

Maryland

Department of General Services



FY 2023 Operating Budget Analysis DGS Response

**Senate Budget and Taxation Committee
Education, Business & Administration Subcommittee – February 24, 2022
In person**

**House Appropriations Committee
Public Safety and Administration Subcommittee – February 28, 2022
via Zoom**

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

Department of General Services
Office of the Secretary
Fiscal Year 2023 - Operating Budget Analysis
DGS Response

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 Nelson Reichart, Deputy Secretary, Michael Zimmerman, Chief Procurement Officer, Mike Haifley, Deputy Chief Procurement Officer, Courtney League, Acting Assistant Secretary of Design, Construction & Energy, Luis Luna, Assistant Secretary of Facilities Management, Deirdra Bell, Director of Capital Grants & Loans and Wyllie Tchantchou, Director of Fiscal Services. On behalf of the dedicated, hard-working employees at General Services, thank you for the opportunity to appear before you today regarding the Department's operating budget. I would like to again thank Patrick Frank for his analysis of our FY 2023 Operating Budget Request.

General Services' FY 2023 total operating budget is currently proposed at \$134.6 million. The economic impact being leveraged is great, administering over \$2.5 billion in goods, services, and transactions across the state.

It is the mission of General Services to be the accessible, accountable support agency delivering 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. General Services provides technical expertise, essential services such as state procurements, construction, and real estate purchasing. General Services also facilitates the operations and management of the State-owned complexes. The department is often the first call for those agencies and citizens in need.

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

- The Facilities Management Office continues to effectively operate 55 buildings totaling more than 6.3 million square feet of real estate, including office buildings, multi-service centers, garages, parking lots, and two central utility plants. The Department also manages a Computerized Maintenance Management System (CMMS) which in 2021 assisted with 29,130 work orders, 6,518 work requests from building tenants, and 2,982 calls.
- The Office of Energy and Sustainability oversees the State Energy Database, an energy management tool that helps state agencies track and manage utility costs and energy usage, and continues to be the largest, most robust resource of its kind in the country with 14,500 utility accounts, and 2.27 million utility invoices spanning back to 2006. In FY 2022, with supplemental budget funding and additional staff support, the Office launched

a new Electric Vehicle Infrastructure Program. The program will ensure that adequate charging equipment is deployed to State agencies to support an increasingly electrified fleet.

- To date in FY 2022, the Design, Construction & Energy division has awarded over \$60 million in new projects and completed more than \$50 million of ongoing capital projects. Currently we have 134 projects in design that equates to a construction value of more than \$755 million. Notable projects include the completion of the Major General Linda L. Singh Readiness Center, completion of the systemic renovation of the Atman-Glazer building, and completion of the Salisbury Animal Health Laboratory.
- The Maryland Capitol Police (MCP) continues to fortify, strengthen, and maximize the effectiveness of the force's security throughout state buildings. MCP utilizes current technology, video management, access control, and security systems all of which enables DGS to modernize security at both the Annapolis and Baltimore complexes.
- The Real Estate Office presented 63 commercial leases to the Board of Public Works representing more than 1 million square feet at a cost of \$17,192,776.81. Through the utilization of enhanced telework by State agencies, DGS was able to reduce the lease portfolio by 292,612 sf. The Office also presented 60 agriculture easements valued at \$31.6 million to the Board of Public Works.
- The Business Enterprise Administration Department (BEA) is responsible for managing the Federal Surplus Property Donation Program. The department secured and delivered over \$19 million in federal surplus property to Marylanders in need. During the past two years, with the assistance of nonprofit organizations, the DGS Federal Surplus Property Division issued over 6,000 computer desktops and laptops to schools, local communities, and nonprofit organizations throughout Maryland to support our effort to bridge the digital divide in Maryland. The Department continues to provide equipment and technology to local communities in need throughout Maryland.
- In 2021, the BEA Capital Grants Division managed a portfolio of 1,300 active capital grants valued at over \$1.6 billion. These grants impart a positive impact on communities, institutions and organizations throughout the state, including museums, performing art centers, universities, medical facilities, and community centers.
- The Office of State Procurement continues to implement process improvements that reduce administrative complexities, increase transparency and functional accountability, as well as enhancing transactional, operational and commercial efficiency. The office is providing local businesses accessibility and improved communications, and, where appropriate, expanding cooperation with other states. This is all being done while deploying supply chain strategies to leverage economies of scale and continuing to be fiscally responsible with taxpayer money. The Maryland Procurement Academy has trained and certified 171 procurement officers across all Executive agencies within one year.

