

## UNIVERSITY OF ALASKA

## FY16 CAPITAL BUDGET DEVELOPMENT GUIDELINES

INTRODUCTION

Guidance from the Governor for the FY16 Capital Budget is expected to come in placing emphasis on a decreased capital budget and a reduction of deferred maintenance (DM). FY15 was the last year of the Governor's five-year, \$100 million annual commitment toward reducing deferred maintenance across the State. However we will be working with the Governor's office to see if the Governor will continue the deferred maintenance investment funding. The funding has provided a predictable dollar stream for deferred maintenance projects and increased efficiencies and momentum in the construction planning process. With these things in mind, **the FY16 capital budget requests should identify what level of strategic investment is needed to implement Shaping Alaska's Future objectives and reduce DM backlog.**

Deferred Maintenance (DM) and Renewal & Repurposing (R&R) is, and will continue to be, the Board of Regents' highest overall priority. Annual Renewal and Repurposing funding at a consistent level is necessary to realize UA's sustainment funding goal... an annual investment of \$50 million. Different methods for obtaining the funding are being discussed including the possibility of establishing the Alaska Sovereign Education fund. Annual R&R funding helps extend 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 safe, effective facility support for education program delivery, which is mission failure. The University Building Fund (UBF) legislation was recently passed, authorizing a tool that, once implemented, can ensure existing and new buildings will not add to the backlog of deferred capital reinvestment. **The capital budget request and long range Capital Improvement Plan (CIP) will attempt to reflect UA's intent to position the University for UBF implementation.**

UA's Capital Improvement Plan is submitted to the State of Alaska as part of UA's 10-year fiscal plan. The plan provides the Board of Regents, President, senior 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 to mid range requests which position the University to implement the UBF, reduce DM backlog, accomplish research for Alaska and upgrade critical infrastructure including information technology.
- Develop a long range Capital Improvement Plan with a focus on DM/R&R based on guidance in the main and community campus master plans which includes new construction projects that have completed the PRP process. Include 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, Sightlines Assessments, and the intent to cover additional buildings under the UBF.

- Capital priorities must consider space utilization reports, including expanded e-Learning alternatives, the program review and prioritization process already underway, and the facility data presented from Sightlines.
- Address the impact of DM reduction in case FY16 and beyond contains no overall state DM or R&R reduction money.

## BACKGROUND

- UA maintains over 400 buildings worth nearly \$3.5 billion as measured by replacement value. These facilities comprise nearly 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 capital reinvestment (R&R) is necessary to prevent adding to the deferred maintenance and renewal backlog. Although new facilities are desirable, annual deferred maintenance, 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 funding to extend the building life, 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 address a more expensive emergency response to problems.
- Through the operating budget, the University dedicates funding (approximately 1.5% 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.

## FY16 BUDGET TIMELINE

Below are key dates in the FY16 budget development process associated with BOR action. In addition, the FY16 budget meeting with the three Universities and Statewide is scheduled for August 7th and Board members are welcome to attend.

### June

- BOR - FY15 Operating and Capital Budget Acceptance
- BOR - FY15 Operating and Capital Budget Distribution Plans Approval
- BOR - FY16 Operating and Capital Budget Development Guidelines Approval

### September

- BOR - First Review of FY16 Operating and Capital Budgets and Capital Improvement Plan
- President's formal budget meeting with Governor's Office of Management and Budget (OMB)

### November

- BOR - FY16 Operating and Capital Budget Request Approval
- BOR - FY16 Capital Improvement Plan Approval
- Submit Board of Regents' FY16 Budget to the Governor's Office of Management and Budget (OMB)