THE FLORIDA LEGISLATURE

Office of Program Policy Analysis And Government Accountability

John W. Turcotte, Director

June 1997

Executive Summary
Report No. 96-88
Program Evaluation and Justification Review: Department of Management Services' Facilities Program

Scope

OPPAGA is required to complete a Program Evaluation and Justification Review of each state agency program that is operating under a performance-based program budget. This report examines the Department of Management Services' Facilities Program and identifies alternatives for improving Program services and reducing costs.

Background

The Department of Management Services' (DMS) Facilities Program provides services relating to buildings owned or leased by the state. The Program's functions can be grouped into four major areas:

1. **Operations and Maintenance.** The Program operates and maintains the 55 buildings in the Florida Facilities Pool and two historic properties. Operations and maintenance services include administering buildings, providing custodial and grounds maintenance services, and performing preventive maintenance and repairs.

2. **Real Property Management.** The Program allocates office space in the Florida Facilities Pool, reviews state agency leases, administers state parking, inventories and assesses the condition of state-owned buildings, provides state agencies with information on energy use, and develops plans for land and building acquisition.

3. **Facilities Security.** The Program's Capitol Police provide security and fire safety services for Florida Facilities Pool buildings, and some other DMS-administered buildings, such as the state's Motor Pool. The Capitol Police also provide crime prevention and safety training to state employees.

4. **Facilities Construction.** The Program manages building construction and renovation projects for DMS, other state agencies, and local governments. The Program is also responsible for permitting and inspecting all state agency building construction projects.

Conclusions

Most Program Functions Are Needed. As long as the state owns buildings, most Facilities Program functions will be needed:

- Facilities Pool buildings must be cleaned and their grounds mowed and landscaped. The buildings must also be maintained to minimize long-term repair costs, increase the buildings' useful life, remove safety hazards, and remain in compliance with various building codes.

- Security services are needed to help minimize the risk from crime and fire to building occupants and visitors.

- The Program's construction project management services are needed for oversight of the private contractors who design and construct state buildings. These services also provide a clear public benefit by assisting other state agencies whose staff do not have expertise in building construction.

The Facilities Program's Functions Generally Do Not Duplicate Those of Other State Agencies. DMS is the only state agency with the role of providing centralized support services to other agencies. We did not identify any benefit from transferring these functions to another agency. Further, since DMS is responsible for administering the Florida Facilities Pool, it should have primary responsibility for administering, operating, and maintaining the Pool's buildings.

Program Met Most Performance Standards. The Program met most of its performance-based program budgeting objectives for fiscal year 1995-96 by keeping its average facility construction, operations and maintenance, and rental costs below private sector costs. In the past several years, Program management has concentrated on finding ways to reduce costs and to provide services without increased staffing and has taken initiatives such as partly privatizing several activities and using technology to increase productivity.

Incentives Are Recommended. Based on the Program's performance in meeting its performance-based program budgeting objectives, we recommend that the Governor and Legislature consider applying incentives to the Department as provided in s. 216.163, F.S. Such incentives could include allowing the Department to retain up to 50% of the unexpended and unencumbered appropriation balances, additional flexibility in budget management, and additional flexibility in salary rate and position management.

Options for Cost Savings, Cost Avoidance, Revenue Enhancement, and Program Improvement. We identified opportunities for cost savings, cost avoidance, revenue enhancement, and Program improvement in four areas.

1. **Operations and Maintenance -** Privatizing all of the Program's 346 custodial positions could save $1.4 million annually, primarily by eliminating jobs and benefits for the custodial workers. Some of this cost savings could be offset by increased costs to other state Programs such as Medicaid if the displaced workers were unable to find new jobs. Alternatively, the Program could achieve annual cost savings of $650,000 annually by converting 62 full-time custodial positions to half-time as these positions become vacant through attrition, which would take an estimated nine years at current attrition rates.

   . The cost impact of privatizing all of the Program's building operations and maintenance services is not as clear. DMS has two contracts with private companies to provide full building operations and maintenance services. One company charges more than the average cost of DMS staff and one charges less. To determine if privatizing full operations and maintenance at more buildings would be cost-effective, DMS would need to obtain bids from private companies for its other facilities.

2. **Real Property Management .** DMS's projections of state office space needs likely over-state the need to construct or acquire more office space in the future. The growth rate in the number of state employees has slowed considerably over the last three fiscal years. This trend seems likely to continue as government is downsized and reorganized. Changes in computer and telecommunication technologies may also reduce the need for office space. If DMS changes its office space needs calculation methodology from one based on population growth (2.56% annually) to one based on the growth rate in state employees (0.79% over the last three fiscal years), future expenditures associated with its 20-year fixed capital outlay plan would be reduced by at least $129 million. The Program's fixed capital outlay plans for the immediate future may still be useful if the Legislature determines that its overarching goal is to reduce the leasing of office space. Various studies have concluded that it would be more cost-effective for the state to increase the amount of office space that is owned by the state relative to the amount agencies lease from the private sector.

   . State employee parking fees have not been raised in 25 years. Annual revenues from these fees do not cover the cost of administering, maintaining, and providing security for parking facilities in the Florida Facilities Pool ($400,000 shortfall). Fee revenues also do not cover any of the costs associated with constructing parking facilities and acquiring land on which to build them. The state expends $3 million annually to pay the debt service on bonds issued for parking facility construction and land acquisition. Further, DMS is not complying with statutory requirements to establish a fee for scramble permits. Raising parking fees would help the Program recover more of its costs and could have the effect of reducing employee demand for parking and encouraging use of alternative modes of transportation.

. DMS is required by law to develop the facilities management and utilization component of the Florida Fiscal Accounting Management Information System (FFAMIS). This component was intended to maintain data on the operation and maintenance needs of all state-owned facilities. DMS managers discontinued these activities after deciding the component would not be cost-effective. Estimates of the costs to fully develop this component totaled $366 million. Due to the component's excessive cost, this requirement should be deleted from statutes.

. As currently implemented, the Program's energy consumption reporting function is of little use to state agencies. However, energy consumption reporting has the potential to help control state utility costs. DMS has recently hired a consultant to help correct report format problems and make the energy consumption information more useful for agencies. If the Program's plans for revising the system do not result in more useful information, then the function should be eliminated.

3. **Facilities Security.** Decreasing the number of Capitol Police regional office staff would reduce state costs. A reduction in these staff could be achieved through use of existing technologies, such as window and door alarms and motion detectors, and increased reliance on local law enforcement agencies which already handle some reports of criminal incidents in DMS-administered buildings. If the number of Capitol Police regional office staff were reduced by 50%, the state could save $1 million annually. The Capitol Police could continue to use state employees to provide any remaining services at the regional offices, or could contract with private companies to provide security officers.

. It is not clear at this time whether the Capitol Police's staffing in Tallahassee should be reduced. The security needs of Tallahassee facilities will change as the Program implements the recommendations made by the Governor's 1995 and 1996 security task forces. However, after these changes are implemented and the Capitol Police reassesses the risk level of Florida Facilities Pool Buildings, future staffing reductions may be possible.

4. **Facilities Construction.** The Facilities Program and the Department of Insurance's Office of the State Fire Marshal both review state agency building plans for compliance with pertinent building codes. Consolidating responsibility for these reviews within DMS would improve efficiency because state agencies would no longer need to send building plans to both agencies.

Recommendations

Table 1 summarizes our cost savings, cost avoidance, and revenue enhancement recommendations. Table 2 summarizes our recommendations for Program improvement.

Agency Responses

The Secretary of the Department of Management Services provided a detailed response to our preliminary and tentative findings and recommendation. The response noted actions the Department is considering to address our recommendations, but expressed concerns about some issues in the report.

The Deputy Fire Marshal of the Department of Insurance also responded to our preliminary and tentative findings and recommendations. The response noted that the Department will address our concerns after the completion of the Governor's Building Code Commission.

Table 1
Cost Savings, Cost Avoidance, and Revenue Enhancement Recommendations Could Total $12 Million Annually

	Recommendations	Potential Cost Savings, Cost Avoidance, or Revenue Enhancement
Cost Savings Recommendations	Privatize custodial positions.	$1.4 million annually, although Program savings could be partially offset by increases in costs to other state programs because some displaced employees could require public assistance or Medicaid services.
	Alternatively, continue converting full-time custodial positions to half-time as these positions become vacant through attrition.	$650,000 annually once positions are converted; implementation would take an estimated nine years.
	Obtain bids on costs to privatize operations and maintenance services at more Florida Facilities Pool buildings.	Unknown cost savings, but has the potential to reduce costs.
	Reduce the number of Capitol Police regional service center staff by 50%.	$1 million annually if regional services continue to be provided by state employees; $870,000 annually if remaining security officer positions are privatized.
Cost Avoidance Recommendations	Change the Program's methodology for projecting the state's need to build office space to better reflect the growth in the number of state employees.	$129 million over a 20-year period or $6.5 million annually.
	Eliminate statutory requirements for development of a facilities management and utilization data system, which would have cost $366 million.	The Program has already suspended this activity because it would not be cost-effective.
Revenue Enhancement Recommendation	Increase employee parking fees to cover the costs of providing parking services and comply with statutory requirements.	$400,000 if fees are increased to cover the cost of operating parking facilities; $3.4 million if fees are increased to cover all costs of operating and constructing parking facilities.

Source: Office of Program Policy Analysis and Government Accountability.

Table 2
Recommendations for Program Improvement

Program Area	Recommended Improvements
Real Property Management	DMS should revise its energy consumption reporting system. If the revised system still does not meet agency needs, the Legislature should delete s. 255.257(2), F.S., and thus eliminate the energy consumption reporting function.
Facilities Construction	The Legislature should revise s. 255.25(5), F.S., to give DMS authority to determine whether state agency construction projects comply with uniform firesafety standards.

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This project was conducted in accordance with applicable evaluation standards. Copies of the entire report may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302). Web site: http://www.state.fl.us/oppaga/

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Tom Roth (488-1024)

Project Conducted by:
Becky Vickers (487-1316), Linda S. Vaughn, and Margaret O. Smyly

Program Evaluation and Justification Review

Department of Management Services' Facilities Program

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OPPAGA Mission Statement

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The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY

John W. Turcotte, Director

June 1997

The President of the Senate,
the Speaker of the House of Representatives,
and the Legislative Auditing Committee

I have directed that a program evaluation and justification review be made of the Facilities Program administered by the Department of Management Services. The results of this review are presented to you in this report. This review was made as a part of a series of justification reviews to be conducted by OPPAGA under the Government Performance and Accountability Act of 1994. This review was conducted by Becky Vickers, Linda S. Vaughn, and Margaret O. Smyly, under the supervision of Tom Roth.

We wish to express our appreciation to the staff of the Department of Management Services for their assistance.

Sincerely

John W. Turcotte
Director

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Recommendations

Table 1 summarizes our cost savings, cost avoidance, and revenue enhancement recommendations. Table 2 summarizes our recommendations for Program improvement.

Agency Responses

The Secretary of the Department of Management Services provided a detailed response to our preliminary and tentative findings and recommendation. (See Appendix F, page 58.) The response noted actions the Department is considering to address our recommendations, but expressed concerns about some issues in the report.

The Deputy Fire Marshal of the Department of Insurance also responded to our preliminary and tentative findings and recommendations. (See Appendix F, page 62.) The response noted that the Department will address our concerns after the completion of the Governor's Building Code Commission.

Table 1
Cost Savings, Cost Avoidance, and Revenue Enhancement Recommendations Could Total $12 Million Annually

	Recommendations	Potential Cost Savings, Cost Avoidance, or Revenue Enhancement
Cost Savings Recommendations	Privatize custodial positions (see page 9).	$1.4 million annually, although Program savings could be partially offset by increases in costs to other state programs because some displaced employees could require public assistance or Medicaid services.
	Alternatively, continue converting full-time custodial positions to half-time as these positions become vacant through attrition (see page 9).	$650,000 annually once positions are converted; implementation would take an estimated nine years.
	Obtain bids on costs to privatize operations and maintenance services at more Florida Facilities Pool buildings (see pages 9 and 10).	Unknown cost savings, but has the potential to reduce costs.
	Reduce the number of Capitol Police regional service center staff by 50% (see page 28).	$1 million annually if regional services continue to be provided by state employees; $870,000 annually if remaining security officer positions are privatized.
Cost Avoidance Recommendations	Change the Program's methodology for projecting the state's need to build office space to better reflect the growth in the number of state employees (see page 22).	$129 million over a 20-year period or $6.5 million annually.
	Eliminate statutory requirements for development of a facilities management and utilization data system, which would have cost $366 million (see page 23).	The Program has already suspended this activity because it would not be cost-effective.
Revenue Enhancement Recommendation	Increase employee parking fees to cover the costs of providing parking services and comply with statutory requirements (see pages 22 and 23).	$400,000 if fees are increased to cover the cost of operating parking facilities; $3.4 million if fees are increased to cover all costs of operating and constructing parking facilities.

