

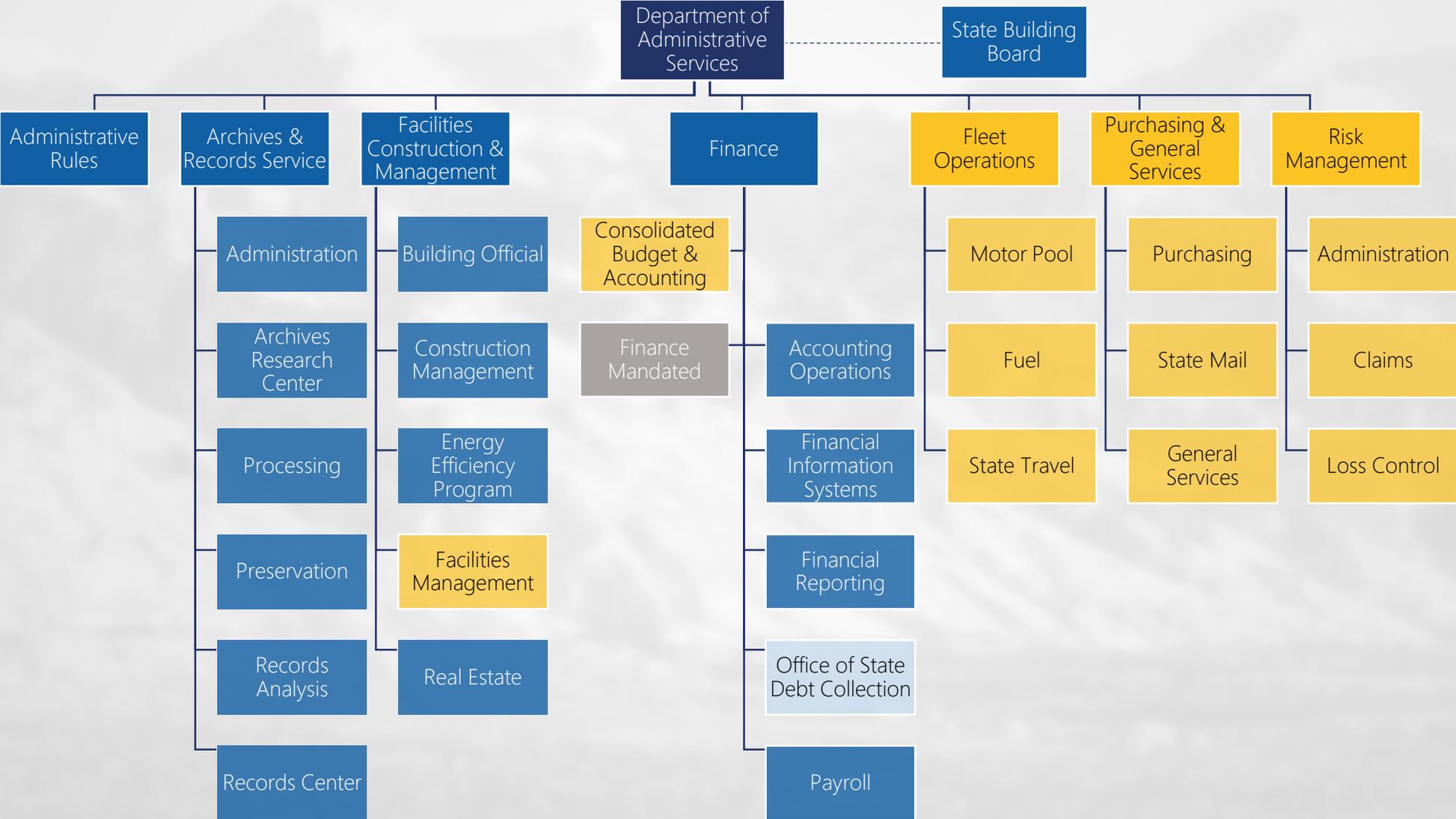
Administrative Services

Rate Development & Proposed Changes

Fiscal Year 2019

Presented to the Infrastructure
and General Government
Appropriations Subcommittee,
September 19, 2017

DAS Programs



DAS 2017-2018 Rate Committee

Utah Code Ann. Section 63A-1-114

- **Barry Conover**, Executive Director, Tax Commission – Chair
- **LuAnn Adams**, Commissioner, Department of Agriculture and Food
- **Sal D Petilos**, Executive Director, Department of Alcoholic Beverage Control
- **Mark Brasher**, Deputy Director, Department of Human Services
- **Becky Bradshaw**, Finance Director, Department of Transportation
- **Joseph Brown**, Financial Services Director, Department of Public Safety
- **Matthew Lund**, Budget and Policy Economist, Governor's Office of Management and Budget



Facilities Construction and Management

Facilities Management

Program Efficiencies

The Division of Facilities Construction and Management (DFCM) provides building management service to state agency subscribers. Service includes **preventative and corrective maintenance, grounds care, energy management, contract management and accounting services.**



150 Authorized FTEs
132 Current FTEs



Provided maintenance and management services to over 214 state-owned and leased buildings



\$31 million FY2018 adjusted revenue



Manage over 7.3 million square feet of space

Program Efficiencies

DFCM is focused on efficient building operation



Average operations and maintenance costs:
40% below local average
47% below national average



