

DE0201B
General State Facilities
 Board of Public Works /Department of General Services

Facilities Renewal Fund (Statewide)

General Obligation Bonds **\$3,436,000** **Recommendation:** **Add funds for facilities renewal projects**

Bill Text: Provide funds for the State Capital Facilities Renewal Program.

Program Description: This program funds facilities renewal and infrastructure projects for the repair and rehabilitation of State-owned facilities. Projects funded in this program cost more than \$100,000 but less than \$1 million. Facilities renewal projects costing more than \$1 million are funded as separate stand-alone appropriations. The Maryland Department of Transportation, the Department of Natural Resources (DNR), the University System of Maryland (USM), and the Maryland Environmental Service administer their own facilities renewal programs.

Prior Authorization and Capital Improvement Program

Authorization Request
 (\$ in Millions)

<i>Fund Source</i>	<i>2009 Approp.</i>	<i>2010 Approp.</i>	<i>2011 Allowance</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
GO Bonds	\$10.000	\$10.403	\$3.436	\$10.000	\$15.000	\$15.000	\$15.000
Total	\$10.000	\$10.403	\$3.436	\$10.000	\$15.000	\$15.000	\$15.000

Authorization Encumbrance and Expenditure Data

Authorization Summary (\$ in Millions)

<i>Fiscal Year</i>	<i>Authorization</i>	<i>Funds</i>		<i>Balances</i>	
		<i>Encumbered</i>	<i>Expended</i>	<i>To Be Encumbered</i>	<i>To Be Expended</i>
Prior Years	\$141.074	\$141.006	\$140.978	\$0.068	\$0.096
2006	10.732	10.726	10.636	0.006	0.096
2007	10.887	7.741	6.610	3.146	4.277
2008	9.000	7.209	6.056	1.791	2.944
2009	10.000	3.900	0.937	6.100	9.063
2010	10.403	0.355	0.234	10.048	10.169
Total	\$192.096	\$170.937	\$165.451	\$21.159	\$26.645

Note: Numbers may not sum to total due to rounding.

Program Analysis and Performance

The fiscal 2011 allowance for the Department of General Services (DGS) capital facility renewal projects provides \$3,436,000 in general obligation (GO) bond funds for emergency facility renewal projects, which average approximately \$3.5 million annually. The 2010 *Capital Improvement Program* (CIP) indicates that funding is expected to increase to \$10.0 million in fiscal 2012 and then increase to \$15.0 million each year thereafter in the five-year planning period covered in the CIP.

