

# Maryland

## Department of General Services



### FY 2017

## Operating Budget DGS Analysis Response

Senate Budget and Taxation Committee  
Education, Business & Administration Subcommittee – February 18, 2016

House Appropriations Committee  
Public Safety and Administration Subcommittee – February 25, 2016

Larry Hogan, *Governor*  
Boyd K. Rutherford, *Lt. Governor*  
C. Gail Bassette, *DGS Secretary*

**Department of General Services**  
**Office of the Secretary**  
**Fiscal Year 2017 Operating Budget DGS Analysis Response**

**FISCAL YEAR 2017 OPERATING BUDGET TESTIMONY**  
**DEPARTMENT OF GENERAL SERVICES**

**Introduction**

Good afternoon, Madam Chair and Members of the Committee. For the record, I am Gail Bassette, Secretary of the Department of General Services (DGS). On behalf of myself and all the hard-working, dedicated employees at DGS, thank you for the opportunity to appear before you today regarding the Department's operating budget. I would like to thank Mr. Brandon Juhaish for his analysis of the Department's FY2017 Operating Budget Request.

The mission of the Department of General Services is to provide technical expertise, essential services and facilities operations and management to the State in order to enhance the quality of work/life environments for our stakeholders and the citizens of Maryland. DGS's FY2017 total operating general budget is currently proposed at \$67 million which represents less than half a percent (0.5%) of the entire general fund State budget.

On February 13, 2015, I was confirmed as Secretary of General Services. We've made a lot of progress at DGS in the past year to improve our services and responsiveness. We've aligned with the Governor's mission of "Changing Maryland for the Better" by creating a winning culture of organizational excellence based on accountability, trust, respect and transparency, as well as courteous customer service. Internal communications have been improved, resulting in a workflow that integrates and supports each division's work. In addition, last year, each division developed a strategic action plan that specified deliverables, timelines and measureable results. These plans reflect best practices and streamlined processes for greater efficiency and effectiveness.

For example, the Office of Business Programs set for itself a goal of increasing the pool of small, local, minority, woman and veteran-owned businesses competing for state contracts. Its efforts culminated in the first ever *Business Opportunities and Entrepreneurial Training Summit*, which DGS and MDOT co-hosted last November. The focus was on expanding state contract opportunities for local, minority, woman and veteran-owned businesses and prime contractors. Attendees learned about the more than \$1 billion in available contracts from DGS and MDOT, and they were offered professional training on how to submit a winning bid.

This year, we're building on the tremendous success and momentum from the *Business Summit* by hosting monthly industry-specific **Business Opportunities Information Sessions** facilitated by project managers from the offices of Design and Construction, Procurement and Logistics, Energy, Facilities Operations and Maintenance and Real Estate

We are building on the progress from 2015 in all DGS divisions, by implementing improved work processes and taking innovative approaches to ensure that optimum performance standards are met within the constraints of state budgets. We are proud to deliver these essential services so that state government functions smoothly, efficiently and cost-effectively on behalf of all the citizens of Maryland.

# Fiscal Year 2017 Operating Budget DGS Analysis Response

## Personnel Data:

**DGS should discuss the impact that the high vacancy rate has had on its ability to perform its core services and discuss its plan to fill vacant positions.**

DGS has seen an increase in resignations in trade positions for Facilities Operations and Maintenance, Procurement, and police officers for Maryland Capitol Police (MCP). The employees have been leaving for better-paying jobs resulting in the high vacancy rate. This is exacerbated by the slow recruitment processing time and the difficulty in finding qualified candidates due to the lack of competitive salaries in the metropolitan area. Personnel vacancies have left only two recruiters to fulfill all recruitment requirements.

In addition, the reduced workforce resulting from a number of employees out on approved FMLA has affected DGS' ability to perform core services. These are positions that cannot be filled; however, other employees must pick up the workload of those on FMLA leave to ensure that there are no interruptions in the work flow, leading to the agency's overtime.

DGS will continue to work with DBM to address these personnel challenges.

## Analysis in Brief. Major Trends / Issues:

- 1. Energy Consumption & Reductions. DGS should comment on the suitability of the 2008 consumption baseline and whether another year's data might offer a more reliable baseline to measure the State's success.**

DGS, in cooperation with the utility database vendor and Maryland Energy Administration, has recently completed a utility billing analysis. The agency determined that the FY2010 utility database is more complete and more accurately aligns with DBM's total statewide expenditures for FY2010. This baseline will be proposed to DBM for approval as the basis for future reporting.

- 2. Minority Business Enterprise Participation. DGS should comment on the department's plans to achieve the State's MBE participation goal and whether the 29% target is attainable in light of the removal of nonprofit organizations from MBE certification.**

In addition to the enhanced MBE outreach efforts that have been implemented, it is our position that the 29% goal will only be attainable if DGS is able to revise some of the General Terms and Conditions on DGS contracts that present barriers for MBEs. In addition, the creation of a capacity building and business training program will assist MBEs bid on and win contracts as prime and sub-contractors.

The DGS Office of Business Programs has created a new database of over 2,000 MBEs and small businesses, and implemented a targeted outreach strategy that has resulted in a significant increase in the number of MBEs that attend and participate in pre-bid meetings to learn about specific contracting opportunities and gain in-depth technical knowledge about each RFP.

