

DE0201
Board of Public Works – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
Replacement of Lawyer’s Mall Underground Infrastructure (Anne Arundel)	\$11.000	\$5.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
State House Exterior and Grounds Restoration (Anne Arundel)	0.250	0.000	1.600	15.462	13.626	0.000	0.000
Renovations to the Louis L. Goldstein Treasury Building (Anne Arundel)	0.000	0.000	0.000	0.000	1.538	1.880	34.032
Rehabilitation of the Shaw House (Anne Arundel)	0.000	0.000	0.000	0.000	0.668	6.158	0.000
Education Building – 200 West Baltimore Street Renovations (Baltimore City)	0.000	0.000	0.000	1.400	1.090	13.585	13.585
Total	\$11.250	\$5.000	\$1.600	\$16.862	\$16.922	\$21.623	\$47.617

Fund Source	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
GO Bonds	\$11.250	\$5.000	\$1.600	\$16.862	\$16.922	\$21.623	\$47.617
Total	\$11.250	\$5.000	\$1.600	\$16.862	\$16.922	\$21.623	\$47.617

CIP: Capital Improvement Program
GO: general obligation

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

Program	2019 Approp.	2020 Approp.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.
Facilities Renewal Fund (Statewide)	\$20.586	\$34.399	\$34.723	\$20.000	\$20.000	\$20.000	\$20.000
Construction Contingency Fund (Statewide)	0.000	2.500	2.500	2.500	0.000	2.500	0.000
Fuel Storage Tank Replacement Program (Statewide)	0.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	\$20.586	\$37.899	\$38.223	\$23.500	\$21.000	\$23.500	\$21.000

Fund Source	2019 Approp.	2020 Approp.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.
GO Bonds	\$20.586	\$37.899	\$38.223	\$23.500	\$21.000	\$23.500	\$21.000
Total	\$20.568	\$37.899	\$38.223	\$23.500	\$21.000	\$23.500	\$21.000

GO: general obligation

Key Observations

- ***Major Commitment to Facilities Maintenance:*** The Administration continues to utilize large authorizations for facilities renewal by proposing \$35 million in general obligation (GO) bonds.
- ***Funding for the Construction Contingency Fund (CCF) Is Proposed:*** The recent pattern has been to authorize funds for the fund every other year. As planned in the *Capital Improvement Program* (CIP), fiscal 2021 was not scheduled to receive funding. However, general construction inflation has exceeded estimates. The capital budget proposes \$2.5 million for the fund, bringing available funds to an estimated \$7.4 million at the beginning of fiscal 2021.
- ***Lawyer’s Mall Underground Infrastructure Replacement Costs Increase:*** Estimated costs for this project increase by \$5 million. The total cost is now \$11 million. Factors include general construction inflation, more detailed design, and schedule constraints.

Summary of Recommended Bond Actions

1. Construction Contingency Fund
Approve funding for the Construction Contingency Fund.
2. Facilities Renewal Fund
Approve funding for the Facilities Renewal Fund.
3. Fuel Storage Tank Replacement Program
Approve funding for the Fuel Storage Tank Replacement Program.
4. Lawyer’s Mall Underground Infrastructure Replacement
Approve funding for the replacement of Lawyer’s Mall underground infrastructure.
5. SECTION 2 – Board of Public Works – Old Senate Chamber Reconstruction
Approve the deauthorization for the Old Senate Chamber Reconstruction Project.

Program Description

Facilities Renewal Fund

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. The Department of General Services’ (DGS) maintenance of State facilities includes both critical maintenance funded through the operating budget and facilities renewal funded through the capital budget. 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.

CCF

This is a supplementary funding source for State construction projects. Expenditures from the fund must be approved by the Board of Public Works (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

Fuel Storage Tank System 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 generally 30 years. Without replacement or repair of the tanks, State agencies may fail inspections conducted by the Maryland Department of the Environment (MDE), possibly incurring federal fines of up to \$100,000. Additionally, in the event that a tank fails, fuel leakage would contaminate groundwater resources.

