Board of Public Works – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2022 Request	2023 Est.	2024 Est.	2025 Est.	2026 Est.	Beyond CIP
State House Exterior and Grounds Restoration (Anne Arundel)	$0.250	$2.750	$0.000	$20.459	$9.688	$0.000	$0.000
Renovations to the Louis L. Goldstein Treasury Building (Anne Arundel)	0.000	0.000	0.000	1.900	1.550	0.000	34.000
Rehabilitation of the Shaw House (Anne Arundel)	0.000	0.000	0.000	0.646	0.000	5.884	0.000
Education Building – 200 West Baltimore Street Renovations (Baltimore City)	0.000	0.000	0.000	1.500	0.750	15.552	12.955
State Office Building – 2100 Guilford Avenue Renovations (Baltimore City)	0.000	0.000	3.421	0.000	20.000	14.592	0.000
Total	**$0.250**	**$2.750**	**$3.421**	**$24.505**	**$31.988**	**$36.028**	**$46.955**

Fund Source	Prior Auth.	2022 Request	2023 Est.	2024 Est.	2025 Est.	2026 Est.	Beyond CIP
GO Bonds	$0.250	$2.750	$3.421	$24.505	$31.988	$36.028	$46.955
Total	**$0.250**	**$2.750**	**$3.421**	**$24.505**	**$31.988**	**$36.028**	**$46.955**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Patrick S. Frank Phone (410) 946-5530

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

Program	2020 Approp.	2021 Approp.	2022 Request	2023 Est.	2024 Est.	2025 Est.	2026 Est.
Facilities Renewal Fund (Statewide)[1]	$34.399	$33.476	$30.283	$21.695	$22.765	$34.862	$20.000
Construction Contingency Fund (Statewide)	2.500	2.500	2.500	0.000	2.500	0.000	2.500
Fuel Storage Tank Replacement Program (Statewide)	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	**$37.899**	**$36.976**	**$33.783**	**$22.695**	**$26.265**	**$35.862**	**$23.500**

Fund Source	2020 Approp.	2021 Approp.	2022 Request	2023 Est.	2024 Est.	2025 Est.	2026 Est.
GO Bonds[1]	$37.899	$36.976	$33.783	$22.695	$26.265	$35.862	$23.500
Total	**$37.899**	**$36.976**	**$33.783**	**$22.695**	**$26.265**	**$35.862**	**$23.500**

[1] Includes $10 million of previously issued bond sale premiums for the fiscal 2021 Facilities Renewal Authorization.

GO: general obligation

Key Observations

- ***Building Assessment Unit (BAU) and Information Technology (IT) System Improve Ability to Manage Facilities Maintenance:*** In response to a request in the fiscal 2020 *Joint Chairmen's Report* (JCR), the Department of General Services (DGS) reports that BAU has been assessing buildings, and a new IT system has improved managing maintenance.

- ***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 2022 was 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 $8.2 million at the beginning of fiscal 2022.

- ***Project to Renovate 2100 Guilford Avenue in Baltimore City Is Added to the CIP:*** There is uncertainty surrounding State office needs and available office space. The Department of Legislative Services (DLS) recommends committee narrative addressing this uncertainty.

Summary of Recommended Bond Actions

1. Board of Public Works

   Adopt committee narrative.

2. Construction Contingency Fund

   Approve $2,500,000 in general obligation bonds for the Construction Contingency Fund.

3. Facilities Renewal Fund

   Approve $30,283,000 in general obligation bonds for the Facilities Renewal Fund.

4. Fuel Storage Tank Replacement Program

   Approve $1,000,000 in general obligation bonds for the Fuel Storage Tank Replacement Program.

5. State House Exterior and Grounds Restoration

   Approve $2,750,000 in general obligation bonds to continue design and begin construction of the restoration of the exterior and grounds of the Maryland State House and Old Treasury buildings.

6. SECTION 2 – Board of Public Works – Old Senate Chamber Reconstruction

   Approve the $275,000 general obligation bond deauthorization for the Old Senate Chamber Reconstruction Project.

