

UNIVERSITY OF ALASKA

FY15 CAPITAL BUDGET DEVELOPMENT GUIDELINES

INTRODUCTION

Guidance from the Governor for the FY15 Capital Budget is expected to place emphasis on a decreased capital budget and reduction of deferred maintenance (DM). FY15 is the last year of the Governor's five-year, \$100 million annual commitment toward reducing deferred maintenance. With these things in mind, **the FY15 capital budget requests should identify strategic investment needed to implement the Strategic Direction Initiatives (SDI) objectives and reduce DM backlog to an acceptable level.**

Deferred Maintenance (DM) and Renewal & Repurposing (R&R) is, and will continue to be, the Board of Regents' highest overall priority. Regularly scheduled Annual Renewal and Repurposing funding at a consistent level is necessary to realize UA's sustainment funding goal... an annual investment of \$50 million. Annual R&R funding helps revitalize the life of older buildings that need major system replacements before the systems deteriorate below their intended functionality. A large deferred maintenance backlog, ultimately leads to a loss in facility support for education program delivery, which is mission failure for UA. Legislation to create the University Building Fund (UBF) passed the Senate in FY14 and is pending in the House for action in January 2014. **The capital budget request and long range 10-year Capital Improvement Plan (CIP) will reflect UA's intent to position the University for UBF implementation.**

UA's Capital Improvement Plan will be consistent with the 10-year fiscal plan submitted to the State of Alaska. The plan provides the Board of Regents, President, executive staff, and university community a clear picture of the capital projects which follow from completion of the Program Resource Planning (PRP) process and identification of the annual operating costs associated with those projects. **The long range Capital Improvement Plan aims to balance approved program needs across UA campuses with realistic expectations for capital appropriations.**

GUIDING PRINCIPLES

- Develop short, mid, and long-term requests which position the University to implement the (UBF), reduce DM backlog, accomplish research for Alaska and upgrade critical infrastructure.
- Develop a 10-year Capital Improvement Plan based on guidance in the main and community campus master plans which includes new construction projects using the PRP process and identifies potential projects for consideration if the State of Alaska issues a General Obligation Bond.
- Recognize that DM reduction needs to be strategic and targeted, focused around discussions of the data elements included in the Strategic Investment Chart and the intent to cover additional buildings under the UBF.
- Address continuation of DM reduction, in case FY16 and beyond contains no overall state DM reduction program.

BACKGROUND

- UA maintains over 400 buildings worth nearly \$3.5 billion as measured by replacement value. These facilities comprise 6.7 million gross square feet and have annual depreciation totaling about \$58 million. More than half of UA's buildings are more than 30 years old. UA estimates an annual investment of \$50 million for facility R&R is necessary to prevent adding to the deferred maintenance and renewal backlog. Although new facilities are desirable, annual deferred

maintenance as well as facility renewal and repurposing, code corrections, and some upgrades for University equipment has been, and will continue to be, the top capital budget priority. Extending the life of existing facilities is absolutely essential. The longer UA goes without consistent adequate facilities funding, the sooner the deferred maintenance backlog threatens UA with areas of mission failure. That, in turn, impacts annual Operations and Maintenance (O&M) dollars that become unprogrammatically diverted to the emergency response to problems.

- Through its operating budget, the University dedicates funding (approximately 2.5% of adjusted facility value) every year to routine and preventive maintenance and repair (M&R). Common industry standards prescribe 2% - 4% of current replacement value as the most appropriate annual investment for M&R. The specific percentage is determined based on various factors such as the age of the buildings, previous renovations, the level of building use, and the climate.

FY15 BUDGET TIMELINE

Below are key dates in the FY15 budget development process associated with BOR action.

June

- BOR - FY14 Operating and Capital Budget Acceptance
- BOR - FY14 Operating and Capital Budget Distribution Plans Approval
- BOR - FY15 Operating and Capital Budget Development Guidelines Approval

September

- BOR - First Review of FY15 Operating and Capital Budgets and Capital Improvement Plan
- President's formal budget meeting with Governor's Office of Management and Budget (OMB)

November

- BOR - FY15 Operating and Capital Budget Request Approval
- BOR - FY15 Capital Improvement Plan Approval
- Submit Board of Regents' FY15 Budget to the Governor's Office of Management and Budget (OMB)