Issues

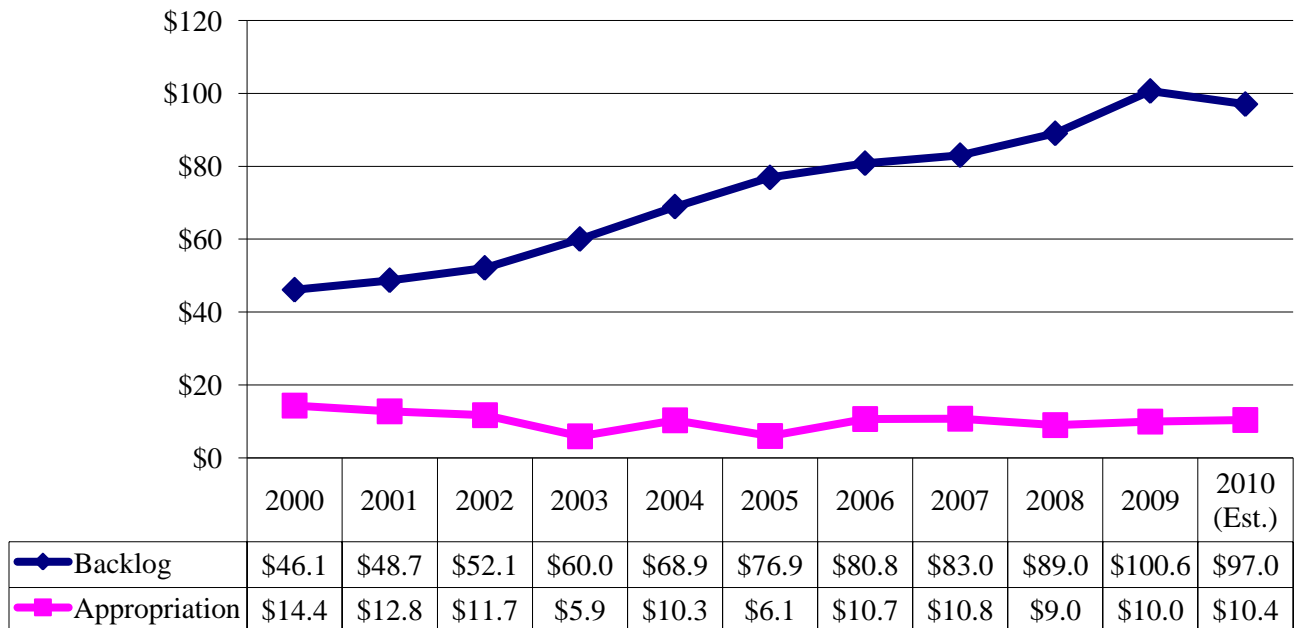
1. Facilities Renewal Backlog

Pursuant to Sections 4-407 and 4-408 of the State Finance and Procurement Article, the department is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS’ maintenance of State facilities efforts include both “critical maintenance,” funded through the operating budget and “facilities renewal,” funded through the capital budget. In recent years, budget shortfalls have caused the State to scale back on facilities maintenance and renewal funding. The lack of adequate funding has been a concern of the budget committees for many years as deferring facilities maintenance eventually leads to increasing project costs and further deterioration of the State’s assets.

Facility Renewal Funding

Since fiscal 2000, the facilities renewal backlog has grown by 9% annually. As shown in **Exhibit 1**, the facilities renewal backlog was initially expected to approach \$97.0 million at the end of fiscal 2010. However, DGS reports that a more recent estimate suggests that the fiscal 2010 backlog is likely to exceed \$110.0 million. As previously discussed, the fiscal 2011 allowance for facilities renewal funding is \$3.4 million.

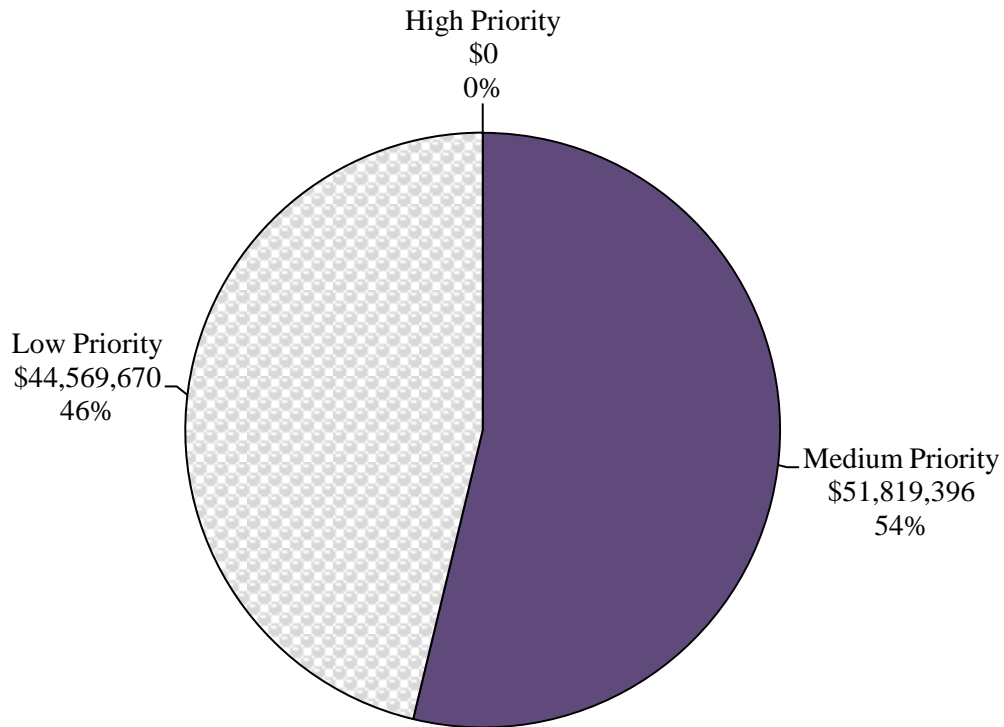
Exhibit 1
Facilities Renewal Funding and Backlog
Fiscal 2000-2010
(\$ in Millions)



Source: Department of General Services

Exhibit 2 provides further detail regarding the fiscal 2011 facilities renewal backlog for each classification of the department’s priority levels. As shown, approximately 54% of the facilities renewal backlog is classified as a medium level priority. Although these projects are considered to have a short-term impact on agencies’ mission capabilities, they are considered to have a high level of economic risk. **Appendix 1** provides a summary of the priority classification.

