COLORADO

Department of Personnel
& Administration

State Architect
Controlled Maintenance Brief
December 16, 2024

OSA | STATE BUILDINGS PROGRAM

- The Office of the State Architect (OSA) is responsible for providing consistent rules and policy for 41 State agencies and institutions.
- Each of these agencies and institutions are either partially or fully delegated depending on the consistent quantity of construction projects they have
    - OSA delegates are responsible for reporting to the OSA:
        - Their expenditure and balance of construction funds
        - Building and energy code compliance for each appropriated project or cash project over $2 million
        - 5 most costly goods purchased on each project over $500k
        - Apprenticeships

OSA RESPONSIBILITIES for CAPITAL CONSTRUCTION $

- 24-30-1303 CR.S. Office of the State Architect - Responsibilities

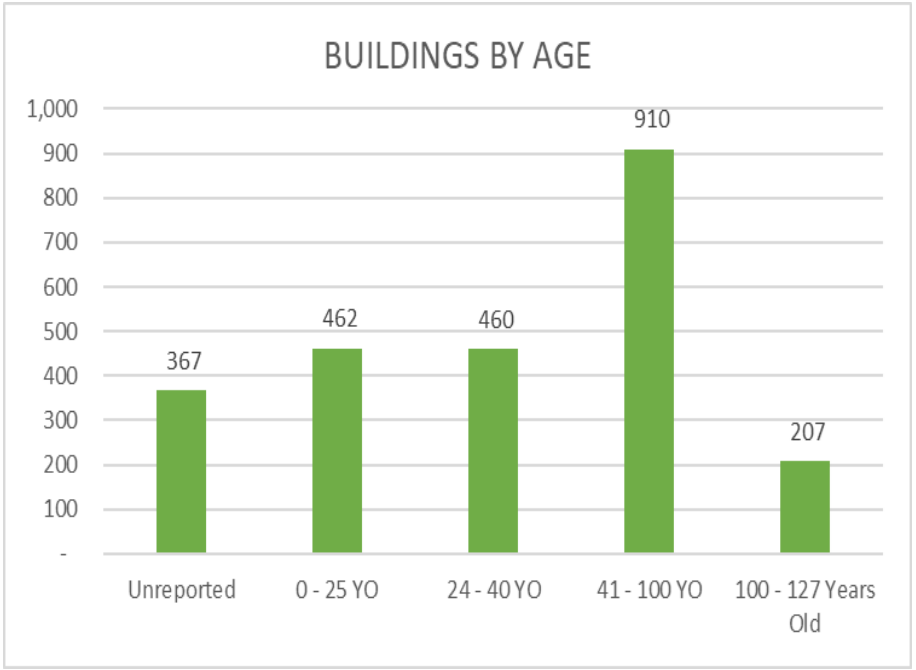
  (d) Supervise and be responsible for the expenditure of funds appropriated by the general assembly for capital construction, capital renewal, and controlled maintenance projects for state agencies and state institutions of higher education;

  (e) Maintain a current record of balances by project in the capital construction and controlled maintenance funds

  (k.5) Coordinate initiation of budget requests for controlled maintenance projects and make recommendations concerning such requests to the Capital Development Committee and to the office of state planning and budgeting

REVIEWING OUR BUILDING INVENTORY

Average estimated useful life of a building = 40 years



Buildings Over 50

Life cycles of major building components are past due. Failures are possible. Core modernization cycles are missed.

Highest risk

Buildings 25 to 50

Major envelope and mechanical life cycles come due. Functional obsolescence prevalent.

Higher Risk

Buildings 10 to 25

Short life-cycle needs; primarily space renewal.