Source: Office of Program Policy Analysis and Government Accountability.

Table 2
Recommendations for Program Improvement

Program Area	Recommended Improvements
Real Property Management	DMS should revise its energy consumption reporting system. If the revised system still does not meet agency needs, the Legislature should delete s. 255.257(2), F.S., and thus eliminate the energy consumption reporting function (see pages 23 and 24).
Facilities Construction	The Legislature should revise s. 255.25(5), F.S., to give DMS authority to determine whether state agency construction projects comply with uniform firesafety standards (see page 34).

Source: Office of Program Policy Analysis and Government Accountability.

Chapter 1: Introduction

Purpose

This is the second of two reports presenting the results of OPPAGA's program evaluation and justification review of the Department of Management Services' Facilities Program. State law directs OPPAGA to complete a justification review of each state agency program that is operating under a performance-based program budget. OPPAGA is to review each program's performance and identify alternatives for improving services and reducing costs.

This report analyzes the services provided by the Facilities Program and identifies alternatives for improving these services and reducing their costs.[1] Appendix A summarizes our conclusions regarding each of nine issue areas the law requires to be considered in a program evaluation and justification review.

Background

The Department of Management Services' (DMS) Facilities Program predominantly provides services relating to buildings owned or leased by the state. The Program's functions can be grouped into four major areas:

1. **Operations and Maintenance.** The Program operates and maintains buildings in the Florida Facilities Pool (55 buildings that DMS rents to other state agencies or are support buildings), and two historic properties (the Historic Capitol and the Union Bank Building). Operations and maintenance services include administering the buildings, providing custodial and grounds maintenance services, and performing general building maintenance tasks such as preventive maintenance and repairs. The Program also provides renovation services at the request and expense of Facilities Pool building tenants, and provides some maintenance services for the Governor's Mansion.

2. **Real Property Management.** The Program allocates office space in the Florida Facilities Pool, reviews state agency leases with private sector vendors, administers parking at state buildings, maintains an inventory and assesses the condition of

[1] Our first report, OPPAGA Report No. 96-39, dated January 22, 1997, addressed the Program's performance based on its performance-based program budgeting measures and standards and makes recommendations for improving these measures and standards. (See Appendix C.) Together, these two reports address the areas the law requires in a justification review.

state-owned buildings, collects and disseminates information on state agency energy use, develops plans for land and building acquisition, and administers a facilities bonding program which issues revenue bonds to fund new building construction and acquisition.

3. **Facilities Security.** The Program's Capitol Police provide security and fire safety for Florida Facilities Pool buildings and some other DMS-administered buildings such as the state's Motor Pool. The Capitol Police also provide crime prevention and safety training to state employees.

4. **Facilities Construction.** The Program manages building construction and renovation projects for DMS and other state agencies and is responsible for permitting and inspecting all state agency building construction projects. The Program also provides construction project management services at the request of local governments on a fee-for-service basis.

The Florida Facilities Pool was created pursuant to s. 255.505, F.S. The Pool consists of all state-owned buildings that were under the jurisdiction of DMS at the time the Pool was created in 1985 and buildings DMS has since constructed or acquired using revenue bonds. Forty of these buildings are located in Tallahassee while the remaining 15 are regional service centers located throughout the state. Florida Facilities Pool buildings are shown in Appendix D. Tenants in Facilities Pool buildings pay a uniform rental rate, meaning that each tenant pays the same amount per leased square foot regardless of building location. DMS establishes the rental rate to cover its debt service on the revenue bonds, capital depreciation reserves, and its operations and maintenance costs for Pool facilities.

For fiscal year 1997-98, the Facilities Program has 737 authorized positions and was appropriated $46 million. Exhibit 1 shows the Program's expenditures and full-time equivalent (FTEs) employee positions for its major functions for fiscal years 1994-95 and 1995-96, and allotments for fiscal year 1996-97. The Program's operations for fiscal year 1996-97 were funded by rental charges to state agencies in Florida Facilities Pool buildings ($40 million), parking fees charged to state employees ($700,000), fees for construction project management services ($3 million), and fees for construction permits and inspections ($340,000). The Program also received approximately $320,000 in general revenue in fiscal year 1996-97 for maintenance at the Governor's Mansion.

Exhibit 1
Facilities Program Expenditures, Allotments, and Staffing for Major Functions
Fiscal Year 1994-95 Through 1996-97 [1]

	1994-95		1995-96		1996-97[2]	
	Expenditures	**FTEs**	**Expenditures**	**FTEs**	**Allotments**	**FTEs**
Operations and Maintenance						
Operating and Maintaining DMS Buildings	$28,478,810	499.0	$30,351,260	496.0	$33,138,007	499.0
Conducting Preventive Maintenance Inspections	108,830	2.0	112,188	2.0	93,611	2.0
Central Maintenance	486,328	18.0	615,455	19.0	741,690	18.0
Total	$29,073,968	519.0	$31,078,903	517.0	$33,973,308	519.0
Real Property Management						
Private Sector Leasing	$ 185,354	4.0	$ 202,213	4.0	$ 170,447	4.0
Reporting Energy Consumption Information	53,373	1.0	59,496	1.0	50,150	1.0
Inventorying State Buildings	330,845	6.0	379,527	6.0	446,632	6.0
Managing State Parking Facilities	184,155	4.5	162,899	4.0	210,327	4.5
Administering Space in DMS Buildings	1,207,219	25.0	1,134,760	27.5	1,033,592	25.0
Total	$ 1,960,946	40.5	$ 1,938,895	42.5	$ 1,911,148	40.5
Facilities Security						
Security in State Buildings	$ 3,607,341	162.0	$ 4,087,393	129.0	$ 4,512,215	129.0
Total	$ 3,607,341	162.0	$ 4,087,393	129.0	$ 4,512,215	129.0
Facilities Construction						
Construction Project Management	$ 2,082,802	41.0	$ 2,318,699	41.0	$ 2,610,618	46.0
Permits and Inspection	1,149,581	12.0	890,063	12.0	780,352	7.0
Total	$ 3,232,383	53.0	$ 3,208,762	53.0	$ 3,390,970	53.0
Total	**$37,874,638**	**774.5**	**$40,313,953**	**741.5**	**$43,787,641**	**741.5**

[1] Expenditure and allotment data does not include fixed capital outlay.

[2] These totals do not include $319,941 and 6.0 FTE positions for maintenance services at the Governor's Mansion, nor do they include $171,300 for Capitol Complex security enhancements.

Source: Department of Management Services' records.

Chapter 2: Operations and Maintenance

Introduction

In the Operations and Maintenance component, the Program provides custodial, grounds maintenance, building administration (superintendents who oversee other building staff and the day-to-day operations of buildings), preventive maintenance, and repair services. Operations and Maintenance is the largest component of the Facilities Program. Most of the Program's 519 operations and maintenance full-time equivalent (FTE) positions are assigned to specific buildings or groups of buildings in the Florida Facilities Pool. Some of the preventive maintenance, renovation, and repair services in Pool buildings are provided by centralized staff who are not directly assigned to specific buildings. These staff provide renovations at the request and expense of tenants. The Program also performs preventive maintenance inspections of heavy machinery, such as chiller and boiler equipment, in all state-owned buildings.

Program operations and maintenance services are mainly funded by rental rates charged to state agencies that occupy Florida Facilities Pool buildings. Operations and maintenance was allocated a total of $34 million for fiscal year 1996-97.

Program Performance

The Facilities Program is performing well in controlling its costs. The Program's reported average costs are lower than the costs of privately provided operations and maintenance services. As one of its performance-based program budgeting measures, the Program compares its total operations and maintenance costs per square foot to private sector costs determined by survey data. For fiscal year 1995-96, the Program's operations and maintenance costs averaged $4.26 per square foot compared to a private industry average of $4.68.[2]

Program managers have taken a number of actions in recent years to control costs and provide services to additional buildings without increased staffing. For example, Program managers have

[2] As we noted in OPPAGA Report No. 96-39, the survey data used by DMS for this comparison has limitations and should be interpreted with caution. (See Appendix C.) DMS uses a published industry survey as the source of this information. The shortcomings in the data were as follows: (1) private industry costs may be understated due to use of data from 1993, (2) the source of private sector performance data has limited reliability, and (3) a private sector "cost per gross square foot" was used and is not directly comparable with Program costs. The measure was changed in the fiscal year 1996-97 General Appropriations Act to a "cost per maintained square foot" to address the last shortcoming.

privatized many services and use private companies to provide building repairs and renovations, operate an office complex and one other building in the Florida Facilities Pool, and clean four buildings.

In addition to its privatization efforts, the Program has changed its staffing arrangements to hold down costs and staffing for operations and maintenance. By replacing FTE positions with half-time custodial employees through attrition and by rearranging custodial staff into teams, the Program estimates that it has reduced its operations and maintenance costs by $1 million annually as well as increased cleaning efficiency by 37%. The Program has also consolidated building management and given some of its building superintendents responsibility for multiple buildings. DMS reports that consolidating building management has saved $380,000 annually by reducing the need for seven FTEs.

Program managers have also made changes to help reduce utility costs for Pool facilities, which are a major component of the cost of operations and maintenance. Managers closely monitor the monthly utility usage in Pool facilities in order to identify abnormal patterns of usage and identify ways to reduce costs. For example, Program staff have had separate meters installed whenever possible for the water that is used to cool building chillers. Drinkable water is accompanied by sewer charges based on water usage. Since much of the water used to cool chillers evaporates, utility costs are reduced by metering this water along with facility irrigation systems. The Program has recently implemented a system to provide closer tracking of utility usage and thus help to control these costs.

Cost Savings Options

Although the Program performed reasonably well in controlling its costs, we identified two options to further reduce building operations and maintenance costs: (1) selective privatization, or (2) continuing the Program's policy of converting custodial positions from full-time to half-time through attrition.

Option 1: Privatize building operations and maintenance services. Building operations and maintenance services are often considered for privatization for several reasons. For example, these services consist of clearly defined tasks, such as cleaning a certain amount of square footage, for which unit cost data can be developed.[3] Also, these services are readily available in the private sector.

The Program has already privatized some of these activities. Private companies provide custodial services in 4 of the 55 buildings in the Florida Facilities Pool, and provide all operations and maintenance services in the Capital Circle Office Center in Tallahassee and the Fort Pierce regional service center. However, the Program could reduce costs by:

- Privatizing more custodial services; or
- Privatizing all building operations and maintenance services.

Privatize custodial services. The Program employs 346 positions to provide custodial services. Using cost data from the Department's current privatized custodial contracts, we estimated that the state would save $1.4 million annually if the Program privatized custodial services for all of the buildings in the Florida Facilities Pool. This estimate assumes that: (1) the 3.1 million square feet of office space in Tallahassee currently cleaned by DMS staff at a cost of $1.05 per square foot could instead be cleaned for the average cost per square foot of DMS's private contracts in Tallahassee ($0.83); and (2) the 1.7 million square feet of office space in regional service centers currently cleaned by DMS staff at a cost of $1.26 per square foot could instead be cleaned for the average cost per square foot of DMS's regional private contract ($0.82).

Although privatizing these services would reduce Program costs, it could have other consequences that would partly offset these savings. For example, compensating employees for unpaid leave balances could offset some of the first year's cost savings. Also, much of the Program's cost savings would be due to eliminating the state's obligation to pay health insurance, leave, and retirement benefits to custodial workers. The private sector jobs for which these workers would qualify may not provide the level of benefits provided by state employment. Some workers could end up qualifying for Medicaid and public assistance programs, thus reducing the net cost savings to the state from privatizing their positions. These potential costs to other state programs cannot be reliably estimated. However, each worker who remains unemployed has the potential to increase costs to other state programs more than the $4,000 DMS would save annually by privatizing his or her position. For example, one unemployed adult with two children would incur annual state costs of $3,636 for the

[3] Unit costs represent the costs for producing a unit of output or product, such as a cost per square foot. Unit costs are especially useful in assessing program efficiency and productivity.

Temporary Assistance for Needy Families Program and $5,040 for the Medicaid Program.

The negative impact of privatizing services on workers can be minimized through several approaches. Many governments require contractors to offer positions to affected employees. However, imposing such mandates on contractors could cause them to raise their prices and thus reduce the cost savings from privatization. Also, this approach may not result in the workers receiving the same level of benefits they had with the state. Another approach would be to gradually phase-in privatization through attrition as employee turnover occurs. However, this approach could take several years to implement and could increase DMS costs as it loses the benefit of economies of scale. DMS has used this approach in the past to gradually implement privatization.

