

## Response to Questions on the FY 2006 Advertised Budget Plan

**Request By:** Chairman Connolly

**Question:** There is a \$2.7 million General Fund transfer for capital renewal projects in Fund 317, Capital Renewal. Can any of these be delayed?

**Response:** Fund 317, Capital Renewal Construction, is a new fund established in FY 2006 to support the long-term needs of the County's capital assets to maximize the life of County facilities, avoid their obsolescence, and provide for planned repairs, improvements and restorations to make them suitable for organizational needs. Capital renewal is the planned replacement of building subsystems such as roofs, electrical systems, HVAC, plumbing systems, carpet replacement, parking lot resurfacing, fire alarm replacement, and emergency generator replacement for equipment that has reached the end of its useful life. Without significant reinvestment in building subsystems, older facilities can fall into a state of ever-decreasing condition and functionality, and the maintenance and repair costs necessary to operate the facilities increase.

The General Fund transfer of \$2.7 million to Fund 317, Capital Renewal, includes funding for the following projects:

<b>Project Name</b>	<b>FY 2006 Budget</b>
Miscellaneous Building and Repair	\$500,000
Fire Alarm Systems	142,000
Roof Repairs	220,000
Carpet Replacement	150,000
Parking Lot Resurfacing	400,000
HVAC/Electrical Systems	870,000
Generator Replacement	400,000
<b>Total:</b>	<b>\$2,682,000</b>

The industry standard for capital renewal investment is currently 2 percent of replacement value. Based on current average replacement values of \$150 per square foot, 2 percent would equate to capital renewal requirements of \$3.00 per square foot. Historically, budgeted capital renewal funds have fallen short of this level. This may be due to the fact that much of the square footage added in the early 1990s was in the form of new facilities and thus had not yet required major capital renewal and subsystem replacement. This infrastructure is now aging and appropriate action should be taken to avoid system failures leading to potential disruptions in County services. The FY 2005 funding level provided for \$0.20 in capital renewal spending per square foot. Demonstrating the County's commitment to maintaining County facilities, the FY 2006 funding level increases capital renewal spending to \$1.05 per square-foot.

Funding for Capital Renewal can be delayed; however, putting off critical repairs defers the current estimated total of \$80 million in expected repair and equipment replacement needs, and will result in greater costs in the future. The FY 2006 budget includes funding for only the most critical projects. Although the Facilities Management Department (FMD) requested \$8.8 million in General Fund monies for Capital Renewal projects in

FY 2006, an amount of \$2.7 million was included in the FY 2006 Advertised Budget, funding only the most critical projects. While the FY 2006 funding level increases capital renewal spending to \$1.05 per square-foot, this is still far below the industry standard of \$3.00 per square foot.