Exhibit 2
Department of General Services
Capital Facility Renewal Backlog
Fiscal 2011



	<u>High Priority</u>	<u>Medium Priority</u>	<u>Low Priority</u>
Amount	\$0	\$51,819,396	\$44,569,670
Percent of Total	0.0%	54.0%	46.0%
Number of Projects	0	174	140

Note: Numbers may not sum to total due to rounding.

Source: Department of General Services

Plan for Funding Maintenance

The 2009 *Joint Chairmen's Report* (JCR) directed DGS to develop a plan for improving the State's facility maintenance and renewal process, including a fee assessment mechanism for addressing the critical maintenance and facilities renewal backlogs. In December 2009, DGS submitted its report to the budget committees outlining its findings, summarized below.

Preventive Maintenance Operation Program

Prior to 1993, maintenance projects were generated by a DGS assessment team that thoroughly inspected all State facilities. The team was responsible for evaluating the facility maintenance program and the quality of the maintenance workflow. However, this program was eliminated in fiscal 1993 due to the State's fiscal crisis. Since that time, the department has utilized a Preventive Maintenance Operation (PMO) Program. Under this program, agencies are required to submit project justification reports to DGS annually. The PMO Program requires agencies to conduct their own assessments of facilities and equipment and to provide project justifications for items that need to be replaced. This information is then reviewed by DGS project managers, assigned a priority, and placed on an aggregate list of projects maintained by the department for future consideration. Critiques of the program include DGS' inability to make relative judgments about project priorities since it does not evaluate each project as well as the DGS personnel not always being qualified to conduct such an assessment. DGS notes that agencies often submit incomplete reports which lead to poor maintenance tracking and identification and an increase in the number of emergency projects. In the absence of adequate assessment practices, it is virtually impossible to determine the true magnitude of the State's facilities maintenance backlog.

Facility Maintenance Staffing

DGS staff dedicated to the critical maintenance and facilities renewal program totals 17 employees. The list of job duties for individual projects in many instances is similar to that of any large capital project and ranges from processing project requests, preparing architectural and engineering (A/E) bid packages, evaluating bid proposals, selection and procurement of A/E contracts, design review at various design development stages, review of construction contract bid documents and procurement of construction contractors, preconstruction meetings, project progression reports, evaluation of change order requests, inspection and determination of substantial completions, and various elements associated with project closeouts.

In addition to the department's critical maintenance and capital facilities renewal program, DGS staff also administers the DNR Program Open Space critical maintenance and capital development projects and the State's Asbestos Abatement and Underground Heating and Storage Tank Programs. Fourteen of the 17 positions are dedicated exclusively to project management, which results in a range of 14 to 30 projects per manager on an annual basis.

Fiscal 2010 Budgeted Staff Workload and Emergency Procurements

Based on prior experience, the department has noted that for each \$1.0 million of funding provided, the department is able to complete, on average, 30 critical maintenance projects and three facilities renewal projects. Fiscal 2010 funding for critical maintenance and facilities renewal projects totals \$2.5 million and \$10.4 million, respectively. Based on this level of funding, the budgeted workload for the critical maintenance and facilities renewal program is 72 and 31 projects, respectively.

While the average number of projects per manager ranges between 14 and 30 projects, emergency or unexpected projects also impact managers' workloads. Once approved by the Secretary of DGS, an emergency project requires the undivided attention of a project manager until completion, which often delays the completion of scheduled projects. According to DGS, since fiscal 2007, the department has completed 33 emergency projects totaling \$12.6 million. Twenty-eight of these projects totaling \$9.2 million, or 73%, comprised "new" emergency projects not previously accounted for on the priority listing backlog.