Privatizing custodial services would require a strong performance monitoring system and careful specification of required tasks to ensure satisfactory contractor performance. Currently, building superintendents and a designated quality assurance staff person oversee the quality of service of the Program's custodial contractors.[4]

Privatize all building operations and maintenance services. Privatizing all of the operations and maintenance services provided by staff assigned to Florida Facilities Pool buildings may also save money. Currently, the Program has 124 staff assigned to Pool buildings providing grounds maintenance, preventive maintenance, and repair services, in addition to 346 custodial workers.[5]

However, the cost impact of privatizing all building operations and maintenance services is not clear. DMS presently contracts with private companies to provide operations and maintenance services to one office complex (the Capital Circle Office Center in Tallahassee) and one other building (a regional service center in Fort Pierce). The Capital Circle Office Center has lower operations and maintenance costs than DMS's average costs to perform these services ($1.82 vs. $2.19 per square foot), but the Fort Pierce facility has higher operations and maintenance costs ($2.73). If the 5.5 million square feet in other Facilities Pool

[4] Although DMS surveys building tenants annually to assess the quality of its services, limited information is available on the tenants' satisfaction with the cleaning services provided by private contractors. Satisfaction ratings for one of four buildings cleaned by a private contractor were above the overall average for custodial services. Two of the remaining three buildings have not had privatized services for a sufficient length of time for DMS to assess tenant satisfaction and DMS did not receive enough survey responses to analyze tenant satisfaction for the remaining building. DMS has also fully privatized operations and maintenance services, which includes custodial services, at one office complex and one other building. Tenant satisfaction ratings for the office complex were slightly below the overall average for custodial services, but survey results were not available for the other building. A DMS manager indicated that this building was inadvertently omitted from the survey.

[5] DMS retains a staff building superintendent to oversee the work of private contractors. The 124 positions includes 22 filled positions for building superintendents.

buildings could be administered at the same cost as the privatized Capital Circle Office Center, savings would be $2 million annually. However, operations and maintenance costs would increase by $3 million if the costs were as high as the Program incurs using the Fort Pierce private sector provider. Moreover, the Capital Circle Office Center buildings are among the Pool's newest facilities and were designed to minimize operations and maintenance costs. Thus, the cost to operate and maintain these facilities is not fully comparable to costs for some of the other Pool facilities. To determine if privatizing full operations and maintenance services would be cost-effective, DMS would need to obtain bids from private companies for its other facilities.

Option 2: Convert full-time custodial positions to half-time positions through attrition. As previously discussed on page 5, DMS has reported significant cost savings from converting full-time custodial positions to half-time as these positions become vacant through attrition. One reason for this cost savings is that part-time staff are paid lower hourly salaries and have commensurately lower benefit costs. The Program pays an average of $24,000 in salary and benefit costs for full-time custodial workers, while two half-time workers are paid a total of $13,500 in salary and benefits. Since the Program first implemented this initiative in 1988, 139 full-time custodial positions have been converted to half-time.

DMS managers plan to convert an additional 62 of the Program's 132 remaining full-time custodial positions to half-time as these positions become vacant through attrition.[6] Based on retirement rate data, DMS managers project that it will take nine years to convert all of the 62 positions. DMS estimates that once the 62 full-time custodial positions are converted to half-time, the Program would save an estimated $650,000 annually. This estimate is based on the current salary differential between full-time and half-time custodial staff, but does not take into account potential future salary increases. This option has the benefit of not eliminating any filled employee positions. However, its implementation would be lengthy because positions would not be converted until employees leave their positions.

Other Functions

We did not identify any alternatives for the Program's grounds maintenance staff, centralized maintenance staff, or heavy machinery inspections that would result in significant cost savings

[6] Program managers plan to keep the remaining 70 positions as full-time due to the nature of the work involved. These positions include custodial supervisors, staff assigned to buildings with high security risk, and specialized cleaning crews.

or improved performance. A more detailed discussion of our conclusions about these functions can be found in Appendix B.

Conclusions and Recommendations

Privatizing all of the Program's 346 custodial positions would save $1.4 million annually, primarily by eliminating jobs and benefits for the custodial workers. However, this cost savings could be offset by increased costs to other state Programs such as Medicaid and Temporary Assistance for Needy Families if the displaced workers were unable to find new jobs. For example, if 50% of the displaced workers qualify for these programs, the state could incur costs of $1.5 million. If 10% of the displaced workers qualify, the state could incur costs of $300,000.[7] The Program could achieve annual cost savings of $650,000 annually by converting 62 full-time custodial positions to half-time as these positions become vacant through attrition, although implementing this option would take an estimated nine years.

- If the Legislature's priority is to reduce costs for the Florida Facilities Pool as quickly as possible, we recommend that the Legislature direct DMS to privatize its custodial positions. Full implementation should not be expected to take place during the first year. The Program will need at least six months to issue Requests for Proposals (RFPs) and award contracts.
- Alternatively, if the Legislature wants to reduce state costs and not affect filled custodial positions, we recommend that DMS continue with its current policy of converting full-time custodial positions to half-time as these positions become vacant through attrition. This would take an estimated nine years at current attrition rates.

The cost impact of privatizing all of the Program's building operations and maintenance services is not as clear. The Program's current contracts for these services have not always reduced costs. However, the potential exists to reduce state costs through privatization. We recommend that:

- The State Council on Competitive Government pursue contracting to privatize operations and maintenance services in Facilities Pool buildings. The Council should issue a Request for Proposal, Invitation to Bid, or Request for Information to solicit bids or obtain information regarding the costs to fully privatize building operations and maintenance services for all of the buildings in the Florida Facilities Pool. The Council should

[7] These estimates are based on costs for a family of one adult and two children.

consult with DMS in developing technical specifications for the Request for Proposal or Invitation to Bid. DMS should also bid on providing these services so that its costs can be evaluated against private sector costs. If DMS could provide these services at a lower cost than private vendors, it could retain these functions. In reviewing the costs of privatizing these services, the Council should consider the cost to DMS for monitoring the private vendors.

Chapter 3: Real Property Management

Introduction

Real Property Management comprises various services that relate to administering and acquiring facility space. DMS's real property management services include:

- **Administering the Florida Facilities Pool.** The Program plans for land and facilities acquisition and administers a facilities bonding program. Program staff monitor the amount of office space used by state employees in both state-owned and private facilities, and prepare forecasts of future space needs for planning and budgeting purposes. The Program uses facilities revenue bonds to finance new office facility construction. The revenues from Pool building rents are pledged as security for the bonds. The Program also establishes a uniform rental rate to cover bond debt service and other financial obligations for the buildings in the Pool. Rent revenues are deposited with the State Board of Administration for investment and disbursement;

- **Administering parking at state buildings.** The Program establishes parking fees, maintains a database on the assignment of spaces and collection of fees, coordinates renovation and construction in parking facilities, and monitors reassignment of vacated spaces. Program staff also monitor state agencies which have been given responsibility for some Facilities Pool parking spaces;

- **Collecting and disseminating information on state agency use of energy.** Agencies provide DMS with monthly data on their facilities' energy consumption from electricity, natural gas, fuel oil, and other sources. Program staff compile this information and provide agencies with reports indicating each facility's energy consumption over time. If requested, Program staff can provide other information such as comparisons showing energy consumption for similar types of facilities. This information is intended to help agencies control facility energy costs;

- **Managing state leasing.** Agencies must use available office space in Facilities Pool buildings before leasing space in private sector buildings, unless the agencies can show that the available state-owned space cannot meet their needs. Program staff review and approve agencies' requests to rent private sector space. If approved to rent private space, agencies write bid specifications, solicit bid proposals and review bids, select the winning bidders, and write the lease documents. Program staff review agency lease documents for compliance with statutory and rule requirements. The Program also establishes maximum rates for leases, provides training and technical support to agencies, establishes rules and manuals used in the private sector leasing process, maintains a database of agency private sector leases, and assists agencies in negotiating with landlords when requested. The Program has recently established LeaseNet, which provides state leasing information on the Program's World Wide Web Internet homepage. LeaseNet has a number of potential uses such as providing state agencies with information on landlords with available office space and landlords with information on state agencies seeking office space.

- **Maintaining an inventory and assessing the condition of all state facilities.** Program staff maintain an inventory of all facilities over 3,000 square feet which are owned, leased, or otherwise occupied by any state agency.[8] The Program assesses the condition of state-owned facilities at least every three years. Condition assessments involve documenting fixed capital outlay repairs needed in buildings and estimating repair costs.

Real Property Management services are primarily funded by a portion of the rental rates paid by state agencies for office space in the Facilities Pool.[9] The only fee revenue for these services results from fees collected from state employees for parking space rentals and from state agencies and private companies for loading zone permits. For fiscal year 1996-97, Real Property management functions were allocated $1.9 million and 40.5 positions.

Program Performance

DMS's performance-based program budgeting outcome measure for the Real Property Management area compares the Facilities Pool's full service rental rate per net square foot to the rental rates the state pays for private sector leases. For fiscal year 1995-96, the Program's full-service rental rate of $14.38 and its "adjusted" rental rate of $12.69 were lower than the private sector average of $14.79. (See Appendix E for further discussion of the Program's adjusted rental rate.)

[8] Program staff do not inventory State University System or community college facilities.

[9] For fiscal year 1996-97, the Facilities Program received $320,000 in general revenue to provide limited maintenance services at the Governor's Mansion. Although the work performed is mainly grounds maintenance and minor repairs, the funds are budgeted to the Real Property Management area.

Several factors contribute to the Program's ability to provide lower rental rates than the average private sector rental rates. For example, Program managers have concentrated on finding ways to provide services without increased staffing. As seen in Exhibit 2, two of the largest components of the Pool's rental rate are the cost of operations and maintenance services and utilities for Pool facilities. As discussed on pages 4 and 5, Program managers have taken several actions to control operations and maintenance and utility costs.

Program managers have also made changes to control the cost of the Capitol Police, which are also funded out of the rental rate. The Program's staffing for the Capitol Police has been reduced by 33 full-time positions since fiscal year 1994-95. The Capitol Police was able to absorb this increase in responsibility by re-arranging staff assignments and increasing the use of technology such as surveillance cameras. These issues are further discussed in Chapter 4.

Exhibit 2
Operations and Maintenance and Utilities Costs
Are Large Components of the Florida Facilities Pool Rental Rate

Florida Facilities Pool Rental Rate Fiscal Year 1996-97 Budget Allocations by Item	Allocation Per Net Square Foot
Debt Service	$ 4.30
Operations and Maintenance	3.64
Utilities	2.69
Capital Depreciation	1.38
Security (Capitol Police)	1.01
Department Administration	0.47
Division of Facilities Management Administration and Planning	0.34
Agency Space Refurbishment	0.25
Other Services	0.20
Insurance	0.10
Total Full Service Rental Rate	**$14.38**

Source: Department of Management Services.

Cost Avoidance and Revenue Enhancement Options

We identified two options for the Real Property Management area that could avoid state costs or increase revenues. First, the Program should change its method for projecting the amount of office space the state will need to construct or otherwise acquire in the future to avoid overstating construction and funding requirements. The methodology should take into account recent legislative initiatives to reform state government and better control the growth in the number of state employees, which would significantly reduce these projections. Second, raising employee parking fees would better cover the costs of providing these services.

DMS's projections of state office space overstate construction and funding needs because they do not take into account recent initiatives that should reduce growth in the number of state employees. Program staff annually project the need for constructing or acquiring office space in the Florida Facilities Pool. These projections are based primarily upon the assumption that the growth in the number of state employees needing office space will mirror state population growth. [10] Program staff have projected that the state's need for owned office space will grow at an average annual rate of 2.56% over the next 20 years. These projections are incorporated into a 20-year plan of fixed capital outlay projects (building construction, acquisition, or remodeling) to increase Facilities Pool office space. [11]

Recent legislative initiatives to downsize and control the size of state government make the Department's projection of state office space needs unreliable. As shown in Exhibit 3, the growth rate in the number of state employees needing office space has already begun to decline. A continued downward trend seems likely as a result of continuing state efforts to reform state government. Other recent initiatives, such as privatization of state services, constitutional limits on revenues, and legislative interest in reducing managerial and support employees, could further lower the need to increase state office space in the future.

[10] To validate their forecasts based upon population growth, Program staff project the number of state employees needing office space by adjusting the number of employees for each agency in the General Appropriations Act. This adjustment is based on input from agency personnel offices on the percentage of employees that would be housed in the type of office space offered in the Florida Facilities Pool. Based on these estimates, the Program has determined that approximately half of the state's employees would be housed in office space. The remaining employees would not need office space for a variety of reasons such as working out of their homes, in prisons or other institutions, in public service centers such as driver's license offices, or in specialty areas such as forestry work centers or vehicle maintenance garages.

