



Wes Moore, Governor · Aruna Miller, Lt. Governor · Atif Chaudhry, Acting Secretary

Department of General Services

FY 2024 Capital Budget Analysis & Response

Senate Budget and Taxation Committee
Capital Budget Subcommittee – February 28, 2023

House Appropriations Committee
Capital Budget Subcommittee – March 1, 2023

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Department of General Services

Office of the Secretary

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FISCAL YEAR 2024 CAPITAL BUDGET TESTIMONY

Introduction

Good afternoon, Chair and Members of the Committee. For the record, I am Atif Chaudhry, Acting Secretary of the Department of General Services (DGS). With me today is our Deputy Secretary, Nelson Reichart and our Acting Secretary of Design, Construction and Energy, Courtney League. On behalf of all the hard-working, dedicated employees at DGS, thank you for the opportunity to appear before you today to discuss the Department's capital budget. I would like to thank Mr. Patrick Frank for his analysis of the Department's FY 2024 Capital Budget Request.

The Department of General Services has the key role of supporting the Capital infrastructure needs of those agencies we serve. The Department continues to provide efficient and effective customer service to the state agencies we serve. Currently DGS manages over 450 active design and construction projects that support various State Agencies with a combined value of over \$1 billion.

Additionally, DGS has delivered the following Statewide results, to date in FY 2023:

- As of the end of calendar year 2022, DGS' Building Assessment Unit (BAU) has completed their first round of facility assessments on 1,435 buildings encompassing approximately 25,776,340 square feet. The assessment data gathered by the BAU is being used to develop and manage the Facility Renewal and Critical Maintenance backlogs from a data driven, real time perspective. The BAU is beginning their next round of assessments of State owned buildings and will be looking at infrastructure needs that are necessary to reduce the State's carbon footprint per recent legislation.
- The DGS Office of Energy and Sustainability (OES) continues to support the State's goal to reduce the energy usage, cost, and the environmental impact of State facilities. Since 2021, OES has been installing "smart" LED lighting fixtures in state facilities. Among completed projects, current projects, and projects planned for FY 2024, DGS will install approximately 46,250 fixtures in 2.5 million square feet, with annual savings of 7,600 megawatt hours of electricity, abating 2,800 tons of CO₂, with energy cost savings of \$1.1 million. An additional 2 million square feet of State-owned buildings have undergone energy audits. OES is also responsible for installing the charging equipment for electric vehicles as

the State transforms its fleet. To date, 85 charging ports are available, and 70 are currently in construction.

- DGS successfully completed Phase I of the State House Exterior and Grounds restoration project. Phase I provided for a complete restoration of the dome of the State House and included repairs to all areas of the dome, replacement of slate roofing materials, refurbishing of existing copper flashings, placement of paint, improved access, and enhanced fire protection to better protect the State House's historic dome.

The Department's dedicated employees work diligently to maximize its stewardship of Maryland resources. We proudly provide these and other services, on behalf of the citizens of Maryland, making it possible for our state government to function efficiently, effectively, and in a safe and secure environment.

PAYGO Recommended Actions

1. Concur with the Governor's allowance.

DGS Concurs

GO Bond Recommended Actions

1. Amend Construction Contingency Fund Annual Reporting Requirement so that each end-of-year report reflects all annual activity. § 3-609(h) of the State Finance and Procurement Article is amended so that the annual CCF report is submitted by January 31 and covers activity for the previous calendar year.

DGS Concurs

2. Approve the deauthorization of \$266,724 from a 2018 session \$500,000 GO bond authorization for the commissioning of the Harriet Tubman and Frederick Douglass statues.

DGS Concurs

Discussion Points

The Department has been asked to be prepared to brief the committee on the following three (3) topics. Being respectful of the committee's time, we will do so at the discretion of the Chair.

DGS should be prepared to brief the committees on the schedule, cost, and impact on the divestment from State Center

Schedule

The updated lease schedules referenced below are only preliminary projections, subject to change, and reflect any rent abatements negotiated into the new lease

agreements. The estimated move dates are fluid due to ongoing and continuous coordination with the state agencies, landlords, architects, general contractors, and the Baltimore City permit and inspections office. With new state agency heads in place as part of the gubernatorial transition, nearly all state agencies have requested revisions to their space plans, which has delayed the space planning and design process for these leases.

Cost

Below are the categories of operating costs associated with the State Center Relocation project.

