

SENATE FINANCE COMMITTEE

April 5, 2019

9:01 a.m.

[9:01:11 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair

Senator Lyman Hoffman  
Senator Peter Micciche  
Senator Donny Olson  
Senator Mike Shower  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Shelley Willhoite, Capital Coordinator, Office of Management and Budget; Neil Steininger, Chief Budget Analyst, Office of Management and Budget, Office of the Governor; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Mark Davis, Director, Division of Facilities Services, Department of Transportation and Public Facilities; Christopher Hodgins, Project Manager, Statewide Public Facilities, Department of Transportation and Public Facilities.

SUMMARY

DEFERRED MAINTENANCE UPDATE:

OFFICE OF MANAGEMENT and BUDGET

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair von Imhof discussed housekeeping.

Co-Chair von Imhof stated that as the keeper of the capital budget, she was looking closely at the deferred maintenance backlog. She was concerned that the weak capital budgets of previous years had compounded the problem of deferred maintenance. She thought it was important for the state to take care of its assets.

DEFERRED MAINTENANCE UPDATE:

OFFICE OF MANAGEMENT and BUDGET

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[9:03:06 AM](#)

SHELLEY WILLHOITE, CAPITAL COORDINATOR, OFFICE OF MANAGEMENT AND BUDGET,

[9:04:48 AM](#)

Ms. Willhoite discussed the presentation "Deferred Maintenance Update," (copy on file).

Ms. Willhoite looked at Slide 2, "Deferred Maintenance: Explained":

- **Deferred Maintenance is maintenance and repairs postponed due to lack of resources, construction/repair schedules, etc.**

- o 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**

- o Preventative maintenance is important to managing growth and severity of future deferred maintenance

- o Currently, most entities manage maintenance independently

- o Legislature appropriates funding for preventative maintenance annually - facilities management allocations; Public Building Fund

- o Maintenance decisions must consider changing business needs

[9:06:24 AM](#)

Ms. Willhoite spoke to Slide 3, "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

Ms. Willhoite addressed the bar graph on slide 3, entitled 'Number of Facilities by Entity.' She noted that DOT had the most facilities with 645, followed by the University with 426.

Ms. Willhoite referenced Slide 4, "Deferred Maintenance: Facility Types":

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

Ms. Willhoite noted that the graph charted total square feet by entity; the University had the most square footage, which included a variety of facilities.

[9:08:29 AM](#)

Ms. Willhoite turned to Slide 5, " Deferred Maintenance: Statewide Totals":

- **Total of \$1.97 billion, including**
  - o Executive agencies and Courts \$1.84 billion
    - Agency DM total is comprehensive
  - o 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)

[9:09:26 AM](#)

Senator Shower asked whether there were state facilities that were rented, or leased, that the state was responsible to maintain.

Ms. Willhoite offered to provide the information later.

[9:10:22 AM](#)

Senator Micciche looked at Slide 4 and asked whether the departments had gone through an exercise to determine which facilities were no longer critical to operations and could be sold to the private sector.

Ms. Willhoite noted that the governor had issued a Property Disposal Directive in February 2019. She said that the topic would be covered in a later slide.

Senator Micciche asked whether there was a chance that some of the facilities on the list would be surpluses when the study was complete.

Ms. Willhoite answered in the affirmative.

[9:11:27 AM](#)

Co-Chair von Imhof asked when the study would be complete.

Ms. Willhoite stated that June 30, 2019.

[9:11:53 AM](#)

Co-Chair Stedman thought that the legislature should be at the table when discussion occurred over the liquidation or the surplusage of equipment or facilities. He thought the legislature might be interested in having a discussion on the outcome of the study. He believed members might want to review policy decisions before they were executed. He mentioned the Alaska Marine Highway System (AMHS).

Co-Chair von Imhof added that she would like to see a plan concerning School Bond Debt Reimbursement.

[9:13:20 AM](#)

Senator Wielechowski disclosed a conflict of interest.

Senator Wielechowski asked for a definition of deferred maintenance. He wondered about a depreciation schedule and urgency of the funding for deferred maintenance.

Ms. Willhoite stated that deferred maintenance was maintenance that had been postponed due to lack of funds. She understood that a list had been sent out to members that listed deferred maintenance by department, prioritized by need. The issues included leaky roofs, old HBAC systems, leaking windows, and plumbing and electrical issues. She added that the department was working to implement a software package that would allow for statewide prioritization.