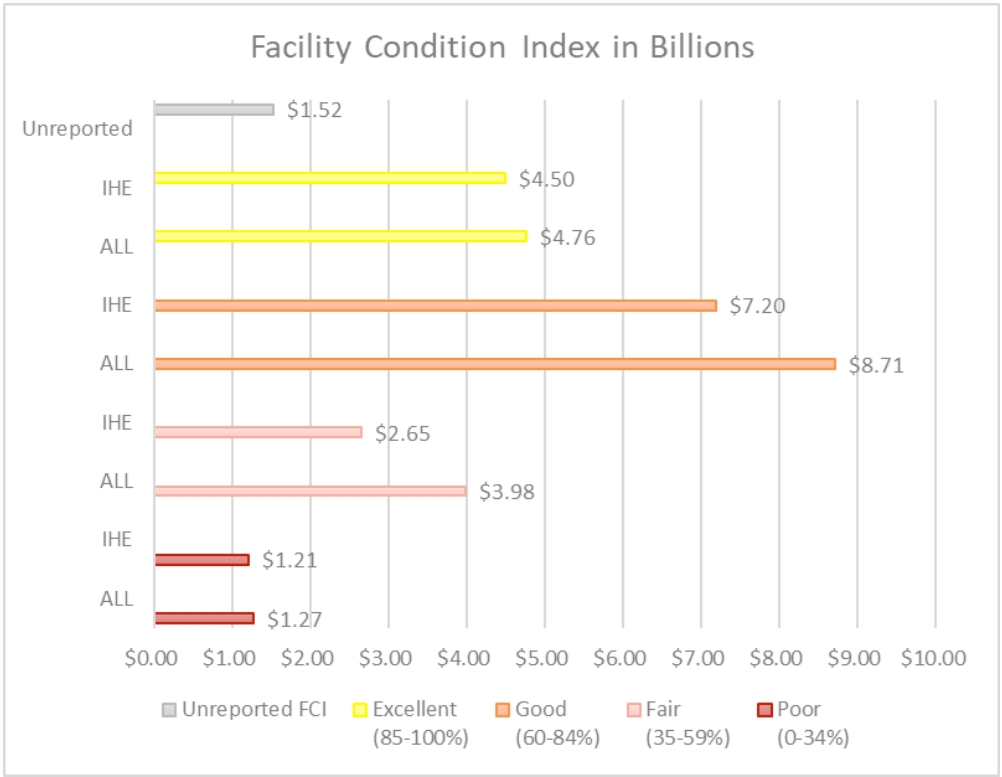
Medium Risk

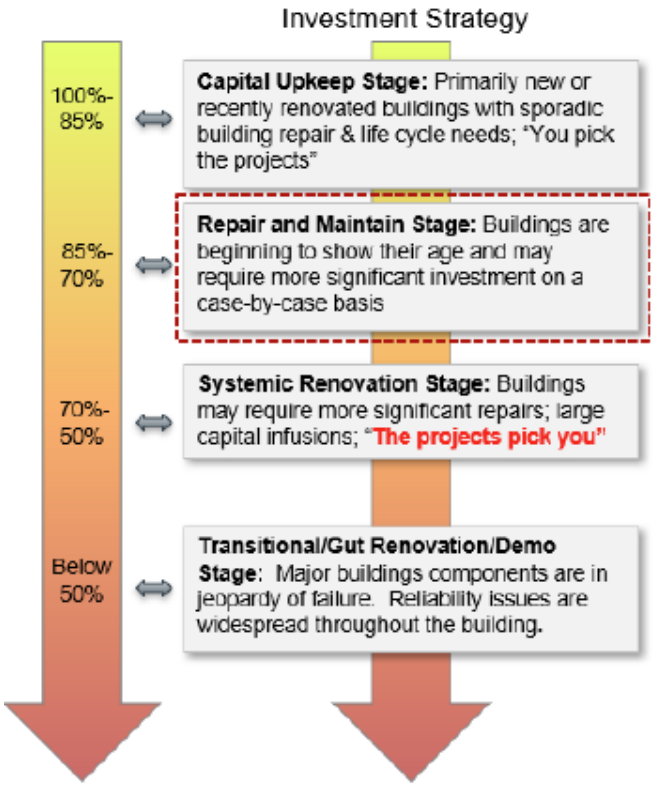
Buildings Under 10

Little work. "Honeymoon" period.

Low Risk

What does our inventory look like?





Controlled Maintenance

- What is it?
  - Deferred maintenance on State owned, general funded buildings, additions and other physical facilities typically built before 2009 (15 years old)
  - Normal aging of capital facilities and the subsequent need for cyclical renewal of building and infrastructure subsystems

- Building systems age at different rates*
  - Fire Alarm 10 years
  - Plumbing 20-25 years
  - Electrical 15-20 years
  - Roofing 10-20 years
  - **Building envelope 40 years**

- According to American Appraisal Associates and American Hospital Association

CM Recommending process

- **Late Feb:** Each year our budget instructions are submitted to OSPB and CDC for approval
  - The criteria hasn't changed much because the criteria is based on operational disruption

- **April/May:** Hold training for the agencies

- **May through June:** Staff of 6 conduct interviews and site visits at each campus; walk existing projects for compliance with the approved appropriations; review proposed requests; make recommendations for phasing, planning, delivery method - items that can affect budgeting

CM Recommending process

- **July through October:** Review an average of 120 submissions (80 IHE) and score based on budget instructions

- How are Controlled Maintenance Projects scored and recommended?

