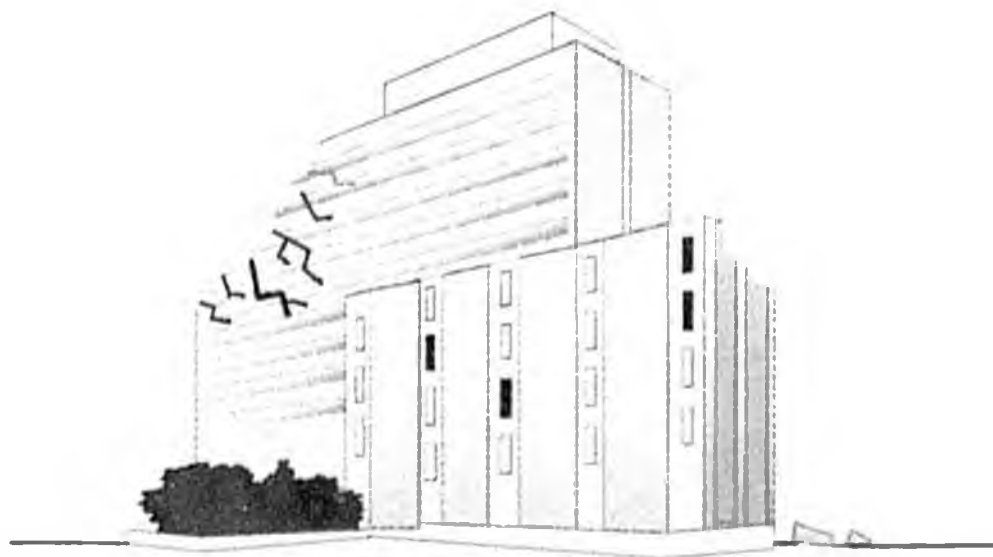


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University of Alaska Deferred Maintenance

Prepared by
Statewide Office of Facilities
January 1995

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**Position Paper
on
Deferred Maintenance
University of Alaska**

The University of Alaska Board of Regents continues to have deferred maintenance as its top funding priority. Years of inadequate maintenance budgets have resulted in numerous facility system failures that are disrupting programs, increasing operational expenses and jeopardizing safety. Premature facility failure will result if these conditions are not addressed. The state of Alaska has invested hundreds of millions of dollars in university infrastructure, representing over 40 percent of all state facilities. If the state does not move quickly to resolve the growing maintenance problems, the value of this significant investment will be lost and replacement unfeasible.

The University of Alaska's first capital request using the title "Deferred Maintenance" was in FY91, wherein the university requested \$3.8 million and received \$2.3 million. Prior to that time, there were numerous requests for repair, deferred maintenance, remodeling, renovation and code compliance. In the eleven years between FY83 and FY94, \$338.0 million was requested, but only \$99.0 million was received, through the legislative appropriation process.

The causes of the deferred maintenance backlog are as follows:

1. From 1980 to 1994, the university's total plant asset increased by 243 percent and increased in size by 145 percent in terms of square footage. During this period of rapid expansion, the operating budgets for building operation, maintenance and renewal remained relatively flat. There were few incremental increases in operating budgets for new structures coming on-line. This reduced the amount available for maintenance and renewal and replacement. The result is a current shortfall in building maintenance systemwide of \$3.8 million and for building renewal and replacement, \$5.8 million.
2. Utility rates increased, from 1980 to 1994, approximately 3 percent per year. Increments to budgets, as a rule, did not keep pace with these increases.
3. University buildings have continued to age. As buildings pass the 20-year mark, the amount needed for building system renewal and replacement climbs rapidly. A 20-year old building with a replacement cost of \$10.0 million needs twice as much for renewal and replacement retrofitting as a 10-year old building valued at \$10 million. The Fairbanks campus, with an average building age of 24.4 years, has 157 buildings 20 years of age or older. The UAA Anchorage campus has seven buildings that are 20 years or older; the Juneau campus has three buildings past 20 years; and the Ketchikan campus has two buildings past 20 years. If renewal and replacement is not funded annually, systems wear out, then become deferred maintenance problems.

4. In FY86, approximately \$1.4 million was removed from the maintenance category and put into maintaining the academic programs at UAF. This was quickly rectified. By FY87 maintenance budget was back to pre-86 levels in absolute dollars. There has only been one major increase to plant maintenance since: at UAF in FY94, approximately \$1.0 million was added to plant maintenance.