Statewide service through regionalized management groups



Diverse portfolio including office space, courthouses, laboratories, retail, warehouse, and veterans assisted living



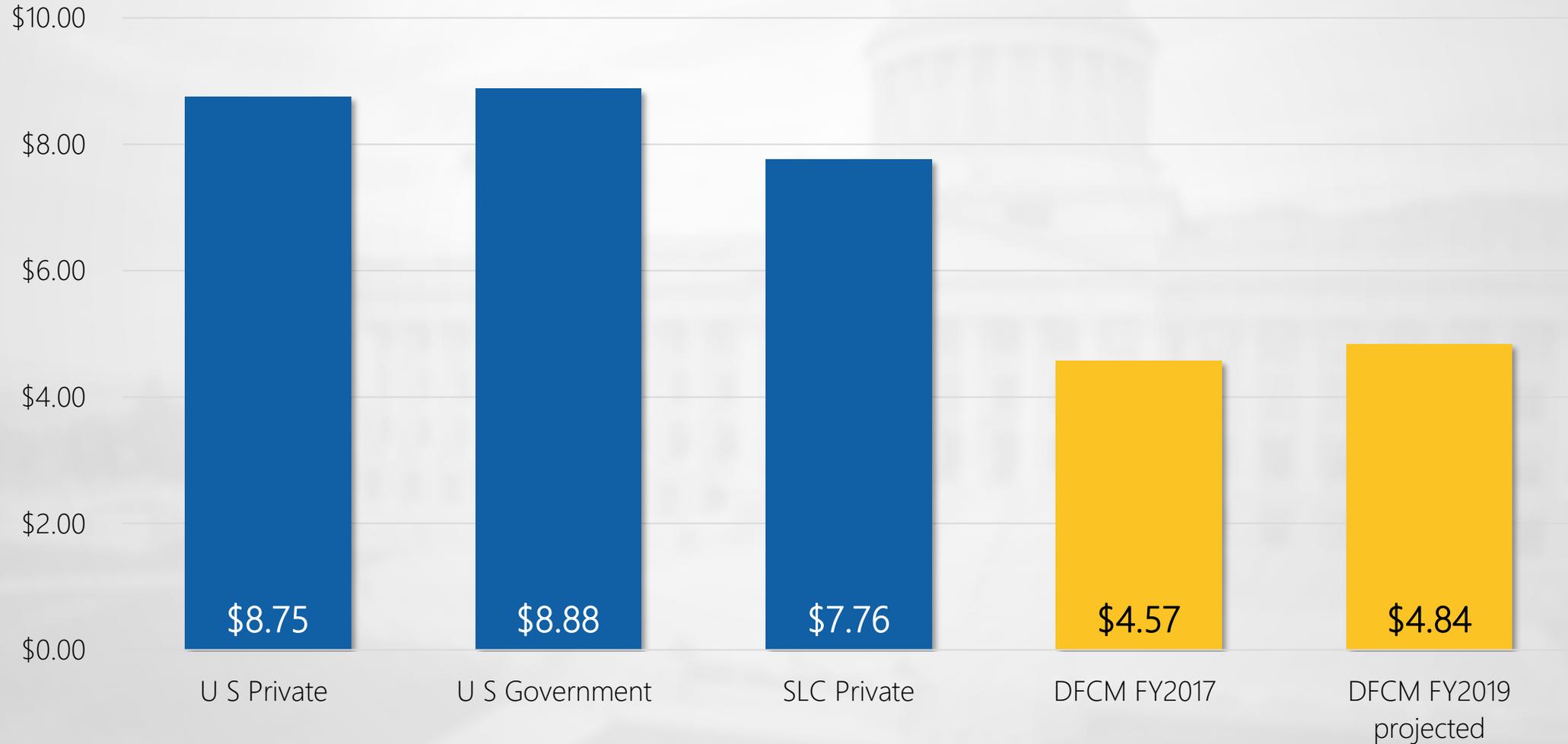
Combination of internal staff and private sector resources to provide cost-effective services

DFCM Rate Development

- Rates are based on actual and projected costs for each building
- Adjustments are made for external costs (service contracts, utilities, etc.)
- Each building's projected cost is measured against retained earnings to determine if a decrease or increase is warranted
- Costs are benchmark to the private sector

Average Cost Per Square Foot

Based on BOMA calendar year 2016 information



Facilities Management Retained Earnings



Facilities Management Rates

Rate Recommendation

FY2019 Request – Rate adjustments for the following 9 programs:

Program	Increase (Decrease)	Reason
1315 Richfield Court	\$ 21,866	Deficit reduction
1372 DNR Price	\$ 27,909	Deficit reduction
1373 Juab County Court	\$ 25,972	Deficit reduction
1501 Heber Wells	\$ 78,358	Deficit reduction
1588 Vernal Drivers License	\$ 16,364	Deficit reduction
1603 Cannon Health	(\$ 100,000)	Normalize Rate
1701 Ogden Regional Center	\$ 103,067	Deficit reduction
1703 Ogden Juvenile Probation	\$ 45,089	Deficit reduction
1709 DPS Ogden	\$ 7,586	Deficit reduction
Total	\$ 226,211	

Facilities Management Rates

Rate Recommendation

FY2018 Authorized – New programs or scope changes:

