

DE0201
Board of Public Works

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
-----------------	------------------------	-------------------------	----------------------	----------------------	----------------------	----------------------	-----------------------

Fuel Storage Tank Replacement Program	\$0.000	\$1.700	\$2.000	\$1.000	\$1.000	\$1.000	0.000
Annapolis Post Office Renovation	4.133	0.750	4.159	0.000	0.000	0.000	0.000
Total	\$4.133	\$2.450	\$6.159	\$1.000	\$1.000	\$1.000	\$0.000

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
--------------------	------------------------	-------------------------	----------------------	----------------------	----------------------	----------------------	-----------------------

GO Bonds	\$4.133	\$2.450	\$6.159	\$1.000	\$1.000	\$1.000	\$0.000
Total	\$4.133	\$2.450	\$6.159	\$1.000	\$1.000	\$1.000	\$0.000

CIP: *Capital Improvement Program*

GO: general obligation

Grant and Loan Capital Improvement Program
(\$ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Facilities Renewal Fund	\$15.000	\$10.775	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000
Construction Contingency Fund	0.000	2.500	0.000	2.500	0.000	2.500	0.000
Total	\$15.000	\$13.275	\$15.000	\$17.500	\$15.000	\$17.500	\$15.00

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
--------------------	-------------------------	-------------------------	-------------------------	----------------------	----------------------	----------------------	----------------------

GO Bonds	\$15.000	\$13.275	\$15.000	\$17.500	\$15.000	\$17.500	\$15.00
Total	\$15.000	\$13.275	\$15.000	\$17.500	\$15.000	\$17.500	\$15.00

GO: general obligation

Summary of Updates

Construction Contingency Fund: The current CIP anticipates authorizations to the Construction Contingency Fund (CCF) of \$2.5 million in fiscal 2018 and 2020. Given the uncertainty surrounding the construction market and future needs, funding every two years should ensure that the fund maintains a sufficient balance.

Saratoga State Center Garage: The 2013 CIP provided \$4.4 million to construct garage improvements at the Saratoga State Center, but the 2015 *Joint Chairmen's Report* (JCR) de-authorized \$2.2 million until a Memorandum of Understanding (MOU) was executed between the two parties. As of this writing, the Department of General Services (DGS) and Baltimore City have not established an MOU, and, following the restrictive language in the 2015 JCR, the budget committees released the \$2.2 million to the Board of Public Works (BPW) General State Facilities, Facilities Renewal Fund.

Summary of Recommended Bond Actions

1. Facilities Renewal Fund

Approve funding for the Facilities Renewal Fund.

2. Fuel Storage Tank Replacement Program

Approve funding for the Fuel Storage Tank Replacement Program.

3. Annapolis Post Office

Approve funding for the Annapolis Post Office Renovation.

4. SECTION 2 – Board of Public Works – Asbestos Abatement Program

Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.

5. SECTION 2 – Board of Public Works – Annapolis Post Office

Approve modification of the fiscal 2012 appropriation to allow construction.

6. SECTION 2 – Board of Public Works – William Donald Schaefer Tower – Replace Fire Alarm System

Approve the partial de-authorization of the fiscal 2012 appropriation that reduces by \$100,000.

7. SECTION 2 – Board of Public Works Annapolis Post Office Renovation

Approve modification of the fiscal 2013 appropriation to allow construction.

8. SECTION 2 – Board of Public Works – State House Complex Security Upgrades

Approve de-authorization of general obligation bond funds for the State House Complex Security Upgrades.

9. SECTION 12 – Board of Public Works – Annapolis Post Office

Approve the pre-authorization of funds in fiscal 2018 to complete the renovation of the Annapolis Post Office.

Program Description

Fuel Storage Tank Replacement Program: This program funds the replacement and maintenance of fuel tanks that are currently at the end of their expected useful life, which is approximately 30 years. Without replacement and/or repair of the tanks, State agencies may fail inspections conducted by the Maryland Department of the Environment, possibly incurring federal fines of up to \$100,000. Additionally, in the event that a tank fails, fuel leakage would contaminate groundwater resources.

