



Wes Moore, Governor · Aruna Miller, Lt. Governor · Atif Chaudhry, Acting Secretary

Department of General Services

FY 2024 Operating Budget Analysis & Response

Senate Budget and Taxation Committee
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Department of General Services Office of the Secretary Fiscal Year 2024 Operating Budget Analysis & Response

FISCAL YEAR 2024 OPERATING BUDGET TESTIMONY

Introduction

Good afternoon, Chair and Members of the Committee. For the record, I am Atif Chaudhry, Acting Secretary of the Maryland Department of General Services. With me today are Nelson Reichart, Deputy Secretary; Courtney League, Acting Assistant Secretary of the Office of Design, Construction and Energy; and Wyllie Tchantchou, Director of Fiscal Services.

Thank you for the opportunity to appear before you today regarding our operating budget. Thank you to Patrick Frank for his analysis of our FY 2024 Operating Budget Request. We appreciate Patrick's hard work and understanding of our complex agency. General Services is known for its expertise in real estate, construction, procurement, and the management and securing of state facilities, throughout the state.

In addition, we **purchase all electricity used in state operations**, including renewable energy that provided over 12% of our electric usage in FY 2022, and we manage the State Energy Database, the largest and most robust of any state, which helps all state agencies manage their utility costs, GHG emissions, and energy usage.

An excellent example of our work can be seen with the completion of Phase 1 of the State House Exterior and Grounds Renovation project. Phase 1 involved the complete restoration of the Dome portion of the State House and included slate replacement, window refurbishment, complete re-painting, and enhanced lightning protection. This project **highlights the expertise and cooperation of four DGS Offices**: Design, Construction and Energy; Facilities Management; State Procurement; and the Maryland Capitol Police.

Further, I would like to take a moment to highlight DGSs efforts over the past year:

- The DGS Office of Energy and Sustainability (OES) continues to support the State's goal to reduce the energy use, cost and the environmental impact of State facilities. Since 2021, OES has been installing "smart" LED lighting fixtures in state facilities. **Among completed projects, current projects, and projects planned for FY24, we will install approximately 46,250 fixtures in 2.5M square feet, with annual savings of 7,600 megawatt hours of electricity, abating 2800 tons of CO2, with energy cost savings of \$1.1M.** An additional 2 million square feet of State-owned buildings have undergone energy audits. OES is also responsible for installing the charging equipment for all electric vehicles as the State transforms its fleet. To date, 130 charging ports are available, and 102 more are in construction.
- As of the end of calendar year 2022, **DGS' Building Assessment Unit (BAU) has completed their first round of facility assessments on 1,435 buildings encompassing approximately 25,776,340 square feet.** The assessment data gathered by the BAU is being used to develop and manage the Facility Renewal and Critical Maintenance backlogs from a data driven, real time perspective. The BAU is beginning their next round of assessments of State owned buildings and will be looking at infrastructure needs that are necessary to reduce the State's carbon footprint per recent legislation.

DGS works diligently and proudly every day to maximize its stewardship of Maryland resources and to allow state government to function efficiently and in a safe and secure environment.

Now, turning to the analysis provided by Mr. Frank, the department has been asked to address the following items, in regard to the Operating Budget Recommended Actions:

Operating Budget Recommended Actions

DGS response to the two (2) Recommended Actions

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

DGS Concurs

2. Adopt narrative requiring a State Center status report.

DGS Concurs

Discussion Points

The department has been asked to be prepared to brief the committee on the following eight (8) topics. Being respectful of the committee's time, we will do so at the discretion of the Chair.

Concerning the eight topics:

- 1. DGS should be prepared to brief the committees on its priorities for determining which positions are reclassified or receive salary enhancements.**

In general, DGS would look at the following reasons for considering a reclass or a salary adjustment:

- Classifications that are hardest to fill.
- Classifications that have the most consistently high turnover rate.
- Classifications that are historically underpaid or that need adjustments due to pay inequities in the same classification in the same work unit.
- Classifications where there is no career progression once hired.

In the FY 2024 budget, the \$566,000 is specifically targeting the reorganization of the Maryland Capitol Police and the Building Security Officers' Annual Salary Review retroactive adjustment approved for another 6%.

