A Look at Deferred Maintenance: Washington State

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Key terms as used in this presentation

Deferred maintenance

- Simply stated, it is maintenance, repair, and system replacements not performed

Maintenance backlog or backlogs

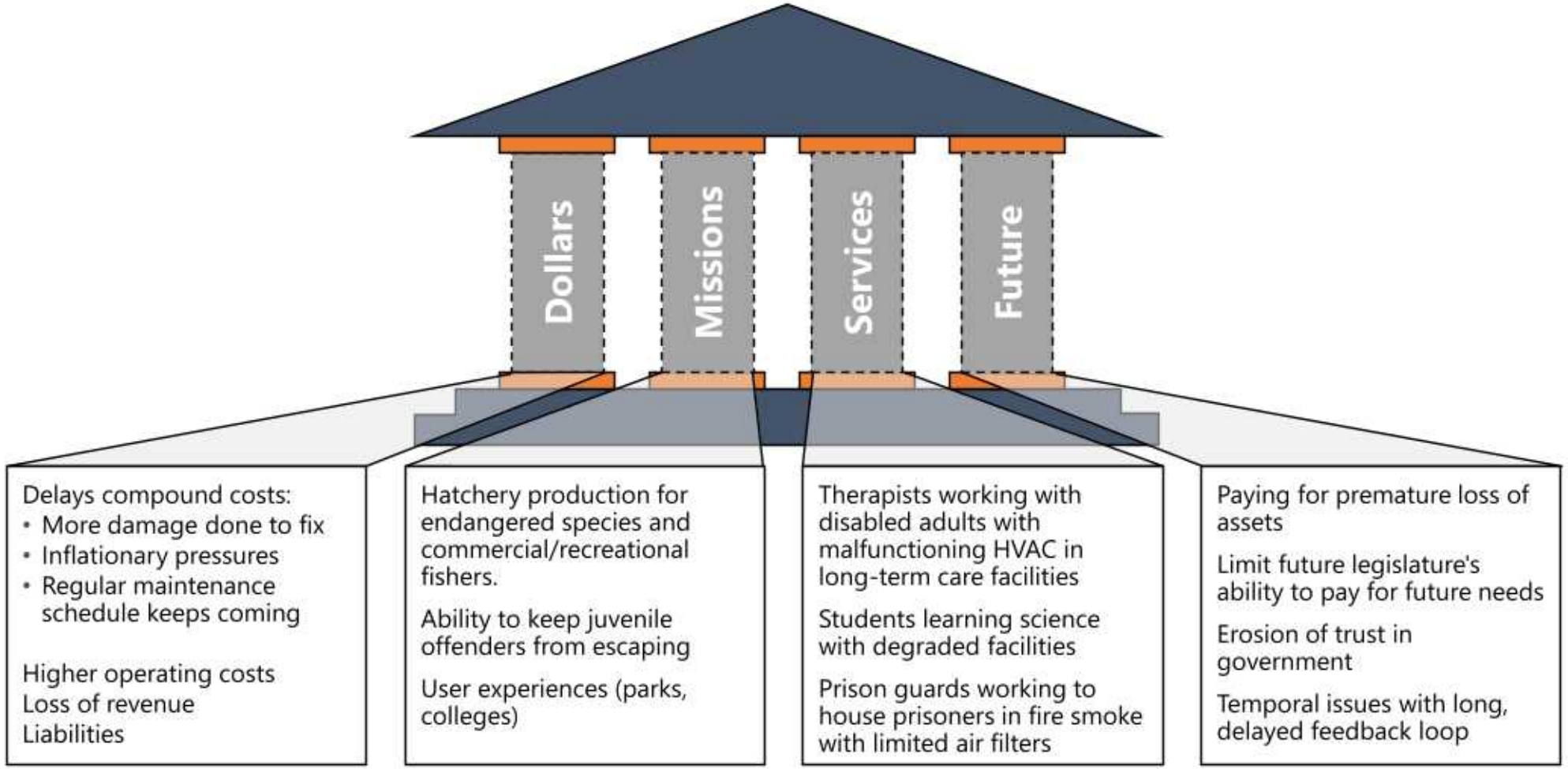
- Maintenance projects not performed are rolled on top of other scheduled maintenance projects creating a compounding effect, which is further exacerbated by escalating costs of continuing to defer

Component systems

- Component systems (e.g. structural, electrical, HVAC) have finite, expected useful lives over which they should be maintained and after which time they can be reasonably expected to be replaced

Why is deferred maintenance so important?

