**Q4 FY 2024 RSI Text—Deferred Maintenance and Repairs (DM&R)**

Instructions: Please make any necessary proposed additions, edits, and deletions to the text below. Track changes functionality should be used. Updated numbers should also be inserted into the charts/verbiage where required.

**NOAA Portion (to be updated as needed by NOAA): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Prepared by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Date Prepared: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**NIST Portion (to be updated as needed by NIST): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Prepared by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Date Prepared: \_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Deferred Maintenance and Repairs**

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed toward keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater, than those originally intended. The significant portions of Departmental DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). NOAA and NIST represent 85 percent and 9 percent of the Department’s General PP&E, Net balance as of June 30, 2024, respectively.

**NOAA Portion (to be updated as needed by NOAA)**

***NOAA:***

NOAA reports DM&R based on FASAB’s definition of deferred maintenance. To measure DM&R NOAA uses Facilities Condition Assessment (FCA) surveys, which are periodic physical (i.e. visual) inspections of real property to determine their current condition and estimated repair or replacement cost for building/structural components based on their condition index and remaining useful life. In FY 2015, NOAA started completing a round of FCAs using physical assessments. NOAA completed assessments of the vast majority of the applicable inventory by the end of FY 2022 (assessments were delayed because of COVID-19 concerns which lengthened the projected 5-year cycle). NOAA plans to perform condition assessments on a five-year cycle for all applicable real property in the inventory. A new assessment cycle began in FY 2023. Completion of FCAs is dependent on sufficient budget resources being available and the ability to contract for the FCAs. NOAA plans to target continuing a five-year assessment cycle so that the entire applicable inventory is assessed approximately every five years but budgetary, contracting, or other constraints (such as the COVID-19 pandemic) may extend that cycle time.

NOAA performs Condition Assessment Surveys for capitalized NOAA-owned buildings, structures with acquisition cost over $200 thousand, and multi-use heritage assets. For financial reporting purposes, NOAA does not report on DM&R for:

* Owned real property that has been permanently removed from service or which NOAA is planning to permanently remove from service within five years;
* Structures with acquisition cost under $200 thousand; and
* Land and Stewardship Land as land does not have DM&R.

NOAA prioritizes maintenance and repair projects to sustain its inventory in acceptable operating condition, including maintaining warranties. As work becomes deferred, NOAA will prioritize those projects that will remedy health and safety deficiencies and minimize risk of mission failure.

Acceptable condition standards are established for real property by using industry standards for benchmarking and cost estimating. These standards are used to evaluate site and building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

In measuring DM&R, FCAs report physical deficiencies that cannot be remedied with normal operating maintenance, excluding de minimis conditions that generally do not present a material physical deficiency to the subject property. Actionable items are typically considered to be (1) existing or potential unsafe conditions; (2) building or fire code violations as revealed by municipal agencies; or (3) conditions that if left unremedied, have the potential to result in or contribute to critical element or system failure in the near term, or shall result most probably in a significant escalation of its remedial cost.

The fourth quarter FY 2024 balance estimated cost is composed of DM&R for the applicable inventory from the FY 2011 inventory assessment and FCAs completed in FY 2015 through FY 2023. In FY 2020, NOAA implemented a new FCA reporting methodology using the BUILDER system from the U.S. Army Corps of Engineers (USACE). BUILDER uses a visual direct rating methodology whereby the assessor provides a rating level of the condition of each system/component and BUILDER compares that condition index against a NOAA-set condition index threshold, which automatically generates a repair action when its condition drops below a minimum performance limit. Based on the type, material, and condition of the component, BUILDER generates an estimated cost for corrective action (repair or replace). To the extent possible, data from previous FCAs was entered into the BUILDER system. Some data from the earliest FCAs could not be entered into BUILDER. These FCAs will be redone in the next FCA cycle and will be entered into BUILDER at that time. For data not in BUILDER, the data has been escalated based on the date of their FCA estimate and changes since then to the “Engineering News-Record” construction cost index. BUILDER cost database is updated annually with new replacement cost data by the USACE.

Specific to personal property, DM&R relates solely to capitalized personal property meeting the $200 thousand threshold criteria. DM&R on capitalized personal property is reported with an estimated project cost of $25 thousand or more.