[11] Staff identify the counties in which buildings are needed by examining projected growth over a pre-established threshold of leased office space, and looking at whether private sector lease rates in these counties exceed the lease rate for Facilities Pool buildings. These thresholds were established in the early 1990s, and represent the amount of office space that was leased in these counties at the time.

Exhibit 3
Growth Rate of State Employees Needing Office Space Has Declined

Fiscal Years	Average Annual Change in Number of State Employees Needing Office Space
1985-86 to 1993-94	+5.09%
1994-95 to 1996-97	+0.79%
1995-96 to 1996-97	-1.25%

Source: OPPAGA analysis of Department of Management Services data.

Another factor to consider is whether the state will continue to need to build as much office space given changes in computer and telecommunications technology. New state office buildings are designed to last over 50 years, yet the nature of the state's space needs may change dramatically in that period of time.[12] Changes in computer technology can have a large impact on the state's need for infrastructure. For example, government entities and businesses are increasingly implementing telecommuting programs in which employees can work at home while remaining linked to their offices through computer modems, telephones, and fax machines. Nationally, telecommuting is predicted to grow 20% annually. A federal study has estimated net savings of $5,000 annually for every work station eliminated through telecommuting.

A final factor that needs to be considered in building new office space is legislative initiatives to re-design state agencies. Agency reorganizations can have a large impact on state office space needs because they may result in staff field office consolidation or elimination. Even though an agency may have a large field office today, the field office could be downsized or eliminated in the future.

The Program needs to re-evaluate its 20-year plan of construction projects in light of changing conditions. Program staff need to consider initiatives to limit or reduce the number of state employees and the impact of computer and telecommunications technology when projecting the need for office space. If DMS's projections of the need for office space were instead calculated based on the growth rate in state employees over the last three years (0.79%), the projected need for office space would be reduced by at least 1.7 million square feet over the 20-year

[12] DMS uses a 52-year period in its cost analyses to determine potential savings from building facilities.

period.[13] Based on the Program's estimates of its fiscal year 1997-98 construction costs per square foot ($75.92), this would reduce future construction expenditures by at least $129 million, or $6.5 million annually over the 20-year period.[14]

The Program's fixed capital outlay plans for the immediate future may still be useful if the Legislature determines that its overarching goal is to reduce the amount of leased office space occupied by state employees. Various studies have concluded that it is more costly over the long-term for state government to lease rather than own office space. The latest of these studies conducted in 1994 reaffirmed a goal DMS established in 1980 that the state own 65% of the office space occupied by state employees and lease the remaining 35%.[15]

The Legislature should consider directing DMS to re-assess the goal of planning new office construction projects to reduce the amount of currently leased space. DMS also needs to re-design its projection methodology to avoid overstating future office space needs.

Increasing employee parking fees would provide revenue needed to help cover the costs of providing parking services. Fees charged to state employees for parking cover only 64% of the costs of administering and maintaining the parking spaces. DMS administers the 21,000 parking spaces associated with the Florida Facilities Pool. Half of these spaces are in 21 parking garages and the remaining spaces are in 49 surface parking lots. Of the 21,000 spaces, 5,000 are reserved, 7,000 are scramble, and 8,400 are permit parking.[16] The remaining spaces are metered or for special use such as visitor parking.

DMS is required by s. 272.161(5), F.S., to establish the fees for scramble permits (tags) at a level sufficient to cover the costs of administering the permits and maintaining the parking areas. DMS has not complied with this requirement and it does not charge

[13] DMS staff first determine the current square footage being used by state employees in various counties. They then project the increased need for space by inflating the current square footage by percentages based upon population growth forecasts. This methodology has resulted in a growth rate in total projected space needs of 2.56% annually over the next 20 years. Our estimate was obtained by projecting the growth in the number of state employees (0.79% annually), and then estimating each new employee would need 250 square feet of office space (the current DMS standard for space assignment).

[14] This estimate does not take into consideration future cost increases due to rising prices for construction materials and other acquisition costs.

[15] As of the end of fiscal year 1995-96, the state owned 41% of the office space occupied by state employees, with the remaining 59% leased from the private sector.

[16] Scramble parking means that employees may park in any of several parking lots on a first come, first served basis. Permit parking means that an employee is issued a permit to only park in a particular parking lot, also on a first come, first served basis. Both scramble and permit parking are "oversold," meaning that more tags or permits are issued than the number of spaces available.

employees a fee to use scramble spaces. Instead, employees are provided free scramble tags that they use to park in the scramble lots. Some of the scramble lots do not require use of tags.

The statutes do not address the sufficiency of the fees for reserved or permit spaces, but require DMS to use any parking revenues for maintenance, minor construction, enforcement, security, and administration of the parking facilities and program. The current monthly parking fees are $2 to $6 for reserve parking (depending upon factors such as whether the parking space is in the covered or uncovered portion of a parking garage or in a surface lot), and $2 to $6 for permit parking.

State employee parking fees have not been increased since 1972. The revenue raised from the current parking fees covers only 64% of DMS's costs for operating parking facilities. Projected parking fee revenues of $700,000 for fiscal year 1996-97 will leave a shortfall of $400,000 in paying for administration, maintenance, and parking lot security. Parking fee revenues also do not cover the costs associated with construction and acquiring land for major parking facilities. Instead, parking facilities are being financed through the facilities bonding process. The state's obligation to pay debt service on these bonds is funded through a portion of the rental rate charged to state agencies in Florida Facilities Pool buildings. Current debt service payments for parking facilities totals approximately $3 million annually.

We identified three alternatives for increasing the sufficiency of parking fees in covering the costs of parking facilities:

- Increase the fees to cover the costs of operating parking facilities;
- Increase the fees to cover all costs of operating and constructing parking facilities; and
- Increase the fees to cover the costs of operating parking facilities and half of the costs of constructing these facilities.

First alternative: Increase parking fees to cover the costs of operating parking facilities. This alternative would require minor changes in parking fees. As shown in Exhibit 4, DMS could establish the fees necessary to cover the current costs of operating parking facilities.[17] This alternative establishes fees to cover the

[17] We estimated the required parking fees for all three alternatives using cost data provided by DMS and the current number of each type of parking space. We pro-rated the costs of surface lots to the scramble and permit spaces in these lots, and pro-rated the costs of garages to all reserved spaces, both surface lot and garage, and to garage permit spaces. We assumed that the 124 garage scramble spaces are in surface lots since the Program would not be able to charge a different fee for these than is charged for using scramble spaces in surface lots. We also assumed that permit spaces would remain oversold at the current rate (14% in surface lots and 32% in garages), and assumed a 50% oversell rate for scramble lots. DMS staff were unable to tell us the current oversell rate for scramble parking.

costs of scramble parking as required by statute and makes minor changes to permit and reserved parking fees. These fees would include a parking fee for the employees who use scramble parking and did not formerly have to pay a fee. This would require the Program to issue scramble tags for an additional 4,600 parking spaces so that all scramble lots required scramble tags. The benefit of this alternative would be to raise an additional $400,000 in annual parking revenues, and thus cover the costs of operating parking facilities.

Exhibit 4
Parking Fees Sufficient to Cover Current Costs to Operate Parking Facilities

Type of Parking Space	Proposed Monthly Parking Fee
Surface Lot Permit Spaces	$3.75
Surface Lot and Garage Scramble Spaces	3.00
Garage and Surface Lot Reserved Spaces	6.00
Garage Permit Spaces	4.50

Source: OPPAGA analysis of Program data.

<u>Second alternative: Increase parking fees to cover all costs of operating and constructing parking facilities</u>. Parking fees that would cover the cost to build and operate parking facilities would need to be significantly higher than current fees. (See Exhibit 5.) This alternative would increase the reserved parking fees from the current maximum of $6 to over $28 per month, and raise permit fees from the current maximum of $6 to about $25 per month. These higher fees would still be lower than those charged by the local Tallahassee commercial market for parking, which range from $45 to $150 monthly. The major disadvantages of this alternative are the increased costs to state employees and the possibility of employee opposition.

Exhibit 5
Parking Fees Sufficient to Cover Current Costs to Operate and Construct Parking Facilities

Type of Parking Space	Proposed Monthly Parking Fee
Surface Lot Permit Spaces	$ 6.25
Surface Lot and Garage Scramble Spaces	5.50
Garage and Surface Lot Reserved Spaces	28.25
Garage Permit Spaces	24.75

Source: OPPAGA analysis of Program data.

Charging higher fees to cover parking facility construction and acquisition costs would have both direct and indirect economic benefits to the state. It would allow the state to avoid spending $3.4 million annually to subsidize employee parking facilities. Parking revenues would cover both the operating cost of parking services and the $3 million annual debt service obligation for the current parking facilities. It would also encourage employees to use alternative modes of transportation, such as ride-sharing, mass transit, and bicycling, which could help reduce traffic congestion, wear and tear on state roads, pollution, and fuel use.[18] Another indirect effect would be a reduction in employee demand for parking, thus reducing parking construction and maintenance costs in the long-run.

Third alternative: Increase parking fees to cover the operating costs and half of the construction costs of parking facilities. This middle ground option recovers the costs of operating parking facilities and divides the cost of constructing facilities between the state and employees. Estimated fees to cover the cost to operate parking facilities and half of facility construction costs are shown in Exhibit 6. As with the other parking fee alternatives, this alternative would result in higher parking fees to state employees, as well as a fee for scramble parking which has not previously been imposed. However, this alternative has several advantages. It would bring in an additional $400,000 annually in parking revenues to fully cover operating costs and additional revenue toward annual debt service on parking facilities, such as $1.5 million annually if fees were increased to pay for half of the debt service. In effect, the state and employees would share the cost of constructing parking facilities. Employees would pay a portion of costs in return for the immediate benefit of having parking, and the state would pay a portion of costs in return for the long-term asset value gained from owning the facilities. This alternative would also contribute toward encouraging the use of other means of transportation and reducing employee demand for parking, although it would not be as effective in as the second fee alternative in having these outcomes.

[18] The Department of Transportation has been attempting to encourage state employees to use alternative modes of transportation in order to help manage growing traffic congestion. For example, the Department funds a voucher program through which state employees can receive bus passes at reduced rates.

Exhibit 6
Parking Fees Sufficient to Cover Current Costs to Operate Parking Facilities and Half of Construction Costs

Type of Parking Space	Proposed Monthly Parking Fee
Surface Lot Permit Spaces	$ 5.00
Surface Lot and Garage Scramble Spaces	4.25
Garage and Surface Lot Reserved Spaces	17.00
Garage Permit Spaces	14.50

Source: OPPAGA analysis of Program data.

If the state significantly raised parking fees as contemplated under the second and third alternatives, several actions could be taken to help ease the impact on state employees. For example, the state could provide incentives for carpooling, such as preferential parking in state lots. DMS is currently using this incentive in the Capital Circle Office Center. Another possibility would be to increase the number of bicycle racks available at state office buildings. Some state buildings do not have the equipment needed for employees to safely store bicycles. A standard bicycle rack holding 10 bicycles ranges in cost from $350 to $500 in contrast to the average cost of $6,700 to construct a covered parking space in a garage. Large parking fee increases could be phased-in over three years to lessen the immediate financial impact on state employees.

Eliminate statutory requirements for developing a facilities management and utilization data system. DMS is required by s. 215.94(5)(b), F.S., to develop the facilities management and utilization component of the Florida Fiscal Accounting Management Information System (FFAMIS). This component was intended to maintain data on the operation and maintenance needs of all state-owned facilities. However, DMS managers discontinued these activities after deciding the component would not be cost-effective. We have also previously questioned the cost-effectiveness of the facilities component.[19] Estimates of the costs to fully develop this component totaled $366 million. Due to the excessive cost of continuing with this activity in relation to its possible benefit, this requirement should be deleted from statutes.

[19] Office of the Auditor General Report No. 11972, dated November 30, 1992.

Options to Improve Program Performance

Better energy consumption information would benefit state agencies. State agencies are required by statute to report to DMS on their use of energy. Program staff compile this information into a series of reports that are submitted back to agencies. This reporting is intended to help agencies track energy usage and determine the effectiveness of their energy management programs. This activity is funded by a portion of the rental rate paid by agencies that occupy buildings in the Florida Facilities Pool, although the energy consumption reporting involves all state-owned buildings. DMS uses one full-time position to provide this service at a cost of $50,000 annually.

The Program's energy consumption reporting is of limited use. The information DMS provides agencies is in a cumbersome format that is difficult to interpret. DMS itself no longer uses the information provided by this activity and has implemented another system to monitor energy usage in Facilities Pool buildings. DMS could not quantify any energy cost savings that have resulted from collecting and disseminating energy consumption information. Further, a majority (12 out of 17) of administrative services directors responding to a survey question indicated that eliminating the function would have little or no impact on their operations. The other five administrators said that they would still need this program to monitor energy usage. DMS has hired a consultant to help it revise the system to address reporting format problems.