Facilities Renewal Program: This program provides funds for the repair and rehabilitation of State-owned capital facilities that cost between \$100,000 and \$2,500,000, excluding higher education projects, which are funded through separate appropriations. Projects added to the program's backlog are prioritized by urgency with the intent of preventing further deterioration, loss of assets, and facility closure.

Construction Contingency Fund: This is a supplementary funding source for State construction projects. Expenditures from the fund must be approved by BPW and may only be used for State-owned capital projects that have already received funding authorization from the General Assembly in instances where the prior authorized funds are insufficient to fund the initial construction award or to cover change orders that do not increase the scope of a project.

Performance Measures and Outputs

The following review of performance data is only for the Facilities Renewal Program and communicates the value the State receives from funding the program.

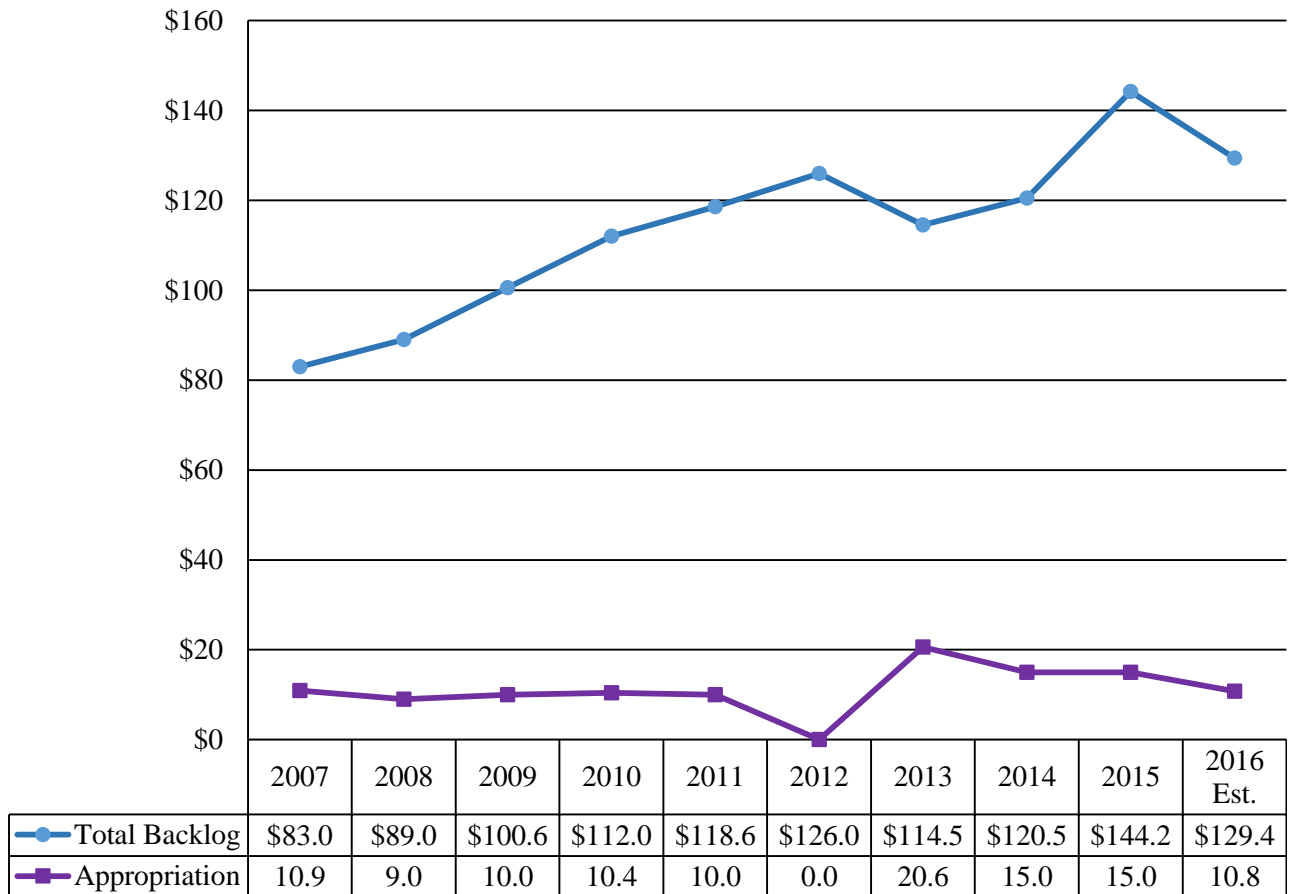
Facilities Renewal Program

The Facilities Renewal Program provides funds for the repair and rehabilitation of State-owned capital facilities that cost between \$100,000 and \$2,500,000, excluding higher education projects, the Maryland Department of Transportation, the Maryland Environmental Service, and the Department of Natural Resources, which are funded through separate appropriations. Projects added to the program are prioritized by urgency with the intent of preventing further deterioration, loss of assets, and facility closure.

Due to a number of constraints, including management, funding, and vacancies, the program has developed a significant backlog of projects over the past 10 years, growing from \$83 million in fiscal 2007 to over \$144 million in fiscal 2015, as shown in **Exhibit 1**. While the program will require funding beyond fiscal 2021, the fiscal 2017 budget includes \$15 million in funding for 27 projects in 9 jurisdictions and is expected to reduce the backlog to \$129.4 million. Additional funding over the next several fiscal years will allow DGS to reduce the backlog by several million dollars each year; due

to the nature of facility deterioration and the limited maintenance resources available, however, the backlog will likely increase as projects are discovered.

