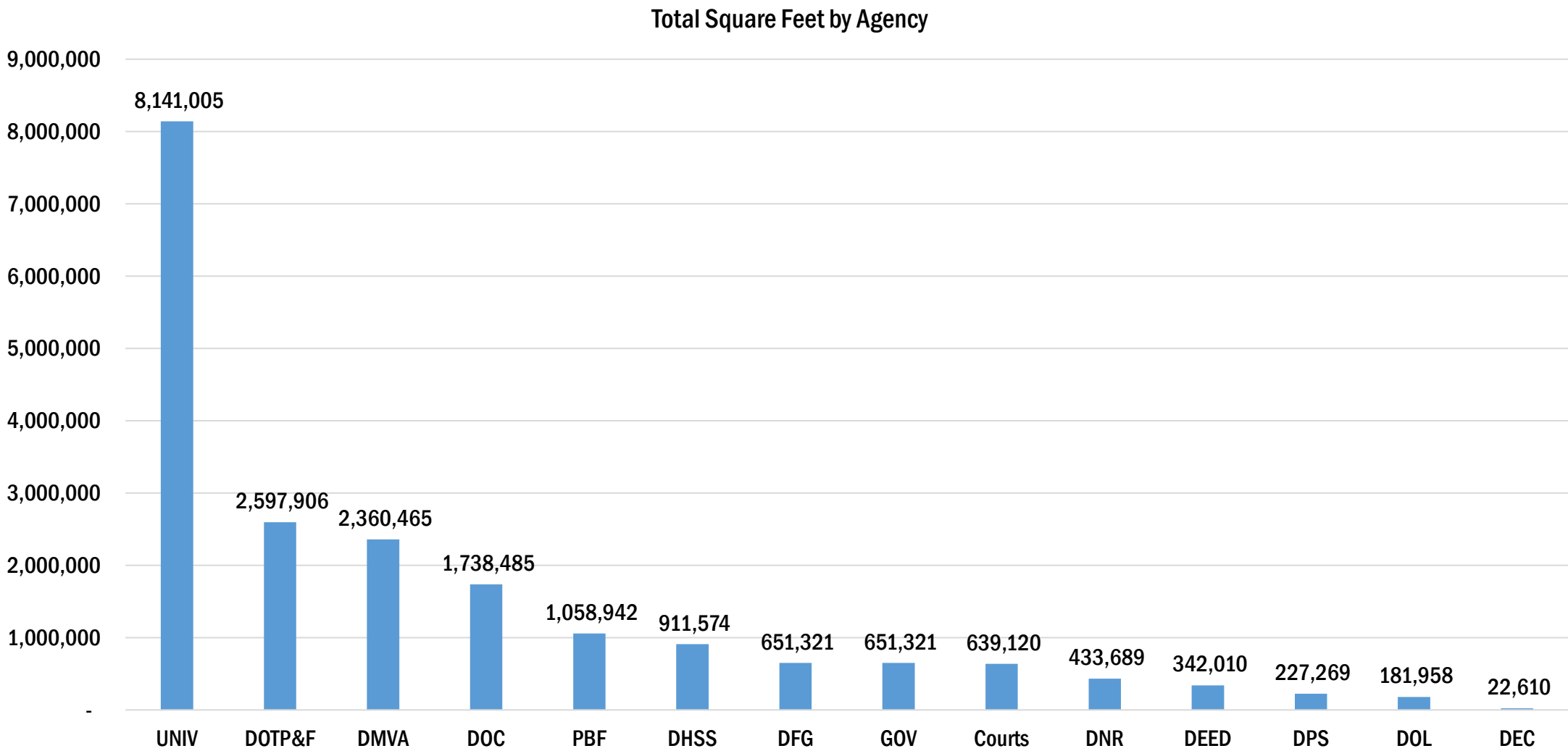
# Appendix

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# State-Owned Facilities Count by Agency