Taken in its totality, DGS continues to work 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.

**Fiscal Year 2023 - Operating Budget Analysis
DGS Response**

Operating Budget Recommended Actions

1. Add language restricting funds to support facility renewal projects supported by Dedicated Purpose Account appropriations.

DGS respectfully disagrees with the recommended restriction of funds, as the agency will need that funding to hire as many vacant positions as possible in FY 2023. DGS will work to ensure that resources are aligned to support the facilities renewal program, as needed.

2. Add language requiring a report on the status of State Center.

DGS concurs with the adoption of committee narrative to require DGS to report on the status of State Center but respectfully disagrees with language restricting funds pending receipt of a report.

3. Adopt narrative requiring the Department of General Services to examine why over 90% of emergency procurements not related to the COVID-19 pandemic were reported to the Board of Public Works in more than 45 days.

DGS concurs with the adoption of committee narrative to require DGS to report on why emergency procurements not related to the COVID-19 pandemic were reported to the Board of Public Works (BPW) in more than 45 days. It is unclear if the 45 days indicated is when the emergency procurements are published on a BPW agenda or when the notification and documentation is submitted to the BPW staff. All agencies are required to submit the emergency procurements to the BPW within 45 days; however, the publication of the agenda item is at the discretion of the BPW.

4. Adopt narrative requiring the Department of General Services to add Managing for Results indicators for its new employee training program.

DGS concurs with the adoption of committee narrative to require DGS to add Managing for Results indicators for its new employee training program.

Performance Analysis: Managing Results

DLS recommends that the committees add narrative requiring DGS to add an objective to its first goal regarding employee training and retention as well as the program's performance measures.

DGS concurs with the recommendation to add narrative requiring DGS to add an objective to its first goal regarding employee training and retention as well as the program's performance measures.

Issues

1. Facility Maintenance and Critical Maintenance Spending
New Major IT Project Proposed to Build on eMaint System.

DGS should be prepared to brief the committees on:

- **its strategies for implementing this project successfully.**

Response: Much of the groundwork for this project has already been laid. The Computerized Maintenance Management System (CMMS) used by DGS already has built-in capabilities to analyze data, do cost-benefit analysis on repairs versus replacement of building systems, and even conduct predictive analytics to forecast repair needs. What is missing is a comprehensive effort to interpret data already being generated by DGS buildings as well as data to be collected as new sensors come online. This can be best done through a dedicated operations center where data from equipment sensors can be collected, displayed, analyzed and acted upon.

The initiative is led by a director who is the former computer network lead for DGS and has many years of IT experience. The existing CMMS vendor (eMaint) has in-house capabilities to assist DoIT with any needed customization, integration of hardware and software, and the resolution of connectivity issues. DGS is also in the process of filling one full-time and two contractual positions dedicated to completing the documentation of all major equipment in DGS buildings. These positions represent a different type of employee -- data analysts, not maintenance mechanics -- than DGS has hired in the past for facilities management and are therefore not ones that DGS has had challenges recruiting.

Finally, there are safeguards built into the project: funding is spread over several years so that DGS can absorb the resources, there is a timeline for deliverables to ensure the project stays on track, and DoIT will provide oversight to ensure necessary checks and balances.

DGS should be prepared to brief the committees on:

- **the data that it expects the new DGS Operations Center to collect that can measure how efficiently equipment and infrastructure is maintained.**

Response: The time required from diagnosing to fixing a problem is more a function of funding than anything else. Measuring times between diagnosis and repair is not as critical as monitoring actual equipment operation and studying trends over time.

Data collection is the key to improving maintenance. An operations center is the tool through which the data can be meaningfully understood and acted upon. This will prevent problems and preserve the significant investment the State makes in its buildings. In any new project, DGS collects vibration and temperature readings for every critical piece of equipment. This may require as many as 30 or 40 sensors per building. DGS is gradually retrofitting sensors to existing critical equipment so more data can be collected. Staff are also currently collecting data with handheld devices that automatically upload information into the CMMS database.