Exhibit 1
Facility Renewal Funding and Backlog
Fiscal 2007-2016 Est.
(\$ in Millions)



Source: Department of General Services

Exhibit 1 demonstrates that although the State provided roughly \$61 million from fiscal 2013 to 2016 to reduce the backlog, the State's backlog increased by nearly \$15 million. This is partly due to the addition of newly discovered projects, but it is also a result of the department not encumbering all of the funds available. **DLS recommends that DGS discuss the department's administrative and staffing capacity to manage the volume of work that the proposed fiscal 2017 funding would require.**

Budget Overview

Facilities Renewal Program

Funding for facility renewal projects should be a State priority and funded at a level to ensure that DGS can address not only the most pressing projects, but also ones that may result in disruptions to agency operations or could become more serious and costly if not addressed. As referenced in the Performance Measures and Outputs section, the State has provided substantial funding to the program, but DGS has not always been able to encumber each year's appropriation; in fact, as shown in **Exhibit 2**, the department's total Facilities Renewal Fund unencumbered balance as of February 24, 2016, was just over \$33 million. DGS reports that it has implemented new program procedures to ensure projects are processed and completed more quickly, thereby allowing it to encumber and expend higher amounts of authorized funds and further reduce the program's backlog. Additionally, the fiscal 2017 operating budget includes four new positions to support the department's Office of Facilities Planning, Design, and Construction, which directly manages the backlog of projects. **DLS has concerns that the annual encumbrance levels are not high enough to reduce the backlog. DGS should comment on what changes in staffing or new program procedures are needed to increase annual encumbrance levels to at least \$20 million. DGS should also comment on its ability to encumber all remaining unencumbered funds; the average time that it takes to move projects through the procurement, design, and construction processes; steps the agency has taken to improve this process; as well as any obstacles challenging those improvements.**

