

STATE OF NEW MEXICO

The State's Need for Strategic Asset Management

CAPITOL BUILDINGS PLANNING COMMISSION





Staff Presentation

Inform the Commission about the status of initiating strategic asset management for New Mexico facilities and lands

Topics

- Why Strategic Asset Management?
 - Recap of 10.11.11 recommendations and 5.08.12 meeting summary*
- ▶ SB 83 vs Executive Order 2012-023 Requiring State Agencies to Submit Five-Year Facilities Master Plans and Providing for Plan Guidelines
 - Gaps in coverage, activities, financing
 - Status and progress of Task Force working on Executive Order
- Staff Recommendations



RECAP: WHY STRATEGIC ASSET MANAGEMENT?

Best practice is to strategically manage the site and facility assets of the state*

Strategic Facility Planning Process

Step 1 Step 2 Step 3 Step 4 **Use Life-Cycle Costing Use Most Cost-Effective Evaluation of Existing Facility Requirements Facility Inventory** to choose new facility **Finance Tools for** determined from strategic condition and ability to design, construction, required maintenance. plan for agency outcomes meet future facility acquisition and finance renovation and/or new and operations. facility acquisition. needs. method. · Determine availability of New Facility Acquisition or · Service Goals and Private Facility Leasing **Objectives** facilities owned or leased Construction Project by agency or state Private or Public Lease- Resource Requirements Timing Purchase

- Human
- Financial
- Information
- Physical
- Consider alternative mixes of resources to meet goals
- Detail facility mix that comprises best option

- For each facility find:
- Age/Depreciation
- Condition
- Costs of Operation
- Location
- Life Cycle Cost/Benefit of Retention
- Replacement Cost
- · Utilize existing facilities first, when cost-effective
- Dispose of facilities no longer useful

- Method of Acquisition
- Provision for new facility Maintenance
- Method of finance
- · General Obligation or Revenue Bond Financing
- General Fund **Appropriation**

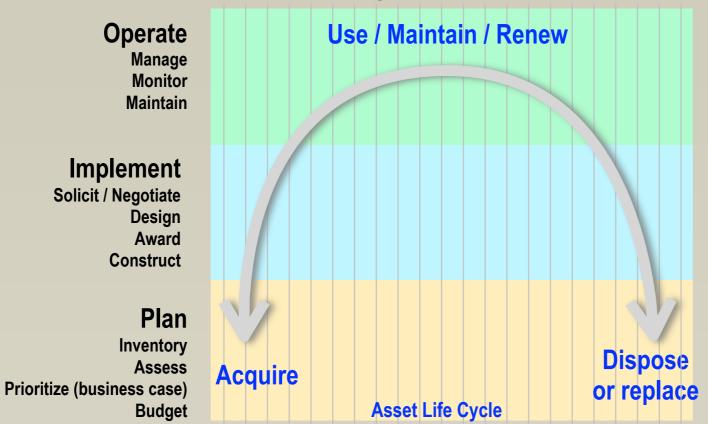
^{*10.11.11} CBPC meeting: http://www.nmlegis.gov/sessions/InterimCommittees/CBPC/CBPC_10_11_11v5ebook.pdf and 5.08.12 CBPC meeting: http://www.nmlegis.gov/sessions/InterimCommittees/CBPC/CBPC%20050812%20Next%20Steps.pdf ** (Strategic Facility Planning Process - previously presented by Tom Pollard, Ph.D)



IMPLEMENT A STRATEGIC FACILITY PLANNING PROCESS

Facility asset management is an on-going process





- Facilities are born
- Facilities grow old
 - System renewal and replacement
- Cost of adaption
- Facilities die

"...a methodology needed by those who are responsible for efficiently allocating generally insufficient funds amongst valid and competing needs."

— The American Public Works Association Asset Management Task Force



EXISTING NEW MEXICO ASSET MANAGEMENT ISSUES

No unified facility inventory (an Inventory of Facilities and Properties is now in review)

No comprehensive assessment of facilities that provides reliable, comparable results (except for public schools) - do not know the extent of needs

No unified process for strategic facility planning and budgeting

No linking of strategic planning and facility planning

No reliable source of funding for building renewal

Fragmented ownership, responsibilities, and procedures for managing facilities

No consistent processes for acquisition or disposing assets

Many statutes, rules affecting many agencies in different ways



DO NOT KNOW EXTENT OF NEED

Studies that have been done show that the facility renewal needs are substantial*

- Estimated* capital
 facility renewal needs
 in current dollars are ~
 \$1.4 billion
- Likely 10-20% of these needs are high priority** \$144 288 million

Estimated State Facility Capital Renewal Needs (\$millions)*



*Assumes

- Weighted averages of PCD studies (2010 study covering ~25% of state-owned buildings, 2006 study covering about 50% of state facilities)
- Costs inflated to current dollars using consumer price index
- PCD weighted averages applied to non-PCD facilities without data

^{**}Based on averages where information is available



Adopted by CBPC in 2011 ARC RECOMMENDED

* Adopt a strategic facility asset management model

- Complete inventory / database of state facilities and sites
- Conduct comprehensive and consistent assessment of state facilities
- Prepare departmental / agency master plans linked to strategic plans

Prepare statewide facility plan that encompasses owned and leased facilities

Identify a dedicated source of revenue for capital facilities renewal

Centralize ownership and management of state facilities

- Consider Facilities Commission or Board with technical, specialized staff with authority and budget to implement program (see Utah and Texas as models)
- Responsibilities for acquisition, use, maintenance, disposal
- Adopt prioritization criteria