Budget Overview

Facilities Renewal Fund

To address facility maintenance needs, the State has increased funding for projects and improved the facility maintenance management by creating a facility condition assessment unit. The fiscal 2020 JCR requested that DGS submit a facility assessment report to the budget committees by November 1, 2020. The report was submitted on time.

Building Assessment Unit

The fiscal 2020 operating budget reconstituted a unit in DGS to evaluate State buildings. This unit, BAU, 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 Contracted for Initial Assessment, Later Assessments Made by BAU Staff

BAU initially intended to outsource the assessments and contracted with architects and engineers for a facility condition assessment of the Department of Juvenile Services' Charles Hickey School campus, which has 39 buildings and 209,156 usable square feet (SF). The assessment was completed in two weeks. Experience gained from this contract was applied by DGS as it developed a template for internal use in coordination with each agency's facility staff for subsequent assessments. This includes a better understanding of the time and amount of agency staff needed, effective coordination between agency staff and DGS, and developing clear expectations.

BAU now conducts assessments using in-house staff and no longer uses contracts. DGS anticipates that this will be slower than using contractors. BAU anticipates that statewide assessments, excluding Department of Natural Resources facilities, will be completed by the end of calendar 2022. This is over 1,100 buildings and almost 27 million SF. DGS advises that a benefit to having in-house staff perform the assessments is improved relationships between using agencies and BAU.

Improved Software and New Priority Categories

DGS is organizing assessment data at a statewide level. An off-the-shelf, computer maintenance software system was purchased, referred to as eMaint. The system supports building lists, equipment lists, work order requests, and project justification (PJ) requests. The system allows importing Microsoft Excel worksheets and can export data into a common platform. DGS manages the system for DGS facilities and has provided a few test secondary accounts for agencies to use for new project requests only, not for full use of maintenance work. This integrates DGS' and agencies' daily maintenance management so that the system can generate work orders and monitor day-to-day maintenance activities. An improved system can reduce the number of costly emergencies. For example, it can track preventive maintenance contract durations and send an alert when a contract is a certain number of days from expiring, which will help ensure that preventive maintenance contracts are renewed and critical equipment maintenance will seamlessly continue. Additionally, the data can be used to proactively identify potential failures based on the number and cost of work orders linked to each piece of equipment, so that DGS will be able to see in real time if a piece of equipment is beginning to cost more to maintain and then project or establish a break point where investment in further equipment maintenance is no longer cost effective.

To reduce surprises, which can result in costly emergencies, BAU is putting procedures in place to capture building-level information, including equipment specifications that enable BAU to determine expected lifecycle based on current equipment age. Facility assessment data will be housed in eMaint, which has the ability to create alerts for Facility Managers at a set interval, for example five years before end of a lifecycle. The Facility Manager can take appropriate action at that point, which should be well ahead of end of a lifecycle and submit a PJ for replacement. Additionally, through eMaint, BAU will have the capability to query this list to see the age of equipment on a statewide level, per agency, per campus, per regional area (multi-agency), or per building so as to understand need in real time.

DGS has also updated the 30-year-old ranking used to prioritize facility maintenance and renewal projects. The prior system had nine categories; these have been reduced to the following 5 categories by priority with 1 being the highest priority:

(1) serious prolonged impact on facility mission such as high risk of litigation, cessation of services, or reduction of mandated services;

(2) system or unit is prematurely deteriorating or causes the premature deterioration of a related asset;

(3) end of life expectancy;

(4) restore to original design effectiveness; and

(5) system improvements or redesign.

Observations and Assessment Schedule

As of October 2020, BAU visited 74 buildings with a combined 951,408 SF. Condition reports are sent to the using agency. Using agencies must review and confirm if the projects recommended are necessary and submit a PJ request to DGS. When the PJ request is received, it is added to the State backlog. PJ requests should be received before the first Monday of February to be considered for inclusion in the following year’s budget.