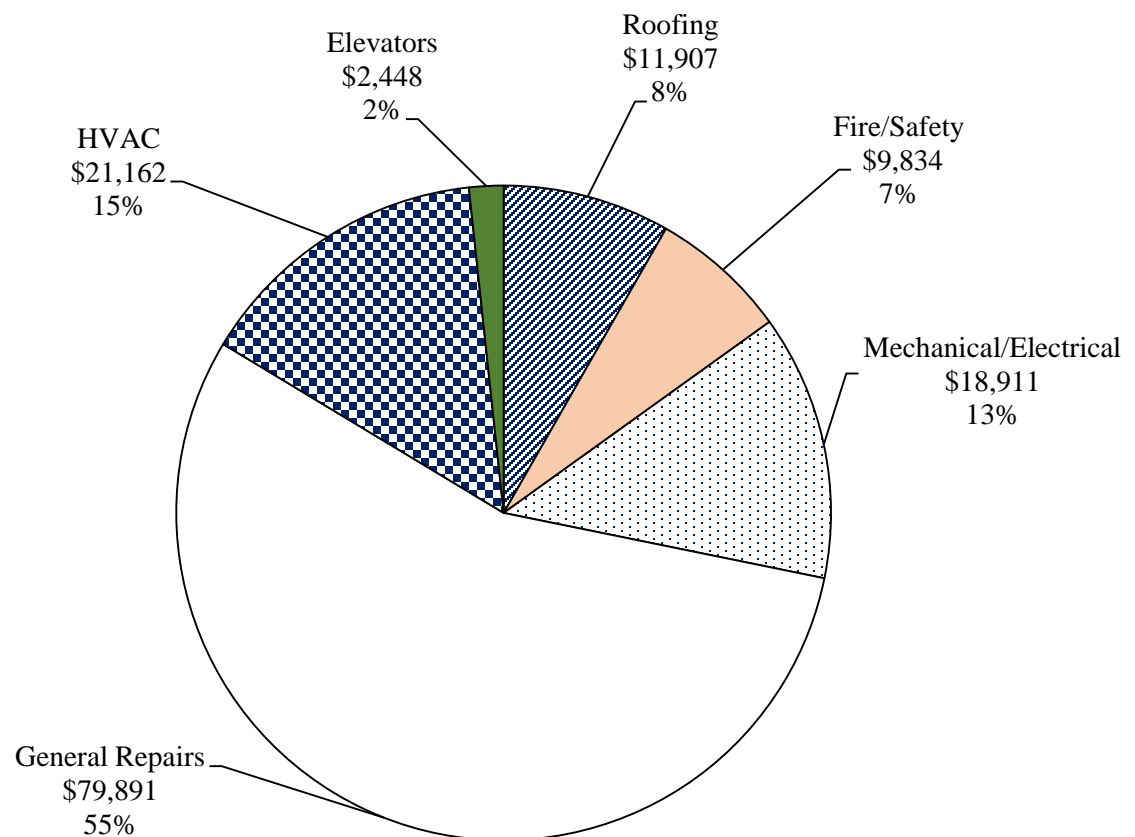
Exhibit 2
Authorization, Encumbrance, and Expenditure Data by
Year of Capital Authorization
Fiscal 2012-2016
(\$ in Millions)

		Funds		Balances	
Fiscal Years	Authorization	Encumbered	Expended	To Be Encumbered	To Be Expended
Prior Years	\$162.669	\$162.669	\$161.997	\$0.000	\$0.672
2012	0.000	0.000	0.000	0.000	0.000
2013	20.592	19.488	19.438	1.103	1.154
2014	15.000	6.585	3.186	8.415	11.814
2015	15.000	0.046	0.001	14.954	15.000
2016	10.775	0.075	0.005	8.480	8.550
Total	\$121.648	\$86.372	\$82.763	\$33.055	\$36.666

Source: Department of General Services

Exhibit 3 provides further detail regarding the facility renewal backlog for each classification of the anticipated project type. **Appendix 1** shows the cost of projects on the backlog by agency. The majority of the total backlog comes from projects within the Department of Public Safety and Correctional Services, followed by projects within facilities managed by DGS.

Exhibit 3
Facilities Renewal Program Projects by Type of Work
(\$ in Millions)



HVAC: heating, ventilation, and air conditioning

Source: Department of General Services

Fuel Tank Storage Replacement

The Governor's budget includes \$1.7 million in general obligation (GO) bonds to fund five projects. This replacement program began in fiscal 2014 with a \$1.4 million appropriation to fund the replacement and maintenance of fuel tanks in order to prevent potential soil contamination and avoid violations of environmental regulations established by the Environmental Protection Agency (EPA). State and federal regulations require all motor fuel underground storage tanks to be inspected every three years by a Maryland-certified third-party inspector. **DGS should comment on the success of the program thus far and on the condition of the underground fuel tanks managed by the department. DGS should also comment on whether the funds provided in the CIP are adequate to maintain compliance with environmental regulations established by EPA.**

Annapolis Post Office Renovation

The Annapolis Post Office was acquired by the State of Maryland in fiscal 2013 when the State purchased it from the U.S. Postal Service for a total cost of \$3,209,000. The postal service vacated the property in August 2015, and due to the poor structural and mechanical condition of the property, it continues to remain vacant and requires significant renovations before State employees can occupy it.