[9:15:17 AM](#)

Senator Micciche relayed that he had worked on the issue when he was a mayor. He thought that departments were reluctant to dispose of property because the property could be used for storage.

[9:16:50 AM](#)

Ms. Willhoite continued to address Slide 5:

- **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**

[9:17:39 AM](#)

Ms. Willhoite considered Slide 6, "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 (\$301M)**

- **School District Major Maintenance requests total \$135M**
- **All other entities total \$300M**

[9:18:20 AM](#)

Ms. Willhoite displayed Slide 7, "Deferred Maintenance: Backlog by Entity," which showed a bar graph that offered the backlog amounts by agency. The University has the highest amount at approximately \$1.2 billion, DOT followed with \$301,483.3.

[9:18:52 AM](#)

Senator Hoffman asked whether Ms. Willhoite had a deferred maintenance schedule broken down by region or city.

Ms. Willhoite agreed to provide the information requested.

[9:19:23 AM](#)

Co-Chair Stedman asked for a breakdown of the components. He thought that it would be illuminating to see which areas of the state had the greatest need.

Co-Chair von Imhof appreciated Co-Chair Stedman's comments. She thought a total list and an annual plan would be helpful as well as a rubric by which the decisions had been made.

[9:21:19 AM](#)

Senator Micciche wondered whether there was information available on the criticality and importance of repairs. He wondered whether a list that prioritized repairs could be shared with the committee.

Ms. Willhoite stated that testifiers from DOT would address the question.

[9:22:13 AM](#)

Senator Wilson referenced the "FY19 DM Distribution Detail" (copy on file). He pointed out that there were facilities that had been mothballed that ranked higher on the priority

list. He requested information on how the priority list was crafted.

Co-Chair von Imhof thought Senator Wilson had made a good point.

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Senator Shower thought that some of the items on the list should be viewed as operating costs rather than capital expenditures.

Co-Chair von Imhof hoped that the department would consider the state's short building season, workforce, and mobility, within the rubric used when crafting the prioritization list.

[9:24:34 AM](#)

NEIL STEININGER, CHIEF BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, highlighted Slide 8, "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

Mr. Steininger looked at Slide 9, "Deferred Maintenance: Funding History," which showed a bar graph of the appropriation history of deferred maintenance.

Mr. Steininger addressed Slide 10, "Deferred Maintenance: Backlog (excluding school major maintenance)," which showed a bar graph that revealed the impact of the 5-year initiative. The peak backlog in 2012 of deferred maintenance had decreased as significant amounts of money were put into deferred maintenance.

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Co-Chair Stedman looked back to Slide 9. He recalled that from 1998 through 2006, budgets had been flat funded, which had contributed to the deferred maintenance backlog. He said that in 2006, the state found itself with more money allowing for increased appropriations for deferred maintenance of school district facilities. He said that the committee had worked from 2006 to the present to decrease the deferred maintenance backlog in the state. He warned that as the state prepared for several years of flat and declining budgets the backlog should be monitored so that the pent-up demand did not end up absorbing future surplus funds.

Co-Chair von Imhof referenced Slide 8. She asked whether OMB planned to put forward a deferred maintenance plan that would recommend a specific amount be spent on deferred maintenance for FY 2020, and beyond, or if it would be up to the legislature to land on a number.

[9:29:40 AM](#)

Mr. Steininger advanced to Slide 11, "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**

Mr. Steininger looked at Slide 12, "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

Mr. Steininger agreed that a plan would be beneficial to solving the problem.

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Co-Chair von Imhof asked about the second bullet on Slide 12.

Mr. Steininger replied that the bullet reflected a fund transfer of revenue from Large Vessel Passenger Gambling Tax, into the Capital Income fund; the Capital income fund funded the deferred maintenance. Essentially, \$27 million was deposited into the Capital Income fund from the ERA, through the Amerada Hess account, and an additional \$10 million per year could come from the Large Passenger Vessel Gambling Tax.

[9:32:04 AM](#)

Co-Chair von Imhof asked whether the fund sources and level of funding were in the governor's proposed budget.

Mr. Steininger answered in the affirmative.

[9:32:13 AM](#)

Co-Chair Stedman thought it might be helpful to have a historical accounting of the gambling tax in order to understand how it had been spent since its creation.

Co-Chair von Imhof agreed with Co-Chair Stedman. She asked for Mr. Steininger to provide the historical information on the tax.

[9:33:09 AM](#)

Senator Wielechowski asked whether there was an average of how much deferred maintenance was added to the backlog yearly.

