



F R O M	Name & Title	Steve Sharkey, Director 	CITY OF BALTIMORE MEMO	
	Agency Name & Address	Department of General Services 800 Abel Wolman Municipal Building		
	Subject	SUPPORT – City Council Bill 18-0214 – Bond Issue – Recreation, Parks and Public Facilities Loan - \$65,000,000		

TO: The Honorable Council President and Members
of the Taxation, Finance and Economic Development Committee
100 N. Holliday Street, City Hall, Room 409
Baltimore, Maryland 21202

DATE: April 19, 2018

Re: SUPPORT for City Council Bill 18-0214 – Bond Issue – Recreation, Parks and Public Facilities Loan - \$65,000,000

Dear Council President Young, Chairwoman Middleton and Members of the Taxation, Finance and Economic Development Committee:

The Department of General Services **supports** City Council Bill 18-0214 – Bond Issue – Recreation, Parks and Public Facilities Loan - \$65,000,000 as introduced by Council President Young. CCB 18-0214 purposes to authorize the Mayor and City Council of Baltimore to create a debt for the development, acquisition, renovation, alteration, construction, reconstruction, installation, improvement, demolition, and repair of existing buildings, structures or facilities, to be used or are now being used for or in connection with the operations, functions and activities within such buildings and facilities owned or controlled by the Mayor and City Council of Baltimore.

DGS strives to achieve the efficient operation and maintenance of city owned buildings and perform innovative design and construction of building capital projects. Through the use of in-house design and construction project managers, inspectors and contract administration personnel, the Major Projects Division of DGS administers and manages all aspects of capital improvements in City buildings on behalf of various user agencies, including Police, Fire, the Courts and Library. These improvements may include building infrastructure (roofs, windows, HVAC, elevators) as well as agency-specific work to advance an agency's operations (floor plan renovations, etc.).

Many of the systems in the City's building have out-lived their useful life (HVAC, roofs) or, because of the deferred maintenance backlog, are non-existent (fire suppression, fire alarms). There is a significant need to upgrade/repair/install these basic building infrastructure systems for the comfort of building tenants and to address critical building issues. Replacement of these basic infrastructure systems, or simply to maintain basic building function, is of such a cost that each project rises to the level of a capital improvement, requiring funding from the capital budget.

DGS' six year strategy to address critical needs in City buildings is to continue to prioritize basic building upgrades as well as infrastructure improvements such as replacing roofs,

windows, HVAC systems and elevators. Unfortunately, these infrastructure replacement projects are expensive and with the level of funding provided over the past few years, DGS is limited to performing a few high dollar projects during the year and using remaining capital funds to perform some smaller, but perhaps not as pressing, projects.

Recently, DGS' Fiscal and Strategic Management Office (FSMO) initiated the process of developing a method to inventory all DGS-owned assets, gather information on their condition, and determine the costs of either maintaining or replacing those assets to assist the Mayor, Council, agency directors, and other policymakers in understanding the scope of the effort to identify and assess the condition of all the DGS owned facilities, and second, to determine the cost to replace critical infrastructure.

The City, like other municipal and state governments, is dealing with years of deferred maintenance of its critical infrastructure. The total backlog for FY19 is approximately \$415M, or 74.4% of the Current Replacement Value (CRV) of \$557M. Under the current funding scenario, backlog is projected to increase to 83% by FY24. This increase is mainly due to new liability cost of \$123M over the next 6 years, or approx. \$20M per year. Plus, \$69M annually over the next 6 years to address all of the existing replacement needs. This puts the total annual capital needs of DGS at \$89M. At a minimum, DGS should invest \$27M or 5% of the CRV every year as defined by the industry capital investment renewal standards.

If not addressed, DGS anticipates that the deferral of such fixed investment will lead to poor asset quality and require even greater investment in the future. However, if the City invests in these assets by slowly increasing capital contribution to \$27M or 5% of the CRV every year as defined by the industry capital investment renewal standards it can stay ahead of the curve. This could potentially reduce the Facilities Condition Index to 48% from 67%, the net value could increase to \$395M from \$246M and deferred maintenance shrinks to \$364M from \$526M.

The Department of General Services **supports** City Council Bill 18-0214 after thorough consideration. The issuance of debt will provide the Department with funds to maintain and support existing buildings and facilities owned or controlled by the Mayor and City Council either in use by City agencies or have pending purposes.

SS:rpt