Program	Increase (Decrease)	Reason
1310 Richfield DNR	\$ 40,520	New location
1464 Lone Peak Forestry & Fire	\$ 38,021	New location
1504 Rio Grande Depot	\$ 96,000	Scope change – security
1505 1385 S State	\$ 16,041	Scope change - security
1647 Family Health	(\$ 118,654)	M.E. moved to new lab
1726 Clearfield Warehouse C6	(\$ 17,600)	Scope change – vacancy
1801 Utah State Developmental Center	\$ 2,298,357	New location
ABC Stores	\$ 57,800	New store – May 2017
National Guard Armories	(\$ 390,721)	Returned maintenance
Total	\$ 2,019,763	

Facilities Management Labor (garage) Rates

Rate Recommendation

FY2019 Request – Garage rate adjustments

Labor	FY2018	FY2019	Increase (Decrease)
Facilities Manager	\$54.00	\$58.00	7%
Journey Boiler Operator		\$55.00	N/A
Journey Electrician	\$51.00	\$53.00	4%
Journey HVAC	\$49.00	\$51.00	4%
Journey Plumber		\$51.00	N/A
Maintenance Supervisor	\$48.00	\$50.00	4%
Journey Carpenter		\$50.00	N/A
Journey Maintenance	\$46.00	\$47.00	2%
Electronics Resource Group	\$44.00	\$46.00	4%
Apprentice Maintenance	\$41.00	\$42.00	2%
Grounds Manager	\$38.00	\$40.00	5%
Mechanics	\$38.00	\$40.00	5%
Grounds Supervisor	\$37.00	\$38.00	3%
Office Technician	\$37.00	\$38.00	3%
Groundskeeper	\$33.00	\$36.00	9%
Temp Groundskeeper	\$19.00	\$21.00	10%