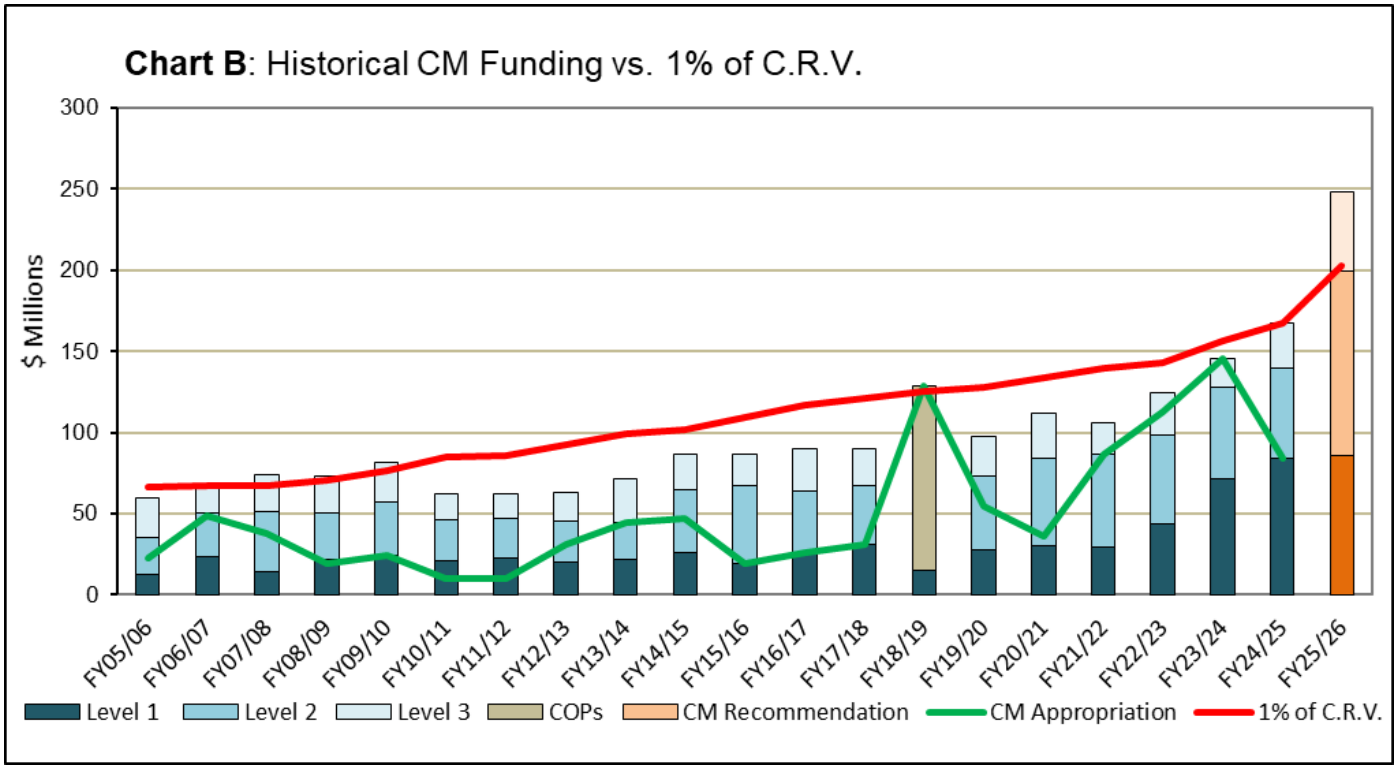
    - The scoring includes:
        - Operational Criteria (Life/Safety, Energy/Environment, Damage/Deterioration only)
        - Evaluation Criteria (System Failure, Past Design Life, Preventative)
        - Criticality Criteria (Relative failure within five years)
        - Optional Criteria (Extenuating Circumstances)
        - Priority Multiplier (every 500k Sq. Ft = 1 Priority)
            - This helps smaller agencies/institutions “compete” with the larger inventories)

OSA RECOMMENDATIONS

- *The Association of Higher Education Facilities Officers* (APPA) continues to recommend an annual Reinvestment Rate (RR) target of 2% to 4% of the Current Replacement Value (CRV) of a building inventory be dedicated to capital improvements for operation, maintenance and renewal.

- OSA continues to recommend 1% specific to Controlled Maintenance, 1.5% for CC/CR totalling 2.5% of the CRV
  - Total General Funded/Academic CRV: $20.26 Billion
  - 1% = $202,600,000 2.5% = $506,500,000

What does our funding look like?



