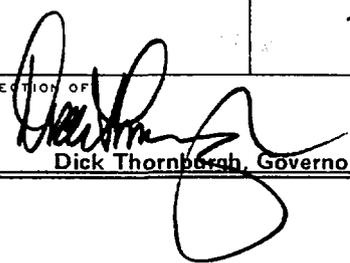


Commonwealth of Pennsylvania
GOVERNOR'S OFFICE
EXECUTIVE ORDER

SUBJECT		NUMBER
Life Cycle Costing		1980-3
DATE	DISTRIBUTION	BY DIRECTION OF
February 8, 1980	B	 Dick Thornburgh, Governor

WHEREAS, in an era of rapidly rising prices, escalating energy costs, and other costs, the Commonwealth of Pennsylvania must make every dollar count in the purchase of major capital acquisitions; and

WHEREAS, after the initial purchase of an item, system or facility has been completed, a substantial amount of tax money continues to be spent for such things as energy, maintenance, repair, and other costs; and

WHEREAS, in the past, the primary concern in most procurement transactions has been the initial cost; and

WHEREAS, one management tool that takes into consideration all costs of ownership of an acquisition is Life Cycle Costing (LCC). This is a method of calculating the total cost of ownership of an acquisition over its life span. It includes initial cost and all expected subsequent costs of significance, as well as disposal value and any other quantifiable benefits to be derived;

NOW, THEREFORE, I, Dick Thornburgh, Governor of the Commonwealth of Pennsylvania, do hereby order that:

1. The methodology of Life Cycle Costing is hereby adopted for acquisitions which will require substantial operating and maintenance costs over their life spans.

2. The Department of General Services is responsible for developing, implementing, and coordinating a Life Cycle Costing procedure for acquisitions which will require substantial operating and maintenance costs.

3. Life Cycle Costing shall be applied to the following areas:

a. State building construction during the development and design phases.

b. Equipment for state agencies which has significant operating and maintenance costs.

Examples of equipment acquisitions which should be purchased using LCC methodology are:

- (1) Air Conditioning & Refrigeration Equipment
- (2) Solar Equipment
- (3) Electrical Office Equipment
- (4) Heavy Construction Equipment
- (5) Heating and Ventilating Equipment
- (6) Water Heaters