

Maryland

Department of General Services



FY 2019 Operating Budget Analysis DGS Response

Senate Budget and Taxation Committee
Education, Business & Administration Subcommittee – February 02, 2018

House Appropriations Committee
Public Safety and Administration Subcommittee – February 05, 2018

Larry Hogan, *Governor*
Boyd K. Rutherford, *Lt. Governor*
Ellington E. Churchill, Jr., *Secretary*

Department of General Services
Office of the Secretary
Fiscal Year 2019 Operating Budget Analysis
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Introduction

Good afternoon, Chair and Members of the Subcommittee. For the record, I am Ellington Churchill, Secretary of the Department of General Services. With me today I have Lauri McGuire, Assistant Secretary of Procurement & Logistics, Lauren Buckler, Assistant Secretary of Facilities Planning, Design, and Construction, Karen Tolley, Director of Fiscal Services, and Robert Gleason, Senior Procurement Executive for the State of Maryland. On behalf of the dedicated, hard-working employees at DGS, thank you for the opportunity to appear before you today regarding the Department's operating budget. I would like to thank Patrick Frank for his analysis of our FY2019 Operating Budget Request. DGS's FY2019 total operating general budget is currently proposed at nearly \$67 million. The economic impact being leveraged is great, administering over \$2.3B in goods, services, and transactions across the state.

Over the last year, the department has endeavored to highlight our critical function to the operation of the state. We provide technical expertise, essential services and facilities operations and management of the State owned complex. The department is often the first call for state agencies and citizens in need of help and direction.

The department has delivered the following statewide results over the last year.

- Our Facilities Office continues to effectively operate our 6 million square feet of real estate, including office buildings, multi-service centers, garages, parking lots, and two central utility plants.
- The Energy Office locked in electricity supply rates as low as 3.8 cents per kilowatt-hour, which is 40% lower than the state's previous rate, for the next four years, saving the tax payers of Maryland nearly \$25M.
- In our Design & Construction Office, which manages a \$770M workload, we have moved toward the completion of the \$83M Enoch Pratt Library renovation in Baltimore City. In addition this month marks one year under construction for the \$54M Catonsville Courthouse, which will be the newest facility added to the DGS portfolio.
- The Maryland Capitol Police continues to fortify, strengthen, and maximize the effectiveness of the department's security throughout state buildings. By utilizing current technology; video management, access control, and security systems, we are able to modernize security at both the Annapolis and Baltimore Complexes.

- The Real Estate Office continues to manage the commercial lease portfolio for state agencies totaling 4.7 million square feet, including 31 new, expansion and renewal lease transactions in FY17.
- Our Administration Office continues to link Maryland based non-profits, small businesses and local jurisdictions to valuable surplus property that is available in the State and Federal Surplus Property Program by way of GOV Deals and the federal government's General Services Administration (GSA).
- The department was recently called upon to help administer \$2.5M from the state's Catastrophic Event Fund to help Baltimore City Public Schools with HVAC emergency repairs.
- Our Procurement Office awarded 178 construction contracting and architectural & engineering procurement projects, 211 commodity procurement contracts, and 74 facilities maintenance contracts. All totaling over \$363M. In fiscal year 2017 over \$57M in payments were made to 267 MBE sub-vendors on contracts.
- Finally, the Procurement Office is working with the various control agencies, evaluating our current structure, developing a training program, and working with procurement leaders in various agencies to develop the roadmap for procurement reform.

Taken in its totality, this department of 581 state employees is working diligently to maximize its stewardship of Maryland resources. We proudly provide these and other services, which make it possible for state government to function efficiently and effectively in a safe and secure environment on behalf of the citizens of Maryland.

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Performance Analysis: Managing for Results

Energy Consumption: Progress Toward Reduction Goal Has Been Uneven. The department should be prepared to brief the committees on the factors that influence energy consumption and address these factors to achieve the State goal to reduce State energy consumption by 15% of the fiscal 2008 baseline.

Energy consumption of the State Government is dependent on a variety of factors including fluctuations in weather and changes in the number of buildings. Increases in the number of buildings from construction and from adding leased facilities onto the State energy portfolio increase the energy used, but allow the State to gain reductions in energy cost through bulk purchasing agreements. Increases in the economy will result in increased energy consumption. The Maryland Department of Transportation accounts for 25% of the State's energy spend, increases in highway infrastructure include new traffic lights and increases in ridership on public transportation increases the electric use of metro and light rail trains. These increases are positive for the State, but cause fluctuations in State Government energy consumption. In response, DGS must continue working with State Agencies on energy plans. These plans identify specific energy savings opportunities. To date 31 of 55 plans have been received. DGS and Maryland Energy Administration will be working together to implement savings based on these plans.