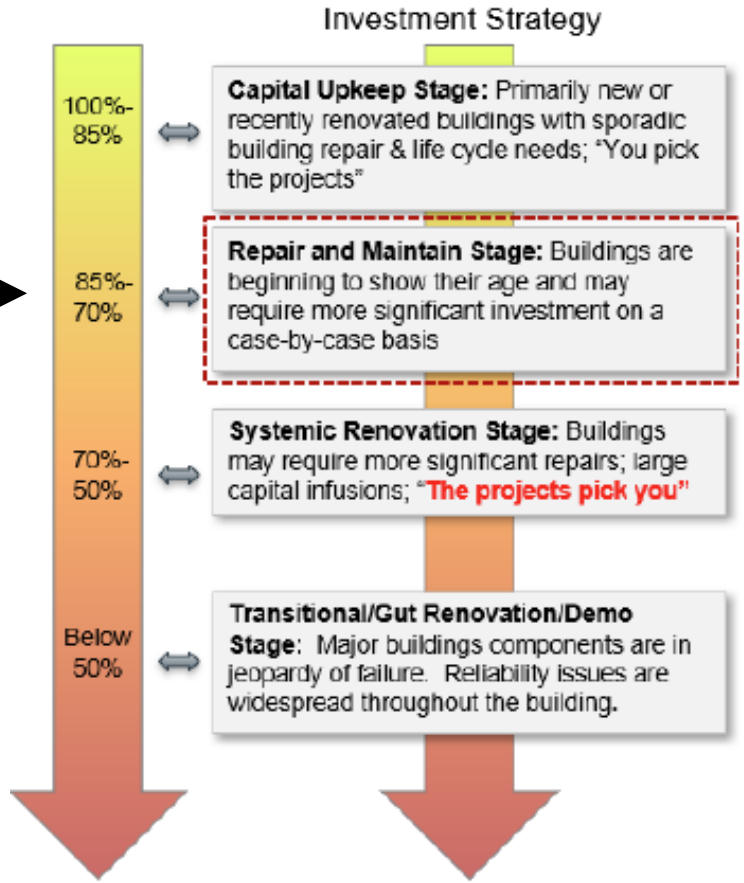
- We have met the 1% CRV 3X in 20 years

How Does the 1% Help?

- Ultimate goal would be to renovate our 40+ year old buildings to an 85 FCI, at the *repair and maintain stage*.

This would result in fewer:

- Capital Renewal projects
- Projects considered dire or emergent



Controlled Maintenance will never go away

Like an automobile, no matter how well it is maintained, it will still need new tires, belts, oil and eventually if it is driven long enough, it will start to need pumps and transmission replacements

Our buildings are much the same…

Life of an Unfunded CM Project

What happens if a project is not approved?

- Projects generally move from an agency's 5 year plan to a Level 3 score, then Level 2, then Level 1.
    - Or if it isn't deemed critical - like a remote parking lot, it can sit at Level 3 for years
- If not addressed there is an imminent risk of the structure's functional failure
    - These failures can often be addressed with Emergency Controlled Maintenance funding.
    - If costs are significant, OSA will transfer funds from a less dire project to the more dire need.
    - Last resort - a Supplemental or 1331 request

Emergency Controlled Maintenance

The OSA is given statutory responsibility to manage the Emergency Controlled Maintenance funds (Item #1 in OSA's CM recommendations)

- While emergency needs vary, most of our projects in the last two years have been related to HVAC failures and sewer or water line breaks / leaks.
- OSA approved 26 Emergency projects in 2023

- So far in 2024 we have had 38 Emergency projects (valued at $3.3M)
  - 12 more than all of last year yet we are only halfway through this fiscal year

OSA CM/CR Threshold Change

- HB24-1422 increased the dollar threshold for CM projects from $2 million to $4.7 million

- This year OSA received 130 CM requests totaling $247,264,697
  - 29 less than last year but $77 million more in funding requests
  - 8 less out-year project costs and $15.4 million more in funding requests

- Of the 51 Level 1 projects, only 12 took advantage of the threshold increase
  - All but one project stayed below $3 million
  - The single project that was significantly more was a campus wide fire detection system

- Capital Renewal projects saw 5 less project requests rather than an increase

Other Project Budget Considerations

- INFLATION: While overall inflation appears to be flattening, construction requests over the last two years are still seeing inflation rates averaging 9.15%

- SCHEDULE: Lead times for large mechanical and electrical equipment are still out 10-12 months

- LABOR: Bidding interest is on the rise. Agencies report Receiving more bids & proposals than in last few years, but still slow in more rural areas

Questions?