The 2016 CIP anticipates a total of \$9.042 million in GO bond funds to renovate the Annapolis Post Office. Of this amount, \$4.133 million in prior authorized funds will be combined with the fiscal 2017 request of \$750,000 to begin the construction of Phase I, which will remove hazardous substances and replace various building systems. Additionally, the Maryland Consolidated Capital Bond Loan (MCCBL) of 2016 includes amendments to the fiscal 2012 and 2013 appropriations to allow previously authorized design funds, a total of \$924,000, to be used for construction.

Upon completion of Phase I, the State plans to begin Phase II, which will build out office and conference room space to meet tenant needs, currently identified as the Governor's Office of Legal Counsel, the Administrative Financial Office, and the Secretary of State's Office. Phase III of the project plans to add 20,000 to 25,000 gross square feet of office space by building over the parking lot; however, this is not included in the current CIP due to the fact that occupants have not yet been identified. The Department of Budget and Management (DBM) recommends that funding for a future expansion of the Annapolis Post Office building wait until DGS has fully implemented its renovation project.

According to DBM, potential occupants currently lease approximately 200,000 square feet of office space in Annapolis, which consumes significant operating budget resources, provides less certainty regarding future office locations, and provides sub-optimal spatial configurations.

Updates

1. Construction Contingency Fund

Section 3-609 of the State Finance and Procurement Article establishes the CCF as a supplementary funding source for State construction projects. Expenditures from the fund must be approved by BPW and may only be used for State-owned capital projects that have already received funding authorization from the General Assembly in instances where the prior authorized funds are insufficient to fund the initial construction award or to cover change orders that do not increase the scope of a project. **Appendix 2** shows the CCF funding uses and sources from calendar 2011 through the end of calendar 2015.

Subsequent to a \$3 million dollar expenditure for the Truitt facility, the fund had a \$2,088,457 ending balance in calendar 2014. Due to four fund transfers from BPW, totaling \$1,293,397, a new appropriation in the MCCBL 2016 in the amount of \$2,500,000, and no expenditures in calendar 2015, the ending balance in the fund at the end of calendar 2015 was \$5,881,854.30. The current CIP anticipates authorizations to the CCF of \$2.5 million in fiscal 2018 and 2020. Given the uncertainty surrounding the construction market and future needs, funding every two years should ensure the fund maintains a sufficient balance.

2. Saratoga State Center Garage

The 2013 CIP provided \$4.4 million to construct garage improvements at the Saratoga State Center; however, due to ownership disputes of buildings at 310 and 311 West Saratoga Street between Baltimore City and DGS, the 2015 JCR de-authorized \$2.2 million until an MOU was executed between the two parties. DGS reports that it has met with the city and discussed solutions to resolve the dispute, including conveying surplus State property to the city to satisfy the disputed amount, but the city has yet to agree.

There are also other factors that challenge progress with the repairing the garage, namely the status of the State Center project. DGS reports that it is currently evaluating the available options and is committed to determining what the correct goals are for the State and Baltimore City, but at this time DGS is still evaluating the viability of commercial leased space in Baltimore City, the best use of State facilities in Baltimore City, the appropriate placement of State agencies and, the fiscal impact on the State budget.

As of this writing, DGS and Baltimore City have not established an MOU, and, following the restrictive language in the 2015 JCR, the budget committees released the \$2.2 million to the BPW General State Facilities, Facilities Renewal Fund.

Summary of Other Projects in the Capital Improvement Program

Projects Removed from the *Capital Improvement Program*

Exhibit 4 shows the projects removed in the 2016 CIP that were programmed in the 2015 CIP to receive funding in the five-year plan.

Exhibit 4
Projects Removed from the *Capital Improvement Program*
Fiscal 2017
(\$ in Thousands)

<u>Project</u>	<u>Description</u>	<u>Reason for Deferral</u>
State House Complex Security Upgrades	This project was intended to provide video monitoring and door and window alarms throughout the Annapolis State House Complex to increase the security of staff, documents, and valuable State property.	Project ineligible for capital funding. The Department of General Services received a \$911,683 deficiency appropriation for fiscal 2016 to support security upgrades. Additionally, the fiscal 2017 budget includes \$911,683 for security upgrades.
Renovation of the Legislative Services Building	This project would have provided ADA accessibility, upgraded HVAC and electrical systems, and installed a new fire safety system.	Moved out beyond the scope of the five-year 2016 CIP to accommodate other budget priorities.