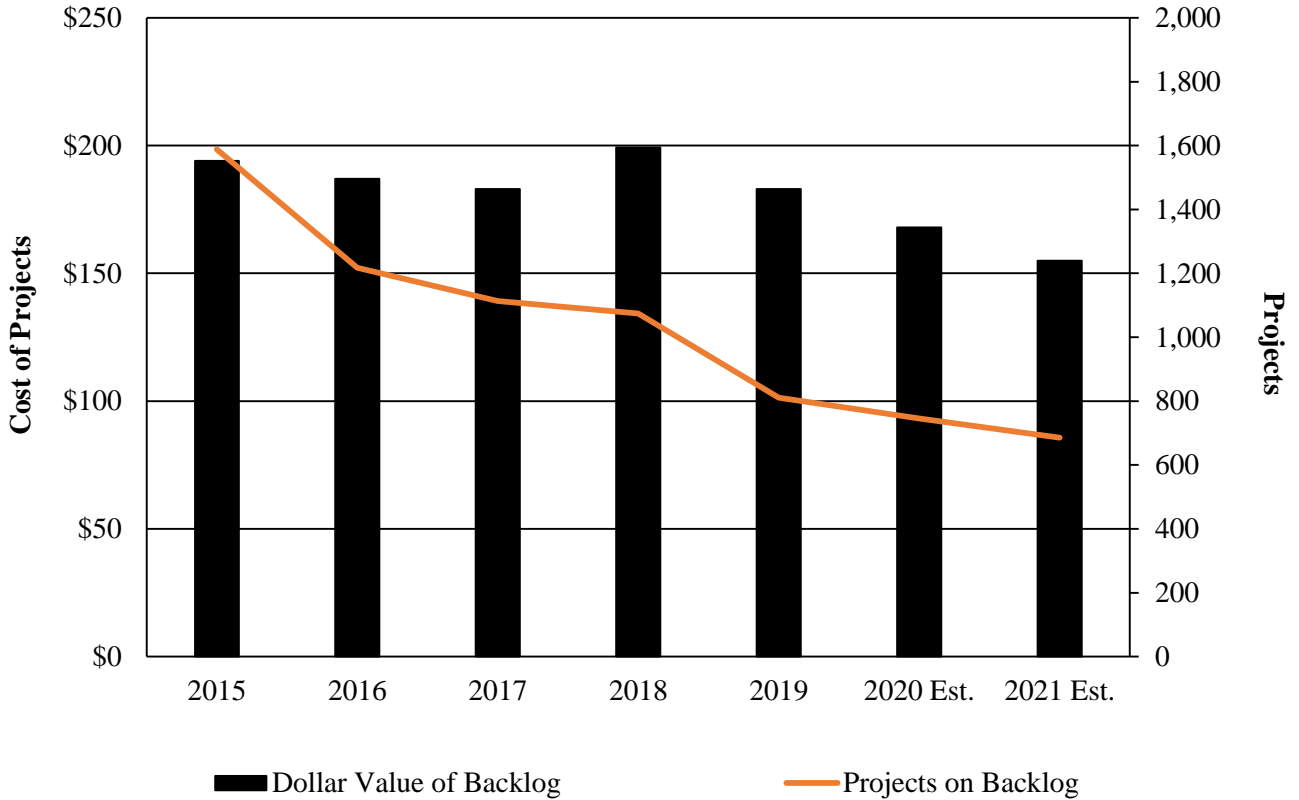
Budget Overview

Facilities Renewal Fund

The fiscal 2020 operating budget reconstituted the Statewide Facility Condition Assessment Unit. The unit has 4 regular positions that assume a direct role in facility management. Prior to fiscal 2020, agency staff in the facilities would assess their facilities and inform DGS. Since the positions will be for capital maintenance project engineers and architects, they should have the requisite skills to provide accurate data for DGS' databases. Having trained engineers is also likely to provide better data than facilities managers whose experience and skill sets may be uneven. DGS is preparing a facility assessment report that is scheduled to be submitted to the budget committees by November 30, 2020.

Prior to fiscal 2020, DGS compiled and tracked the information that it received from agencies and assigned priorities to the projects. Now this data is being collected by DGS. **Exhibit 1** shows that the backlog was \$199 million in fiscal 2018 and declined to \$182 million in fiscal 2019. The priority classes are listed in **Appendix 1**.

**Exhibit 1
Facility Maintenance Backlog
Fiscal 2015-2021 Est.
(\$ in Millions)**



Source: Governor’s Fiscal 2021 Budget Books

Projects in the first four categories pose a high risk of litigation, cessation or reduction of mandated services, fineable code violations, or serious life or safety issues. These projects are addressed as quickly as possible and are not on any backlog if there is adequate funding for them. **Exhibit 2** shows that the backlog is expected to continue declining and that much of the declining backlog is in higher priority projects, such as an \$8 million reduction to Priority Class 5. This is for damage that could lead to the destruction of a related asset. Examples of these kinds of projects include roofs, windows, and boilers.