Legislatures invest capital in assets to increase value to the state and its citizens. These assets change over time and need to be maintained to continue to provide value.

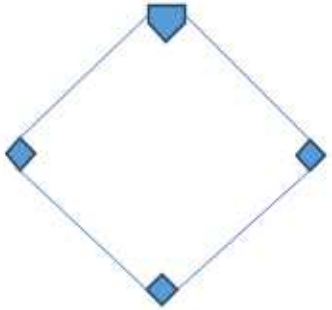


Washington's Experience

WA owned building inventory: Some baseball card statistics

Number of owned facilities: 10,292
Total owned square feet (1000s): 110,563

2023 Owned Square Feet by Type of Agency		
Functional Area	**Sq. Feet (1000s)**	**% of total**
Higher Education	76,844	69.5%
Human Services	15,082	13.6%
Natural Resources	7,056	6.4%
General Government	6,411	5.8%
Transportation	4,514	4.1%
Education (K-12)	657	0.6%



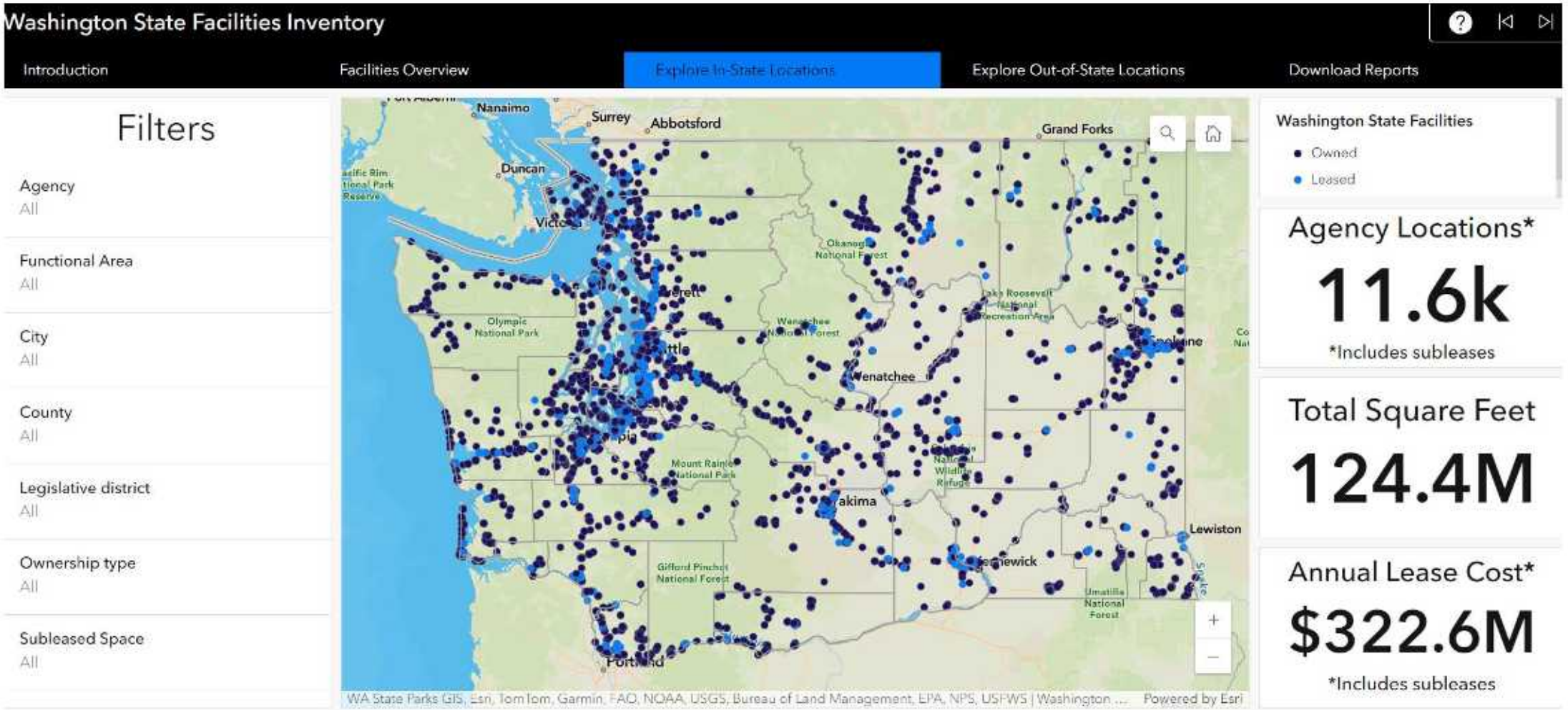
2023 Owned Buildings by Date Constructed		
Year Constructed	**Number**	**% of total**
Pre-1960	2,430	24%
1960-79	2,448	24%
1980-99	2,407	23%
2000-19	2,078	20%
2020-2023	68	1%
None	861	8%