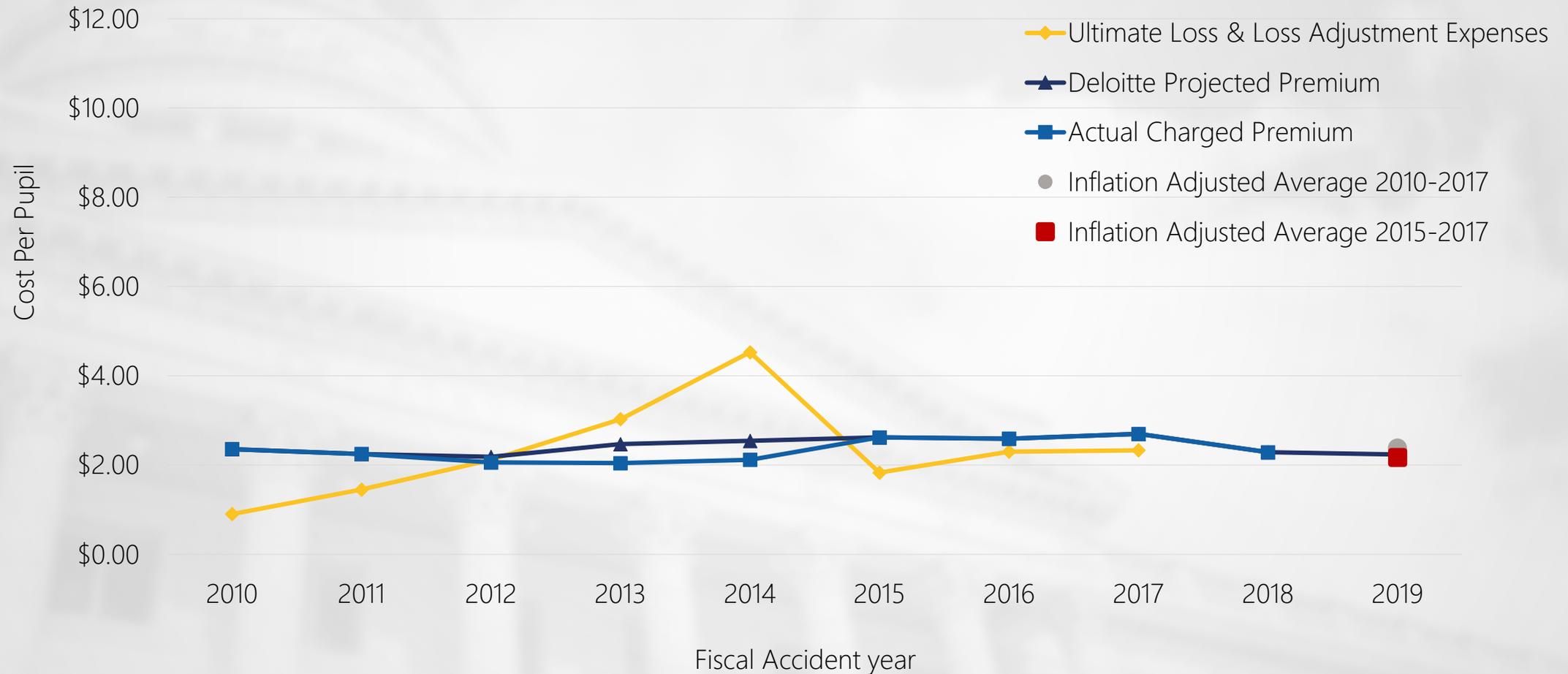


Risk Management

Liability

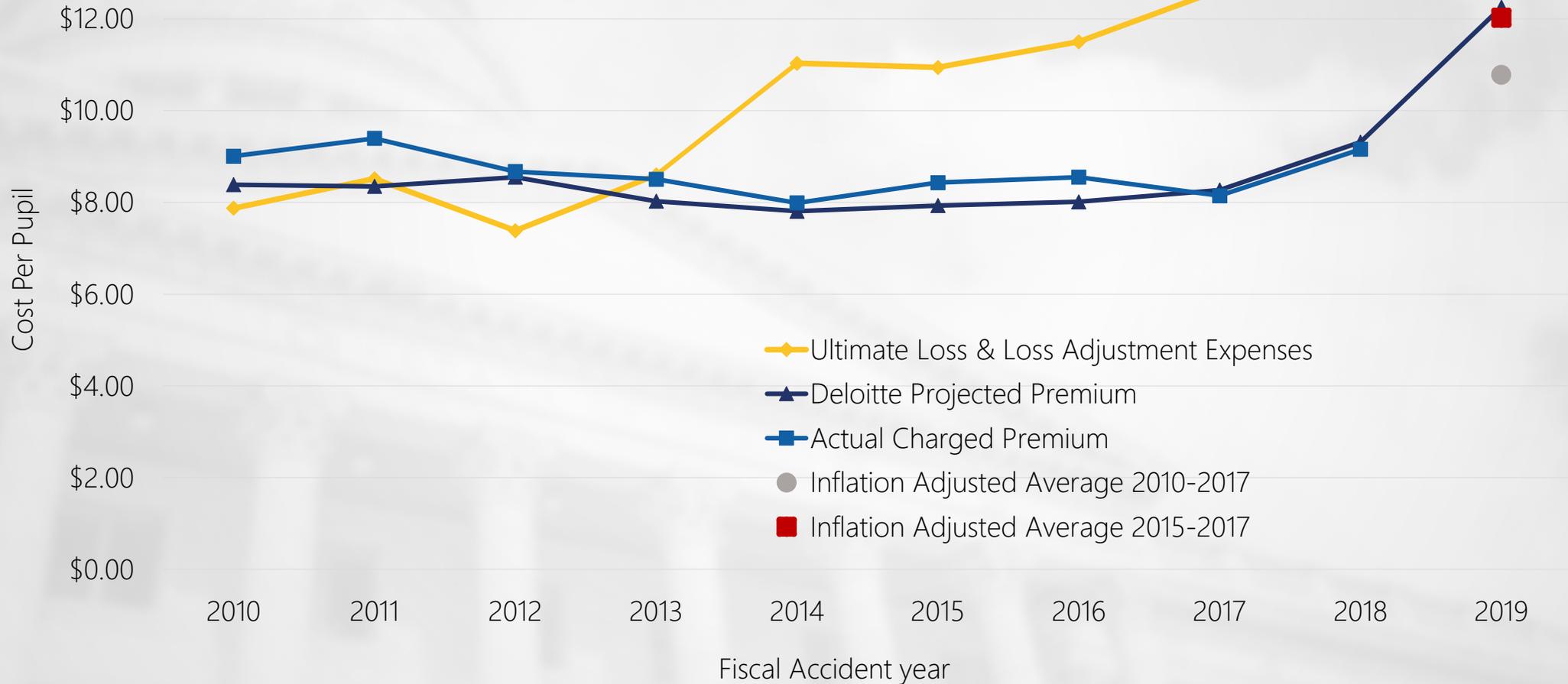
Liability Losses (Not Recouped)

Higher Ed - Losses and Premium per Pupil Count

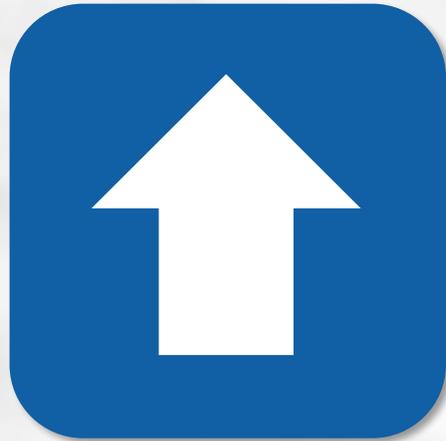


Liability Losses are Growing

School Districts - Losses and Premium per Pupil Count



Liability Premiums



Actuary calculated premium increase at \$1,632,000 for FY2019; covers future losses only



Individual entities will have increases or decreases based on loss history and risk exposure

