

LONG RANGE CAPITAL PLANNING COMMISSION
MINUTES

December 10, 2013
Meeting Room 419C
2:00 p.m.
State Capitol Building
Oklahoma City, Oklahoma

A meeting notice was filed with the Secretary of State and Agenda posted in accordance with the Open Meeting Act.

MEMBERS PRESENT: Jeffrey Davis, Partner, Acorn Growth Companies
Ted Fisher, Economic Development Director, Sapulpa
Charles Ford, President, Charles Ford Company
Grant Humphreys, President/CEO, The Humphreys Company
Tad Jones, Executive Director, Grand Lake Association
John Woods, President/CEO, Norman Chamber of Commerce

MEMBERS ABSENT: Kirkland Hall, CEO and Vice-Chairman, Hall Capital
Jeff Stava, Chief Operating Officer, Tulsa Community Foundation
Jerry Winchester, Senior Vice President, Oilfield Services and CEO
of Chesapeake Oilfield Services

GUESTS: Ben Davis, OMES/DCAM/Construction and Properties
Michelle Day, OMES/DCAM/Administration
Melissa Milburn, OMES/DCAM/State Leasing
Mark Sauchuk, OMES/DCAM/Facilities Management
Tim Tuck, OMES/DCAM/Legal Division
Mike Starchman, OMES/DCAM/Administration
Beverly Hicks, OMES/DCAM/Administration
Gary Armbrustar, MA+ Architecture
Carolyn Thompson, Capitol Preservation Commission
Jim Joseph, State Bond Advisor's Office
Alex Edwards, State Bond Advisor's Office
Shaun Ashley, eCapitol

Agenda Item 1 - Call to order

The meeting was called to order by Chairman Davis. Chairman Davis was advised that notice of the meeting had been given, and an agenda posted in accordance with the Open Meeting Act. The roll was taken and it was ascertained that a quorum was present.

Agenda Item 2 – Approval of the minutes from October 24, 2013

Motion was made by Mr. Ford to approve the minutes as presented. Mr. Woods seconded the motion. Chairman Davis asked that one slight change be noted in the minutes. Agenda Item 4 shows that the committee tabled the item. Chairman Davis requests that this be amended to show that no action was taken on Agenda Item 4. The motion carried with the following votes: Mr. Davis: aye; Mr. Fisher: aye; Mr. Ford: aye; Mr. Jones, aye; Mr. Woods, aye.

Chairman Davis asked Mr. Ben Davis to go over the 2014 meeting schedule that was voted on at the September meeting. The meetings will take place the second Thursday of the second month in each quarter (February 6, May 1, August 7, and November 6) at 1 p.m. in room 419C.

Chairman Davis suggested that next year's meeting times may be extended, possibly making them working sessions with presentations from others who are involved in different subject areas of expertise.

Mr. Ben Davis reviewed the online budget system, which opens in mid-March. Agencies will have until July 1st to enter their project requests. IT people will pull all of the information and then the projects will be prioritized. The project requests will then go through the Construction and Properties Division to oversee the project. Although details are still being discussed, at this time any leftover funds not spent on a particular project would go back into the revolving funds account. If budgets should go over, there is a certain amount in the budget that is set aside for contingency. Agencies will also be expected to help with the differences.

As the legislation stands now, once the plan is approved by the Commission, the Legislature has 45 days to review the plan. If they do not take action, then the plan is approved. However, there has been legislation proposed that would change that.

If there needs to be any changes made to the project rating criteria, the Commission has only one meeting before the online budget system opens. Therefore, the rating criteria may need to be a main topic for the February meeting.

Mr. Humphrey's joined the meeting at 2:25 p.m.

Agenda Item 3 – Subcommittee reports:

a) Capital Improvements Plan

The subcommittee met by conference call, with all members in attendance, plus Chairman Davis and Mr. Ben Davis. It was the consensus of the subcommittee that the prioritization of current projects (maintenance and repairs) that were previously set forth was satisfactory. The subcommittee unanimously approved Draft 2 of the Capital Improvements Plan.

b) Maintenance Standards and Facilities Strategy

Mr. Winchester was unable to attend today's meeting. Mr. Ben Davis reported on the subcommittee meeting. The subcommittee discussed the Real Property Asset Management Program, a federal program that was put in place by President George W. Bush in 2004. The executive branch noted that there was a need for centralized and standardized real property asset management at the federal level. This program was put into place to move the agencies toward a better management structure. Senior Real Property Officers were hired for each agency to make sure that facilities were run in compliance with the new program, and the agencies were required to submit an annual real property asset management plan. The program required agencies to identify performance measures for their buildings, and four main guidelines were used as performance measures: 1) agencies had to create a facility condition index for each of their buildings (comparing repair needs to the functional replacement value of the building); 2) every building was required to have a value placed on its mission dependency; 3) agencies had to report the facility utilization percentage for each building; and 4) agencies had to report operating and maintenance costs for each building.

This plan would be an excellent example of something that we could implement for our real property.

We also have the Energy Program that is also a mission of DCAM. This is a program that we feel would benefit from being partnered with a real property program.

c) Policy and Funding

Mr. Humphreys reported that the subcommittee is concerned with the prudent and wise use of the valued assets of the state. They looked at the long-term goals of the Commission and at what monies might be available to address the needed projects. Mr. Humphreys has had conversations with other states who have dealt with the same type of projects and who have some very good examples and ideas for our projects. Integrated Facilities Management is a new idea in the way public assets are managed. It blends several disciplines such as equipment engineering, maintenance planning, design, energy efficiency, real estate management, construction, contract management, etc. Massachusetts is one such state that already has this idea in place. One thing the subcommittee did determine was that there are some monies available out of the existing capital that, on the recommendation of staff, could possibly be used for conducting a study through a consulting firm.