Eliminating the energy management function would save $50,000 annually and eliminate one position. If the function were eliminated, state agencies would need to develop their own reporting systems if agency administrators want to monitor energy consumption.

However, we believe that it is useful for state government to closely monitor its energy consumption. The state spends over $100 million annually on energy for state-owned facilities. By monitoring energy consumption levels, the state can identify problems such as machinery malfunctions that cause higher utility costs. The Program should be given the opportunity to finish revising its reporting system, which Program managers expect to be completed by December 1997. However, if the revised system still does not provide agencies with useful information, the function should be eliminated.

Other Functions

We did not identify any alternatives for the Program's building inventory and condition assessment and private sector lease management functions that would result in significant cost savings or improved performance. A more detailed discussion of our conclusions about these functions can found in Appendix B.

Conclusions and Recommendations

DMS is likely over-stating the need to construct or acquire more office space to house future state employees. The growth rate in the number of state employees has slowed considerably over the last three fiscal years, and this trend seems likely to continue due to factors such as legislative initiatives to downsize state government and re-organize agencies, as well as changes in computer and telecommunication technologies. The impact of these factors is significant: if DMS changed its calculation methodology from assuming the growth rate in square footage needs based on population growth (2.56% annually) to instead projecting the growth rate in state employees (0.79% over the last three fiscal years) and then projecting square footage needs based on the number of new employees, future expenditures associated with its 20-year fixed capital outlay plan would be reduced by at least $129 million. The Program's fixed capital outlay plans for the immediate future may still be useful if the Legislature determines that its overarching goal is to reduce the leasing of office space. Various studies have concluded that it would be more cost-effective over the long-term for the state to increase the amount of office space that is owned by the state relative to the amount agencies lease from the private sector.

We recommend that:

- The Legislature direct DMS as to whether it should plan new office construction projects with the goal of reducing the amount of currently leased office space; and
- DMS change its assumptions regarding the growth in office space needed by state employees to better reflect factors such as initiatives to redesign and downsize government, and changes in computer and telecommunications technology. These factors should lower the growth rate and therefore reduce the projected need for future office space.

State employee parking fees have not been raised in 25 years. Annual revenues from these fees are $400,000 short of covering the cost of administering, maintaining, and providing security for parking facilities in the Florida Facilities Pool. Fee revenues also do not pay any of the costs associated with constructing parking facilities and acquiring land on which to build them, which have resulted in a $3 million annual debt service obligation for the state. Further, DMS is not complying with statutory requirements to establish a fee for scramble permits. Raising parking fees could have the effect of reducing demand for parking and encouraging use of alternative modes of transportation. We recommend that:

- DMS comply with s. 272.161(5), F.S., and establish a fee for scramble parking sufficient to cover the costs of administering the permits and maintaining the parking areas; and
- The Legislature consider revising s. 272.161, F.S., to require DMS to establish parking fees that either:
  1. Fully cover the costs of maintenance, minor construction, enforcement, security, and administration of all parking facilities and programs; or
  2. Fully cover the costs of maintenance, minor construction, enforcement, security, and administration of all parking facilities and programs, and the cost of major construction and acquisition of these facilities.

The parking fees necessary to implement each of these options are shown in Exhibits 4 and 5.

Developing a facilities management and utilization component of the Management Services and Purchasing Subsystem of FFAMIS is not cost-effective. The Program has already suspended this activity. We recommend that:

- The Legislature delete s. 215.94(5)(b), F.S., which requires DMS to develop a facilities management and utilization component of the Management Services and Purchasing Subsystem of FFAMIS.

The Program's energy consumption reporting function is of little use to state agencies as currently implemented. However, energy consumption reporting has the potential to help control state utility costs. DMS has hired a consultant to address reporting format problems to make the information more useful. We recommend that:

- DMS revise the reporting system by December 1997 with the help of its consultant and state agency feedback. After implementing the revised system, DMS should survey state agencies to determine if the revised system meets their information needs and helps them control energy costs. DMS should report its survey results to the Legislature; and

- The Legislature eliminate the energy consumption reporting function if DMS's revised energy reporting system still does not meet agency needs. To eliminate the function, the Legislature would need to delete s. 255.257(2), F.S., which requires agencies to submit to DMS data on their energy consumption and use and DMS to advise agencies on their energy management programs' effectiveness. This would save an estimated $50,000 annually.

Chapter 4: Facilities Security

Introduction

The Facilities Security component is administered by the Capitol Police. Facilities Security comprises various activities intended to help ensure a reasonably secure and safe environment for state officials, employees, and visitors using state buildings. The Capitol Police is responsible for overseeing the security of state buildings and parking lots, responding to reports of criminal incidents in state buildings, and enforcing rules and regulations in state parking garages and lots. The Capitol Police also offers training courses to state employees covering topics such as personal safety, violence in the workplace, and office crime watch.

For fiscal year 1996-97, the Capitol Police was allocated $4.5 million and had 129 authorized positions. Forty-six of these positions were sworn law enforcement officers and 81.5 are non-sworn officers (security or duty officers). Non-sworn officers are not required to undergo the extensive training required for law enforcement officers nor do they have arrest powers. The Capitol Police provides services to employees and state officials housed in 63 state buildings managed by DMS. [20] Of the state's 135,000 employees, 16,000 work in DMS managed buildings.[21] The Capitol Police is funded by a portion of the rental rate charged to state agencies occupying Florida Facilities Pool buildings.

Program Performance

The Program's performance-based program budgeting outcome measure for the Facilities Security area is the number of criminal incidents occurring in state buildings per 100,000 gross square feet. Due to a change in methodology, Program performance using this measure cannot be assessed for fiscal year 1995-96. Data for this measure did not include some criminal incidents handled by local law enforcement agencies in Florida Facilities Pool buildings. DMS subsequently revised its data to include this information. Since the performance standards used in the fiscal year 1995-96 and 1996-97 Legislative Appropriations Acts do not include this information, these standards are no longer reasonable targets for performance. Because Program staff used the new methodology to

[20] If called, the Capitol Police will respond to reports of criminal activity in other state-occupied buildings.

[21] Agencies whose staff are housed in the remainder of the state's 3,600 buildings are responsible for making their own arrangements for security.

establish the standard for fiscal year 1997-98, performance assessment using this measure should be possible in future years.

Recent DMS Initiatives to Improve Facilities Security

The Department of Management Services is in the process of re-engineering the Capitol Police. As a part of this effort, the Capitol Police has undertaken several initiatives to improve services, such as conducting risk assessments of state facilities, assigning resources to facilities based on their level of risk, directing security patrols to targeted locations, and increasing the use of technological enhancements, such as closed circuit television cameras and motion detector alarms.

The Capitol Police is also implementing strategies for improving security in response to recommendations made by the Governor's 1995 and 1996 task forces on the security and protection of the Capitol Complex. [22] Strategies to improve security in the Capitol Complex include installing electronic equipment to scan packages brought into the building, using magnetic card readers to help control access, using cameras and motion detectors for better surveillance, and providing more barriers at parking lot entrances and exits.

The long-term effect of security improvements on Capitol Police staffing in Tallahassee is unclear at this time. Currently, the Capitol Building is considered the highest risk building in the Florida Facilities Pool. The Capitol Police is still in the process of designing and implementing strategies to improve security in Tallahassee facilities. Once the Capitol Police has obtained and put into operation various planned technological enhancements, the Program may be able to reduce the number of staff needed for Tallahassee.

Cost Savings Options

Although DMS is implementing strategies to improve security in Tallahassee facilities, it is possible to reduce the cost associated with Capitol Police staff in regional service centers.

Reducing the number of Capitol Police staff in regional offices by 50% could save $1 million. Although the level of Capitol Police staffing needed in Tallahassee is still unclear, reducing the Capitol Police's regional staffing levels is a viable option. Capitol

[22] The Capitol Complex consists of the Capitol Building, the House and Senate Office Buildings, the Knott Building, and the Historic Capitol.

Police managers have previously proposed reductions in regional service center staffing in Department of Management Services' budget reduction exercises. DMS has been able to reduce staffing in the past as a result of strategies to increase the use of technological enhancements and reduce reliance on fixed location security guards after conducting risk assessments of the facilities.

The cost savings from reducing Capitol Police staff in regional offices would be significant. For example, if the number of staff were decreased by 50% (by eliminating 6 law enforcement officer and 26 security officer positions), state costs would be reduced by $1 million annually.[23] If the number Capitol Police regional office staff were reduced, building security could be maintained through already present technologies such as window and door alarms and motion detectors, and through increased reliance on local law enforcement agencies. DMS's ability to respond to criminal incidents should not be significantly affected because local law enforcement agencies already handle some reports of criminal incidents in DMS-administered buildings. The incidence of serious crime in these buildings is relatively low (i.e., compared to the crime rate in the counties in which the buildings are located). (See Exhibit 7.)

Exhibit 7
Relatively Few Crimes Occur in DMS-Administered Buildings Compared to the Counties in Which the Buildings Are Located

Crime	Number of Crimes in DMS Buildings	Number of County Crimes[1]	DMS Building Crimes Per 100,000 State Employees	County Crimes Per 100,000 Population	DMS Building Crimes Per 1,000 Officers	County Crimes Per 1,000 Officers
Murder	0	806	0	8	0	30
Forcible Sex	0	8,611	0	90	0	316
Robbery	3	36,966	19	386	70	1,355
Aggravated Assault	1	72,125	6	754	23	2,644
Burglary	50	159,997	314	1,673	1,163	5,865
Larceny	52	469,445	327	4,908	1,209	17,208
Auto theft	9	97,177	57	1,016	209	3,562

[1] The counties used in this example are the counties in which DMS-administered buildings are located. These are Broward, Dade, Duval, Escambia, Hillsborough, Lee, Leon, Monroe, Orange, Palm Beach, Pinellas, Polk, St. Lucie, and Volusia.
Source: OPPAGA analysis of 1995 data published by the Florida Department of Law Enforcement, and Capitol Police records.

[23] This cost estimate was developed using the current average salary and benefit costs of sworn and non-sworn Capitol Police officers, and a pro-ration of expenses associated with each type of position.

If Capitol Police regional office staff positions were reduced, the Legislature and the Department should consider the option of privatizing the remaining security officer positions in regional offices. Security and safety services are often considered for privatization because they are readily available from the private sector. We estimated that a smaller cost savings would result from the privatization alternative ($870,000) than if the remaining regional staff remained state employees ($1 million).[24] This is mainly due to the cost of monitoring private contractors. The Department would need to monitor contracted companies to ensure they meet performance objectives. Private security companies tend to have high employee turnover rates, which can affect their performance. However, if regional service center staff are significantly reduced, privatization may be a better way to provide security services in these buildings. Staffing reductions could make it difficult for the Department to directly supervise any remaining state employees due to their geographic dispersion.

Conclusions and Recommendations

Decreasing the number of Capitol Police regional office staff would reduce state costs. If the number of Capitol Police regional office staff were reduced by 50%, the state could save $1 million annually. The Capitol Police could continue to use state employees to provide any remaining services at the regional offices, or could contract with private companies to provide security officers.

We recommend that the Legislature reduce the number of Capitol Police regional office positions and the funds associated with these positions by at least 50%. In implementing these reductions, DMS should consider the results of its building risk assessments. We also recommend that a managed competition approach be used to obtain competitive bids for providing security officers in regional offices. Under this approach, both DMS and private companies could submit bids to the State Council on Competitive Government. The Council should consult with DMS in developing the bid specifications. The Council would review the bids and award a contract for services. In evaluating bids, the Council should consider the cost to DMS for monitoring private contractors.

It is not clear at this time whether the Capitol Police's staffing in Tallahassee should be reduced. The security needs of Tallahassee facilities will change as the Program implements the recommendations made by the security task forces. However, after

[24] This estimate was developed using data provided by a large private security firm and by comparing these costs to fiscal year 1996-97 Capitol Police salaries, benefits, and expenses.

these changes are implemented and the Capitol Police reassesses the risk level of Florida Facilities Pool Buildings, future staffing reductions may be possible. We therefore recommend that the Department review Capitol Police staffing needs in the Tallahassee facilities within two years. A more valid determination can be made at that time as to whether the number of Capitol Police staff in Tallahassee and their associated costs can be reduced without unduly increasing risk to state officials and employees.