Ms. Willhoite specified that FY 2017 to FY 2018 showed a growth of \$58 million, while FY 2018 to FY 2019 showed a growth of \$169 million.

Senator Wielechowski understood that it would take 47.5 years to pay down the \$1.9 billion in backlogged deferred maintenance if the plan was to spend approximately \$35 to 40 million annually; simultaneously, \$58 to \$100 million would be added per year to the backlog.

Mr. Steininger thought the math sounded correct.

Senator Wielechowski asked whether this payment plan sounded viable to the department.

Mr. Steininger thought it was a first step towards a plan. He asserted that consistency in funding was important, as was the amount of funding. He said that DOT could provide further detail. He lamented that currently each department was looking into deferred maintenance independently, which made it difficult to gain a consistent look at the true deferred maintenance needs across the state using similar objective standards for every facility.

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Co-Chair von Imhof thought \$35 to \$40 million was the bare minimum of a credit card balance. She wondered why a higher amount was not being suggested, considering the governor's agenda to decrease the budget.

Mr. Steininger stated that these were the amounts available when the budget was being developed.

Co-Chair von Imhof pointed out that it had been two months since the budget was released.

[9:36:08 AM](#)

Senator Shower asked about a federal match for deferred maintenance.

Mr. Steininger explained that there was no federal match associated with the deferred maintenance appropriations that had been put forward. He said that some of the projects on the backlog list could be eligible for federal

match dollars, if that were the case, OMB would encourage seeking the federal match.

[9:37:47 AM](#)

Senator Micciche referenced his STIP remarks from earlier and hoped he had not added to Senator Shower's confusion. He suggested that the backlog problem was not new. He asked whether the administration had investigated how other states managed their deferred maintenance.

Mr. Steininger deferred the question to testifiers from DOT.

[9:40:12 AM](#)

Mr. Steininger spoke to Slide 13, "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

Co-Chair von Imhof asked about K-12 Major Maintenance. She noted there were 4 locations in the state that did not have organized boroughs and therefore did not have the ability to get a local match. She asked what options those boroughs have for maintaining their buildings.

Mr. Steininger replied that he did not have an answer. He said he would get back to the committee.

[9:41:32 AM](#)

Senator Hoffman relayed that a few years previously the legislature passed a bill to utilize the Rural Educational Attendance Area fund that had been dedicated strictly for the unmet needs for the construction of new schools, the appropriation had been opened to include deferred maintenance for rural schools. He was unsure whether the funds were being utilized in the proposed budget.

[9:43:10 AM](#)

Senator Wilson discussed the recent earthquake in the Anchorage area and associated damage. He wondered whether any of the facilities in the backlog were damaged in the earthquake.

Ms. Willhoite stated that the administration had asked each department to remove any items that may have been reimbursed by insurance or other earthquake funding.

[9:43:50 AM](#)

Co-Chair Stedman agreed with Senator Hoffman that caution was needed when making major policy changes. He worried about rural areas that may not have the ability to fund maintenance projects without state assistance. He warned that a balance should be maintained by focusing on rural areas as much as urban areas.

[9:44:59 AM](#)

Mr. Steininger referenced Slide 14, " 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

Mr. Steininger noted that 2018 showed a shift in how the state addressed deferred maintenance, by funding \$20 million at the statewide level, which allowed projects in different departments to be weighed against each other.

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Mr. Steininger turned to Slide 15, " 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

Mr. Steininger noted that the table reflected a total over \$20 million because in FY 2018 the portion of contingency for emergent projects was withheld from the \$20 million, approximately \$400 thousand, and one department had managed to finish their projects with funds left over, leaving some extra money to distribute in FY 2019. He said that in making the distributions the department had been working with the Division of Facility Services to get their input on how finds should be distributed.

[9:47:22 AM](#)

Co-Chair Stedman noted the listed backlog by agency. He said that in 2011, if the University had been removed from the list, the deferred maintenance would have dropped from \$1.6 billion to \$858 million. He furthered that doing that same exercise in 2019, the number went from \$1.8 billion to approximately \$600 million; he thought that the University should be factored out when determining the aggregate numbers for deferred maintenance.

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[9:49:10 AM](#)

Senator Shower wanted to know why the University deferred maintenance backlog was so high.

Co-Chair von Imhof thought part of the problem was that the University did an expansion with libraries, engineering buildings, and museums, that were large and expensive buildings.