Exhibit 2
Priority Classes for Capital Facilities Maintenance Backlog Projects
Fiscal 2019-2020

<u>Priority</u>	<u>2019</u>	<u>2020</u>	<u>Change</u>
Priority Class 1 to 3	\$0.0	\$0.0	\$0.0
Priority Class 4	0.0	1.2	1.2
Priority Class 5	22.1	13.9	-8.2
Priority Class 6	68.3	66.6	-1.7
Priority Class 7	65.1	61.0	-4.1
Priority Class 8	8.0	6.0	-2.0
Priority Class 9	18.5	18.6	0.1
Total	\$181.9	\$167.3	-\$14.6

Source: Department of General Services

In fiscal 2019 and 2020, about three-quarters of the backlog is in Priority Class 6 or Priority Class 7. This is for projects that are depreciating at an accelerating rate, are near the end of their useful life, or need to be restored to get back to design effectiveness. Examples of Priority Class 6 and Priority Class 7 capital projects include renovating exteriors or replacing walk-in coolers.

The Administration has made facilities maintenance a priority in recent years. Funding has increased from \$15 million in fiscal 2018 to \$35 million in fiscal 2020 and 2021. **Exhibit 3** shows how the fiscal 2021 authorization is allocated.

Exhibit 3
Allocation of Facility Renewal Funds
Fiscal 2021
(\$ in Thousands)

	<u>Amount</u>
Specific Projects	\$21,578
Preventative Roof Replacements	5,000
Unanticipated Emergency Funds	5,000
Department of Public Safety and Correctional Services	3,145
Total	\$34,723

Source: 2020 Capital Improvement Program

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Authorizing funds specifically for roof replacement, unanticipated emergencies, and the Department of Public Safety and Correctional Services (DPSCS) was first introduced to the budget in fiscal 2020, which included:

- \$6.2 million for roof repairs of which DGS advises \$2.4 million has been committed;
- \$4.4 million for unanticipated emergencies of which \$3.2 million has been committed; and
- \$5 million for DPSCS, all of which has been committed.

CCF

The purpose of the CCF is to supplement funding if bids exceed the authorized funds, conduct value engineering, and cover change orders during the construction period of a project. To access the fund, DGS must provide written notice to the budget committees. The budget committees have 45 days to review and comment on the request. After legislative review, proposed transfers from the fund must be approved by BPW.

The CCF is a continuing, nonlapsing fund that receives funding from a GO bond authorization or appropriation, unspent proceeds of an enabling act (such as unspent pay-as-you-go funds appropriated in the operating budget), or unspent GO bond authorizations. Unspent GO bond authorizations that exceed \$100,000 are usually deauthorized in a capital budget bill.

Exhibit 4 shows that the fund should have \$7.4 million available at the end of fiscal 2019 if the proposed \$2.5 million authorization is approved.

Exhibit 4
Construction Contingency Fund Activity
Fiscal 2019-2020
(\$ in Thousands)

	<u>Amount</u>
Fund Balance on June 30, 2018	\$6,281
2019 Activity	
BPW Transfer to Fund on December 19, 2018	\$712
Transfer to HSMCC Margaret Brent Pavilion on April 23, 2019	-64
Transfer to DSP New Cumberland Barrack on May 20, 2019	-2,273
BPW Transfer to Fund on May 22, 2019	19
Authorization Effective June 1, 2019	2,500
Fund Balance on June 30, 2019	\$7,174
2020 Activity	
Transfer to BPW Annapolis Post Office on September 16, 2019	-\$2,225
Authorization Effective June 1, 2020	2,500
Fund Balance on June 30, 2020	\$7,449

BPW: Board of Public Works
HSMCC: Historic St. Mary's City Commission
DSP: Department of State Police

Source: Department of General Services; Board of Public Works

Although this is a substantial amount, it is a reasonable balance for a billion dollar annual capital program. There are numerous projects in excess of \$25 million that could easily deplete the account. In addition, there are concerns that construction activity could accelerate, which could lead to more expensive bids and a greater need to use the CCF.

Fuel Storage Tank Replacement Program

The Fuel Storage Tank Replacement Program provides funds to remove, replace, or upgrade State-owned fuel storage tanks. This program is primarily designed to correct gasoline fuel storage tank deficiencies at the Department of State Police (DSP) barracks and other specified fueling facilities throughout the State. A significant number of existing underground gasoline fuel storage tanks at these locations have reached or are nearing the end of their useful lives, which is estimated to be 30 years.