Annual Funding Level Required to Reduce Facilities Maintenance and Renewal Backlogs

In determining the optimal amount of annual funding for critical maintenance and facilities renewal projects, the department reviewed facilities maintenance and renewal backlog data and annual funding amounts from fiscal 2003 through 2010. Based on this data, DGS determined that an annual appropriation of \$15 million would be sufficient to address ongoing facilities renewal projects. In addition to this amount, an annual appropriation of \$6 million would be required to reduce the facilities renewal backlog down to a priority eight level within approximately six years.

Based on current staffing levels, DGS reports that its staff could accommodate up to \$15.0 million in facilities renewal funding. However, average annual encumbrances for the program are just under \$10.0 million in the three previous years so additional project managers might be needed to accommodate \$15.0 million in funding. Additional staff would certainly be required in the event that annual funding levels exceed these amounts. The fiscal 2011 allowance includes \$3.4 million to address emergency projects.

Backlog Reduction Strategies

In an effort to address the State's critical maintenance and facilities renewal needs, the department recommended the following alternatives:

- ***Establish an Independent Assessment Program:*** This alternative involves hiring a private facilities maintenance vendor to conduct a centralized assessment of the State's facilities. Although costly, this alternative has numerous benefits in that the State would have a computerized system with all of its facilities evaluated and a prioritized schedule from which the operating and capital budget requests could be prepared. DGS reports that this alternative

would require an initial investment of \$8 million to \$10 million with annual system maintenance ranging between \$500,000 to \$1 million.

- ***Restore the DGS Assessment Team:*** This alternative would not only require the reinstatement of the assessment team but would also require that all DGS-managed facilities be inspected at least once every three years. According to DGS, restoring the assessment team would require eight additional maintenance engineers at a cost of approximately \$540,800.
- ***Establish a Dedicated Funding Source:*** This alternative entails adding a square foot assessment charge for critical maintenance to the current annual square footage rent calculation for each State-owned facility. Here, the goal would be to obtain, at a minimum, \$10 million annually to address ongoing critical maintenance and backlog needs. Similarly, for facilities renewal projects, the State should consider adding a surcharge to projects that are administered via the State's GO bond program. The department recommends collecting at least \$21 million annually to fund planned projects and to address the backlog. In both instances, the annual surcharge would be reduced once the backlog has been reduced to a manageable level.

Draft Legislation

Although the JCR directed the department to prepare draft legislation establishing a fee assessment mechanism for addressing the critical maintenance and facilities renewal backlogs, DGS notes that the State's critical maintenance and facilities renewal concerns can be addressed within the confines of the current budgetary structure. According to the report, proposing legislation would minimize the ability of DGS and the Department of Budget and Management to respond to the needs of the State in fiscally challenging times.

Other Considerations

DGS is required to receive Board of Public Works (BPW) approval for procurement contracts. In some instances, depending on the dollar amount of the procurement, DGS has independent procurement authority that does not require BPW approval prior to the contract award. To the extent that increasing the department's procurement threshold will improve the productivity of its construction project managers, consideration should be given to increasing the dollar threshold of procurements requiring BPW approval. Currently, DGS is required to seek BPW approval of contracts in excess of \$200,000, which is substantially less than the \$500,000 limit for the USM procurements. **DGS should discuss what efficiencies might result from a change in the procurement threshold on DGS' ability to manage construction projects. DGS should also provide the committees with a list of comprehensive recommendations that would assist the department with addressing the facilities renewal and critical maintenance backlogs.**

Department of Legislative Services Recommendation

To the extent that additional funding is identified in the operating budget to hire additional project managers, the Department of Legislative Services recommends that the budget committees appropriate \$15 million in GO bond funds for facilities renewal projects. The State’s failure to provide adequate funding for its buildings and infrastructure has led to additional emergency procurements, growing maintenance and renewal backlogs, and increased pressure to seek out other, more costly alternatives such as public-private partnership financing.

Recommended Actions

DE0201B Facilities Renewal Fund..... \$ 15,000,000

Allowance
3,436,000

Change
11,564,000

Authorization
15,000,000

Explanation: This action increases funding for facilities renewal projects by \$11.6 million.

Fiscal 2011 Proposed Projects

The fiscal 2011 allowance includes \$3.4 million to address emergency projects.