Chapter 5: Facilities Construction

Introduction

The Program has two major responsibilities in this area: managing construction projects, and issuing building permits and conducting code inspections. Construction project management involves selecting and overseeing private sector architects, engineers, and contractors; monitoring the construction process; and reviewing designs to optimize the performance of facility space. The Program manages all facilities construction and large renovation projects for the Florida Facilities Pool. The Program also provides these services for other state agencies either because DMS has been designated as the project manager in the legislative appropriations process, or at the request of the other agencies. The Program further provides construction contract management services at the request of local governments. As of January 1997, the Program was managing 266 active construction projects with total costs of $601.2 million.

The Program also issues building permits and conducts code inspections for all state building construction projects. The Program reviews facilities plans for building code compliance, issues the permits, and conducts on-site inspections throughout construction to ensure continued compliance with codes and plan specifications. State agencies must obtain approval from DMS prior to constructing any state-owned building. DMS, rather than local permitting authorities, issues permits for these construction projects. However, DMS may delegate its permitting authority to a local county government. Much of DMS's responsibility for permitting and inspections has been delegated to local government or privatized.

Facilities Construction functions are fully funded from fees charged to the agencies receiving services. The Program was allocated $3.4 million and 53 positions in fiscal year 1996-97 for the Facilities Construction area. The Facilities Program also has a separate fixed capital outlay budget for construction projects which is not budgeted through the performance-based program budgeting process. The Program was appropriated approximately $90 million in fixed capital outlay for construction projects in fiscal year 1996-97. These projects were funded by general revenue ($20.8 million), capital depreciation funds set aside from rental revenues ($32.9 million), proceeds from the sale of bonds and investment of these funds by the State Board of Administration ($34.5 million), and fees for construction project management ($1.5 million).[25]

Program Performance

The Program's performance-based program budgeting outcome measure for the Facilities Construction area compares the Program's cost-per-square foot to construct office buildings to private industry construction costs. As we discussed in our prior report, the Program's performance-based program budgeting measure for construction project management lacks comprehensiveness. (See Appendix C.) The Program's data for this measure represent the costs associated with a prototype office building design developed by the Program. This type of construction accounts for only about 31% of the Program's fixed capital outlay projects managed. DMS should establish performance-based program budgeting measures that cover the Program's other construction tasks such as managing renovation projects for existing buildings and managing local government and school district construction projects.

The Program's performance-based program budgeting measure for construction project management indicates that the Program is being effective in controlling costs. For fiscal year 1995-96, the construction cost per square foot for the DMS prototype office building was $70.21, which was considerably lower than the private industry costs of $80.51. The private industry cost data is derived from published industry standards. DMS staff report that having a prototype office building is the primary reason for this difference. A prototype building reduces costs by avoiding architectural fees and design time for each office building. The prototype design can be altered to fit individual agency space needs rather than having to design a totally new structure. DMS staff also report cost savings as a result of buying construction materials in bulk due to receiving appropriations for more than one building.

The Program has also reduced costs by contracting for building code inspections. The Program reports a lower cost per inspection for contracted inspectors than the costs of inspections conducted by Program staff ($61 versus $107). The majority (72%) of the Program's building code inspections are performed by contract inspectors rather than Program staff.

[25] The Program receives a separate allocation in its fixed capital outlay budget for small construction projects (under $100,000) in which DMS acts as both the project manager and accounting manager for other agencies.

Program Improvement Options

Improve efficiency by consolidating building plan review in DMS. DMS's building plan reviews, which are conducted as part of its permitting activities, could be modified to include plan review for firesafety code compliance presently conducted by Department of Insurance State Fire Marshal's Office staff. Consolidating the plan reviews in a single entity would improve efficiency and eliminate the need for two agencies to review the same building plans.

DMS is responsible for issuing permits for all state-owned building construction projects.[26] The permitting process includes a plan review, generally performed by contracted personnel, to determine whether the building will meet various building codes. DMS has adopted 14 codes that incorporate all aspects of building construction including land use and internal operating systems (e.g., electric, plumbing, and gas). The permitting process also includes periodic inspections during the construction process to ensure compliance with these codes. The Program contracts with private companies and local governments to perform these inspections.

While Program staff or contractors review plans for compliance with various codes, State Fire Marshal staff review the same plans for compliance with relevant firesafety codes. State Fire Marshal staff also conduct inspections to determine code compliance. For the period from April 1996 through March 1997, 80 building construction plans were reviewed by State Fire Marshal staff and Program staff or contractors.

Consolidating plan review in DMS would result in a more efficient process because state agencies would no longer need to submit plans to both DMS and the State Fire Marshal. DMS staff or contractors could be trained to also check whether construction plans comply with firesafety codes. To consolidate these reviews and transfer this responsibility, the Legislature would need to revise s. 255.25(5), F.S., to eliminate the requirement that the State Fire Marshal's Office determine whether state agency construction projects comply with the firesafety standards. DMS would need to be given responsibility to review state agency plans for firesafety standards and ensure that inspections are performed for continued compliance with these codes. DMS could either contract with

[26] DMS's responsibilities in permitting state agency construction projects exclude State University System construction projects, which are the responsibility of the Board of Regents' Office of Capital Programs.

State Fire Marshal's Office inspectors, private sector inspectors, or local fire departments for the inspections.[27]

Observations

In recent years, the Program's involvement in providing construction project management services to local governments has greatly expanded. The Program is authorized by s. 255.31, F.S., to contract with municipalities, school boards, school districts, authorities, other political subdivisions, and community colleges to provide construction services. This law went into effect in 1992. The percentage of Program construction project dollars devoted to this type of work has grown from 0% in fiscal year 1993-94 to 50% in fiscal year 1996-97. Local governments pay fees to DMS to manage these projects.

The Program's shift toward managing local government projects represents a major policy change in its role. Whereas the Program once managed only state construction projects, the Program is now actively competing with private sector companies to manage local government projects.

The Program's recent emphasis on providing construction management services on local government projects benefits the state as a whole. Local governments appear to want the assistance of the Program and are willing to pay for these services. Providing these services may also help local governments control their costs and thus reduce costs for Florida taxpayers.

However, the Program should not further expand its efforts to provide service to local government if it comes at the expense of reducing its ability to manage state construction projects. Presently, state dollars for construction projects are limited and the Program has had the resources to devote to other activities. Program managers should ensure that they have sufficient resources available to devote to state construction projects, which is the Program's first priority. Thus far, state agency administrators are generally satisfied with the construction project management services they receive from the Program.

[27] We could not determine the cost impact of consolidating the plan review and inspection function within DMS. Data is not available to isolate the costs and workload associated with the State Fire Marshal's building plan reviews and firesafety code inspections.

Other Functions

We did not identify any alternatives for the Program's construction project management and building code inspection functions that would result in significant cost savings. Most of the activities associated with these functions have been privatized. A more detailed discussion of our conclusions about these functions can be found in Appendix B.

Conclusions and Recommendations

The Facilities Program and the Department of Insurance's Office of the State Fire Marshal both review state agency building plans for compliance with pertinent building codes. Consolidating responsibility for these reviews within DMS would improve efficiency because state agencies would no longer need to send building plans to both agencies. We recommend that the Legislature revise s. 255.25(5), F.S., to give DMS authority to determine whether state agency construction projects comply with uniform firesafety standards. The State Fire Marshal should retain authority to periodically inspect buildings to determine whether they continue to comply with firesafety codes.

Chapter 6: Conclusions and Recommendations

Most Program Functions Are Needed

As long as the state owns buildings, most of the functions performed by the Facilities Program will be needed:

- The 55 buildings in the Florida Facilities Pool, the Historic Capitol, and the Union Bank must be cleaned and their grounds must be mowed and landscaped. The buildings must also be maintained to minimize long-term repair costs, increase the buildings' useful life, remove safety hazards, and remain in compliance with various building codes;
- Security services need to be provided for Pool buildings to help minimize the risk from crime and fire to occupants and visitors; and
- Construction project management services are needed to maintain oversight of the private contractors who design and build state construction projects, which helps ensure contract compliance. These services also provide a clear public benefit by assisting other state agencies that do not have building construction expertise.

The Facilities Program's functions generally do not duplicate those provided by other state agencies and we did not identify any benefit from transferring these functions to another agency. DMS is the only state agency with a role of providing centralized support services to other agencies. Further, since DMS is responsible for administering the Florida Facilities Pool, it should have primary responsibility for administering, operating, and maintaining the Pool's buildings.

Program Met Most Performance Standards

The Program met most of its performance-based program budgeting objectives for fiscal year 1995-96, and kept its average facility construction, operations and maintenance, and rental costs below private sector costs. In the past several years, Program management has concentrated on finding ways to reduce costs and to provide services without increased staffing and has taken initiatives such as partly privatizing several activities and using technology to increase productivity.

Incentives Are Recommended

Based on the Program's performance in meeting its performance-based program budgeting objectives, we recommend that the Governor and Legislature consider applying incentives to the Department as provided in s. 216.163, F.S. Such incentives could include allowing the Department to retain up to 50% of the unexpended and unencumbered appropriation balances, additional flexibility in budget management, and additional flexibility in salary rate and position management.

There Are Opportunities for Cost Savings, Cost Avoidance, Revenue Enhancement, and Performance Improvements

Although the functions performed by the Program are needed, the state could reduce or avoid state costs or increase revenues by privatizing some Program services, changing staffing arrangements, improving processes, and changing fee schedules. Exhibit 8 summarizes our cost savings, cost avoidance, and revenue enhancement recommendations. We also concluded that the Program needs to improve its performance in reporting on energy consumption to state agencies. If the Program's plans for revising the energy consumption reporting system do not result in the system providing more useful information for state agencies, then the function should be eliminated. We further concluded that the efficiency of the state building construction process could be improved by consolidating responsibility for determining compliance with building codes in the Department of Management Services.

Exhibit 8
Cost Savings, Cost Avoidance, and Revenue Enhancement Recommendations Could Total $12 Million Annually

	Recommendations	Potential Cost Savings, Cost Avoidance, or Revenue Enhancement
Cost Savings Recommendations	Privatize custodial positions (see page 9).	$1.4 million annually, although Program savings could be partially offset by increases in costs to other state programs because some displaced employees could require public assistance or Medicaid services.
	Alternatively, continue converting full-time custodial positions to half-time as these positions become vacant through attrition (see page 9).	$650,000 annually once positions are converted; implementation would take an estimated nine years.
	Obtain bids on costs to privatize operations and maintenance services at more Florida Facilities Pool buildings (see pages 9 and 10).	Unknown cost savings, but has the potential to reduce costs.
	Reduce the number of Capitol Police regional service center staff by 50% (see page 28).	$1 million annually if regional services continue to be provided by state employees; $870,000 annually if remaining security officer positions are privatized.
Cost Avoidance Recommendations	Change the Program's methodology for projecting the state's need to build office space to better reflect the growth in the number of state employees (see page 22).	$129 million over a 20-year period or $6.5 million annually.
	Eliminate statutory requirements for development of a facilities management and utilization data system, which would have cost $366 million (see page 23).	The Program has already suspended this activity because it would not be cost-effective.
Revenue Enhancement Recommendation	Increase employee parking fees to cover the costs of providing parking services and comply with statutory requirements (see pages 22 and 23).	$400,000 if fees are increased to cover the cost of operating parking facilities; $3.4 million if fees are increased to cover all costs of operating and constructing parking facilities.

Source: Office of Program Policy Analysis and Government Accountability.

Appendices

Appendix A

Statutory Requirements for Program Evaluation and Justification Reviews

Section 11.513(3), F.S., provides that OPPAGA Program Evaluation and Justification Reviews shall be conducted on major programs, but may include other programs. As provided by law, our reviews address the following issues:

- The identifiable cost of each program;
- The specific purpose of each program, as well as the specific public benefit derived therefrom;
- Progress toward achieving the outputs and outcomes associated with each program;
- An explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes, as defined in s. 216.011, F.S., associated with each program;
- Alternative courses of action that would result in administering the program more efficiently or effectively;
- The consequences of discontinuing such program;
- Determination as to public policy, which may include recommendations as to whether it would be sound public policy to continue or discontinue funding the program, either in whole or in part, in the existing manner;
- Whether the information reported pursuant to s. 216.031(5), F.S., has relevance and utility for the evaluation of each program; and
- Whether state agency management has established control systems sufficient to ensure that performance data are maintained and supported by state agency records and accurately presented in state agency performance reports.

Table A-1 identifies the nine areas that the law requires we consider in our Program Evaluation and Justification Reviews and summarizes our conclusions pertaining to the Facilities Program. As appropriate, Table A-1 makes reference to pages in this report and Appendix C where our analysis is discussed at greater length. Appendix C contains the full text of our earlier Performance Report (OPPAGA Report No. 96-39).