In order to be useful, data needs to be compiled and analyzed. Further value is gained by cross-referencing information on equipment installation dates, warranties, recalls, documentation of service calls and repairs, expected lifespans and projected replacement dates to help determine appropriate action for given situations. This is what would occur in an operations center.

Once it begins operation, this new center would also receive real-time building conditions data from existing building automation systems, thus creating an overall picture of building conditions. This is the foundation for running buildings remotely, greatly reducing the need for onsite personnel to constantly monitor equipment.

Dedicated analysts can compile and study all the information flowing into an operations center to determine the reliability of given pieces of equipment or entire systems. Their work would permit the predictive analysis that will let DGS anticipate repairs or replacements and thus avoid expensive emergencies. This would also permit machine learning and the use of artificial intelligence to transition into the growing field of prescriptive analytics. These are all best practices in the field of facilities management, and they are already being implemented in facilities around the nation. They are within the reach of DGS with this investment.

2. Additional Staffing Will Be Needed for a Larger Workload Addressing the Maintenance Backlog with Increased Funding

DLS recommends that \$500,000 of DGS' general fund appropriations be restricted for managing facility renewal projects funded by appropriations in the DPA or any general obligation bond authorization exceeding \$35 million.

Response: DGS respectfully disagrees with the recommended restriction of funds, as the agency will need that funding to hire as many vacant positions as possible in FY 2023. DGS would prefer flexibility to utilize funds for filling current vacant positions to address workload needs in Design, Construction and Energy, Office of State Procurement, and Fiscal Services. Once those positions are filled DGS can focus on what other resources are needed to support additional project funding. DGS will work to ensure that resources are aligned to support the facilities renewal program, as needed.

3. Procurement Issues : Emergency Procurement and the Need for Training State Agencies Review of Emergency Procurement after Excluding Pandemic-related Emergency Procurements

DLS recommends that the committees adopt narrative requiring OSP to examine calendar 2021 emergency procurements to determine why eight out of nine emergency procurement contracts awarded were reported to BPW after the required 45 days.

Response: DGS OSP will conduct an analysis of non-pandemic emergency procurements during calendar year 2021 and the associated timeframes for submission of the emergency agenda items to the Board of Public Works. DLS addressed all calendar year 2021 non-pandemic emergencies. The DGS OSP will analyze the same 54 emergency procurements that were reviewed by the DLS Office of Program Evaluation and Government Accountability. Once DGS OSP determines which agencies had emergencies, when they were declared, when they were awarded, and when they were reported, DGS OSP will provide an analysis of why those emergency procurements were not reported timely, if that was the case.

Office of State Procurement

DGS should be prepared to brief the committees on its efforts to train agency staff and its efforts to minimize the likelihood that agencies circumvent procurement laws. DGS should also consider adding data about procurement training to its MFR indicators.

Response: DGS OSP has deployed the Maryland Procurement Academy that provides procurement training. The program has two levels of certification: The Certified Maryland Procurement Associate (CMPA) for introductory procurement officers and non-procurement staff that are involved in the procurement process; and the Certified Maryland Procurement Officers (CMPO) for professional procurement officers. As of calendar year 2021, 171 CMPOs have been certified by the Maryland Procurement Academy. The CMPA is a new certification being deployed in the calendar year 2022. This training includes tools such as the Maryland Procurement Manual that provides best practices and guidelines for conducting procurements following statute, regulations, policies, and procedures. The Maryland Procurement Manual is posted on the procurement.maryland.gov website for all procurement officers across the State to reference.

DGS OSP management is considering the Senior Procurement Advisory Group (SPAG) as an additional tool to provide targeted procurement training on a bi-monthly basis. This would provide enhanced targeted procurement training specific to current procurement issues. These spot training sessions will be recorded and made available on the DGS OSP procurement website to procurement officers to access as needed.

DGS OSP is creating mini training sessions on various contract management and procurement related topics. These mini training sessions will be presented live, recorded, and made available on the DGS OSP procurement website. DGS OSP will track participants in all training initiatives and monitor, year by year, participation and certifications.

4. State Center Update

Governor Announces Plans to Relocate Agencies in the State Center Complex

DLS recommends that the General Assembly add budget bill language requiring a report by DGS that updates its plans for the State Center relocation and the long-term effects of the relocation.