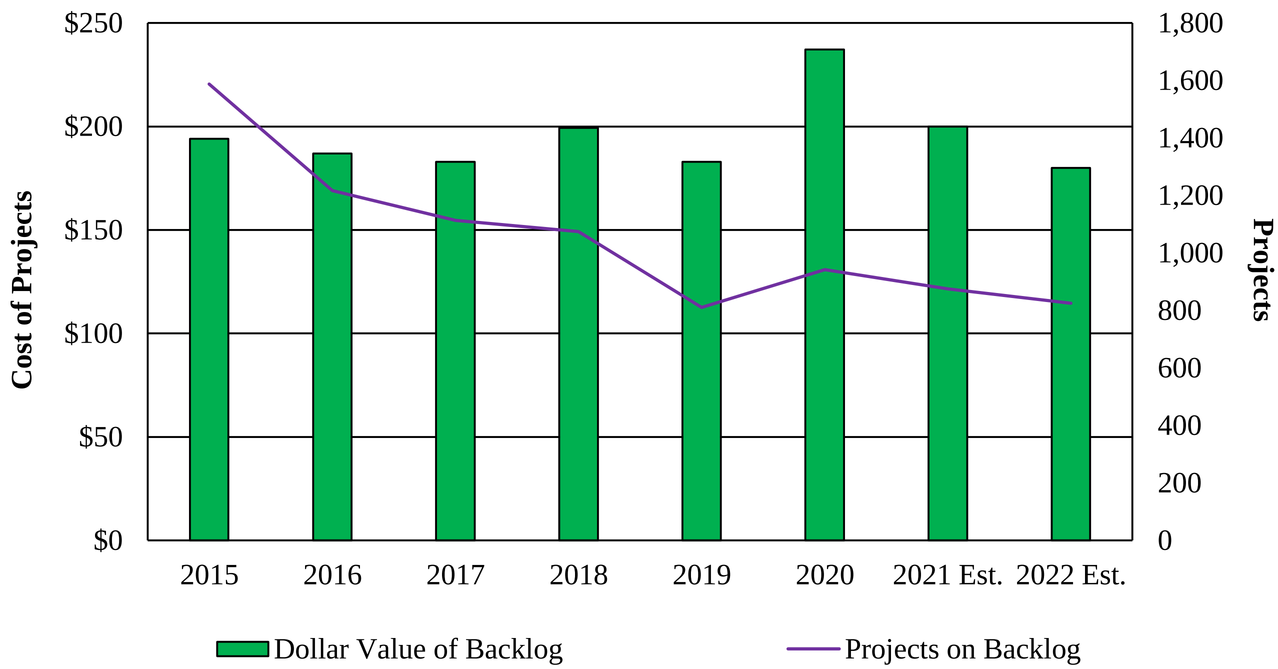
DGS advises that the majority of items identified by BAU are near or past the end of their projected useful life. Most of the items are internal systems such as HVAC and mechanical, plumbing, and electrical, which are also a high percentage of the emergency declarations.

BAU has observed that "facilities with properly staffed and trained maintenance personnel are in better condition." Facilities having staff at one facility or agency for several years are in noticeably better condition, which can extend the life of major equipment. DGS has also observed a lack of routine maintenance. These observations highlight the importance of staffing in maintaining facilities.

Backlog and Allocation

Exhibit 1 shows that between fiscal 2015 and 2019, the backlog ranged between $183 million and $199 million. The backlog increased in fiscal 2020. The next exhibit evaluates the backlog of January 2021.