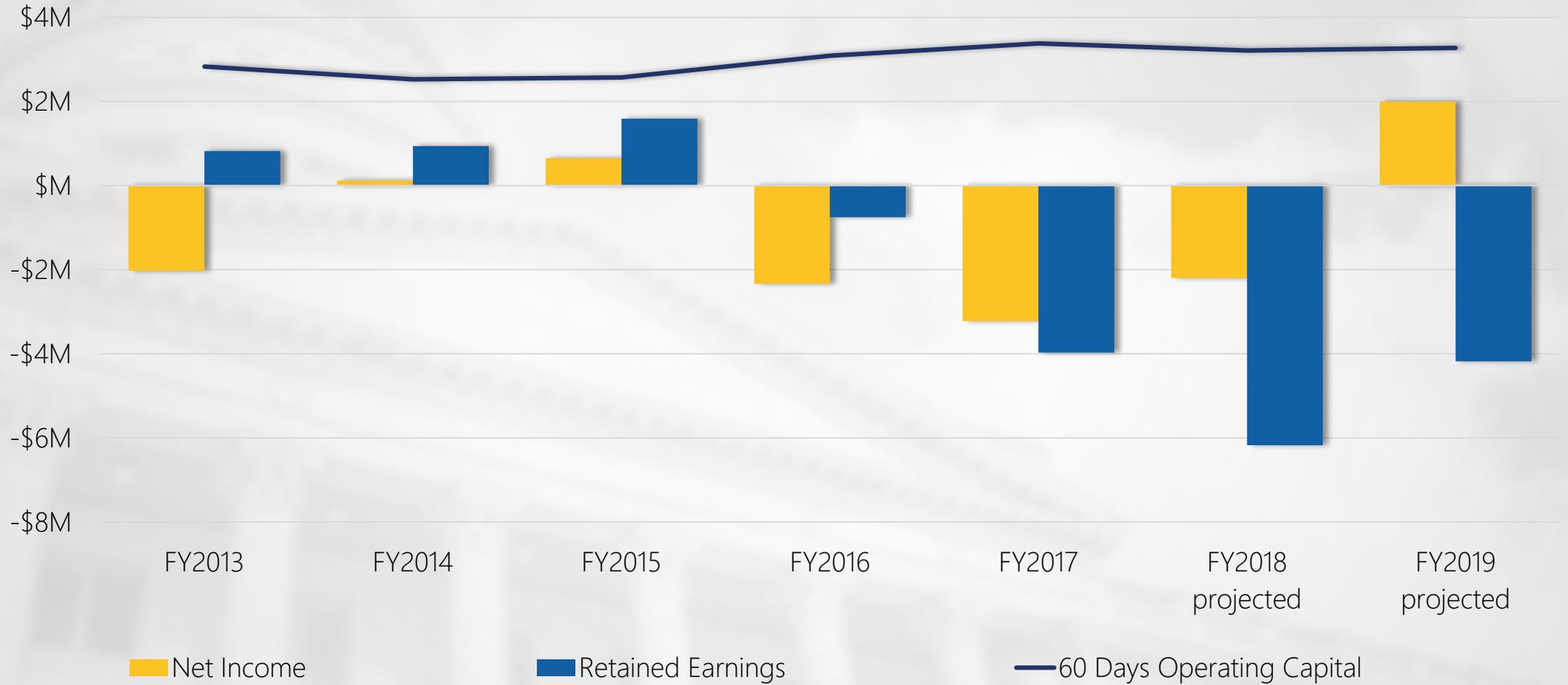
Liability Premiums by Risk Pool

Option 2: Re-capturing Historical Losses

Premium Projections for
FY2019 (Numbers in Thousands)

Risk Pool	Premiums		Change	
	2017-2018	2018-2019	Total	Percent
School Districts & Charter Schools	\$5,632	\$9,864	\$4,231	75.1%
Department of Transportation	\$2,526	\$2,459	\$(67)	-2.7%
Higher Education	\$3,011	\$3,526	\$514	17.1%
Other State Agencies	\$5,590	\$5,452	\$(138)	-2.5%
Total	\$16,759	\$21,300	\$4,540	27.1%