5. The methods of quantifying deferred maintenance and operating budget needs for maintenance and renewal and replacement have just been developed in the last five years. At this point in time, it is still an emerging discipline. National expert Dr. Harvey Kaiser reports that there is very little consistency nationally on how campuses budget for maintenance and renewal and replacement. In summary, the federal government did a study, and the results were that the total operations and maintenance for facilities cost from 2 to 4 percent of the plant value. Nationally, colleges and universities have a plant value estimated at \$300.0 billion, but deferred maintenance is estimated to be a \$60.0 billion problem, of which \$20.0 billion is judged critical, i.e., 20 percent of replacement value is deferred maintenance backlog; 7 percent of replacement value is critical. At UA, \$157.5 million, or 19 percent, of replacement value is viewed as critical deferred maintenance.

Plant Valuation

The university has used a method of plant valuation based on the original capital investment as well as other major capital investments that have been added to the facility over the years. An escalation factor derived from the Means Cost Data is applied each year to escalate the value of the buildings to today's replacement value. Infrastructure has been included in the calculation only if it was part of the original building construction. Complete historical records of stand-alone infrastructure investments are not available. Attachment A shows the value of UAF, UAA and UAS, based on new construction for each building type. The results show a slightly higher value. For operating budget calculations, it has been agreed to continue using the original values escalated to current year.

Past Funding

In FY94, the university received \$14,239,600. It was distributed as follows:

UAA	\$ 1,714,600
UAS	\$ 450,000
UAF	\$ 12,075,000

Attachment B shows the projects that have been accomplished with these funds.

Summary

The University of Alaska is aggressively pursuing allocating operating funds to prevent deferred maintenance from growing. Policies are drafted so that in three years the operating budget will have sufficient funds to maintain the buildings according to the formula requirement. A six-year plan for full funding of renewal and replacement operating funds is also drafted. If this plan is realized, sufficient funds will be in place to replace buildings systems on a scheduled basis by 2001. This will be accomplished through reallocation and appropriation.

National experts predict that approximately 5 years are needed from the identification of the funding source to the completion of the backlog of deferred maintenance. Phased funding, with a guaranteed source of funding future phases is essential and a logical solution to funding the backlog.

The current deferred maintenance backlog is \$157,455,382. The previous total of \$153.8 million, reported in the spring of 1993, did not include the infrastructure in all cases. Recognition of the need for upkeep of infrastructure has resulted in part of the increase. Causes of deferred maintenance shown in Items 1, 2, 3 and 4 above contributed to this increase as well. With such underfunding, more systems have worn out and new projects have been identified. Attachment C shows the projects submitted by MAUs for proposed bond funding. Summaries of projects by MAU by campus by building are shown in Attachments D through F.

Action

After many years of failure in securing a cash solution to the deferred maintenance problem, the university is seeking a bonding option that would involve the issuance of University of Alaska and AHFC bonds. While a cash solution would be best, current state finances suggest this is not a likely option. The proposed legislation authorizes the issuance of \$75 million in bonds with the expectation that the balance of the deferred maintenance backlog will be addressed in future years. With AHFC's mandate to provide financing for state housing projects, they are charged in the legislation with the issuance of \$30 million for the university's housing facilities. The balance of the bonds, \$45 million, would be issued as university bonds for use on non-housing projects. While the legislation anticipates general fund appropriations for the annual debt service, there is no obligation that such appropriations be made. The university bonds will be secured by a pledge of non-general fund university receipts. In the event appropriations for annual debt service are not made in future years, the university will make debt payments from university receipts and adjust other university programs appropriately.

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Campus Value Based on New Construction by Building Type

