LEGISLATIVE REPORT

SUBJECT: Annual Report for Repair and Maintenance

REFERENCE: Section 36-35, Hawaii Revised Statutes; and Section 302A-1312, Hawaii Revised Statutes

ACTION REQUESTED: Annual report of account finances and status of repair and maintenance (R&M) projects undertaken and an annual report on six-year program and financial plan for school R&M including annual funding requirements.

DOE REPORT:
Introduction: Attached is the annual report of the repair and maintenance accounts and review of the repair and maintenance program.

FINDINGS: See attached.

RECOMMENDATIONS: None.
Annual Report for the Repair and Maintenance of Public School Facilities in the State of Hawaii

I. Introduction

A key component to improve public education in Hawaii is the provision of school facilities that support and enhance academic programs. Public education facilities include 260 school campuses, statewide, which consist of:

- 3,978 acres
- 45.9 million square feet (not including land)
- Average building age of 59 years (ranging from 1 year to 168 years)

II. Past Legislation

In the 2011 legislative session, $10.288 million was appropriated for repair and maintenance for fiscal year 2012 and $30 million was appropriated for fiscal year 2011.

III. Current Financial Assessment

A. R&M Backlog

The list of unfunded or deferred major repair and maintenance projects for schools and other Department of Education (DOE) facilities is commonly known as the R&M "backlog." This "backlog" is dynamic, growing through December as schools submit additional projects during the fall R&M prioritization period and shrinking in July and August, when the R&M projects funded by the "R&M lump sum" appropriation are taken off the "backlog" and moved to the "funded projects" list.

The figures used to prepare this report were taken from the "backlog" as of September 2011.

B. Status of R&M Backlog

R&M Backlog Totals - Trend

In 2011, the 26th Hawaii State Legislature appropriated $10,288,000 to fund Repair and Maintenance of the State's public schools. These funds will enable the DOE to continue the overall trend to improve backlog totals. The backlog has decreased from $392 million in September 2010 to $382 million in September 2011.
Geographic Breakdown

A breakdown of the backlog by DOE districts indicates the following:

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th># OF SCHOOLS</th>
<th>TOTAL BACKLOG</th>
<th>AVERAGE BACKLOG PER SCHOOL</th>
</tr>
</thead>
<tbody>
<tr>
<td>HONOLULU</td>
<td>54 (incl. 1 PCS)</td>
<td>$115,610,000</td>
<td>$2,140,000</td>
</tr>
<tr>
<td>HAWAII</td>
<td>43 (incl. 1 PCS)</td>
<td>$61,948,000</td>
<td>$1,441,000</td>
</tr>
<tr>
<td>WINDWARD</td>
<td>31 (incl. 1 PCS)</td>
<td>$55,122,000</td>
<td>$1,778,000</td>
</tr>
<tr>
<td>LEEWARD</td>
<td>43 (incl. 1 PCS)</td>
<td>$38,672,000</td>
<td>$899,000</td>
</tr>
<tr>
<td>CENTRAL</td>
<td>42</td>
<td>$50,755,000</td>
<td>$1,208,000</td>
</tr>
<tr>
<td>MAUI</td>
<td>31 (incl. 1 PCS)</td>
<td>$40,532,000</td>
<td>$1,307,000</td>
</tr>
<tr>
<td>KAUAI</td>
<td>16</td>
<td>$19,396,000</td>
<td>$1,212,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>260 (incl. 5 PCS)</td>
<td>$382,000,000</td>
<td>$1,469,000</td>
</tr>
</tbody>
</table>
IV. Program Assessment

The facility repairs can be separated into two major categories:

- Major repairs – repairs which, because of the scope or cost, cannot be performed by DOE or Department of Accounting and General Services (DAGS) Neighbor Island work crews under the “work order” program.

- Minor repairs – repairs which DOE or DAGS Neighbor Island work crews can make via “work orders” or repairs which are emergency in nature requiring immediate action to abate either the loss of resources or to enable the school to open.

A. Major R&M Program

The DOE conducted a rough analysis of the existing projects on the backlog list. About 37 percent of the backlog consists of recurring projects and 63 percent are non-recurring projects.

Recurring Projects

- Recurring projects are projects which must be repeated every so many years over the life of the facilities.
Projects worth $141,000,000 or 37 percent of the total backlog is recurring. The categories of recurring projects include reroofing, interior and exterior painting, recarpeting, termite treatment, repaving and resurfacing, air conditioning and lighting.

**Non-recurring projects**

- The remaining projects can be grouped as "non-recurring" projects or projects which are usually only needed once during the life of the facilities.

- Sixty-three percent (63%) or $241,000,000 of the current backlog is non-recurring projects.

- Many of these projects are replacement of an existing facility or facility component, or rehabilitation of part of an existing facility due to deterioration, usage, or accident.