Previously Authorized Project Status

<u>Subdivision</u>	<u>Project Title</u>	<u>Current Amount</u>	<u>Status</u>
Anne Arundel	DGS – Annapolis Complex Replace Steam Lines Phase II	\$618,000	Re-bid due to MBE participation
Anne Arundel	DGS – State House Rehab Dome	497,000	In design
Anne Arundel	DGS – State House Replace Ragwire	433,000	Complete
Anne Arundel	DGS – Annapolis Public Buildings and Grounds – Treasury Building Replace Cupola	370,000	In design
Anne Arundel	DGS – Annapolis Buildings and Grounds Re-roof Tawes Complex A-E and 17	340,000	In design, bid date 6/10
Anne Arundel	DGS – Glen Burnie Multi-service Center Waterproof Building	130,000	In design
Anne Arundel	DGS – Annapolis Public Buildings and Grounds – Legislature 6 Replace Elevator Components (2)	166,000	No action
Anne Arundel	DMIL – Glen Burnie Armory Re-roof Armory	380,000	Design complete, awaiting IQC contract
Anne Arundel	MPBC – Channel 22 Annapolis Re-roof Transmitter Building	100,000	Pre-bid 3/10/10
Baltimore City	DGS – 201 W. Preston St. Replace Fire Alarm	870,000	Awarded
Baltimore City	DGS – 300 W. Preston St. Replace Elevators	735,000	In design
Baltimore City	DGS – 201 Building Replace Hot Water Heaters (5)	120,000	Bids due 3/12/10
Baltimore City	DGS – Civic Plaza Replace Roof	291,700	Under construction
Baltimore City	DGS – Baltimore Public Buildings and Grounds Slab Repairs	404,083	Awarded

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<u>Subdivision</u>	<u>Project Title</u>	<u>Current Amount</u>	<u>Status</u>
Baltimore City	DGS – 300 W. Preston St. Replace Valves	220,000	Bids due 3/12/10
Baltimore City	DGS – Baltimore Public Buildings and Grounds Hot Water Converters (2)	100,000	Bids due 3/12/10
Baltimore City	DPSCS – BCDC Elevator Rehab	612,000	In design, bid date 6/10
Baltimore City	DPSCS – MRDCC Elevator Rehab (3)	880,130	Re-bid, new bid date 3/23/10
Baltimore City	DPSCS – MRDCC Elevator Rehab (2)	589,000	In design, bid date 6/10
Baltimore City	DPSCS – BCDC – Men’s Entrance Replace Hot Water Tanks	262,000	No action
Baltimore City	DPSCS – MRDCC Repair Support Beams and Systems	460,000	No action
Baltimore City	MDE – Maryland Rehabilitation Center Install Sprinklers	568,000	In design
Baltimore City	MDVA – Maryland Vietnam Veterans Memorial Correct Differential Slab Movement	218,000	Design complete; cost estimate in review
Baltimore City	MDVA – War Memorial Building Install 7-Foot Security Fencing and Gates	226,000	Design complete, awaiting Historical Trust approval
Baltimore City	MSDE – Maryland Rehabilitation Center Replace Water Piping and Valves	999,000	In design
Baltimore County	DMIL – Dundalk Armory Replace Roof	397,500	Awarded
Baltimore County	DMIL – Pikesville Military Reservation Upgrade Water System	194,000	Awarded
Carroll	DHMH – Springfield Hospital – McKeldin Building Install New Roof and Gutters	350,000	Design complete, awaiting IQC bids
Carroll	DHMH – Springfield Hospital Re-roof Salomon Building	200,000	Design complete, awaiting IQC Bids
Carroll	DHMH – Springfield Hospital Center Replace A/C	772,000	In design
Carroll	DPSCS – Public Safety Training Center – Dorm 1 and 2 Install A/C	500,000	Complete