	Fairbanks Campus						Anchorage Campus						Juneau Campus						
	Area	Percent of Assign.	Distribution of Non Assign.	Value		Current Value	Area	Percent of Assign.	Distribution of Non Assign.	Value		Current Value	Area	Percent of Assign.	Distribution of Non Assign.	Value		Current Value	
				Total Area	Per Sq. Foot					Total Area	Per Sq. Foot					Total Area	Per Sq. Foot		Total Area
Assignable																			
Classroom	52,017	3.1%	27,571	78,588	200	15,917,592	85,915	7.5%	31,731	97,188	200	19,429,198	18,418	7.9%	5,288	73,804	200	4,780,813	
General Use	171,792	10.3%	80,775	282,037	200	52,407,455	81,145	8.5%	39,795	122,540	200	24,507,838	11,490	4.8%	3,389	14,850	200	2,970,015	
Health Care	3,460	0.2%	1,834	5,294	300	1,580,178	889	0.1%	410	1,275	300	382,453	150	0.1%	44	194	300	58,160	
Laboratory Use	202,571	18.6%	103,024	470,595	200	141,178,544	194,448	22.1%	92,130	288,578	300	85,922,288	48,031	20.8%	14,048	82,072	300	18,073,080	
Office	288,210	17.4%	152,707	440,872	200	88,194,419	215,158	24.5%	101,844	317,103	200	63,420,572	34,384	14.6%	10,028	44,323	200	8,884,551	
Residential	381,181	23.0%	202,040	583,221	150	87,483,181	129,211	13.7%	58,857	177,188	150	26,575,174	23,885	31.4%	21,513	85,078	150	14,201,884	
Special Use	174,304	10.5%	82,388	288,692	250	68,022,912	78,120	8.9%	37,014	115,134	250	28,783,453	1,153	0.5%	337	1,490	250	372,544	
Study	110,517	6.7%	58,579	169,095	200	33,819,030	87,880	7.7%	32,268	100,189	200	20,037,881	24,080	14.5%	8,988	44,048	200	8,808,235	
Support	100,284	6.7%	84,957	245,241	200	49,048,104	49,248	5.6%	22,324	72,587	200	14,518,410	12,285	5.7%	3,885	17,170	200	3,433,989	
Unassigned	8,045	0.4%	3,204	9,249	200	1,849,815	3,255	0.4%	1,590	4,845	200	968,925	0	0.0%	0	0	200	0	
Total Assignable	1,884,951						878,444						234,488						
Non Assignable																			
Bldg. Serv. Area	54,184						27,390						7,222						
Circulation Area	374,398						209,810						27,880						
Mechanical Area	187,588						49,880						14,522						
Structural Area	200,585						128,113						24,727						
Total Non Assignable	877,123						415,213						588						
Total	2,521,884		877,123	2,521,884			1,294,657		1,294,657			303,012		303,012					
Current Value Calc.						528,159,230						284,814,723						82,154,091	
Infrastructure						87,722,247						28,481,477						9,818,281	
Total Current Campus Value						605,881,477						313,296,200						91,972,372	
Current Value (20*)						485,050,547						211,180,200						84,214,522	
Infrastructure						87,722,247						28,481,477						9,818,281	
Total Current Campus Value						572,772,794						239,661,677						94,032,803	

* Current values calculated using R. S. Means prices and placement cost listed in the university's space database.

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DEFERRED MAINTENANCE EXPENDITURES

**AS OF
AUGUST 1994**

**UNIVERSITY OF ALASKA ANCHORAGE
FY94 DEFERRED MAINTENANCE (CAPITAL)**

	<i>PROJECT TITLE</i>	<i>BUDGET</i>	<i>EXPENDED/ OBLIGATED</i>	<i>STATUS</i>
661461	AI FUME HOOD EXHAUST MODIFICATIONS	683,507.00	683,507.00	Complete 9/30/94
661463	AI KPC BOILER REPLACEMENT MCLANE BLDG.	383,848.00	27,395.00	Award in Process
661466	AI PRIMARY POWER	487,500.00	487,500.00	Complete 9/30/94
661467	AI BLDG. K INTERIOR REPLACEMENT	836,933.00	836,900.00	Complete 9/30/94
661469	AI SHORT BLDG. REVISIONS	184,045.00	184,045.00	Complete 9/30/94
		<u>6,714,633.00</u>	<u>6,378,347.00</u>	