Response: DGS concurs with providing a report in September 2022. However, due to the timing and status of the current litigation, and the estimated schedule of lease approvals by the Board of Public Works, a report to the General Assembly will include general assumptions as to the true impact of the relocations.

The State Center relocation project is currently in the RFP stage as shown in the below updated chart. For all agencies listed, the RFP evaluation and lease negotiation processes will occur over the next eight months with Board of Public Works approval to be requested in Fall 2022. The move dates shown are estimates only.

The Tax Court has been removed from this chart due to a recent decision to move this small agency into space that will be vacated by the Maryland Department of Health (MDH) at 6 St. Paul Street. After MDH relocates to their new headquarters site, the space at 6 St. Paul Street will be retrofitted for the Tax Court.

Agencies	Estimated RFP Schedule	Estimated Move Schedule
State Department of Assessments & Taxation	October 2021	October 2023
Maryland Department of Health	December 2021	December 2023
Comptroller’s Office	December 2021	December 2023
Department of Planning	February 2022	February 2024
Department of Budget & Management	February 2022	February 2024
Department of Aging	March 2022	March 2024
Departments of Labor / Information Technology	March 2022	March 2024
Department of Disabilities/ Telecommunications Access of Maryland	March 2022	March 2024

Regarding the parking inquiry, the current 1 for 3 parking ratio will continue to be used for State employees, and a 1 for 1 ratio will be used for existing and planned fleet vehicles. Parking requirements have been included in each RFP and the costs will be part of the overall lease negotiation. The parking costs will be broken out in each agenda item submitted for Board of Public Works approval. DGS will work with DBM to identify funding for the parking spaces. Depending upon the location of the various State agencies, DGS will make an effort to minimize parking costs by taking advantage of telework opportunities to share parking.

With regard to the plans to vacate the building over an estimated 15-month period, the exit strategy is in the planning stages and will be finalized once the leases are approved by the Board of Public Works and the construction schedules are established. At this time DGS is unable to provide estimated savings because the new rental rates are being developed through the RFP evaluation and lease negotiation processes.

Concerning the disposition of the State Center campus, the current litigation has a direct impact on the issue of site control. Until the litigation is resolved there can be no plan for the sale or transfer of the property to another developing entity. In addition, there are no plans in the CIP for new State office construction on the campus. The only plans related to State office construction concern the retrofitting of the department's vacant building at 2100 Guilford Avenue for the Department of General Services new headquarters. DGS will provide a new Baltimore master plan in mid-to-late FY 2023.

5. Additional Resources Budgeted for Grant and Loan Administration

DGS Fiscal 2023 Budget Includes New Positions and Major IT Project for Grant Management

DGS should be prepared to brief the committees on its efforts to improve CGL administration.

Response: To ensure operational efficiencies in administering over 1,300 capital grants, the Capital Grants & Loans division has expanded and nearly doubled over the past year and a half to a staff of eight. This includes a new Director, a Compliance Officer, two Grant Administrators, a Grant Administrator Supervisor, and a Fiscal and Database Specialist. These additional staff members have been instrumental in improving the program's operational efficiency.

Rather than having two Grant Administrators manage over 1,300 active grants statewide, we have divided the state into five (5) geographic regions and assigned a Grant Administrator to manage those capital grant projects in their assigned region. We have observed positive results with this strategy in terms of the feedback we are receiving from grantees, elected officials, and program stakeholders. From a customer service standpoint, our grantees are pleased to have one point person that they can work with directly throughout the life cycle of their capital project.

We are continuously streamlining the Grants Process Flow Chart to improve the workflow; it is now to the point where it includes only those necessary, vital steps. The most recently revised Grants Process Flow Chart is posted on the DGS Capital Grants webpage, along with other valuable information including the application packet for new grant recipients. This addition has provided further efficiencies and expedited the application receipt process.

The compliance process for grantees and contractors has been refined and has resulted in faster processing of grantee and vendor invoices, thus providing the DGS Fiscal Services division the ability to process payments sooner.

The Capital Grants staff continues to **manually administer over 1,300 active capital projects** that are valued at over \$1 billion. DGS anticipates procuring an automated project management tool to provide the needed efficiencies and technology.

END OF AGENCY RESPONSE