1. New office and parking rent costs. New office rent for leases with negotiated abatement will not begin until 6 months to 1 year after occupancy; parking rent will begin immediately upon occupancy.
2. Relocation management consultant services for all state agencies relocating from State Center are not expected to exceed \$1 million.
3. Costs for Furniture, Fixtures and Equipment (FFE), IT, security, low voltage wiring, Network Maryland connectivity, audio visual equipment, and physical moving services.

The Department of Budget and Management (DBM) has requested that all agencies provide updates to their FY 2024 operating budgets for the above costs by March 3, 2023. At this time, DGS has no additional information..

Impact on Divestment from State Center

At this point, DGS does not anticipate a significant impact on divestment from State Center. The Department of Health relocation is now projected for the Spring of 2025, however that date could shift. It is anticipated that DGS should be able to vacate the State Center complex shortly after the Department of Health relocation has occurred.

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Agency	Square Feet	Annual Rent	Cost per Sq. Foot	Estimated Occupancy	Rent Abatement	FY / Quarter for 1st Rent Payment
Maryland Department of Health	463,000	12,130,600.00	26.20	Spring 2025	None	FY 25 - Q3 or Q4
Department of Human Services	149,024	3,651,088.00	24.50	October - December 2023	None	FY24 - Q2
Department of Labor and Department of Information Technology	126,432	2,705,634.00	21.40	July 2024	6 months	FY25 – Q3
State Comptroller's Office	67,586	1,588,271.00	23.50	December 2023 - February 2024	6 months	FY 24 - Q4 or FY 25 - Q1
State Department of Assessment and Taxation	47,391	1,189,988.00	25.11	December 2023	1 year	FY 25 - Q2
Department of Budget and Management	44,240	1,045,391.00	23.63	February 2024	1 year	FY25 - Q3
Department of Planning	19,329	490,957.00	25.40	January 2024	6 months	FY25 - Q1
Department of Aging	16,876	394,898.00	23.40	December 2023	6 months	FY24 - Q4

DGS should be prepared to brief the committees on how the Goldstein Treasury Building and the Annapolis Data Center projects will be scheduled and the potential operational challenges and cost implications.

Currently, DGS is not planning to concurrently begin renovating both the Treasury Building and the Annapolis Data Center Building. Instead, DGS will likely first begin renovating the Treasury building, and estimates the following schedule:

- Treasury Building design, 8-10 months, once a contract is in place.
- Treasury Building Renovation, 18-24 months, once a construction contract is in place.
- Data Center Building design, begins at 50% completion of the Treasury Building project.
- Renovation of the Data Center Building begins as the Treasury Building project nears completion.

During development of the Part I and Part II programs for both buildings, DGS assumed that the renovations would need to be phased as both buildings would remain occupied during construction. Based on recent conversations, DGS is evaluating the possibility of both renovations occurring in unoccupied buildings. DGS is working with DBM on a funding strategy for renovating both buildings utilizing a staggered timeline approach.

DGS should be prepared to brief the committees on its efforts to increase its annual facility renewal encumbrances and expenditures, including the perceived benefits and impact of the recently approved job ordering contract.

DGS has filled the additional Project Manager and Building Engineer positions that were funded in FY 2023. DGS believes that the appropriate level of staffing within the Project Management (PM) and Construction Inspection (CI) teams to support increased levels of Facility Renewal funding is now in place. DGS will monitor workload among the PM and CI teams to ensure that progress is being made and staff is not overloaded; DGS will notify DBM if an imbalance is identified.

The Job Order Contract (JOC) approved at the February 15, 2023 BPW meeting was for the first phase of this project delivery methodology. In the first phase, a consultant was put in place to provide program support to DGS. In the second phase, the consultant will assist DGS with procuring multiple master contracts, including HVAC, Electrical, Roof-Envelope, and Life Safety, under the Job Order Contract program. DGS has met with the consultant and is moving forward with the second phase and anticipates the master contracts will be in place within approximately 120 days..

The benefits of the Job Order Contract program include reduced procurement time as work orders are issued against a master contract; increased collaboration between all parties (Using Agency/JOC, vendor/DGS Project Manager) resulting in increased project specifications efficiencies; and the potential reduction of change orders. Given that the majority of backlogged Facility Renewal projects are system-related (HVAC, Electrical, Roof-Envelope, and Life Safety), DGS anticipates utilizing Job Order Contracting to streamline the process and increase Facility Renewal encumbrances and expenditures.