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The fuel storage tanks will be replaced or upgraded to eliminate or prevent leakage problems and related soil contamination. Fuel leaks can contaminate groundwater and cause other environmental damage. Leaking tanks may also subject the State to significant regulatory penalties. The fiscal 2020 budget includes funding for two projects in two jurisdictions.

Proactively remediating fuel storage tanks through this program can also help the State avoid the negative budgetary impact of fines and expenses associated with emergency remediation and disposal of contaminated soil. State and federal regulations require underground fuel tanks to be tested every five years with a mandatory 30-day replacement period for tanks failing the test. Emergency remediation in the event of a failed test is expensive and difficult for State agencies to complete. Violators are additionally subject to fines of up to \$10,000 per day, per violation, not to exceed \$100,000, for failing to quickly address leaks.

Current MDE inspection results for DSP’s underground gasoline fuel storage tanks reveal serious deficiencies in the tanks that require expedient attention. MDE’s inspections identify significant operational compliance (SOC) issues that include insufficient leak prevention and insufficient leak detection. Of the 18 DSP barracks tested, 3 had SOC failures for insufficient leak prevention, and 10 had SOC failures for insufficient leak detection. SOC failures for insufficient leak prevention are serious because those failures indicate that the tank could be currently leaking or may begin to leak under certain conditions. SOC failures for insufficient leak detection are serious because DSP or DGS would not be able to accurately or quickly determine that a tank is leaking to prevent further harm.

The Waterloo and Centreville barracks each received \$1 million in fiscal 2020. These funds are insufficient to complete these projects. **Exhibit 5** shows that, with a \$1 million authorization, the Department of Budget and Management estimates that funds would be sufficient to replace these barracks and leave \$100,000 for the Golden Ring Barrack replacement in fiscal 2022.

Exhibit 5
Fuel Storage Tank System Replacement Program
Fiscal 2021
(\$ in Thousands)

<u>Project</u>	<u>County</u>	<u>Estimated Cost</u>	<u>Prior Authorization</u>	<u>Proposed Authorization</u>	<u>Future Request</u>
Waterloo Barrack	Howard	\$1,050	\$600	\$450	\$0
Centreville Barrack	Queen Anne’s	1,050	600	450	0
Golden Ring Barrack	Baltimore	750	0	100	650
Total		\$2,850	\$1,200	\$1,000	\$650

Source: Department of Budget and Management

Replacement of Lawyer’s Mall Underground Infrastructure

Lawyer’s Mall is adjacent to the Maryland State House, Government House, and the Legislative Services Building in Annapolis. The mall is an open area with sidewalks, benches, and statues, including the Thurgood Marshall statue. This project renovates existing steam and chilled water lines that are experiencing leaks and are failing, and includes (1) the removal and replacement of pavement, concrete, and masonry sidewalks; (2) supplying and installing steam heating, condensation, and chilled water piping; (3) relocating all other utilities in the way of the existing piping; and (4) temporarily relocating and returning statues upon completion of the project. The telecommunications and electrical infrastructure are also at the end of their functional life and will be replaced at the same time. Prior funds for design were provided from the Facilities Renewal Program.

The utilities under the mall were installed as early as the 1970s and are beyond their useful life. Repairs have been made, but there are still steam leaks that require chimneys to allow the steam to escape. Should the chilled water or steam piping fail, DGS advises that most, if not all, of the heating and cooling in the State House, Government House, and the Legislative Services Building will be inoperable. This is a high priority that is too large for the Facilities Renewal Fund and was moved out of the fund.

This project is complicated because it is intertwined with the annual legislative session and other Annapolis projects. The project’s construction period is 18 months, which requires fencing off the open area by the State House for that period, thus disrupting traffic during the 2019 and 2020 sessions.

The 2019 CIP did not have any additional authorizations for this project. However, an additional \$5 million is requested in fiscal 2021. Cost increases are attributable to:

- **Construction Cost Inflation:** As with other projects in the CIP, actual construction costs are more than budgeted due to the tight construction market.
- **More Detailed Design:** The project was initially funded as an emergency capital contingency fund project, so the project was not designed prior to construction initiation. Additional design has refined cost estimates.
- **Scheduling Constraints:** To complete the project by December 2020, the project has been accelerated. Additional costs for labor and coordination between contractors and subcontractors are now anticipated.
- **Procurement:** To meet scheduling demands, bidding was modified for some subcontracts. The above-ground construction of the plaza was subcontracted at a premium through the project’s contractor. This saved time but added costs. The general site work for the project, which includes the redevelopment of Lawyer’s Mall, is estimated to cost \$6.0 million compared to the 2019 session estimate of \$2.7 million.