ADA: Americans with Disabilities Act

CIP: *Capital Improvement Program*

HVAC: heating, ventilation, and air conditioning

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations and De-authorizations

As shown in **Exhibit 5**, the fiscal 2017 capital budget bill includes a pre-authorization of \$4.2 million for fiscal 2018. In addition, the fiscal 2017 capital budget bill de-authorizes funds for three projects and adds modification language authorizing prior year funding to be used for future authorized projects that require construction work.

Exhibit 5 Pre-authorizations and De-authorizations Fiscal 2018-2020

Pre-authorizations

<u>Project</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Reason</u>
Annapolis Post Office Renovation	\$4,200,000	\$0	\$0	Pre-authorize funding to allow for the second phase to complete the renovations.

De-authorizations

<u>Project</u>	<u>De-authorized Amount</u>	<u>Reason</u>
Asbestos Abatement Program	\$300,702	DGS does not expect to encumber the funds.
William Donald Schaefer Tower – Replace Fire Alarm System	100,000	This is a partial de-authorization, funds not needed.

Modifications

<u>MCCBL</u>	<u>Project</u>	<u>Reason</u>
2012	Annapolis Post Office	Amends to include and construction language.
2013	Annapolis Post Office Renovation	Amends to include and construction language.

DGS: Department of General Services

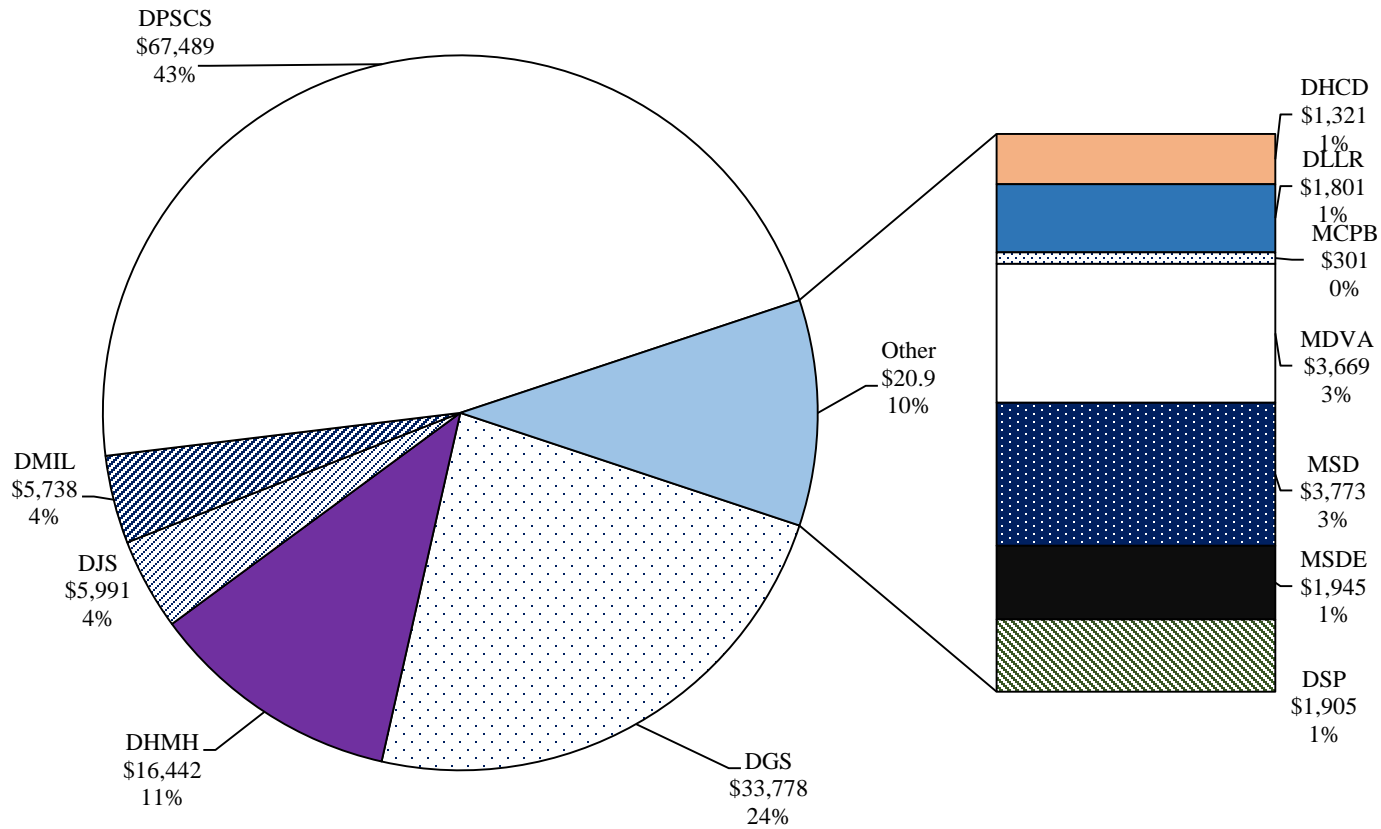
MCCBL: Maryland Consolidated Capital Bond Loan