Exhibit 1
Facility Maintenance Backlog
Fiscal 2015-2022 Est.
($ in Millions)

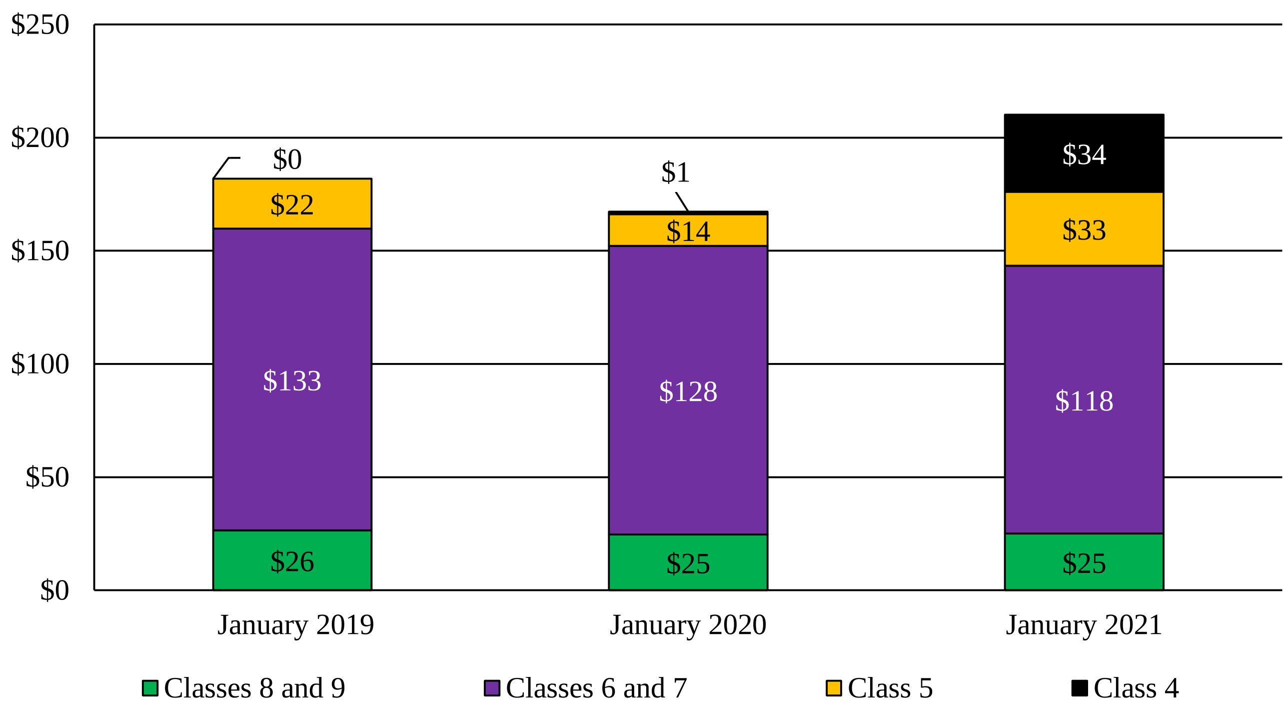


Source: Department of Budget and Management

DGS advises that the department will finish migrating projects into the new priority classification in May 2021. Projects in the first four priority 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 generally addressed as quickly as possible and are more likely to become emergencies.

Based on the as yet revised priority classification, **Exhibit 2** shows that were almost no projects in priority categories 1 to 4 in 2019 and 2020, but $34 million in 2021. Examples of these projects include HVAC, roofs, cell door tracks, and electric panels. Much of this is attributable to BAU identifying projects that had previously not been noticed. This suggests that BAU has improved the State's ability to identify projects with life, safety, or code violation risks. Another reason for the increase in backlog is because the Department of Public Safety and Correctional Services (DPSCS) submitted about 100 PJ requests with last year's annual submission. Prior to last year, DGS had not received the annual submission from DPSCS for a period of five years. According to the data provided by DGS, $19.8 million of the $34 million of priority class 4 projects are for DPSCS. Having BAU work more closely with agencies should also reduce the likelihood that agencies will fail to file PJ requests.

Exhibit 2
Priority Categories for Capital Facilities Maintenance Backlog Projects
January 2019 to January 2021
($ in Millions)



Note: There are no projects in priority categories 1 and 2, and the cost of priority class 3 projects is $0.3 million in January 2021.

Source: Department of General Services

The number of projects identified as destroying related assets, in priority category 5, has also increased substantially. Examples of these kinds of projects include roofs, windows, and boilers. The data show that $13.4 million of the $32.6 million in class 5 are for DPSCS projects.