- The largest category of non-recurring projects is restroom renovation projects. The restroom renovation projects typically address both recurring work (i.e., repainting interior, replacing windows and replacing lighting) and non-recurring work (i.e., replacing floor tile and wainscot, toilet partitions, and fixtures), as well as ADA improvements whenever possible.

- Since non-recurring projects typically occur only once or twice during the average life of a building facility, these are considered one time projects. Thus, planning for future R&M work is handled differently from recurring projects.

- A further analysis of the non-recurring projects indicates that many of these projects can be bond funded.

**Bond Funds vs. General Funds**

The backlog can be further analyzed as to the amount of both the recurring and non-recurring projects that can be funded by either bond funds or general funds (cash).

- To fund an R&M project with bond funds, the project must meet certain guidelines determined by the Department of Budget and Finance. Typically bond funds can only be used on projects which will last the life of the bond.
• About 13 percent of the R&M backlog requires general funds, and 87 percent can be funded with bond funds.

• Of the recurring projects, 18 percent can be funded with general funds and the remaining 82 percent with bond funds.

• Of the non-recurring projects, 12 percent can be funded with general funds and the remaining 88 percent with bond funds.

• Projects which require general funds can be funded using bond funds if the work is included in the classroom renovation scope of work (i.e. repainting of the interior and exterior of classrooms).

B. Minor R&M Program

On July 1, 2005, Act 51 transferred the R&M operating budget to the DOE. In addition to the Central Services Division personnel and operating costs, the remaining AGS 807 budget funds the following school R&M programs:

• Emergency repairs - by definition, emergency repairs are critical repairs which need immediate attention. Within this category are two sub-categories,
  o Critical emergencies where the school cannot operate (i.e. loss of power to all school buildings) or resources are being wasted (i.e. underground waterline leak). Critical emergencies require a response within two hours or less.
  o Urgent emergencies, which require a 48-hour response. When addressing an emergency repair, permanent repairs may not be immediate but adequate steps are taken to assure health and safety or prevent the waste of resources.

• Work order repairs - generally speaking, work order repairs are minor repairs which are considered "irritant" in nature. These repairs are needed, but can wait since health or operational issues are not involved. DAGS Central Services Division has district/island crews which handle minor repairs through work orders submitted by schools. The crews include tradesmen (painting, carpentry, electrical, and plumbing) and support (masonry, welding).

• Service and maintenance contracts - contracts are maintained on all islands. Currently, all services and maintenance contracts for schools are handled by DAGS Central Services Division, with the exception of trash pick up on Kauai. The list of service and maintenance contracts includes:
o Fire extinguishers and related fire equipment (all islands - yearly inspection).
o Air conditioning (all islands - monthly service).
o Grease trap (Oahu only; Maui as needed - monthly service).
o Fire protection devices (all islands - annual service).
o Program bells (as needed).
o Refuse (trash bin) pick up (all islands - 2-5 times a week, depending on school location).
o Palm tree trimming (Oahu only 3 times a year).
o Tree trimming (Oahu only - bi-annually).
o Furniture repair program with Correctional Industries (Oahu only).

- Classroom replacement furniture - schools annually prioritize projects to replace student classroom furniture and position related furniture.

V. Future Outlook and Projected Plans

The DOE has proposed an R&M bond budget of $100,000,000, for the supplemental year of the current biennium. We are currently studying the general fund needs and will present the general fund needs to the Legislature at a later date.

A. Program and Funding Requirements

Forecast of Program Needs
Using the American Public Works Association (APWA) recommendation that annual R&M should be 2 to 4 percent of replacement value of invested assets and a total current replacement value of $5 billion (not including land value), the annual R&M should be between $100 million to $200 million per year. Further, additional amounts should be invested to remove the backlog of deferred maintenance that currently exists. Depending on the rate of reducing the backlog and further analysis of the “true” backlog, the estimate should be increased. Our proposed six-year plan will be based on further analysis of backlogged and future requirements for:

- Preventative and Scheduled Maintenance
- Recurring Maintenance
- Health and Safety Requirements
- Legal Mandates

Asset Management and Life Cycle Costs
The DOE has begun to implement a facilities asset management system to better track and predict future facility and funding needs. A roof maintenance contract was recently awarded and a Request for Proposals is being developed to develop the infrastructure necessary to carry the asset
management system forward. The DOE has begun to compile data necessary to further develop this system.

Funding
About 13 percent of the total backlog will require general funds, and 87 percent can be funded with bond funds. Of the recurring projects in the backlog, 18 percent must be funded with general funds and the remaining 82 percent with bond funds. Of the non-recurring projects in the backlog, 12 percent must be funded with general funds and the remaining 88 percent with bond funds.

B. School Prioritization of Upgrades

The amount of funds appropriated by the Legislature cannot keep up with the major repair projects needed on school campuses. To prioritize the work needed, the criteria the DOE uses has been established under H.R.S. Chapter 302A-1505. The number of prioritized projects undertaken is dependent on the amount appropriated by the Legislature and subsequently released by the Governor.