Agenda Item 4 – Overview, discussion and possible action to approve FY2015-2022 Capital Improvements Plan, FY2015 Capital Budget and other recommendations to be made to the State Legislature:

Mr. Ben Davis reported that there are 1,518 project requests totaling \$5.6 billion in funding (\$1.8 billion in appropriations, \$612 million in bond proceeds requests, \$286.2 million in other state funds, such as revolving funds user fees, and \$2.9 billion in federal funds, or other non-state sources). Last March, agencies determined their needs based on strategic plans and began submitting those needs in the online budget system according to the criteria established by the previous Long Range Capital Planning Commission. Once received, those requests were categorized by the functional categories in the plan.

Mr. Ben Davis did a second examination of the projects, and reevaluated according to critical versus non-critical systems maintenance (such as roof replacements, HVAC replacement, boiler replacements, sewer and water line replacements, etc.). These items took priority, along with legal mandates (the ADA). Mr. Davis also took into consideration the priority level for the agency (whether or not the project was critical for the mission of the agency). Maintenance of existing facilities takes priority over new construction, and vulnerable populations (such as Veterans Affairs and Mental Health) also took priority. Projects that appeared on the unutilized properties list were excluded.

Regarding policy recommendations, Mr. Davis suggests the following:

1. That the Capital Improvements Plan be made as the mandatory process for obtaining capital improvement funding.
2. Use the Capital Improvements Plan to identify and fund a consistent annual appropriation for capital improvements.
3. Direct all state agencies to create separate budget line items for facilities operations and maintenance. This allows for a means to track facilities management, to identify needs, and to increase agency accountability for adequately maintaining the facilities.
4. Require facilities operations and maintenance expenditures to be coded within the state finance system. This would allow for a statewide measurement of the annual facilities cost of maintenance and to see which facilities are costing more than should be.
5. Improve the state's ability to evaluate capital needs by linking the Capital Improvements Plan to state-wide and agency-level strategic plans, as well as the state's operating budget.
6. Establish a state-wide standard for real property asset management.
7. Establish cost-benefit analysis and needs-assessment standards for agency-level capital planning.
8. Develop a state-wide facility strategy to guide future real property investment and divestment decisions. At this time there is no comprehensive plan for the state as to where buildings should or should not be built, and the state needs a strategy for growth.

Mr. Fisher would like to see a mandate in statute regarding the plan. He feels that it would make it much more effective and less likely to be ignored by agencies.

Mr. Ben Davis and Ms. Day have reviewed the preliminary budget, which is a revolving fund of \$500,000 set aside and strictly limited by statutes for maintenance and repair of state buildings. The revolving fund has been broken down into sections:

- Policies, standards and performance measures development. This would be the framework for the program and could be developed by staff through DCAM without the use of the revolving fund.
- Asset Management software implementation and training. The facilities management software program proposed is Asset Works, a system that is used by OU, OSU, DCAM, and other universities and colleges. There is a state contract already in place for this vendor. Costs would be \$150 for each new user license (\$23,000 budgeted). Administrative and training costs would be absorbed by DCAM.
- Facility condition assessments. The assessments would cost 12 cents per square foot. With a budget of \$160,000, that would allow for assessments of 1.3 million square feet.
- Contingency for capital projects. The remainder of the money (\$317,000, or just over 1% of the full fund) would be used for any overages on projects.

Mr. Ben Davis reviewed the major differences in the projects. The category of educational facilities was eliminated and that \$4.5 million was redistributed into the other categories. The new breakdown of projects pinpoints 100 projects at \$29.5 million. After the sale of some buildings, there is a little over \$30 million.

For FY16, the recommendation goes up \$1.5 million and allows for 111 projects. For 2015 and 2016 the majority of the funds are being spent on critical asset preservation. For FY17 through FY22, those critical asset preservations should be more under control and the recommendation for funding will level off at approximately \$28 million.

Mr. Ben Davis did a breakdown of all the bond issue/non-appropriation projects. Projects were separated according to those that should be included for funding through the revolving fund, those that should be funded through a future bond issue, and those projects that didn't request appropriations (they are being funded through federal funds or other state revolving funds). Also, a few of the buildings and land projects that were large, new construction projects were moved out of the revolving fund and into the bond issue group. There are almost \$3 million in bond issue/non-appropriation projects which are not funded by the state, but are funded by other sources. There are \$1.6 billion in appropriations requests and \$612 million in bond proceeds requests.

Mr. Ben Davis took all of the projects that requested either appropriations or bond proceeds, broke those down by life cycle, and came up with a bond issue scenario for the \$572.8 million. All of the life cycles will be 15 years or longer. Our annual debt service on \$572.8 million is approximately \$39.1 million per year. At year 16 the debt service would drop, and would continue to drop in increments every year.

In answer to a question, the major Capitol renovation project is not included in this funding plan. The Legislature has set aside \$120 million for the repair and restoration project. Chairman Davis requested an update on the progress of this project at the next meeting.

Motion was made by Sen. Fisher to approve the agenda item as presented. Rep. Jones seconded the motion. The following votes were recorded: Mr. Davis: yes; Mr. Fisher: yes; Mr. Ford: yes; Mr. Humphreys: yes; Mr. Jones: yes; Mr. Woods: yes. Motion unanimously passed.

Agenda Item 5 – Adjournment

There being no further business, Mr. Fisher made the motion to adjourn. Motion was seconded by Mr. Humphreys. Seeing no opposition, the meeting adjourned at 3:52 p.m.