Liability Retained Earnings Option 2

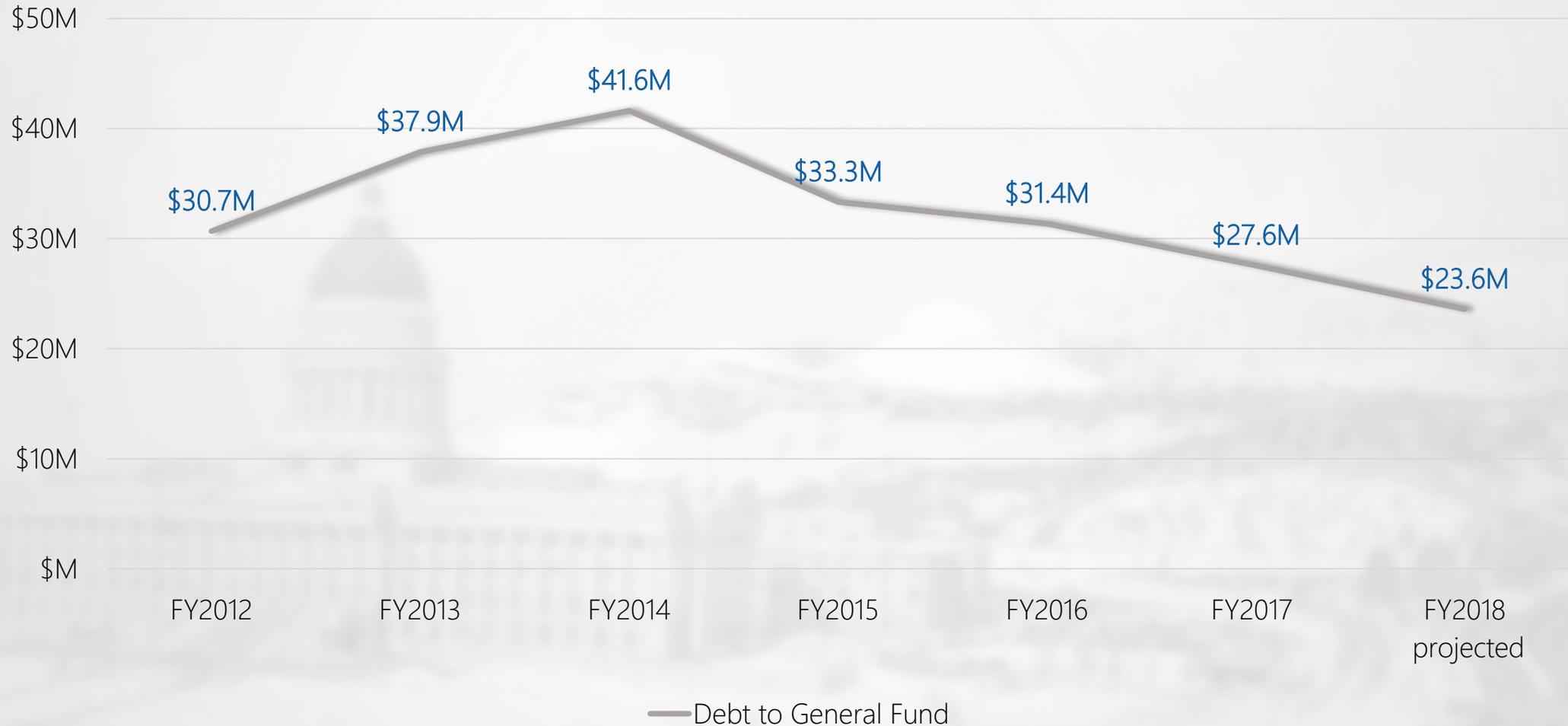




Fleet Operations

Motor Pool

Motor Pool Debt to General Fund



Motor Pool Monthly Lease Rate

$$\text{Monthly Lease Rate} = \frac{\text{2013 Contract Price} - \text{Salvage}}{\text{Lifecycle}} + \text{Fees}$$

Contract Price	2013 model year contract price for class	
Salvage Value	Light trucks	21%
	Select sedans	18%
	Select SUVs	21%
	All others	17%
Lifecycle	Current lifecycle (in months) based on actual mileage	
Fees	Admin fee and Management Information System (MIS) Alternative Fuel Vehicle (AFV) fees	

Motor Pool Monthly Lease Rate

$$\text{Monthly Lease Rate} = \frac{\del{2013} \text{ Contract Price} - \text{Salvage}}{\text{Lifecycle}} + \text{Fees}$$

Contract Price	2013 model year contract price for class									
Salvage Value	<table border="0"> <tr> <td>Light trucks</td> <td>21%</td> <td rowspan="4">25%</td> </tr> <tr> <td>Select sedans</td> <td>18%</td> </tr> <tr> <td>Select SUVs</td> <td>21%</td> </tr> <tr> <td>All others</td> <td>17%</td> </tr> </table>	Light trucks	21%	25%	Select sedans	18%	Select SUVs	21%	All others	17%
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Impacts

DAS FY 2019 Rate Impact Summary

Impacts for FY2019 (Option #2)

Affected Entities	Facilities	Finance CBA	Fleet Ops	Purchasing & GS	Risk Mgt	Grand Total
State Agencies	226,211.98	160,326.00	(84,179.72)	154,211.50	(143,800.00)	312,769.76
Higher Education			7,158.91	283.43	489,500.00	496,942.34
Non-State Agencies			23,045.57	60,871.02	15,400.00	99,316.59
School Districts			21,421.10	251.30	4,484,000.00	4,505,672.40
Grand Total	226,211.98	160,326.00	(32,554.13)	215,617.25	4,845,100.00	5,414,701.09

Questions



Deep Dive

DFCM Project Management

Internal Audits

DAS has created a culture of continuous improvement

Risk Management

Fleet Operations

Consolidated Budget and Accounting (CBA)

State Building Energy Efficiency Program (SBEEP)