- The restructuring of MCP is to support the operational and management needs for the police force and to ensure integrity and compliance with the State newly enacted Police Accountability Act by creating the Administrative Services Bureau which will house the 5 units: Records Management, Internal Affairs and Criminal Investigations Unit, Body Worn Cameras, PIA Requests, and the Police Accountability Section.

- The Building Security Officers' Annual Salary Review (ASR) was previously approved in the FY 2023 Budget for a 2 grade increase but capped at 6%. Additional 6% has been approved to bring the total increase to 12%. The ASR was requested to address recruitment and retention issues.

2. DGS should be prepared to brief the committees on its efforts to increase its capacity for addressing the operating and capital maintenance backlog.

DGS has filled the additional Project Manager and Building Engineer positions that were funded in FY 2023. DGS believes that the appropriate level of staffing within the Project Management (PM) and Construction Inspection (CI) teams to support increased levels of Facility Renewal funding is now in place. DGS will monitor workload among the PM and CI teams to ensure that progress is being made and staff is not overloaded; DGS will notify DBM if an imbalance is identified. One area that DGS believes needs attention is our Design Review (DR) team. The team consists of 7 staff tasked with reviewing all design and construction document submissions for Capital projects, Facility Renewal projects, Public School projects, and Community College projects. Over the past 3 years, the DR team's workload has increased from about 150 reviews in 2020 to almost 350 reviews in 2022. As staffing levels have not changed on the DR team, the result of a workload increase of over 200% has translated into a delay in review turnaround from approximately 2 weeks to approximately 12 weeks.

In addition to increased staffing levels, DGS continues to explore ways to improve efficiencies within the team. This includes combining project justifications to reduce the overall number of projects, looking at alternative methods of procurement such as Job Order Contracting, additional training to increase project management efficiency, and collaboration among the teams to share best practices and lessons learned.

3. DGS should be prepared to brief the committees on how it expects to increase its capacity by procuring a job order contractor and to what extent capacity will be increased.

The Job Order Contract (JOC) approved at the February 15, 2023 BPW meeting was for the first phase of this project delivery methodology. In the first phase, a consultant was put in place to provide program support to DGS. In the second phase, the consultant will assist DGS with procuring multiple master contracts, including HVAC, Electrical, Roof-Envelope, and Life Safety, under the Job Order

Contract program. DGS has met with the consultant and is moving forward with the second phase and anticipates the master contracts will be in place within approximately 120 days.

The benefits of the Job Order Contract program include reduced procurement time as work orders are issued against a master contract; increased collaboration between all parties (Using Agency/JOC, Vendor/DGS Project Manager) resulting in increased project specification efficiencies; and the potential reduction of change orders. Given that the majority of backlogged projects are system-related (HVAC, Electrical, Roof-Envelope, and Life Safety), DGS anticipates utilizing Job Order Contracting to streamline the process and increase encumbrances and expenditures. Once the master contracts are in place, DGS expects the majority of backlogged projects will be procured using this methodology. It should be noted that the Job Order Contracting program has 3 levels of service provided by the consultant:

- Job Order Project Administration - Base level
- Job Order Development and Procurement Support - Mid level
- Job Order Contracting Construction Management - Turn-key level

DGS will have the ability to identify the level of service needed to efficiently address the backlog and to supplement staffing by utilizing the project turn-key service, as necessary.

4. DGS should be prepared to brief the committees on the operations center major IT project and its efforts to re-baseline the project so that it is successful.

DGS is working to transform the way it operates its buildings. The goal is to move from a reactive posture to a proactive one, and ultimately to a predictive one. DGS' intention is to be able to forecast what will go wrong and then take measures to prevent it, thus saving the State money and avoiding emergency contract declarations to perform building equipment repairs. The only way to accomplish this is to collect data from the buildings in our portfolio and analyze the data for trends and patterns.