**UNIVERSITY OF ALASKA FAIRBANKS
FY94 DEFERRED MAINTENANCE (CAPITAL)**

	<i>PROJECT TITLE</i>	<i>BUDGET</i>	<i>EXPENDED/ OBLIGATED</i>	<i>STATUS</i>
	AJHC HV SWITCHGEAR	6350,000.00	6300,344.32	In construction
	ROOF RECONSTRUCTION PHASE II	9,080,584.00	8,710,700.08	In construction
	MUSEUM CHILLER	176,000.00	176,393.04	Complete
	GREENING FLOOR	100,000.00	520.47	Re Bid October 1994
	HAZMAT EXTERIOR	100,000.00	98,807.03	Project in Final Close Out
	MOORE/BARTLETT/SKARLAND UPGRADE	825,000.00	649,719.16	Project in Final Close Out
	UTIL LATHROP VAULT	50,000.00	49,003.14	Complete
	UTIL BOILER 2 ID FAN	127,438.00	127,438.81	Complete
	UTIL HV UPGRADE	183,000.00	182,843.02	Complete
	UTIL ASH SYSTEM	210,000.00	214,932.01	Complete
	UTIL VENT PHASE I	19,000.00	14,092.06	Complete
	UTIL BOILER ID FAN	125,000.00	124,743.17	Complete
	WOOD CENTER EXTERIOR	75,000.00	0.00	Project to Bid Feb. 1995
	CAMPUS-WIDE ALARM REPORTING	300,000.00	39,040.85	Project in Design
	CAMPUS-WIDE ROADWAY/PARKING	23,000.00	22,500.00	Complete
	CAMPUS-WIDE LUST	175,000.00	17,812.53	Project on-going as identified
	HEADBOLT HEATERS	40,000.00	30,740.84	Complete
	AFES AG HVAC	75,000.00	48,852.44	second project in design
	PALMER HOUSING HEATING	30,000.00	29,810.93	Complete
	BETHEL WINDOW/DOOR	55,000.00	48,623.99	Complete
	NORTHWEST ELECTRICAL UPGRADE	135,000.00	122,777.91	Complete
	TV - BURNELL HOUSE FLOORING	8,000.00	6,846.44	Complete
		<u>612,075,000.00</u>	<u>610,932,011.60</u>	

**UNIVERSITY OF ALASKA JUNEAU
FY94 DEFERRED MAINTENANCE (CAPITAL)**

	<i>PROJECT TITLE</i>	<i>BUDGET</i>	<i>EXPENDED/ OBLIGATED</i>	<i>STATUS</i>
	KETCHIKAN, ROBERTSON BLDG BOAT SHOP ROOF & CORRIDOR RECONSTRUCTION	183,200.00	180,300.00	Complete
	FIRE MARSHALL MANDATES		10,380.00	Complete
	UNDERGROUND TANKS, TESTING/REPLACEMENT	19,800.00	0.00	Tanks Tested OK
	HAMILTON PARKING LOT REPAIRS	1,600.00	950.00	Complete
	KETCHIKAN, HEAT, ELEC, VENT, REPAIR, REPLACE HAMILTON & ROBERTSON CODE EMERGENCY LIGHT & ELECTRICAL REPAIR	335,600.00	20,550.00	Broken into smaller projects Under Construction
	PAUL, ZIEGLER, HAMILTON, ROBERTSON MECH REPAIRS			162,480 est. To Be Its Bid
	PAUL, ZIEGLER, ELECTRICAL			22,000 est. To Be Its Bid
		<u>4450,000.00</u>	<u>6124,180.00</u>	

ATTACHMENT B

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University of Alaska Deferred Maintenance

	Non-Residential Projects	Residential Projects
Anchorage Campus	8,172,400	3,100,533
Kodiak College	696,200	
Kenai Peninsula Campus	713,000	
Mat-Su Campus	753,200	
PWS Community Campus	752,000	53,000
University of Alaska Anchorage	11,086,800	3,153,533 *
Fairbanks Campus	26,717,687	22,878,522
Bristol Bay Campus	79,500	
Chukchi Campus	122,000	
Interior Campus	549,000	
Kuskokwim Campus	350,000	150,000
Northwest Campus	71,000	
AFES Fairbanks	665,000	
AFES Mat-Su	225,000	
Palmer Research Center	365,000	
Seward Marine Center	240,000	
University of Alaska Fairbanks	29,384,187	23,028,522 *
Juneau Campus	1,058,300	542,800
Ketchikan Campus	383,800	
Sitka Campus	300,000	
University of Alaska Southeast	1,742,100	542,800 *
Total Deferred Maintenance	42,213,087	26,724,855 *
Bond Issuance Costs	750,000	525,000 *
Required Debt Reserve	2,036,913	2,750,145 *
Total Bond Issue	45,000,000	30,000,000

* Pending final agreement with AHFC on issuance costs and reserve requirements.