**3. Critical Maintenance Backlog. Facilities Conditions Assessment Program. DGS should discuss its ability to support the appropriation increase and further reduce the critical maintenance backlog.**

In addition to the increased Facilities Renewal funding of \$2.5M, there are an additional four permanent positions. These positions are project managers, who will help with the increased workload. The additional funding will make it possible to address an increased number of projects, and the additional staff will help reduce the backlog.

The average individual project costs \$20K; the increase of \$2.5M will equate to roughly 125 projects, or 31 projects per additional project manager. The project manager works with the using agency, writes the scope of work, prepares the bidding documents and works with the contractor to resolve issues through the construction phase. The current backlog is \$37.2M, and DGS averages \$4M in emergency projects per year. Some of these will be under the \$100,000 individual project threshold. This funding is anticipated to reduce the current backlog by 10-15%, depending on the number of emergency and unanticipated projects requested.

**4. DGS should comment on the quality of the most recent assessment reports received, identifying whether these reports properly assessed facility conditions. The Department of Legislative Services (DLS) recommends that language be added to the budget restricting \$500,000 of the Facilities Critical Maintenance appropriation and allocating these funds to establish an assessment program within the department's Office of Facilities, Planning, Design, and Construction. This would include the intent that the Governor create 7 new positions for this purpose.**

The self-assessment reports vary greatly by agency. Some agencies have more technical staff than others, which contributes to this variance. The annual request for these assessments was sent to 18 agencies in November 2015; to date, eight responses have been received.

DGS appreciates the recommendation to restrict funding to assessments; however, the agency believes that statewide facilities assessments require a more comprehensive approach that should include a continuous dedicated funding source. The facilities critical maintenance fund is used to support the maintenance repair needs for roughly

1,000 statewide facilities, with a current backlog of \$37.2M in projects, each under \$100k. Funding in recent years has not been adequate to keep up with the needs of the aging state facilities. Diverting this limited funding will only exacerbate the problem. Facilities assessments should be done on a routine basis, and DGS recommends outsourcing this activity in order to acquire the appropriate specialists for the variety of building types, as the facilities include everything from correctional facilities, to office buildings, to laboratory spaces.

**5. Inadequate Funding. DLS has concerns that the department lacks the funding necessary to accomplish many of the programmatic responsibilities it has been assigned by the State.**

DGS concurs with the Governor's budget. The allowance provides DGS the funding to meet its needs.

- 6. Though DGS is not responsible for many of the inefficiencies surrounding eMM, DLS has concerns that, due to a lack of funding, the department has not incorporated greater use of the electronic procurement system. DGS should comment as to whether OPL is adequately funded to maximize the State's use of the eMM portal, notwithstanding its suitability to interface with FMIS.**

Our agency has been collaborating with other stakeholders on the eMaryland Marketplace program. Together, we have been evaluating the underlying issues that have prevented this program from delivering on its original vision. So far, we have determined that the root causes include both process and technology. Funding alone cannot overcome these obstacles. The recently-created Procurement Reform Commission, led by Lt. Governor Boyd Rutherford, will be the primary driver for improvements that will bring consistency, predictability and transparency, among other improvements, to the state procurement process. At the same time, we are working with the Department of Information Technology and other stakeholders on a strategy to improve the technology, deliver much-needed improvements in the short term, and enable full procure-to-pay functionality.

- 7. DLS is concerned that without this data, DGS is not able to execute its portfolio management responsibility in the most efficient way possible. DGS should comment on the opportunities for cost savings and improved portfolio management practices that would develop from an electronic asset management system.**

DGS has been proactive in managing its fiduciary responsibility to ensure the most efficient use of the state-owned and privately leased buildings it manages by utilizing an asset management system known as Sales Force, and by conducting a Strategic Analysis of its Commercial Leased Portfolio in collaboration with our consultant, CB Richard Ellis.

DGS began using the Sales Force system in July 2015 to house and manage all of its commercial leases. This system allows for full time equivalent (FTE) counts to be entered on an annual basis, and for utility costs to be entered as they are received. While the information is not real-time data, the FTE counts will be used to monitor an agency's vacancy rate over the lease term.

In addition to Sales Force, from July 2015 to the present, DGS has been engaged in a strategic analysis of its commercial leases containing 5,000 sf and up through a state vendor. The analysis has included 153 sites visited throughout the state, totaling 3,677,480 sf of privately-leased office space. When completed, the analysis will provide data on the verified full-time equivalent counts and total occupancy costs for all locations 5,000 sf and up. This data will be available prior to June 30, 2016, and will be shared with state agencies along with recommendations by DGS to reduce lease costs and manage vacant space. A similar analysis for the DGS-managed state-owned office space is planned for fiscal year 2017. In the interim, DGS strives to keep all state-owned office space in its portfolio occupied to the fullest extent possible.

DGS believes the new Sales Force system and the Strategic Analysis of Commercial Leased Space are tools that will enable the department to more efficiently and responsibly manage its portfolio in the future.

**DLS Recommended Actions:**

- 1. Language be added to the budget restricting \$500,000 of the Facilities Critical Maintenance appropriation and allocating these funds to establish an assessment program within the Department's Office of Facilities, Planning, Design, and Construction. This would include the intent that the Governor create 7 new positions for this purpose.**

DGS does not concur with this recommendation. Diverting limited critical maintenance funding will only increase the ever-growing backlog resulting from aging infrastructure and the lack of routine maintenance.

- 2. Reduce the allowance for Energy Projects and Services within the Office of Facilities Planning, Design, and Construction.**

DGS understands that there was an unintentional duplication of the funding and accepts the DLS recommendation to correct this.