Since beginning the MITDP work, the messaging and terms of art used during various discussions between DoIT and DGS caused some confusion and prompted DoIT to request clarification of the scope of the MITDP. When initially preparing the scope of work, the focus was on ensuring that the sensors were able to connect to the internet and/or the network and culminating in the designing of an operations center to collect and compile the data. What became

apparent over time was that DGS would need to acquire and configure (or develop with DoIT's assistance) a software program that could be used to process the raw data into actionable information. DGS recently met with DoIT and is preparing the information requested in order to determine how we proceed from this point. DoIT placed the MITDP on hold for a month to give DGS time to prepare a more precise description of our needs along with a preliminary business plan that ties all of the pieces together into a consolidated MITDP.

5. DGS should be prepared to brief the committees on the decline in FY 2022 preventive maintenance work orders and its efforts to improve this.

There was an apparent decrease in preventive maintenance work orders in FY 2022. This is not due to a lower volume of work, but rather a lack of the proper recording of the work that is being done. DGS staff is very good at recording the unscheduled work that is completed. However, they have been less focused on capturing and recording preventive maintenance work orders. This is because some preventive maintenance is being performed through long-term maintenance contracts. The vendors performing this work are required to log their activities via eMaint, DGS' computerized maintenance management system. In practice, they are doing the work, but they are not as diligent in using eMaint to schedule the tasks and then report their completion.

DGS recognized this shortcoming and developed better procedures for documenting preventive maintenance tasks. Staff have been trained on the necessary steps to record their own preventive maintenance work and to enforce the vendors' contract performance. Managers have also been reminded to capture the daily preventive maintenance activity. The total numbers should show a significant change next year and be more reflective of reality.

6. DGS should be prepared to brief the committees on its efforts to reduce greenhouse gas emission through building decarbonization.

DGS will use the \$500,000 deficiency appropriation to hire engineers to assist the Building Assessment Unit (BAU) with identifying what is necessary to meet the requirements of the Climate Solutions Now Act of 2022. The BAU is beginning their next round of assessments of over 1,400 State-owned buildings that DGS supports. DGS expects this round of assessments to be completed within the next 12-16 months. It is expected that the \$500,000 will provide technical support to gather and compile data on existing building conditions to inform the development of the decarbonization plan.

Currently, DGS facilitates greenhouse gas (GHG) reductions through energy efficiency, electrification, renewables purchasing, fleet electrification, and green purchasing. Ongoing efforts to make DGS state owned and supported facilities more energy efficient include a statewide LED lighting project, energy performance contracting, retrocommissioning buildings for optimal performance, addressing projects identified through our energy audit program, engaging with other agencies and university campuses on energy-savings initiatives, and through taking a building-wide approach to energy use when replacing HVAC systems. DGS also leads the Better Buildings and Better Climate partnerships with the US Department of Energy.

In response to the Climate Solutions Now Act, DGS developed a Decarbonization Policy for capital projects. All capital projects, including new construction and major renovations, are required to be all-electric, with the exception of emergency generation. DGS is working with Vicinity Energy, the district steam supplier for state owned and supported buildings in Baltimore City, to ensure that their system transitions to fossil-free fuel in line with the State's goals and timeline. Just last week, DGS submitted to the Office of State Procurement an RFP to prequalify consulting firms to develop GHG reduction plans for State-owned facilities. DGS is also partnering with MDE on a GHG reduction planning grant from the US Environmental Protection Agency to fund these plans.

DGS partners with University System of Maryland (USM) on three utility-scale power purchase agreements (PPA) which contributed over 12% of the electricity consumed in State operations in FY 2022. Last year, through this same partnership, DGS created an IFB to purchase more renewables, and are waiting for the federal government to provide guidance on available federal funds before issuing the IFB later this year.

DGS is responsible for installing electric vehicle charging infrastructure as the 4,000 vehicle State fleet is replaced by electric vehicles. DGS has embarked on a statewide multi-year plan to install up to one charging port per state vehicle by 2030. DGS has partnered with Maryland utilities to install these stations under a Public Service Commission led pilot program. To date, 130 charging ports are operational and 102 are currently in construction.

DGS is the Chair of the statewide Green Purchasing Committee, and, as such, has developed specifications for lighting, HVAC and IT products that align the State with GHG reduction goals and healthier, environmentally friendly products. The Green Purchasing Committee also graduated 19 State procurement officers

as Green Purchasing Specialists in FY 2023, to further ensure compliance with the State's green purchasing specifications.