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**University of Alaska Anchorage
FY95 Deferred Maintenance
Bond Request By Campus By Building**

Campus	Building Name	Non-Residential Projects	Residential Projects	Cumulative by Campus
AC	K	2,654,050		2,654,050
AC	SHORT	1,677,650		4,331,700
AC	CAS	3,840,700		8,172,400
AC	STUDENT HOUSING NO. 1		849,357	9,021,757
AC	STUDENT HOUSING NO. 2		433,127	9,454,884
AC	STUDENT HOUSING NO. 3		416,827	9,871,711
AC	STUDENT HOUSING NO. 4		414,827	10,286,538
AC	STUDENT HOUSING NO. 5		414,827	10,701,365
AC	STUDENT HOUSING NO. 6		400,408	11,101,773
AC	TEMPLEWOOD A		72,060	11,173,833
AC	TEMPLEWOOD B		41,140	11,214,973
AC	TEMPLEWOOD C		14,490	11,229,463
AC	TEMPLEWOOD D		14,490	11,243,953
AC	TEMPLEWOOD E		14,490	11,258,443
AC	TEMPLEWOOD F		14,490	11,272,933
	Anchorage Campus Totals	8,172,400	3,100,533	11,272,933
KOC	BENNY BENSON	440,100		440,100
KOC	VO-TECH	256,100		696,200
	Kodiak Campus Totals	696,200		696,200
PWSCC	SITE, PWSCC	105,000		105,000
PWSCC	GROUDEN-HARRISON	647,000		752,000
PWSCC	SITE, PWSCC HOUSING		53,000	805,000
	Prince William Sound Comm. College Totals	752,000	53,000	805,000
MSC	KERTTULA	753,200		753,200
KPC	MCLANE	713,000		713,000
	Total University of Alaska Anchorage	11,086,800	3,153,533	14,240,333

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**University of Alaska Fairbanks
FY95 Deferred Maintenance
Bond Request By Campus By Building**

Campus	Building Name	Non-Residential Projects	Residential Projects	Cumulative By Campus
FC	AHRC	1,400,000		1,400,000
FC	ATKINSON	110,000		1,510,000
FC	BALLAINE PARKING LOT	960,000		2,470,000
FC	BARTLETT HALL		2,504,856	4,974,856
FC	BUNNELL BUILDING	1,940,000		6,914,856
FC	CHANCELLOR'S RESIDENCE		40,660	6,955,516
FC	CHANDALAR 714		176,089	7,131,585
FC	CHANDALAR 715		104,482	7,236,067
FC	CHANDALAR 716		159,127	7,395,194
FC	CHANDALAR 717		104,482	7,499,676
FC	CHATANIKA 707		116,789	7,616,465
FC	CHAPMAN YUKON DRIVE	40,000		7,656,465
FC	COAL LAB	25,000		7,681,465
FC	COLUMBIA CIRCLE SEWER MAIN	255,000		7,936,465
FC	COLVILLE 709		72,884	8,009,349
FC	COLVILLE 710		95,609	8,104,958
FC	COLVILLE 711		118,855	8,223,813
FC	COMMONS PLAZA	41,000		8,264,813
FC	DUCKERING	1,386,000		9,650,813
FC	ELVEY	1,878,000		11,528,813
FC	FINE ARTS (FS311, FS312, FS313)	2,014,000		13,542,813
FC	GEIST MUSEUM	1,137,000		14,679,813
FC	GRUENING	1,442,000		16,121,813
FC	GARDEN APARTMENTS I		34,588	16,156,401
FC	GARDEN APARTMENTS II		43,562	16,199,963
FC	HARWOOD HALL		1,563,510	17,763,473
FC	HESS VILLAGE 753		435,198	18,198,671
FC	HESS VILLAGE 754		852,695	19,051,366
FC	HESS VILLAGE 755		506,260	19,557,626
FC	HESS VILLAGE 756		226,220	19,783,846
FC	HESS VILLAGE 757		347,438	20,131,284
FC	HESS VILLAGE 758		527,531	20,658,815
FC	HESS VILLAGE 759		283,477	20,942,292
FC	HESS VILLAGE 760		502,236	21,444,528
FC	HESS VILLAGE 761		283,477	21,728,005
FC	HESS VILLAGE 762		347,438	22,075,443
FC	IRVING I	1,237,000		23,312,443
FC	IRVING II	948,952		24,261,395
FC	LATHROP HALL		2,070,348	26,331,743
FC	MCINTOSH HALL		1,016,906	27,348,649
FC	MOORE HALL		2,443,777	29,792,426
FC	NERLAND HALL		1,363,459	31,155,885