With the exception of NOAA’s vessels, most of NOAA’s capitalized personal property, such as weather systems, is required to be maintained on a regular basis as the public relies on information from these systems for their safety and livelihood. It is imperative that NOAA ensures that the systems are functioning properly. Therefore, maintenance on these systems is rarely deferred. Capitalized personal property is normally maintained through maintenance contracts.

NOAA performs Condition Assessment Surveys to determine the status of ships according to the priorities shown below:

**Urgent and Immediate**: Program has stopped until maintenance is performed.

**Important**: Maintenance must be performed within six months or program will stop.

**Medium**: Maintenance must be performed within two years or program will stop.

**Low**: Maintenance must be performed within five years or program will stop.

**Very Low**: Maintenance can be delayed indefinitely. No threat to program.

**The following table shows NOAA’s DM&R as of September 30, 2024 and September 30, 2023:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset Category** | **Deferred Maintenance and Repairs as of September 30, 2024** | | **Deferred Maintenance and Repairs as of**  **September 30, 2023** | |
| Buildings | $ | xxx,xxx | $ | 399,956 193,394 |
| Multi-use Heritage | xx | | 51,422 | |
| Ships | xx,xxx | | 1,240 | |
| **Total** | **$** | **xxx,xxx** | **$** | **452,618** |

**NIST (to be updated as needed by NIST)**

***NIST:***

NIST measures DM&R (related to real property General PP&E) using FCA surveys, which are periodic visual inspections of PP&E to determine their current condition, and estimates the costs to correct identified deficiencies. NIST accomplishes its FCAs by contract. Both the Boulder, CO and Gaithersburg, MD campuses were surveyed in FY 2023, and the Fort Collins, CO campus was surveyed in FY 2024. NIST has elected not to resurvey the Kauai, HI property due to upcoming construction which will cause a large reduction in DM&R at this property.

The Federal Real Property Council’s 2022 *Guidance for Real Property Inventory Reporting* reaffirmed facility assessments for each facility every five years if using condition assessments for reporting DM&R needs. To complete this requirement, NIST uses the BUILDER system which is a government-owned software developed by the USACE.

In FY 2023, NIST awarded a contract call order to recalculate all Plant Replacement Values (PRVs) for all facilities and utilities on each campus. The last time a similar effort was completed was in FY 2017. Every year since then PRVs were manually adjusted by a uniform multiplier. The FY 2023 call order, which is anticipated to be complete by fourth quarter FY 2024, will reflect current market PRV pricing for all facilities. In FY 2023, NIST additionally awarded tasks on the above mentioned call order to document NIST rules and procedures on how FCAs are conducted and subsequently how costs are calculated. Additionally, updated FY 2024 BUILDER price adjustment factors will be finalized by September 30, 2024. It is anticipated that the combination of updated adjustment factors and PRVs will cause the Facility Condition Indexes (FCIs) reported as of September 30, 2024 to differ from those reported as of June 30, 2024.

NIST prioritizes maintenance and repair projects to sustain its real property in good operating condition, including maintaining warranties. DM&R is impacted by funding shortfalls. Individual real property maintenance and repair projects are ranked using a Project Risk Table to determine the category of the risk (i.e., critical, high, medium, or low). Each project’s risk is rated in four different areas (mission; safety and regulatory compliance; energy, sustainability, and resilience; and economics) and its likelihood of executability. An overall rating score is then determined for ranking purposes. A ranking can be adjusted to consider current projects underway, prioritization of future candidate projects, and budgetary funding outlook.

FCI values are calculated for each NIST facility. The ratio of the cost of correcting all facility deficiencies in a building divided by the cost of replacing the building is expressed on a 100 percentage point scale. The FCI index is 100 minus this ratio of cost expressed. Equivalently, the FCI is the cost of replacing less the cost of correcting, divided by the cost to replace, expressing the result as a percentage. Generally, a facility with an index above 95 is considered excellent, between 95 and 90 is considered good, between 90 and 85 is considered fair, and below 85 is considered poor.

**The following table shows NIST's DM&R as of September 30, 2024 and September 30, 2023:**

***(in Thousands)***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assets Category** | **Deferred Maintenance**  **and Repairs as of September 30, 2024** | | **Deferred Maintenance**  **and Repairs as of**  **September 30, 2023** | |
| Buildings | **$** | xxx,xxx | $ | 860,061 |
| Site Utilities and Infrastructure | xx,xxx | | 287,911 | |
| **Total** | **$** | **xxx,xxx** | $ | **1,147,972** |