For priority categories 6 to 9, the backlog has been decreasing. Priority category 6 or category 7 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 include renovating exteriors or replacing walk-in coolers. This suggests that additional funding and operational initiatives have been effective at reducing the backlog.

Exhibit 3 shows how the fiscal 2022 authorization is allocated. The amount authorized for unanticipated emergencies has been reduced from $5 million in fiscal 2021 to $4.2 million in fiscal 2022.

Exhibit 3
Allocation of Facility Renewal Funds
Fiscal 2022
($ in Thousands)

	Amount
Specific Projects	$24,039
Preventive Roof Replacements	4,000
Unanticipated Emergency Funds	2.244
Total	**$30,283**

Source: 2021 *Capital Improvement Program*

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 the Board of Public Works (BPW).

The CCF is a continuing, nonlapsing fund that receives funding from a general obligation (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.

The fund should have $8.2 million available to support CCF requests made during fiscal 2022 if the proposed $2.5 million authorization is approved. This balance includes a transfer in fiscal 2021 totaling $2.5 million to the Catonsville District Court project, which was approved by BPW on February 10, 2021.

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. 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.

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 Maryland Department of the Environment (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 issues that include insufficient leak prevention and insufficient leak detection. Of the 18 DSP barracks tested, 3 had significant operational compliance failures for insufficient leak prevention, and 10 had significant operational compliance failures for insufficient leak detection. Significant operational compliance 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. Significant operational compliance 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 sufficient funding in fiscal 2020 and 2021 to complete both barracks. DGS advises that Centreville is scheduled for bidding in February 2021 and should be completed by the end of calendar 2021. Waterloo is scheduled for bidding in April 2021 and should be completed by June 2022. Fiscal 2021 authorizations also supported the Golden Ring Barrack replacement. DGS advises that DSP was required to spend $55,000 in operating funds this past year in order to bring the Golden Ring site into compliance. Due to the upgrades, this site poses little environmental risk at this time, so no additional funds are necessary.

DSP has requested that the Prince Frederick Barrack replacement is funded in fiscal 2022. This site, which contains asphalt steel coated tanks from the late 1980s, which are some of the oldest tanks in use are the tanks with the highest risk due to their higher propensity to rust. The authorization supports the Prince Frederick Barrack.

DGS has a plan for future replacement. The department has ranked barracks based on tank type, age, current condition, as well as the DSP ongoing operations. These barracks, from highest to lowest priority, are (1) McHenry in Garrett County; (2) North East in Cecil County; (3) Westminster in Carroll County; and (4) Easton in Talbot County.

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 includes the north front portico and columns, dome and lantern, building envelope, roof, soffits, south front portico, north front accessible entrance, Old Treasury Building, and brick perimeter walls and sidewalks. The need for this project was discovered during laser-cleaning of black carbon and biofilm from the State House exterior, a process that exposed significant structural issues, including large cracks in the brickwork.

The capital budget bill proposes $2.75 million for planning in fiscal 2022. Planning funds may be used for emergency construction projects as needed. The CIP includes $20.46 million in fiscal 2024 and $9.69 million in fiscal 2025.

Summary of Other Projects in the Capital Improvement Program

Renovations to 2100 Guilford Avenue in Baltimore City

This project would have the State renovate building #3 at 2100 Guilford Avenue in Baltimore City. This is a four-story, 75,000 square gross square feet (GSF) building with an existing annex and attached garage. Project includes removal of the annex and garage, renovations to the existing facility, upgrades to building systems such as HVAC and electrical infrastructure, and landscaping. DGS has completed and submitted part 1 and part 2 program plans to the Department of Budget and Management, but the plans have not been approved. There are no authorizations for this in fiscal 2022. The CIP includes $3.4 million for planning in fiscal 2023, $20 million for construction in fiscal 2025, and $14.6 million for construction and equipment in fiscal 2026.