Table A-1
Summary of the Program Evaluation and Justification
Review of the Facilities Program

Issue	OPPAGA Conclusions
The identifiable cost of each program.	The Program's expenditures for fiscal year 1995-96 were $40.3 million. The Legislature appropriated $44.3 million to the Program for fiscal year 1996-97. (See page 3.)
The specific purpose of each program, as well as the specific public benefit derived therefrom.	The Program's purpose is to deliver and manage facilities for state government operations at the best value. As long as the state owns buildings, most of the services provided by the Facilities Program will be needed. The 55 buildings in the Florida Facilities Pool must be cleaned and their grounds must be mowed and landscaped. The buildings must also be maintained to reduce long-term repair costs, increase the buildings' useful life, remove safety hazards, and remain in compliance with various building codes. The Program also provides a security program to minimize the risk from crime and fire to facility occupants and visitors. The Program's construction project management services provide a clear public benefit by providing oversight of the private contractors who design and build state construction projects, and providing assistance to other government agencies that do not have building construction expertise. (See page 35.)
Progress toward achieving the outputs and outcomes associated with each program.	The Program met most of its performance-based program budgeting objectives for fiscal year 1995-96, and kept its average facility construction, operations and maintenance, and rental costs below private sector costs. (See Appendix C.)
An explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes, as defined in s. 216.011, F.S., associated with each program.	In the past several years, the Program has concentrated on finding ways to reduce its costs and to provide services without increased staffing. (See pages 4, 5, 13, and 31). The Program's outcome measure for the Capitol Police (number of criminal incidents per 100,000 gross square feet) cannot be used to assess performance because DMS revised its data collection methodology. Thus, the standard is no longer a reasonable target for performance. (See Appendix C.)
Alternative courses of action that would result in administering the program more efficiently or effectively: • Whether the program could be organized in a more efficient or effective manner, whether the program's mission or goals, or objectives should be redefined, or, when the state agency cannot demonstrate that its efforts have had a positive effect, whether the program should be reduced in size or eliminated. • Whether the program could be administered more efficiently or effectively to avoid duplication of activities and ensure that activities are adequately coordinated. • Whether the program could be performed more efficiently or effectively by another unit of government or a private entity, or whether a program performed by a private entity could be performed more efficiently and effectively by a state agency.	The Facilities Program's efficiency or effectiveness could be improved by: • Privatizing custodial positions, which could **save $1.4 million annually, although Program cost savings could be partially offset by cost increases to other state programs.** Alternatively, converting full-time custodial positions to part-time through attrition, which could **save $650,000 annually** once the positions are converted. Implementation of this option would take an estimated nine years. (See pages 5 through 9.) • Requesting bids or information on the costs to privatize additional operations and maintenance services for all of the buildings in the Florida Facilities Pool. (See pages 7 through 10.) • Modifying Program methodology for projecting the state's need to build more office space to account for reductions in the growth rate of state employees, which could **reduce the costs of the Program's 20-year fixed capital outlay plan by at least $129 million.** Projection reductions may also be necessary to account for uncertainty in long-term state infrastructure needs due to changes in computer technology and organizational structures. (See pages 14 through 16, and 22.) • Eliminating statutory requirements for DMS to develop a facilities management and utilization component of the Management Services and Purchasing Subsystem of FFAMIS. A facilities component is not cost-effective. (See pages 20 and 23.)

Issue	OPPAGA Conclusions
(Continued) • When compared to costs, whether effectiveness warrants elimination of the program or, if the program serves a limited interest, whether it could be redesigned to require users to finance program costs. • Whether the cost to administer the program exceeds license and other fee revenue paid by those being regulated. • Whether other changes could improve the efficiency and effectiveness of the program.	*(Continued)* • Improving the Program's energy consumption reporting function, which is of limited usefulness to state agencies. (See pages 21, 23, and 24.) • Reducing the number of Capitol Police regional service center staff by 50% and instead increasing reliance on existing security technology and local law enforcement agencies. This would **save an estimated $1 million annually if regional security services continue to be provided by state employees or $870,000 annually if the remaining regional security officer positions are privatized.** (See pages 26 through 28.) • Eliminating the review of state agency building plans for firesafety code compliance by the Department of Insurance's Office of the State Fire Marshal and transferring this responsibility to DMS would improve efficiency because state agencies would no longer have to send building plans to both departments. (See pages 32 through 34.)
The consequences of discontinuing such program.	Eliminating the Program would impair the state's ability to provide a clean and safe facilities environment to its workers and visitors, safeguard its investment in the Florida Facilities Pool, and manage state building construction projects.
Determination as to public policy, which may include recommendations as to whether it would be sound public policy to continue or discontinue funding the program, either in whole or in part, in the existing manner.	Fees charged to state employees do not cover the costs of administering and maintaining their parking spaces, nor do these fees recoup any of the cost of constructing and acquiring land for parking facilities. Increasing these fees to cover the cost of operating parking facilities would comply with statutory requirements and **raise an additional $400,000 annually.** Fees that would also cover parking facilities' construction and acquisition costs would **raise an amount to cover the deficit in operating costs ($400,000) and the state's current annual debt service payment for the bonds used to pay to acquire and construct parking facilities ($3 million).** (See pages 16 through 20, 22, and 23.)
Whether the information reported pursuant to s. 216.031(5), F.S., has relevance and utility for the evaluation of each program.	Program performance data were reasonably reliable. However, significant data reliability and accuracy problems make the outcome measure and standard for the Capitol Police unusable. Further, the Program's performance measures are not comprehensive enough to assess the quality of its services and do not address some of the Program's major functions. In addition, most of the Program's output measures are not generally useful in making budget decisions or assessing performance. (See Appendix C.)
Whether state agency management has established control systems sufficient to ensure that performance data are maintained and supported by state agency records and accurately presented in state agency performance reports.	DMS's Inspector General has conducted several reviews to assess the accuracy, validity, and reliability of the information provided on performance measures and standards. The Inspector General's reviews and our review found that Program performance data were reasonably accurate. However, significant data reliability and accuracy problems make the outcome measure and standard for the Capitol Police unusable. Also, there were minor problems with data reported for one of the other measures, but these problems do not preclude using the data to evaluate program performance in controlling the costs of managing facilities. (See Appendix C.)

Appendix B
Other Program Functions

We reviewed several Program functions for which we considered options, but did not conclude that these options would result in significant cost savings, improved efficiency, or improved effectiveness. A discussion of our conclusions for these areas is presented below.

Grounds Maintenance. We considered the option of privatizing grounds maintenance. However, available data indicate that privatizing this function independently of other operations and maintenance services may not be cost-effective. DMS obtains economies of scale by using centralized crews to perform much of the grounds work needed in Tallahassee. DMS has privatized the grounds maintenance services at two of its regional service centers. Using the contract cost for the privatized regional facility with the lowest cost, we determined that cost savings may be minimal ($40,000 annually) by privatizing the other regional facilities.[28] Obtaining this cost savings would require laying off workers in 11 filled positions. Paying these workers for their unpaid leave balances would likely offset any first year cost savings. Moreover, monitoring and administering privatization in this area may not be cost-effective given the minimal cost savings.

Centralized Maintenance Staff. We considered whether the Program should further privatize its centralized preventive maintenance, renovation, and repair activities rather than having these duties performed by staff in the Operations and Maintenance area. We concluded that the Program has already privatized this function to an appropriate level. Much of this type of work is already performed by private contractors. When determining whether to have this work performed by private contractors instead of Program staff, Program managers analyze both in-house and contractor costs and the complexity of the work to be performed. Results of a questionnaire we sent to state agency administrative services directors indicated that they were satisfied with the cost-effectiveness of using DMS staff to provide these services. Further, several respondents stated that their costs would increase if DMS staff were not available to renovate their office space.

Heavy Machinery Preventive Maintenance. DMS is responsible for conducting preventive maintenance inspections of heavy machinery, such as chiller and boiler equipment, in all state-owned buildings. We considered the option of eliminating these inspections, but determined that this action could endanger the state's ability to obtain insurance on its expensive facility heating and cooling machinery. The insurance covers the state's losses

[28] Due to data limitations, this cost estimate should be interpreted with caution.

from equipment breakdown. DMS has recently created a task force to look at other options for this function, such as self-insurance or delegating the inspections to state agencies. The task force is expected to finish its work by December 1997.

Private Sector Lease Procurement. The Program is currently involved in state private sector lease procurement by approving agencies' requests to rent private sector space, and then approving the final lease documents agencies have negotiated with landlords. We concluded that the Program's role in state agency private sector lease procurement should remain as currently defined.

Private sector leases are bid or negotiated by state agencies and reviewed by state agency legal staff. The terms of the leases are determined before they are submitted to DMS for review. The leases are then reviewed by DMS legal staff (if the lease is for space of over 3,000 square feet) and Program staff for compliance with statutory and rule requirements. As of September 1996, state agencies leased 11 million square feet of space from private sector lessors at an annual cost of $146 million.

We considered two options for private sector lease procurement: (1) eliminating the Program's lease review responsibility, or (2) giving DMS more responsibility for lease procurement.

The first option, eliminating the Program's review of the leases, would put the responsibility for leasing and lease review solely on state agencies rather than depending on the Program to detect lease problems. Program staff estimated that a total of one FTE position is used annually on reviewing leases, with a cost of $40,000 annually. The Program's review of state agency private sector leases is somewhat duplicative of agencies' internal lease review activities. However, the Program found deficiencies in 33% of the leases it reviewed in fiscal year 1995-96. Deficiencies include discrepancies such as incorrect dates, missing signatures, miscalculation of lease costs, and the lack of cancellation option terminology required by statute. The cancellation option terminology helps ensure that agencies do not obligate the state to pay for lease costs that the Legislature does not appropriate.

Most state agency administrative services directors we contacted were in favor of continuing DMS's lease review. They stated that DMS's review ensures consistency and compliance in the leasing process. They also value having Program staff available in a support role.

The second option, giving DMS more responsibility for lease procurement, is supported by a 1994 state task force on lease procurement. The task force report recommended centralizing lease procurement within DMS by giving DMS staff in regional centers responsibility for developing bid specifications for private sector leases.[29] This recommendation was made to address deficiencies in state agency lease procurement procedures, lack of planning and control on the part of agencies, bid protests, and lack of cooperation among agencies for the co-location of similar programs in leased office space. The economic impact of this recommendation was an estimated increase of 22 full-time Program positions at a cost of $800,000. Because many state agencies do not have staff directly assigned to the lease procurement function, the task force did not estimate a commensurate reduction in state agency staffing and costs. Instead, the task force concluded that savings would accrue to the state to the extent that (1) the state achieves lower rental rates from increased competition, better lease negotiations, and better planning and administration; (2) there are fewer lease protests and legal and administrative actions, resulting in less time spent by agency staff defending lease procurement actions; and (3) increased efficiency results from factors such as reductions in move delays.

In the absence of evidence that centralizing lease procurement within DMS would result in overall state cost savings and an estimate of the amount of these savings, we could not recommend an action that would require an investment of $800,000. On the other hand, we also concluded that DMS is providing a benefit to the state by reviewing agency lease documents and identifying deficiencies. We therefore concluded that DMS's role in state agency lease procurement should remain as currently defined.

Building Inventory and Condition Assessment. The information provided by the Program's building inventory and condition assessment function is useful for state facilities planning purposes, and should be continued. DMS staff maintain an inventory of 3,600 state-owned buildings, and also perform a condition assessment on these buildings at scheduled intervals.[30] A condition assessment involves documenting fixed capital outlay repairs needed in buildings and estimating the cost of the repairs. Condition assessments are performed annually on DMS-administered buildings, and triennially on other state buildings. This function was allocated $450,000 and six positions for fiscal year 1996-97.

The information from the inventory and condition assessment does not benefit all state agencies, but the benefit gained by the Governor's Office and DMS outweighs the cost of collecting the information. Few state agency administrative services directors reported receiving a benefit from the Program's inventory and

[29] The Real Property Lease Procurement Task Force; Final Report of the Real Property Lease Procurement Task Force; December 1, 1994.

[30] Buildings are included in the inventory if they exceed 3,000 square feet.

condition assessment information. However, Governor's Office of Planning and Budgeting (OPB) staff indicated that they find the information on building conditions to be essential for their reviews of agency fixed capital outlay plans. An OPB manager stated that by having DMS perform an overall assessment of the state's fixed capital outlay needs, the state has an objective overview of its major long-term facility renovation needs. Moreover, both OPB and DMS managers said that this information is necessary for identifying and correcting building deficiencies in order to maintain the condition of the buildings in the Florida Facilities Pool.

We considered several cost savings options in this area, but none of these appeared advantageous. For example, we reviewed the cost-effectiveness of privatizing this function, but the costs of privatizing may be higher than the costs of using state employees. We also considered reducing the frequency of assessing DMS buildings, but OPB and DMS managers consider this information to be an integral part of building maintenance and long-term fixed capital outlay planning for Pool facilities.