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<u>Subdivision</u>	<u>Project Title</u>	<u>Current Amount</u>	<u>Status</u>
Frederick	MSD – Ely Building Emergency Fire Alarm Replacement	235,000	Complete
Frederick	MSD – Ely Building, Re-roof Building	215,000	Design complete, awaiting IQC bids
Frederick	MSD –Ely Building, Replace Main Entrance Steps	159,000	Design complete, soliciting bids
Frederick	MSD – Hessian Barracks Renovate Exterior	804,000	Design complete, awaiting Historical Trust approval
Frederick	MSD – Veditz Building Replace Chiller	284,000	Cancelled; project to be completed by agency
Garrett	MSP – Barrack W Repair Retaining Wall	170,000	In design
Harford	DGS – Bel Air Multi-service Center Elevator rehab	450,000	Under construction
Howard	DHMH – Clifton T. Perkins Hospital Emergency Fire Alarm Replacement	235,000	Complete
Howard	DPSCS – Jessup – Correctional Institution – Facilitywide Upgrade Fire and Sprinkler Alarm	157,000	No action
Howard	DPSCS – Jessup Correctional Institution Replace Heat Wheels	173,000	Awarded
Howard	DPSCS – Maryland House of Correction – Male Hospital Replace A/C	385,000	Cancelled; project to be completed under Energy Program
Howard	DPSCS – MCI-Dorm 2 Replace Door Controls	539,000	Awaiting sole source procurement
Howard	DPSCS – MCI-Dorm 2 Replace Door Controls	175,000	Re-bid date 4/15/10
Howard	MSD – Columbia Replace Exterior Metal Window Frames, Doors, and Frames	193,000	No action
Howard	MSD – Columbia Steiner Patio and Ramp Replacement	175,000	No action
Howard	MSD – Columbia Re-roof Steiner Building	788,000	Design awaiting IQC bids
Montgomery	DJS – Alfred Noyes Children’s Center Replace Baseboard Heat Piping and Covers	150,000	Designed, bid date 4/2010

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<u>Subdivision</u>	<u>Project Title</u>	<u>Current Amount</u>	<u>Status</u>
Prince George's	MSP – Barracks Q Waterproof Wall	200,000	In design
Prince George's	MSP – Forestville Barracks Upgrade HVAC	150,000	Cancelled; project to be competed under Energy Program
Somerset	DPSCS – ECI Replace Microwave Tower	199,000	Complete
St. Mary's	DPSCS – Southern Maryland Pre-release Unit Renovate Shower Room	365,000	No action
Washington	DPSCS – West Maryland Center Replace Steam Lines	500,000	Re-bid due to price
Washington	DHMH – Western Maryland Hospital Center Replace Windows (41)	345,000	No action
Washington	DPSCS – Maryland Correctional Training Center Replace Motor Starter Control Panels (8)	403,000	Design complete, ready for bid
Washington	DPSCS – Roxbury Correctional Institution – Facilitywide Replace Exhaust and Ventilation Fans	129,000	Commodity procurement
Washington	MPBC – WWPB Channel 31 Hagerstown Repair and Resurface Entrance Road and Parking Lot	159,000	In design
Wicomico	DGS – Salisbury District Court/MSD Repair Water Infiltration	274,000	Design complete; cost estimate in review
Statewide	Mold Remediation	500,000	Awarded
Total		\$21,513,413	

A/C: air conditioning
 BCDC: Baltimore City Detention Center
 DGS: Department of General Services
 DHMH: Department of Health and Mental Hygiene
 DJS: Department of Juvenile Services
 DMIL: Military Department
 DPSCS: Department of Public Safety and Correctional Services
 ECI: Eastern Correctional Institution
 HVAC: heating, ventilation, and air conditioning
 IQC: Indefinite Quantity Contract
 MBE: Minority Business Enterprise
 MCI-2: Maryland Correctional Institute-Dorm 2
 MDE: Maryland Department of the Environment
 MDVA: Maryland Department of Veterans Affairs
 MPBC: Maryland Public Broadcasting Commission

MRDCC: Maryland Reception, Diagnostic, Classification Center
 MSC: Multi-service Center
 MSD: Maryland School of the Deaf
 MSDE: Maryland State Department of Education
 MSP: Maryland State Police

Priority Classes

The prioritization process used by the Department of General Services attempts to identify the consequences of not funding projects based on the following priority classifications.

Highest Level: Serious prolonged impact of facility mission:

1. High risk of litigation from failure to provide a mandated service.
2. High risk of cessation of a mandated service.
3. High risk of reduction of a mandated service.

Mid Level: Short-term impact on mission capability but very high level of economic risk:

4. Fineable code violations, serious life safety issues.
5. Destruction of related assets.
6. Accelerated deterioration of the asset, end of normal life expectancy.

Low Level: No impact on mission capability and low economic risk associated with:

7. Restoring an asset to its design effectiveness.
8. Restoring an asset to design efficiency.
9. Improving an asset above its original design effectiveness.