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve funding for the Facilities Renewal Fund.
2. Approve the authorization of \$1,700,000 in general obligation bond funds for the Fuel Storage Tank System Replacement Program.
3. Approve the authorization of \$750,000 in general obligation bond funds to renovate the Annapolis Post Office.
4. Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.
5. Approve modification of the fiscal 2012 appropriation to allow construction.
6. Approve the partial de-authorization of the fiscal 2012 appropriation that reduces by \$100,000.
7. Approve modification of the fiscal 2013 appropriation to allow construction.
8. Approve de-authorization of general obligation bond funds for the State House Complex Security Upgrades.
9. Approve the pre-authorization of \$4,200,000 in general obligation bond funds in fiscal 2018 for the second phase of work that will complete the Annapolis Post Office Renovation.

Facilities Renewal Backlog by Agency (\$ in Millions)



DGS: Department of General Services
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DJS: Department of Juvenile Services
 DLLR: Department of Labor, Licensing, and Regulation
 DMIL: Military Department

DPSCS: Department of Public Safety and Correctional Services
 DSP: Department of State Police
 MCPB: Maryland Center for Public Broadcasting
 MDVA: Maryland Department of Veterans Affairs
 MSD: Maryland School for the Deaf
 MSDE: Maryland State Department of Education

Source: Department of General Services

Construction Contingency Fund Summary **Calendar 2011-2015**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Balance	\$4,809,643	\$5,014,257	\$5,092,842	\$4,482,754	\$2,088,457
Fund Transfers In	1,079,614	653,515	644,024	605,703	1,293,397
Return of Unused Funds	0	139,676	0	0	0
Appropriation	<u>0</u>	0	0	0	2,500,000
<i>Subtotal – Available Funds</i>	<i>\$5,889,257</i>	<i>\$5,807,448</i>	<i>\$5,736,866</i>	<i>\$5,088,457</i>	<i>\$5,881,854</i>
Less Authorized Use of Funds					
New Rockville District Court	\$875,000				
MD School for the Deaf – Bus Loop and Parking		\$394,606			
Baltimore City Detention Center – Dining Facility		320,000			
Sandy Point State Park – Bulkhead			\$386,112		
Henryton Hospital Center Demolition			868,000		
R.V. Truitt Laboratory – UMCES				\$3,000,000	
<i>Subtotal – Authorized Uses</i>	<i>\$875,000</i>	<i>\$714,606</i>	<i>\$1,254,112</i>	<i>\$3,000,000</i>	<i>\$0</i>
Ending Balance	\$5,014,257	\$5,092,842	\$4,482,754	\$2,088,457	\$5,881,854

BSU: Bowie State University
 ECI: Eastern Correctional Institute
 HSMC: Historic St. Mary's Commission
 MCTC: Maryland Correctional Training Center
 PSTC: Public Safety Training Center
 UMCES: University of Maryland Center for Environmental Science
 WDC: Women's Detention Center