Internal Financial Controls

Travel Program

Internal Audits

DFCM Project Management Audit



The Governor's
Office



Goldratt
Consulting

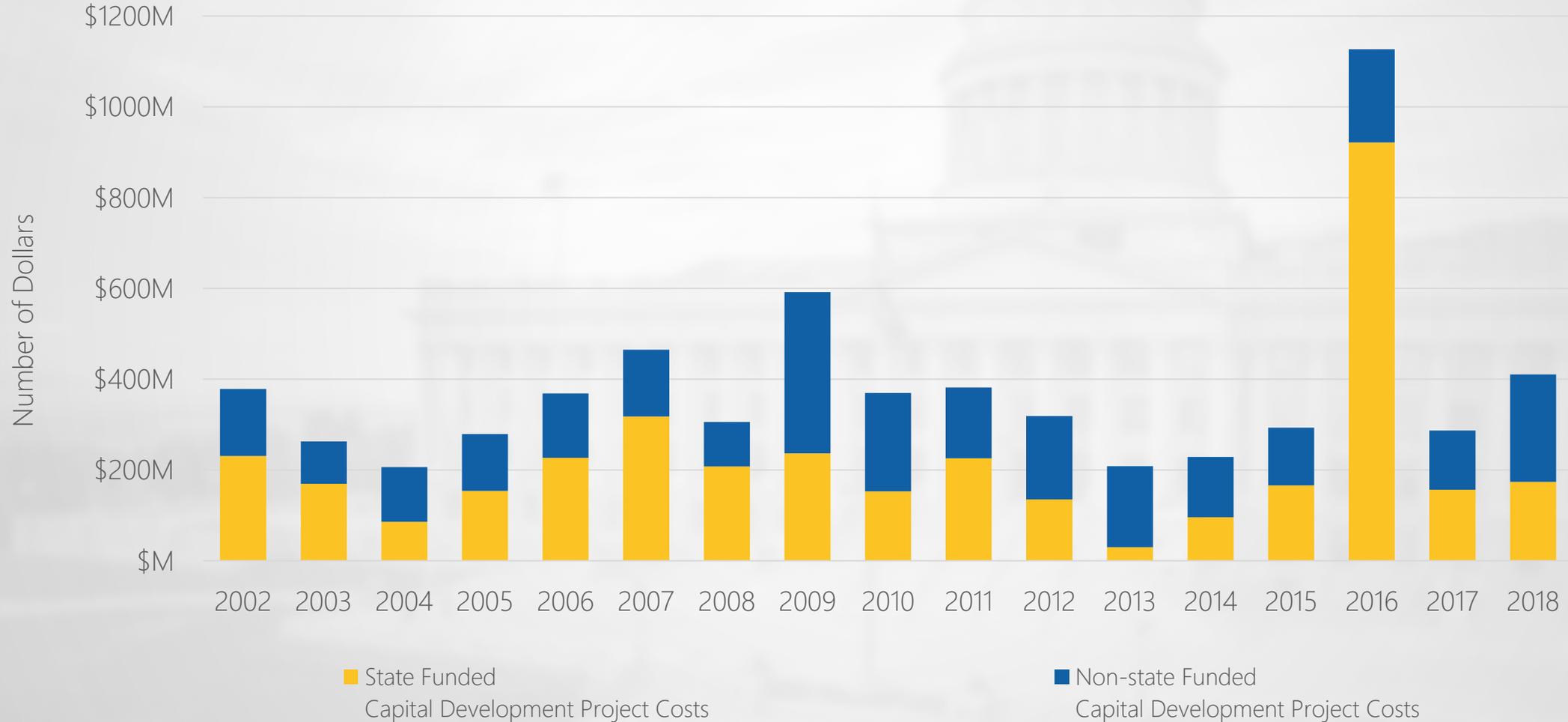


DAS Executive
Director's Office

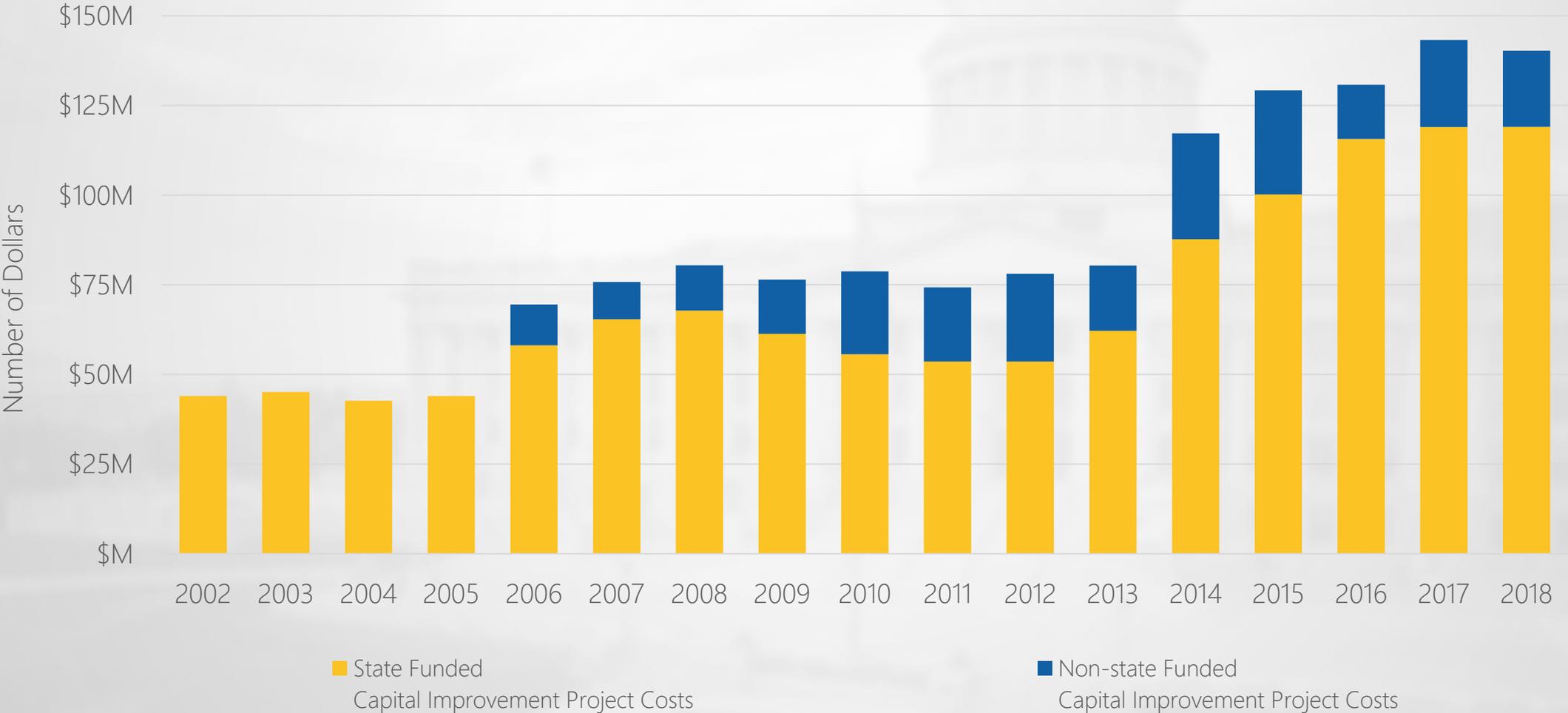


DFCM

Capital Development History



Capital Improvement History



Personnel History



Challenges Encountered



All existing resources exhausted



PM workload has doubled



Inadequate communication and coordination



Succession and training planning is impossible

Additional Concerns



Backlog of projects is steadily growing



No data resource



PMs wear too many hats



PMs are not involved enough in critical areas



High amount of preventable change orders

Findings



With the current number of PMs, project backlog will continue to grow



Errors and omission change orders will continue to rise due to PMs spread too thin



The State will miss out on savings and cost avoidance opportunities



