

Maryland

Department of General Services



FY 2017

Capital Budget DGS Analysis Response

Senate Budget and Taxation Committee
Capital Budget Subcommittee – March 8, 2016

House Appropriations Committee
Capital Budget Subcommittee – March 9, 2016

Larry Hogan, *Governor*
Boyd K. Rutherford, *Lt. Governor*
C. Gail Bassette, *DGS Secretary*

Department of General Services
Office of the Secretary
Fiscal Year 2017 Capital Budget DGS Analysis Response

FISCAL YEAR 2017 CAPITAL BUDGET TESTIMONY
DEPARTMENT OF GENERAL SERVICES

Introduction

Good afternoon, Chair and Members of the Committee. For the record, I am Gail Bassette, Secretary of the Department of General Services (DGS). On behalf of myself and all the hard-working, dedicated employees at DGS, thank you for the opportunity to appear before you today regarding the Department's capital budget. I would like to thank Mr. Brandon Juhaish for his analysis of the Department's FY2017 Capital Budget Request.

The Department of General Services has the key role of supporting the Capital infrastructure needs of those agencies we serve. The proposed \$15 million in Capital Facilities Program funding will allow DGS to continue its ongoing capital facilities program.

The Department continues to provide efficient and effective customer service to our state agencies. During FY 2015, we awarded over \$12 million in new projects and completed approximately \$8 million of ongoing capital facilities projects and currently have 33 projects in design that have a construction value over \$14 million.

Summary of Issues:

Facilities Renewal Program:

DLS recommends that DGS discuss the department's administrative and staffing capacity to manage the volume of work that the proposed fiscal 2017 funding would require.

The Facilities Engineering Division is now fully staffed, we just brought on our 4th new hire, and are now able to accommodate the volume of work that the proposed fiscal 2017 funding will require.

DLS has concerns that the annual encumbrance levels are not high enough to reduce the backlog. DGS should comment on what changes in staffing or new program procedures are needed to increase annual encumbrance levels to at least \$20 million. DGS should also comment on its ability to encumber all remaining unencumbered funds; the average time that it takes to move projects through the procurement, design, and construction processes; steps the agency has taken to improve this process; as well as any obstacles challenging those improvements.

Capital Facilities Renewal Projects are those that exceed \$100,000 up to \$2,500,000. The capital funding program is utilizing bond funds with a 7-year funding life. The majority of projects under the Facilities Renewal Program require design and construction services, this results in a minimum of 2 years to complete a project.

The procurement process for capital items takes approximately 8 months to complete the required procurement actions. Complex procurements may take an extra several months to obtain Maryland Department of the Environment's sediment and erosion control permits, Fire Marshal's review and approval, and Department of Natural Resources' wetlands permits. All capital procurements require multiple approvals at the Board of Public Works. The Architectural/Engineering contract must be approved by the BPW, as well as, the Construction contract item. Each BPW approval process takes approximately 2-3 months.

Construction time can vary depending on the project; the variance is due to the type of project, the ordering times for project equipment and the occupancy of the area the project will take place in. The majority of equipment replacement projects include an 8-12 week ordering time for large equipment that must be manufactured for the project. Design times also vary by project, depending on the complexity of the design, normal design times are 2-4 months for these projects.

The Facilities Engineering Division must remain fully staffed with Project Managers in order to ensure projects move efficiently through the process; the division has all project management positions filled as of February 24, 2016. In addition we are working on filling an administrative vacancy to speed up the processing of routine paperwork. Most of the projects require two procurements, one for design and one for construction; as a result the architectural/engineering & construction procurement division of DGS must remain staffed in order to keep the procurement timelines effective.

In order to increase to \$20M, DGS would need 1 additional Project Manager for every \$1.5 million in additional funding, plus 1 additional procurement officer for every \$2.5 million in funding, totaling an additional 3.5 project managers and 2 procurement officers.

Fuel Tanks Storage Replacement:

DGS should comment on the success of the program thus far and on the condition of the underground fuel tanks managed by the department. DGS should also comment on whether the funds provided in the CIP are adequate to maintain compliance with environmental regulations established by EPA.

The fuel tank replacement program has been successful in allowing DGS to tackle the worst case fuel tanks. The FY17 funding will allow DGS to move forward with identified projects that are out for bid or in design. Out year CIP funding will allow DGS to fund the removal, replacement or abandoned in place tanks as the problems are identified.

GO Bond Recommended Actions

1. Approve funding for the Facilities Renewal Fund.
DGS Concur

2. Approve the authorization of \$1,700,000 in general obligation bond funds for the Fuel Storage Tank System Replacement Program.
DGS Concur

3. Approve the authorization of \$750,000 in general obligation bond funds to renovate the Annapolis Post Office.
DGS Concur

4. Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.
DGS Concur

5. Approve modification of the fiscal 2012 appropriation to allow construction.
DGS Concur

6. Approve the partial de-authorization of the fiscal 2012 appropriation that reduces by \$100,000.
DGS Concur

7. Approve modification of the fiscal 2013 appropriation to allow construction.
DGS Concur

8. Approve de-authorization of general obligation bond funds for the State House Complex Security Upgrades.
DGS Concur

9. Approve the pre-authorization of \$4,200,000 in general obligation bond funds in fiscal 2018 for the second phase of work that will complete the Annapolis Post Office Renovation.
DGS Concur