[9:50:19 AM](#)

MARK DAVIS, DIRECTOR, DIVISION OF FACILITIES SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), presented slide 16, "Deferred Maintenance: Statewide Facilities Approach":

**Timeline:**

**2015** - EFMAC\* Creation & Recommendations

**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**

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

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

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

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Mr. Davis displayed Slide 17, "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**
  - o Leverage financeable energy improvement project opportunities to complement available deferred maintenance.
- **Develop Facilities Condition Indexes (FCI)**
  - o Provide holistic view of all state building assets
  - o Baseline health of our assets; prioritize deferred maintenance needs
  - o 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**

Mr. Davis noted that from working with facility council representatives from each department, and OMB, the process for prioritizing facilities deferred maintenance requests had been refined with the goal to incorporate a Facilities Condition Index (FCI) as an unbiased comparison of facilities to be used as a key component for recommendations. He said that he expected to use the FCI assessments in FY 2021. He relayed that the division had secured a contract with the AiM AssetWorks company and was implementing a computerized maintenance management system that would enable the division to deal effectively with the 2,000 plus buildings owned by the state. He said that steps were begin taken to link the Alaska Energy Efficiency program with future deferred maintenance projects.

[9:53:24 AM](#)

Co-Chair von Imhof asked about the last bullet on slide 17. She wondered if the CMMS system was up and running.

Mr. Davis stated that the process of implementing the system had begun and would take 2.5 years to complete. He expected the first module would go live on September 1, 2019.

[9:54:16 AM](#)

Senator Wilson wondered whether implementation of the system was being coordinated through DOA.

Mr. Davis responded that the system requirement had been developed during the 18-month long study, done in conjunction with the overall decision to consolidate the maintenance function. He said that a software subcommittee had been established with members from the 4 departments that had made the recommendation.

[9:56:04 AM](#)

CHRISTOPHER HODGIN, PROJECT MANAGER, STATEWIDE PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), highlighted Slide 18, "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.

[9:57:04 AM](#)

Mr. Hodgins looked at Slide 19, "Deferred Maintenance: Assessing Conditions & Needs":

Deferred maintenance moving forward - statewide objective approach to assess conditions and comprehensively plan for recapitalization 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

[9:58:48 AM](#)

Co-Chair von Imhof thought the concepts had been discussed in the private sector for years. She asked whether the department was starting the process in 2019, or if the process had been done in the past.

Mr. Hodgins stated that the Facilities Condition Index (FCI) had been used by some departments in the past, such as Department of Health and Social Services (DHSS). He furthered that some aspects had been taken from what had already been built and some of it was incorporating best practices with departments that had never gone through the process before.

Co-Chair von Imhof asked whether DOT and University had used the process before.

Mr. Hodgins was unsure that the University had used the process before.

[10:00:18 AM](#)

Co-Chair Stedman discussed the deferred maintenance numbers for the University. He believed that there was a benchmark issue that should be tracked in a linear fashion. He queried the use of the term "recapitalization" and wondered about the status of any accounts for replacing buildings.

Mr. Davis thought the slide used a poor choice of words. The intent was to convey that the that state assets were being taken care of and the life of those assets was being increased to the greatest extend possible and in an efficient manner.

[10:02:21 AM](#)

Co-Chair Stedman asked about the FCI and looked at the formula on Slide 19. He inquired about a new facility, which he thought should not have any of the upkeep or repair issues factored into the equation. He asked how to justify substantial funds expended on new buildings.

Mr. Davis understood the question. He believed that at times the terms 'operation' and 'maintenance' were interchangeable. He said that both words covered the work and supplies that would be required for a building to achieve the functionality for which it was designed.

[10:04:04 AM](#)

Mr. Hodgins addressed Slide 20, "Deferred Maintenance: Prioritization & Selection":

Use a consistent and structured process for project selection:

Candidate projects by priority > Vetting and Review > Final Recommendation to OMB > Projects funded

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

[10:04:58 AM](#)

Mr. Hodgins advanced to Slide 21, "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

[10:05:35 AM](#)

Mr. Davis looked at Slide 22, "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 DHSS, DNR, DF&G building or land assets

Mr. Davis shared that there were several regulations in statute that governed the disposal of state owned facilities, and those assets that had been federally funded could require some repayment. He said that in some cases remediation could be required. He said that the division's role in the process was to collaborate with facilities council representatives to make recommendations to OMB. He noted that the Division of Military and Veterans Affairs had disposed of 15 facilities since 2006 and were in the process of divesting up to 50 more facilities. He said that recently DOT had sold two facilities, bringing \$5.5 million back to the state treasury.