2023 Owned Buildings Condition Summary		
Condition Rating		Number
1	Superior	1,013
2	Adequate	3,032
3	Fair	3,973
4	Limited Functionality	1,257
5	Emergency Use Only	644
N/A	Not Assessed	373

Source: WA Office of Financial Management Building Inventory

In WA, state agencies must participate in facility inventory

The facility inventory is available on a public interactive website



Interactive Link: Click Here

State agencies must also provide a strategic plan to reduce maintenance backlog with biennial budget submittals

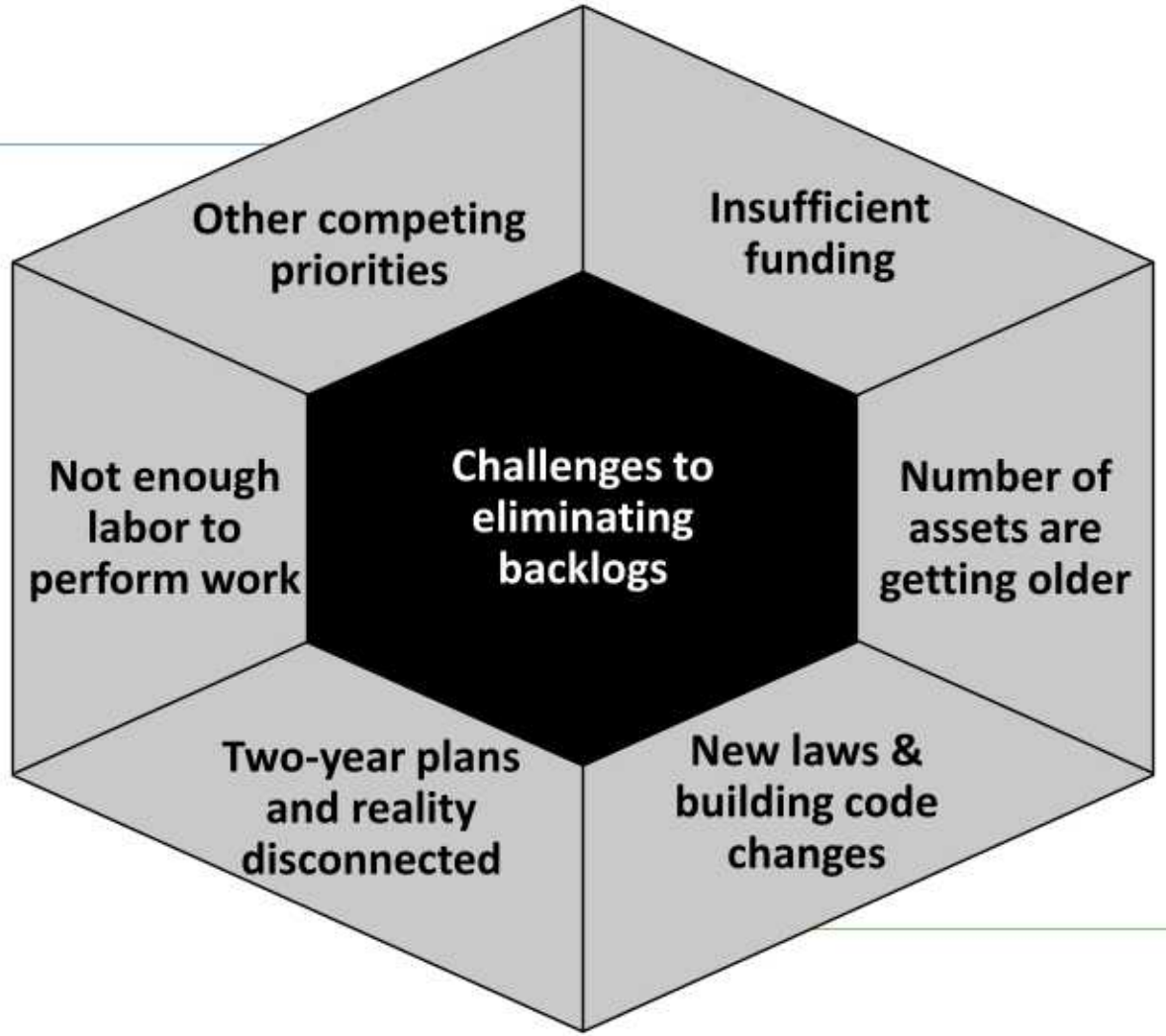
- The plan shall include:*
  - A prioritized list of specific facility deficiencies and capital projects to address the deficiencies for each agency
  - Cost and schedule estimates for each project
  - Identification of normal maintenance activities to reduce future backlogs
- Agencies submit a mix of project types:
  - Major renovation projects
  - Minor works <$1.5M or <$2M for higher ed
  - Pooled funding
  - Infrastructure renewals (large scale preventative maintenance)
  - Ongoing staffing costs to perform work

*RCW 43.88.030 (6)(d)

WA, like other states, has taken actions to address maintenance backlogs, but they continue to persist. Why?

Survey of agency strategic maintenance plans and literature are consistent

Court Decisions



Washington's Clean Building Law

Further discussion: Options to address backlogs

Have other states experimented with subscription fees for component systems beyond fire systems and lighting?

In WA, a pilot is underway to have a subscription service for HVAC

Background

- Energy as a service (EaaS) is a model where customers (agencies) pay a recurring subscription fee rather than making an upfront capital investment
- Under this model, a service provider assumes responsibility for the installation, operation, maintenance, and financing of the energy system on behalf of the agency

Opportunities & Challenges

- Opportunities:
  - Reduced or no upfront costs
  - Access to new technology
  - Addresses state agency labor shortage
  - Addresses building code or new law challenges
- Challenges:
  - Unknown long-term costs
  - Limited control of HVAC system
  - Dependency on provider (component systems can last 10-15 years) but buildings 50+
  - Liens. What if state wants to dispose of building?
  - Shifts capital budget costs into operating

Other options to manage and reduce backlogs

Traditional Policy Options

- Fund the request over other priorities
- New construction (repair by replacement)
- Disposal (selling off land or buildings)
- Public-private partnership (ESCO, fire alarms)

Other Budgeting & Fiscal Options

- Reversions. Allow agencies to use project savings on deferred maintenance rather than lapse
- Create a fund for exclusive use (source TBD)
- Increase fees (parks, tuition)
- Better marketing. Maintenance does not show up in the box score; does not get invited to ribbon cuttings; and does not have many constituents.

Thank you.