# State-Owned Facility Space by Agency





# DM Funding All Appropriations by Agency

Agency	FY2018	FY2019	FY2020	FY2022
Administration	\$ 9,182.5	\$ 5,420.5	\$ 7,609.0	\$ -
Corrections	\$ 5,414.0	\$ 4,080.0	\$ 2,665.0	\$ 6,870.0
Education & Early Development	\$ 597.3	\$ 691.0	\$ 3,944.5	\$ 7,112.4
Environmental Conservation	\$ -	\$ 420.0	\$ 600.0	\$ 181.0
Fish & Game	\$ 145.1	\$ 800.0	\$ 1,560.1	\$ 1,875.0
Health & Social Services	\$ 2,447.4	\$ 1,567.0	\$ 678.1	\$ 4,076.5
Labor & Workforce Development	\$ 1,000.0	\$ 1,350.0	\$ 575.0	\$ 7,050.0
Military & Veterans Affairs	\$ -	\$ 616.4	\$ 862.9	\$ 16,152.0
Natural Resources	\$ 1,020.0	\$ 650.0	\$ 2,155.0	\$ 1,135.0
Public Safety	\$ -	\$ 900.0	\$ 4,959.7	\$ 2,000.0
Transportation & Public Facilities	\$ 4,224.5	\$ 5,553.5	\$ 7,975.4	\$ 24,120.6
Courts	\$ 2,525.4	\$ 193.0	\$ 3,094.2	\$ 3,851.2
University	\$ 5,000.0	\$ 5,000.0	\$ 5,000.0	\$ 5,000.0
Unobligated	\$ -	\$ -	\$ -	\$ 11,836.7
<b>Total</b>	<b>\$ 31,556.2</b>	<b>\$ 27,241.4</b>	<b>\$ 41,678.9</b>	<b>\$ 91,260.5</b>

# Statewide Appropriation DM Funding by Agency

Agency	FY2018	FY2019	FY2020	FY2022
Administration	\$ 4,682.5	\$ 470.5	\$ 3,109.0	\$ -
Corrections	\$ 5,414.0	\$ 4,080.0	\$ 2,665.0	\$ 6,870.0
Education & Early Development	\$ 597.3	\$ 691.0	\$ 3,944.5	\$ 7,112.4
Environmental Conservation	\$ -	\$ 420.0	\$ 600.0	\$ 181.0
Fish & Game	\$ 145.1	\$ 500.0	\$ 1,560.1	\$ 875.0
Health & Social Services	\$ 2,447.4	\$ 1,567.0	\$ 678.1	\$ 4,076.5
Labor & Workforce Development	\$ 1,000.0	\$ 1,350.0	\$ 575.0	\$ 7,050.0
Military & Veterans Affairs	\$ -	\$ 616.4	\$ 862.9	\$ 3,102.0
Natural Resources	\$ 1,020.0	\$ 650.0	\$ 555.0	\$ 1,135.0
Public Safety	\$ -	\$ 900.0	\$ 4,959.7	\$ 2,000.0
Transportation & Public Facilities	\$ 4,224.5	\$ 5,553.5	\$ 7,975.4	\$ 5,665.1
Courts	\$ -	\$ 193.0	\$ 1,594.2	\$ -
University	\$ 469.2	\$ 3,008.6	\$ 2,621.1	\$ 5,000.0
Unobligated	\$ -	\$ -	\$ -	\$ 11,836.7
<b>Total</b>	<b>\$ 20,000.0</b>	<b>\$ 20,000.0</b>	<b>\$ 31,700.0</b>	<b>\$ 54,903.8</b>

# State-Owned Disposed Assets

- Department of Health and Social Services Ketchikan Youth Center Returned to the City
- Department of Health and Social Services Nome Youth Facility in-progress
- Department of Natural Resources Sold Facility Associated with the Agriculture Revolving Loan Fund
- Department of Military and Veterans Affairs Divested 15 Army National Guard Facilities with 50 Others Planned or In Progress
- Department of Transportation and Public Facilities Sold Two Facilities from Kulis – Anchorage
- University of Alaska Reduced Space through Property Sales, Elimination of Leases, and Demolition