Minority Business Enterprise Participation: DGS should be prepared to 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.

DGS is actively taking steps to potentially obtain the State's 29% MBE goal. As an example, DGS's Procurement Review Group (PRG) continues to aggressively place higher goals on individual construction contracts where we derive approximately 70% of our goal attainment. We are also seeking additional MBE prime contractors due to the ability of an MBE prime potentially being able to perform 50% of the MBE goal. Finally, DGS is also evaluating MBE goals on State wide commodity contracts, facility maintenance contracts, and our Architectural design contracts. As this goal is driven by approved State wide funding and who qualifies for MBE certification, it currently is largely impacted from the capital budget projects.

Facility Operations Performance Data Has Been Discontinued: The Department of General Services (DGS) should be prepared to brief the committees on its plans to provide performance data for Facilities Operations and Maintenance.

DGS recognizes that an MFR performance measure emphasizes the use of resources to achieve measurable results, accountability, efficiency, and continuous improvement in a specific area. The previous indicator surveyed general facility satisfaction at different building locations each reporting year. DGS believes the new indicator starting with FY2017, would provide more meaningful budgetary results. The new indicator is focused on reducing the number of corrective (unscheduled) maintenance actions while increasing its planned (preventive) ones. The aim is to measurably reduce the number of emergency repairs year-over-year and thereby save taxpayer dollars. To do this, the agency subscribed to an industry-standard, cloud-based computerized maintenance management system at the end of FY 2017 that will improve the work order process and the accuracy of condition assessments. Having this comprehensive database will enable DGS to create relevant metrics and a more accurate analysis of facilities and maintenance needs, resulting in better prediction of repair needs and fewer surprises.

Fiscal 2018 Actions: Personnel

The department should be prepared to brief the committees on its plans to reduce vacancies.

The Office of Human Resources has been fully staffed within the last month after recently filling the HR Officer II (recruiter) position which was vacant twice within the last two years (2016 and 2017). This position is essential to assist management in the recruitment of qualified talent. Prior to this, the Department had only one recruiter to fill vacancies. In addition, the Human Resources Director and Deputy Director positions were also vacant during that same period. Being fully staffed we are able to focus on filling vacancies for critical functions. In addition, in cooperation with DBM, budgetary turnover was reduced and diverse recruiting efforts are being discussed.

Issues

Legislation Consolidates State Procurement: DGS should be prepared to brief the committees on procurement reform legislation, as well as the status of DGS' efforts to be prepared for law changes on October 1, 2018.

HB 1021 created a Chief Procurement Officer position, to prepare for the implementation of a centralized procurement system and to streamline the State's procurement processes and procedures. This position does not take effect until October 2019. We are evaluating how that position should be filled.

DGS hired a Senior Procurement Executive, Mr. Robert Gleason, in August 2017. Mr. Gleason is tasked with implementing last year's newly adopted laws and increased workload. Mr. Gleason is working with the various control agencies, evaluating our current structure, developing a training program, and working with procurement leaders in various agencies to develop a new RFP for eMaryland Marketplace.

eMaryland Marketplace Procurement: The department should be prepared to discuss its procurement system. DGS should also brief the committees on any plans to review and rebid procurement systems.

The current contract with Periscope, Inc. allows for the continuation of essential functionality of eMM that meets our procurement regulatory requirements, we have no plans to upgrade the system, but rather to rebid the procurement system when the contract ends in August 2019. To that end, in October 2017 a Core Team of Procurement Directors and Senior Procurement Officers from DGS, DBM, DoIT and MDOT formed a work group that is aggressively working to draft a comprehensive solicitation to procure a new electronic procurement system to replace the current eMM. This new best of breed system will be rebranded as eMaryland Marketplace Advantage (eMMA). Additional stakeholders beyond the CORE team have been identified and solicited for participation, input and for consultation to contribute subject matter expertise on the source selection and process. As a result of the progress of this work group, an RFP is anticipated to be released before the end of the Fiscal Year. This will allow sufficient time for the necessary transition and implementation of the new system and training for State and local buyers and vendors.

END OF AGENCY RESPONSE