7. **DGS should be prepared to brief the budget committees on the status of the State Center moves, State Center litigation, and the uses and timing of State Center funds appropriated into the DPA. DLS recommends committee narrative requiring DGS to update the budget committees on State Center.**

Schedule

The updated lease schedules referenced below are only preliminary projections, subject to change, and reflect any rent abatements negotiated into the new lease agreements. The estimated move dates are fluid due to ongoing and continuous coordination with the state agencies, landlords, architects, general contractors, and the Baltimore City permit and inspections office. With new state agency heads in place as part of the gubernatorial transition, nearly all state agencies have requested revisions to their space plans, which has delayed the space planning and design process for these leases.

Cost

Below are the categories of operating costs associated with the State Center Relocation project.

- New office and parking rent costs. New office rent for leases with negotiated abatement will not begin until 6 months to 1 year after occupancy; parking rent will begin immediately upon occupancy.
- Relocation management consultant services for all state agencies relocating from State Center are not expected to exceed \$1 million.
- Costs for Furniture, Fixtures and Equipment (FFE), IT, security, low voltage wiring, Network Maryland connectivity, audio visual equipment, and physical moving services.

The Department of Budget and Management (DBM) has requested relocation cost estimates from each agency for each of the categories outlined above to determine whether there is sufficient funding in the Dedicated Purpose Account in FY 2024. At this time, DGS has no additional information.

Impact on Divestment from State Center

At this point, DGS does not anticipate a significant impact on divestment from State Center. The Department of Health relocation is now projected for the Spring of 2025, however that date could shift. It is anticipated that DGS should

be able to vacate the State Center complex shortly after the Department of Health relocation has occurred.

State Center Litigation

The State prevailed on the Developer's contract claims. The Developer has filed an interlocutory appeal of that decision to which the State will soon reply. In the meantime, the State will continue to brief the remaining legal issues over the next few months, and if all goes well, we'll have a trial sometime in 2024.

Agency	Square Feet	Annual Rent	Cost per Sq. Foot	Estimated Occupancy	Rent Abatement	FY / Quarter for 1st Rent Payment
Maryland Department of Health	463,000	12,130,600.00	26.20	Spring 2025	None	FY 25 - Q3 or Q4
Department of Human Services	149,024	3,651,088.00	24.50	October - December 2023	None	FY24 - Q2
Department of Labor and Department of Information Technology	126,432	2,705,634.00	21.40	July 2024	6 months	FY25 – Q3
State Comptroller's Office	67,586	1,588,271.00	23.50	December 2023 - February 2024	6 months	FY 24 - Q4 or FY 25 - Q1
State Department of Assessment and Taxation	47,391	1,189,988.00	25.11	December 2023	1 year	FY 25 - Q2
Department of Budget and Management	44,240	1,045,391.00	23.63	February 2024	1 year	FY25 - Q3
Department of Planning	19,329	490,957.00	25.40	January 2024	6 months	FY25 - Q1
Department of Aging	16,876	394,898.00	23.40	December 2023	6 months	FY24 - Q4

8. DGS should be prepared to brief the committees on the training program which received a \$300,000 deficiency appropriation in fiscal 2022. DLS recommends that committee narrative requiring MFR performance indicators be adopted.

DGS examined the staffing, recruitment and retention challenges facing most state agencies. This analysis identified challenges, such as:

- Few applicants;
- Inability to fill vacancies;
- inability to retain quality employees;
- lack of training available to agencies for management and leadership skills

Studies have shown that the number of employees leaving jobs due to ineffective management ranges from just over 50% to over 88%. DGS is working with Towson University (TU) to develop a pilot program to address the lack of supervisory level training available for DGS and other state agencies. This pilot program is meant to proactively address the challenge by providing a tiered training program targeting various levels of management skills, with the goal of managers being knowledgeable and successful.

DGS' training program proposal was submitted to TU on February 15, 2023 for their review and preparation of an estimated cost consistent with the DGS scope of work. Once DGS receives TU's cost proposal, the task order will be finalized, a kick-off meeting will be set and the pilot program effort will commence. Considering DGS' internal resources combined with the experience TU provides, DGS is confident the timeline is achievable.