PM turnover will increase

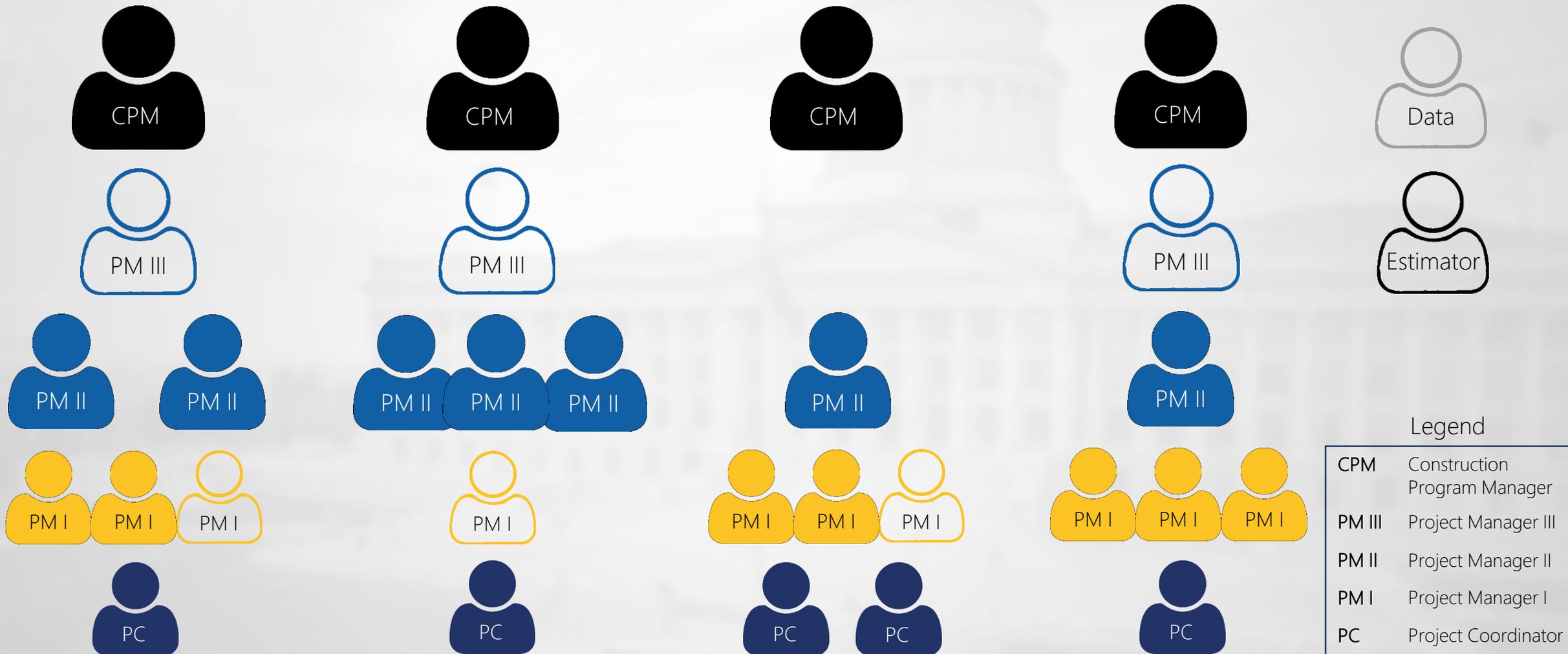


No PM bench

Plan of Action

The resolution must include a combination of increased staff and more efficient and streamlined processes

Proposed Organization



Funding

Addition of the following:

3



salary
\$130,000
per year

1



salary
\$120,000
per year

3



salary
\$110,000
per year

1



salary
\$130,000
per year

Funding Recommendation

Our recommendation to the Governor's Office is to fund the following positions with capital improvement funds:

1  PM III

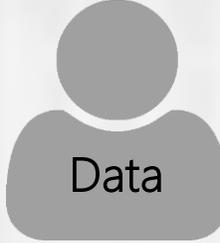
3  PM I

.5  Estimator

Funding Recommendation

Our recommendation to the Governor's Office is to fund the following positions through General Fund appropriation:

2  PM III

1  Data

.5  Estimator

Expected Results



10% reduction in
error and omission
change orders



Eliminate backlog



10% increase in
throughput

Questions

Thank You