**University of Alaska Fairbanks
FY95 Deferred Maintenance
Bond Request By Campus By Building**

<u>Campus</u>	<u>Building Name</u>	<u>Non-Residential Projects</u>	<u>Residential Projects</u>	<u>Cumulative By Campus</u>
FC	O'NEILL	2,276,000		33,431,885
FC	PATTY CENTER	844,000		34,275,885
FC	PLAZA	76,000		34,351,885
FC	RASMUSON LIBRARY	1,570,000		35,921,885
FC	SAC 774		349,756	36,271,641
FC	SAC 775		161,757	36,433,398
FC	SAC 776		293,111	36,726,509
FC	SIGNERS' HALL	340,000		37,066,509
FC	SKARLAND HALL		1,289,550	38,356,059
FC	STEVENS HALL		1,153,208	39,509,267
FC	STUART HALL		897,991	40,407,258
FC	TANANA DRIVE ROADWAY	983,000		41,390,258
FC	TILLY COMMONS	2,488,058		43,878,314
FC	SOUTH UPPER DORMS	107,000		43,985,314
FC	UTILITIES	610,000		44,595,314
FC	WALSH HALL		927,019	45,522,333
FC	WHITTAKER	274,286		45,796,619
FC	WICKERSHAM HALL		1,484,197	47,280,816
FC	WOOD CENTER	2,167,393		49,428,209
FC	YUKON DRIVE	188,000		49,596,209
	Fairbanks Campus Totals	26,717,687	22,878,522	49,596,209
AF	AFES FAIRBANKS	665,000		665,000
BB	BRISTOL BAY CAMPUS (FS006)	79,500		79,500
CC	CHUKCHI CAMPUS (CC101)	122,000		122,000
IC	RED BUILDING	209,000		209,000
IC	SWINE/GREENHOUSE	90,000		299,000
IC	DOWNTOWN CENTER	250,000		549,000
	Interior Campus Totals	549,000		549,000
KU	VOC-TECH BUILDING	164,000		164,000
KU	KU101-104	150,000		314,000
KU	KU104	36,000		350,000
KU	JOHN SACKETT HALL		150,000	500,000
	Kuskokwim Campus Totals	350,000	150,000	500,000
MV	MATSU AFES	225,000		225,000

**University of Alaska Fairbanks
 FY95 Deferred Maintenance
 Bond Request By Campus By Building**

Campus	Building Name	Non-Residential Projects	Residential Projects	Cumulative By Campus
NW	BOOKSTORE (NW009)	5,000		5,000
NW	EMILY BROWN BLDG (NW008)	20,000		25,000
NW	BOAT SHOP/STORAGE BLDG (NW014)	6,000		31,000
NW	ARTHUR NAGOZUK BLDG (NW001)	15,000		46,000
NW	SATELLITE B	25,000		71,000
	Northwest Campus Totals	71,000		71,000
PL	OFFICE/LAB (PL101)	365,000		365,000
SE	DOCK	30,000		30,000
SE	YELLOW LAB (SE102)	60,000		90,000
SE	DONALD W HOOD (SE105)	50,000		140,000
SE	MARINE SCIENCES (SE103)	30,000		170,000
SE	HOOD/K M RAE (SE105, SE106)	50,000		220,000
SE	K M RAE CENTER (SE106)	20,000		240,000
	Seward Marine Center Totals	240,000		240,000
Total University of Alaska Fairbanks		29,384,187	23,028,522	52,412,709

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**University of Alaska Southeast
FY95 Deferred Maintenance
Bond Request By Campus By Building**

Campus Building Name		Non-Residential Projects	Residential Projects	Cumulative by Campus
JC	Soboleft	22,700		22,700
JC	Marine Core	240,000		262,700
JC	Whitehead	30,000		292,700
JC	Hendrickson	165,000		457,700
JC	Student Housing		542,800	1,000,500
JC	Anderson	157,300		1,157,800
JC	Auke Lake	133,300		1,291,100
JC	Bill Ray	107,200		1,398,300
JC	Jones (Day Care)	125,000		1,523,300
JC	Stover (Physical Plant Offices)	19,000		1,542,300
JC	Juneau	58,800		1,601,100
	Juneau Campus Totals	1,058,300	542,800	1,601,100
KET	Ziegler	20,000		20,000
KET	Paul	147,000		167,000
KET	Paul/Ziegler/Robertson	216,800		383,800
	Ketchikan Campus Totals	383,800		383,800
SC	332	300,000		757,700
	Total University of Alaska Southeast	1,742,100	542,800	2,284,900