Summary of Other Projects in the Capital Improvement Program

Shaw House

The building houses units of the Executive Department, the Department of Information Technology, and the Maryland Department of Transportation. The project will renovate the historic Shaw House and annex located at 21 State Circle in Annapolis. The main structure was constructed in three major phases between 1723 and 1922, and the annex was constructed in 1950. The Shaw House is showing signs of (1) structural deterioration in the interior framing system and sagging floors; (2) chronic moisture penetration in the roof and foundation systems and the south chimney and wall; (3) deficient and uneven heating and cooling systems; (4) damaged and deteriorating walls and ceilings; and (5) limited Americans with Disabilities Act (ADA) accessibility. The project will also improve interior accessibility to the annex located immediately behind Shaw House. The 2021 CIP programs \$668,000 in design funds for the project in fiscal 2024 and \$6.2 million for construction and equipment in fiscal 2025.

Education Building

The building houses the administrative offices of the Maryland State Department of Education and the Maryland Higher Education Commission. The project renovates the 10-story, 217,000 gross square foot (GSF) building at 200 West Baltimore Street in downtown Baltimore. This includes an upgrade and replacement of the HVAC and electrical systems, ADA upgrades throughout the building, telecommunications enhancements, restoration of the main lobby, replacement windows, and an upgrade to the building exterior. The preliminary cost estimate of this project totals approximately \$30 million, and planning is funded to begin with a \$1.4 million authorization in fiscal 2023 and \$1.1 million in fiscal 2024. The CIP also includes \$13.6 million for construction and equipment in fiscal 2025.

Renovation of the Louis L. Goldstein Treasury Building

The four-story, 91,095 net square feet (113,265 GSF) Louis L. Goldstein Treasury Building is located at 80 Calvert Street in the Annapolis public buildings and grounds. The building was constructed in 1958 and is occupied by the Comptroller of the Treasury, the State Treasurer, and BPW. The scope of work is to include, but not be limited to, the complete renovation of the interior of the building on the second, third, and fourth floors and partial alterations on the first floor, consisting of all mechanical, electrical, and plumbing infrastructure upgrades; fire protection and security system upgrades; and ADA compliance upgrades. The estimated total cost of this project is \$37.5 million with the first \$1.2 million authorization for planning in fiscal 2024 and another \$1.9 million for planning in fiscal 2025.

State House Exterior and Grounds Restoration

This will restore the exterior and grounds of the historic Maryland State House and Old Treasury buildings in the Annapolis State Government Complex. This project will restore the envelopes of both buildings as well as the brick facades, roofs, gutters, and downspouts. The State House dome will also be refurbished. The need for this project was discovered during laser-cleaning of black carbon and biofilm from the State House exterior, a process which exposed significant structural issues, including large cracks in the brickwork. The CIP provides \$1.6 million for planning in fiscal 2022 and another \$2 million in fiscal 2023. Construction costs total \$15.5 million in fiscal 2023 and \$13.6 million in fiscal 2024.

Deauthorizations

Reconstruction of the Old Senate Chamber is complete. As shown in **Exhibit 6**, \$300,000 in previously authorized bonds can be deauthorized.

Exhibit 6
Deauthorizations
Fiscal 2022-2025

<u>Project</u>	<u>Deauthorized Amount</u>	<u>Reason</u>
Old Senate Chamber Reconstruction (Anne Arundel)	\$300,000	Construction is complete.

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve the \$2,500,000 general obligation bond authorization for the Construction Contingency Fund.
2. Approve the \$34,726,000 general obligation bond authorization for the Facilities Renewal Fund.
3. Approve the \$1,000,000 general obligation bond authorization for the Fuel Storage Tank Replacement Program.
4. Approve the \$5,000,000 general obligation bond authorization for the replacement of Lawyer’s Mall underground infrastructure.
5. Approve the \$300,000 general obligation bond deauthorization for the Old Senate Chamber Reconstruction Project.

Appendix 1
**Priority Classes Defined by the Department of General Services’
Office of Facility Planning, Design, and Construction**

The prioritization process attempts to identify the consequences of not funding a project and bases the priority class on the following:

Highest Level: Serious prolonged impact on facility mission.

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

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

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

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

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

Source: Department of General Services