[10:07:20 AM](#)

Senator Hoffman wondered who was on the State Facility Council and how often the council convened.

Mr. Davis stated that the council members were a spokesperson from each department, and partners from OMB, and met at least once a quarter.

Senator Hoffman asked whether there were written minutes of the meetings that could be reviewed by the public and the legislature.

Mr. Davis stated that council minutes were kept and could be made available to the public.

[10:08:59 AM](#)

Co-Chair von Imhof recalled in a previous administration, there had been a list of facilities that DOT had planned on putting up for sale. She wondered whether the division was planning on incorporating work done by prior administrations.

Mr. Davis stated that he had information from prior years that the group would be reviewing over the next few months.

[10:09:48 AM](#)

Co-Chair Stedman thought it would be helpful to receive information on previous administration's work on potential disposal.

Co-Chair von Imhof thought it was important that the legislature receive updates on a periodic basis, especially during sessions when the legislature was making allocations in a constrained budget environment. She was eager to be provided with an update on the work done by the previous administration.

[10:11:53 AM](#)

Senator Micciche looked at Slide 22 and the bullet regarding governing federal regulations and rules. He asked whether the state's remediation standards were excessive. He thought that the council should consider the standards and whether they needed revision.

Mr. Davis stated there had been no changes to the regulations. He said that the standards would be examined.

[10:12:57 AM](#)

Co-Chair Stedman had a point of concern. He referenced Mt. Edgecumbe school and abandoned buildings in the area. He had concern that the facilities and the associated demolition cost would be shifted onto the school. He thought the facilities contained asbestos, and that the formulas used by DOT should consider the age of some of the building on that campus.

Co-Chair von Imhof assumed there would be a list that went with the deferred maintenance budget and that Mt.

Edgecumbe, or anything on the list, could be discussed in more depth later.

[10:15:32 AM](#)

Senator Hoffman addressed the last bullet point on slide 22 that pertained to historical disposals. He wanted to see the acreage of land that went along with the disposals, and any future facility disposal being considered.

Mr. Davis acknowledged the request for information. He added that the only land parcel that was conveyed was approximately an acre of land near Birch Lake in Fairbanks that had become landlocked by private owners.

[10:17:11 AM](#)

Senator Wilson considered the statewide deferred maintenance backlog list for 2019. He asked for information pertaining to harbor maintenance.

Mr. Davis said that depending on what was presented for consideration, not everything would end up on the list.

[10:18:17 AM](#)

Co-Chair Stedman interjected that over a decade ago the legislature had put together a package to deal with the deferred maintenance of harbors. He said that a proposal had been made that the state would pay for 50 percent of the new construction costs, and costs would be encapsulated in an enterprise fund at the local level. He relayed that the program had been successful, which was why deferred maintenance for harbors was near zero.

[10:19:39 AM](#)

Senator Shower lamented that Mt. Edgecumbe had been designated as a historical site. He wondered whether federal dollars were available for upgrades to state owned buildings on the historical register.

[10:20:42 AM](#)

Senator Wielechowski asked what percentage of deferred maintenance was capable of being done by state maintenance

workers versus the percentage that would go out to contractors.

Mr. Davis did not have the exact percentage of the work but said that there was a lot of work done by the state that could be categorized as deferred maintenance.

[10:21:32 AM](#)

Senator Wielechowski asked whether there had been a cost-benefit analysis of increasing in-house maintenance or construction staff versus contracting the work to private industry.

Mr. Davis answered that there had not been a specific cost-benefit analysis done but that one could be done in the future.

[10:22:32 AM](#)

Senator Micciche understood that there was a backlog but did not think it was as severe when DOT and the University were scheduled separately.

[10:23:39 AM](#)

Co-Chair Stedman was curious whether the Courts used DOT for repairs or had any streamlined process to lower maintenance costs.

Mr. Davis stated that DOT maintained court buildings through RSA and other arrangements.

[10:24:22 AM](#)

Mr. Davis spoke to Slide 23, "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

Co-Chair von Imhof invited OMB to revisit their funding recommendation for FY 2020 deferred maintenance, considering the backlog discussed at the table. She thought that the backlog could be broken down into parts. She stressed that the committee was open to suggestions as it crafted the capital budget. She discussed housekeeping.

#

ADJOURNMENT

[10:25:53 AM](#)

The meeting was adjourned at 10:25 a.m.