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**FY95 Deferred Maintenance
MAU Summary**

	Non-Residential Projects	Residential Projects	Total Projects
University of Alaska Anchorage	35,687,661	4,127,485	39,815,146
University of Alaska Fairbanks	82,580,500	30,782,714	113,363,214
University of Alaska Juneau	3,710,222	566,800	4,277,022
University of Alaska Deferred Maintenance Total	121,978,383	35,476,999	157,455,382

ALASKA STATE CHAMBER OF COMMERCE

Resolution 95-10

University of Alaska Deferred Maintenance

WHEREAS, the University of Alaska has been unable to fund its needs for maintenance and code compliance since FY83; and

WHEREAS, during the past 12 years the amount received for the above purposes has been approximately 38% of the necessary funds requested from the legislature by the board of Regents; and

WHEREAS, the need for deferred maintenance in parts of the system is so severe that further delay will adversely impact teaching, research, and public service; and

WHEREAS, the University of Alaska Board of Regents has given this need its highest priority; and

WHEREAS, the Alaska State Legislature has addressed this problem, with the House passing enabling legislation and the Senate looking favorably on the issue, yet letting it die in committee at the end of the 1994 session;

THEREFORE BE IT RESOLVED that the Alaska State Chamber of Commerce give active support for legislation providing for a method of funding deferred maintenance for the University of Alaska statewide system as expressed in the University of Alaska prioritized capital budget for 1995.

ADOPTED

December 9, 1994

BY Pamela Neal

Pamela Neal
President

BY Paul Richards

Paul Richards
Chair, Board of Directors



**SB 121 UNIVERSITY OF ALASKA DEFERRED MAINTENANCE
BY SENATORS HALFORD, Sharp, Miller, Pearce**

The University of Alaska Board of Regents continues to have deferred maintenance as its top funding priority. Years of inadequate maintenance budgets have resulted in numerous facility system failures that are disrupting programs, increasing operational expenses and jeopardizing safety. Premature facility failure will result if these conditions are not addressed. The state of Alaska has invested hundreds of millions of dollars in university infrastructure, representing over 40 percent of all state facilities. If the state does not move quickly to resolve the growing maintenance problems, the value of this significant investment will be lost and replacement unfeasible.

After years of insufficient funding, the University's deferred maintenance backlog has grown to \$157,455,382. Every campus in the system has deferred maintenance projects, although the majority are at the Fairbanks campus. UAF is the oldest campus in the state, with an average building age of nearly 25 years. A summary of the deferred maintenance projects by major administrative unit is:

University of Alaska Anchorage (Campuses: Anchorage, Kenai, Kodiak, Homer, Mat-Su, Prince William Sound)	\$ 39,815,146
University of Alaska Fairbanks (Campuses: Fairbanks, Bethel, Nome, Kotzebue, Kodiak, Seward, Dillingham, Palmer)	\$113,363,214
University of Alaska Southeast (Campuses: Juneau, Sitka, Ketchikan)	\$ 4,277,022

Of the total deferred maintenance backlog, approximately \$35 million is for residential facilities, and the balance is for classrooms, offices, and laboratories.

Many misperceptions exist about the deferred maintenance problem, including the myth that the University systematically reallocated funds from maintenance accounts, thus creating the problem through bad management. The causes of the deferred maintenance backlog are as follows:

1. From 1980 to 1994, the university's total plant asset increased by 243 percent and increased in size by 145 percent in terms of square footage. During this period of rapid expansion, the operating budgets for building operation, maintenance and renewal remained relatively flat. There were few incremental increases in operating budgets for new structures coming on-line. This reduced the amount available for maintenance and renewal and replacement. The result is a current shortfall in building maintenance systemwide of \$3.8 million and for building renewal and replacement, \$5.8 million.

contact:

Wendy Redman
University Relations
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2. Utility rates increased, from 1980 to 1994, approximately 3 percent per year. Increments to budgets, as a rule, did not keep pace with these increments.
3. University buildings have continued to age. As buildings pass the 20 year mark, the amount needed for building system renewal and replacement climbs rapidly. A 20 year old building with a replacement cost of \$10.0 million needs twice as much for renewal and replacement retrofitting as a 10 year old building valued at \$10 million. The Fairbanks campus, with an average building age of 24.4 years, has 157 buildings 20 years of age or older. The UAA Anchorage campus has seven buildings that are 20 years or older; the Juneau campus has three buildings past 20 years; and the Ketchikan campus has two buildings past 20 years. If renewal and replacement is not funded annually, systems wear out, then become deferred maintenance problems.
4. In FY86, approximately \$1.4 million was removed from the maintenance category and put into maintaining the academic programs at UAF. This was quickly rectified. By FY87 maintenance budget was back to pre-86 levels in absolute dollars. There has only been one major increase to plant maintenance since: At UAF in FY94, approximately \$1.0 million was added to plant maintenance.
5. The methods of quantifying deferred maintenance and operating budget needs for maintenance and renewal and replacement have just been developed in the last five years. At this point in time, it is still an emerging discipline. The federal government did a study, showing that the total operations and maintenance for facilities cost from 2 to 4 percent of the plant value. Nationally, colleges and universities have a plant value estimated at \$300 billion, but deferred maintenance is estimated to be a \$60 billion problem, of which \$20 billion is judged critical, i.e., 20 percent of replacement value is deferred maintenance backlog; 7 percent of replacement value is critical. At UA, \$156 million, or 19 percent, of replacement value is viewed as critical deferred maintenance.

In FY95 the University operating budget is the same as it was in FY94 -- \$169 million. During the same decade, student enrollment has increased by 20%, inflation has decreased purchasing power by 20%, and demands for expensive technology enhancements have placed tremendous strain on the University operating budget. Therefore, while it is true that the University did not diminish its operating maintenance funds during the past decade, neither were they able to make sufficient increases in the budgets to keep pace with inflation and aging facilities.

During the past three years, the University of Alaska has aggressively pursued the allocation of operating funds to prevent deferred maintenance from growing. Policies are in place that require the campuses to secure, through new appropriations or reallocation of existing resources, sufficient funds to maintain the buildings according to the formula requirement. A six-year plan for full funding of renewal and replacement operating funds is also in place. These allocations will be in place by 2001 and will assure sufficient funds to replace building systems on a scheduled basis.

The University's future is tied to resolving the backlog of deferred maintenance and legally mandated code corrections. For the past three years, the University has been seeking legislative support to address the problem. Proposals for cash and/or bonding have been put forward, all to no avail. While policy issues are involved with the determination of a funding source, it is crucial that the problem be addressed in a significant way this session. National experts predict that approximately 6 years are needed from the identification of the funding source to the completion of the backlog of deferred maintenance. Phased funding, with a guaranteed source of funding future phases is essential and a logical solution to funding the backlog.

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By: Valerie Themien
 Nanci A. Jones
 Hank Hove
 Dan LaSola
 Layne St. John
 Cheryl Kilgore
 Hank Bartos
 Jim Sampson, Mayor

Introduced: 03/08/95
 Substituted: 03/08/95
 Adopted: 03/08/95

RESOLUTION NO. 95-018

A RESOLUTION URGING THE GOVERNOR AND LEGISLATURE TO PROVIDE FUNDS TO ADDRESS THE UNIVERSITY OF ALASKA'S \$157 MILLION BACKLOG OF DEFERRED MAINTENANCE

WHEREAS, the University of Alaska Fairbanks serves as the site for 60 percent of the University of Alaska system's buildings and 90 percent of those are more than 20 years old; and

WHEREAS, the University's facilities have seriously deteriorated, adversely affecting the University's mission and Alaska's investment in higher education; and

WHEREAS, the lack of proper maintenance has unnecessarily increased the University's operating costs, created serious health and life-safety concerns and adversely affected the University's enrollment; and

WHEREAS, University students have cited their housing, buildings and classroom conditions as the University of Alaska Fairbanks' main deficiency and the University of Alaska Board of Regents has made capital improvement-maintenance its highest priority for the past two years; and

WHEREAS, the current deferred maintenance backlog is \$156,880,981 and, in order for the University to continue to function and to serve the needs of the students and faculty, the maintenance projects backlogged must be undertaken; and

MAR 14 '95 05:50PM FRED CLERK'S OFFICE

P. 3/5

PASSED AND APPROVED THIS 8TH DAY OF MARCH, 1995.

Hank Bartos
Hank Bartos
Presiding Officer

ATTEST:

Mona Lisa Craxler
Mona Lisa Craxler, CMCAAE
Municipal Borough Clerk

Ayas: Lujan, Hackettmiller, Jones, Novu, LaSota, St. John, Thermen, Kilgore and Bartos
Nays: None