The building is currently vacant. Until the beginning of calendar 2020, the building was occupied by DPSCS' Division of Parole and Probation (DPP). The community around the building opposed the use of the building by DPP. When completed, the building would be used by DGS staff offices and the Maryland Capital Police as well as parking for DGS-assigned fleet management. The project supports the Administration's efforts to relocate State workers in State Center to other Baltimore City office space.

There is a substantial amount of uncertainty about the future of State office space in Baltimore City. Specific issues include:

- the State Center project is currently in litigation, and it is unclear when and how this will be resolved;

- in November 2019, the Administration has begun making plans to move employees out of State Center and into other office space in Baltimore City. DGS has not provided details about the scheduling of these moves;

- it is unclear what office space needs will be over the medium and long term. While many State employees will be returning to the office when the COVID-19 pandemic is over, it is possible that teleworking will reduce the number of days that many employees are working in the office and reduce the need for office space; and

- There is office space in Baltimore City that can be leased. Some State agencies like DPSCS are making plans to reduce the amount of space that they rent. The cost to rent could decline. If additional space is needed, it may be more cost effective to lease space. Although leases tend to be over 10 years, leases do provide the State more flexibility than construction.

The CIP provides $3.4 million to plan this renovation in fiscal 2023 and another $34.6 million to construct in subsequent years. There is much uncertainty regarding office space in Baltimore City, so the budget committees may want to understand these issues better before authorizing funds to renovate office space. **To evaluate if this is an appropriate use of resources, DLS recommends that the committees adopt narrative requiring the submission of a report on the status of State Center redevelopment plans.**

Education Building

This 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 GSF building at 200 West Baltimore Street in downtown Baltimore. This includes an upgrade and replacement of the HVAC and electrical systems, Americans with Disabilities Act (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 $30.8 million, and planning is funded to begin with a $1.5 million authorization in fiscal 2024 and $0.75 million in fiscal 2025. The CIP also includes $15.55 million for construction and equipment in fiscal 2026. The project will require $12.96 million beyond the CIP to be completed.

Renovation of the Louis L. Goldstein Treasury Building

The four-story, 91,095 net SF (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 $1.9 million authorization for planning in fiscal 2024 and another $1.6 million for planning in fiscal 2025. The cost of $34 million to complete the project is beyond the CIP.

GO Bond Recommended Actions

1. Adopt Committee Narrative

   Report on Renovation of 2100 Guilford Avenue in Baltimore City: The 2021 Capital Improvement Plan provides $38 million to renovate State building #3 at 2100 Guilford Avenue in Baltimore City. The budget committees are concerned about authorizing such a large sum of general obligation bonds when there is so much uncertainty regarding the State office needs in Baltimore City. To address this, the Department of General Services (DGS) should report to the budget committees on the status of State Center litigation, plans to move State agencies out of the State office buildings on West Preston Street as noted in a press release, State office needs in Baltimore City over the next decade, and the cost and benefit of other options instead of renovating this property. The report should include evaluating multiple options in addition to the renovation of State building #3. This report should be submitted to the budget committees by December 3, 2021.

Information Request	Author	Due Date
Report on renovation of 2100 Guilford Avenue	DGS	December 3, 2021

2. Approve $2,500,000 in general obligation bonds for the Construction Contingency Fund. This amount is consistent with the amount proposed in the 2020 Capital Improvement Program.

3. Approve $30,283,000 in general obligation bonds for the Facilities Renewal Fund. This amount is $3.8 million less than what was proposed in the 2020 Capital Improvement Program.

4. Approve $1,000,000 in general obligation bonds for the Fuel Storage Tank Replacement Program. This amount is consistent with the amount in the 2020 Capital Improvement Program.

5. Approve $2,750,000 in general obligation bonds to continue design and begin construction of the restoration of the exterior and grounds of the Maryland State House and Old Treasury buildings.

6. Approve the $275,000 general obligation bond 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. 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 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 MDE, possibly incurring federal fines of up to $100,000. Additionally, in the event that a tank fails, fuel leakage would contaminate groundwater resources.

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