Construction Project Management. We determined that the Program's role in managing state construction projects should remain as currently defined. Most of the Program's construction project work is already privatized. DMS contracts with private sector companies to design and construct facilities, with Program staff serving in an oversight role. There does not seem to be any benefit to the state from further privatization in this area. The state needs to retain some control over private contractors to help ensure contract compliance.

We also considered the option of decentralizing DMS's construction project management responsibilities to state agencies. However, we concluded that the state's current organizational structure for construction projects is already decentralized to an appropriate level. DMS manages Facilities Pool projects and provides project management services to other state agencies, either at their request or as directed by the Legislature through project appropriations. Some large agencies such as the Department of Corrections are staffed to handle their own construction projects, but many agencies do not have construction project management staff. It would not be in the state's best interest to duplicate construction project management staff in every state agency because most agencies would infrequently need to build new facilities or make extensive renovations. Even the larger agencies with this type of staff sometimes request DMS to handle construction projects when their construction project workload is too large for their staff to handle. State agency administrative services directors who have used the services of the Program's construction project management function were generally satisfied with these services and wanted the services to continue.

Another option would be to centralize all building construction within DMS. However, as long as the agencies have the construction workload to justify these staff, having their own staff enables them to specialize in certain types of building projects such as prisons.

We also considered the option of having state agencies bid against DMS to handle their own construction projects, but did not identify a compelling reason to recommend this option. In the absence of evidence that state agencies spend more than DMS to perform these duties, there does not seem to be any benefit to recommending a process that would require extra staff time on the part of agencies, DMS, and the entity that would review the bids.

Building Code Inspections. The Program has privatized this function to an appropriate level. The Program is responsible for issuing building permits and conducting code inspections for all state agency building construction projects. These two tasks are inter-related. The Program's duties in this area involve reviewing facilities plans for building code compliance, issuing the permits, and conducting on-site inspections throughout construction to ensure continued compliance with codes and plan specifications. Program managers have delegated much of their responsibilities in the permitting and inspection area to local government or have privatized these activities. The Program was responsible for almost 6,000 building code inspections from April 1, 1996, through March 31, 1997.

We considered the option of fully privatizing the building code inspection function. Currently, the Program has retained three positions to conduct building code inspections on a full-time basis.[31] Of the inspections performed between April 1, 1996, and March 31, 1997, 72% were performed by contract inspectors and the remainder were performed by Program staff. The Program reports a lower cost per inspection for contract inspectors than for Program staff ($61 versus $107). However, Program inspection staff perform a vital role by filling in gaps that cannot be covered by Program contracts with local governments or private inspectors. The Program uses its staff to provide inspections in areas of the state in which local government or private inspectors are not available to contract with DMS, or for which the cost of using a non-DMS inspector would not be cost-effective. We concluded that DMS should retain its inspection staff as long as local government or private inspectors cannot cost-effectively meet all of the Program's inspection needs.

[31] Two other staff are licensed to perform inspections when needed.

Review of the Department of Management Services' Facilities Program's Performance-Based Program Budgeting Measures and Standards

Report Abstract

- **The Facilities Program met most of its performance objectives for fiscal year 1995-96 and kept its average facility construction, operations and maintenance, and rental costs below private sector costs.**
- **However, the Program's performance measures cannot be used to evaluate other aspects of its performance, such as service quality and timeliness. The measures also generally do not provide useful information for making budgeting decisions.**
- **Additional performance-based program budgeting measures and the upcoming OPPAGA program evaluation and justification review will provide more comprehensive information on Program performance.**

Purpose of Review

This is the first of two reports presenting the results of our Program Evaluation and Justification Review of the Department of Management Services' (DMS) Facilities Program. The law directs the Office of Program Policy Analysis and Government Accountability (OPPAGA) to complete a Justification Review of each state agency program that is operating under a performance-based program budget. OPPAGA is to review each program's performance-based program budgeting measures and standards and evaluate alternative means to provide program services.

This report addresses the performance of the Facilities Program based on measures and standards established for the program by the General Appropriations Act for fiscal year 1995-96. In this review, we examined: (1) the usefulness of the Program's measures and standards for evaluating performance; and (2) options for improving the Program's measures and standards for fiscal year 1997-98. Our second report, which will be issued by July 1, 1997, will provide a fuller assessment of the Program's performance and address alternative means for providing program services.

Background

The DMS Facilities Program comprises services provided by the Divisions of Building Construction, Facilities Management, and Capitol Police. These Divisions provide services relating to buildings owned or leased by the state. These services include managing building construction and renovation projects, permitting and inspecting state agency building construction projects, and planning for future land and building acquisition. The Program also operates and maintains buildings in the Florida Facilities Pool (49 buildings that DMS rents to other state agencies, the Historic Capitol, and the Union Bank Building). Further, the Program allocates office space in DMS-administered buildings, reviews agency leases with private sector vendors, and administers parking at state buildings. The Program's Capitol Police provide security and fire safety for DMS-administered buildings. The Facilities Program was appropriated $134 million (including fixed capital outlay) and 747 positions for fiscal year 1996-97.

The 1994 Government Performance and Accountability Act directs state agencies to provide the Legislature performance-based program budget requests that include proposed performance measures and standards.[1] The Legislature defines programs, provides performance measures, and sets performance standards in the General Appropriations Act. State agencies must then annually report on their performance against these standards in subsequent legislative budget requests. The Legislature considers this information in evaluating program performance and may award incentives and disincentives for performance that exceeds or fails to meet the established standards. The Facilities Program began operating under a performance-based program budget in fiscal year 1995-96.

[1]Standards are expected levels of performance against which actual performance is to be compared.

The 1996 Legislature specified four outcome and five output measures for the Facilities Program in the fiscal year 1995-96 General Appropriations Act. [2] These measures are shown in Exhibit 1. Outcome measures can be used to assess the results or benefits provided by a program, while output measures can be used to assess the amount of products or services provided by a program. The Legislature sets standards for each of the outcome and output measures.

[2] Three of the four outcome measures compare Program and private sector performance. In addition, one output measures compares the amount of office space owned by the state and the amount of office space the state leases, and another output measure shows how the Program's maintenance work is divided between state employees and privately contracted employees. Each of these measures has two components.

Exhibit 1
Fiscal Years 1995-96 Through 1997-98 Performance Measures for the Department of Management Services Facilities Program

Outcome Measures 1995-96	Outcome Measures 1996-97	Proposed Outcome Measures For 1997-98
1. Construction of office facilities, cost per gross square foot: DMS Private Industry Average	1. Continued	1. Continued
2. Full service rent cost per net square foot: DMS (actual / adjusted) Private Industry Average	2. Continued	2. Full service rent cost per net square foot: DMS (actual only) Private Industry Average
3. Operations and maintenance, cost per gross square foot: DMS Private Industry Average	3. Operations and maintenance, cost per maintained square foot: DMS Private Industry Average	3. Continued
4. Criminal incidents, number per 100,000 gross square feet	4. Continued	4. Continued
		5. Criminal incidents, number per 1,000 employees

Output Measures 1995-96	Output Measures 1996-97	Proposed Output Measures For 1997-98
1. Gross square feet completed, office facilities	1. Continued	1. Continued
2. Net square feet of office space occupied by state agencies: State-Owned Facilities Privately-Owned Facilities	2. Continued	2. Continued
3. Number of square feet maintained: DMS Private Vendor (DMS contract)	3. Continued	3. Continued
4. Gross square feet monitored for security purposes	4. Continued	4. Continued
5. Number of investigations	5. Continued	5. Continued
		6. Gross square feet, work in process, office facilities

Source: General Appropriations Acts for fiscal years 1995-96 and 1996-97 and Facilities Program Legislative Budget Request for fiscal year 1997-98.

DMS has proposed five outcome and six output measures for the Facilities Program in its budget request for fiscal year 1997-98. (See Exhibit 1.) Three of the proposed outcome and five of the proposed output measures are continued from fiscal year 1996-97. DMS is requesting to change one of the Program's outcome measures to report its actual rental rate instead of both the actual and an adjusted rate.[3] It also is requesting to add one new outcome measure (the number of criminal incidents occurring in DMS-administered facilities per 1,000 employees) and one new output measure (gross square feet work-in-process for new office building construction).

Findings

Using the Program's performance-based program budgeting measures, what can be concluded about its performance in fiscal year 1995-96?

Based on the Facilities Program's performance-based program budgeting measures, the Program has met or exceeded most of its outcome standards for fiscal year 1995-96 and kept its average facility construction, operations and maintenance, and rental costs below that of private industry. However, three factors limit the measures' usefulness:

- The measures are not comprehensive enough to assess the quality of the Program's facility construction, operations and maintenance, and building administration services, and do not address some of the Program's major functions;
- Performance data for two of the measures have reliability or accuracy problems. For one of these measures, the problems were not significant enough to preclude using it for evaluating performance. However, the outcome measure for the Capitol Police cannot be used to assess performance; and
- Most of the Program's output measures do not provide useful information for making budgetary decisions or assessing performance.

[3] The rental rate is adjusted to reflect differences between DMS and private sector rates. For example, DMS rates include the cost of some services that DMS provides to all agencies and not just DMS tenants.

Program Performance. The Program has met or exceeded most of its outcome standards for fiscal year 1995-96. The outcome standards reflect the Program's objectives to keep its costs below private industry costs and to maintain or improve upon historical performance. Such comparisons can be used to assess whether the state continues to benefit from using state employees to provide these services. Exhibit 2 compares the Program's performance against its outcome standards for fiscal year 1995-96. The Program kept its average costs below that of private industry in the areas of construction costs for new office buildings, operations and maintenance costs for DMS-administered buildings, and rental costs for DMS-administered buildings.

Comprehensiveness of Measures. The Program's measures for fiscal year 1995-96 cannot be used to assess the quality of its services. The Program's goal is to "deliver and manage best value facilities for state government operations." Its outcome measures focus on comparing the cost of its services to private sector costs. However, the measures do not assess service quality. Service quality information, such as timeliness and customer satisfaction, is essential for evaluating performance. For example, constructing a building at a low cost would not meet the state's needs if the building was not available for occupancy when needed.

In addition, as shown in Exhibit 3, the Program's current measures do not provide information on some of its major functions. For example, the outcome measure relating to construction project management only provides information on performance in controlling the costs of new office building construction. However, new office building construction accounts for only about 31% of the Program's fixed capital outlay projects managed. DMS has not established measures that cover the Program's other construction tasks, such as managing renovation projects for existing state office buildings, managing local government and school district construction projects, and permitting and inspecting state construction projects.

Exhibit 2
Department of Management Services Facilities Program
Met Most Outcome Standards for Fiscal Year 1995-96

Outcome Measure	Standard From Fiscal Year 1995-96 General Appropriations Act	Facilities Program Performance [1]
Construction cost of office facilities, cost per gross square foot:		
DMS	$80.52	$70.21
Private industry average	$84.75	$80.51
Full service rent cost per net square foot:		
DMS (actual / adjusted)	$14.38 / $11.87	$14.38 / $12.69[2]
Private industry average	$15.05	$14.79
Operations and maintenance cost, cost per gross square foot:		
DMS	$4.28	$4.26
Private industry average	$4.96	$4.68
Criminal incidents, number per 100,000 gross square feet	4.7[3]	[3]

[1] Private industry averages are for comparison to DMS performance.

[2] DMS did not calculate the adjusted rental rate until after the completion of our fieldwork. Further, the DMS Inspector General has not validated its accuracy. However, the actual rental cost data was validated.

[3] The standard was incorrectly reported in the General Appropriations Act. DMS intended the standard to be 5.7. Moreover, the Program's performance is not comparable to the standard because DMS changed its methodology for calculating this result.

Source: Office of Program Policy Analysis and Government Accountability review of the fiscal year 1995-96 General Appropriations Act, the fiscal year 1997-98 Legislative Budget Request for the Facilities Program, and Department of Management Services Office of Inspector General workpapers and reports.

Exhibit 3
Some Major Facilities Program Functions
Are Not Covered By Outcome Measures

Major Functions Covered by Outcome Measures
Construction Project Management
Maintaining DMS Buildings (Operations and Maintenance)
Administering Space in DMS Buildings
Providing Security in State Buildings

Major Functions Not Covered by Outcome Measures
Permitting and Inspecting Construction Projects
Renovation and Remodeling
Managing State Parking Facilities
Reviewing and Approving Agency Leases
Statewide Facilities Services[1]
Providing Crime Prevention and Safety Training

[1] Statewide Facilities Services include inventorying state buildings, energy management, preventive maintenance inspections, and land acquisition services.

Source: Office of Program Policy Analysis and Government Accountability review of the fiscal year 1995-96 General Appropriations Act, Program documents and Legislative Budget Request for fiscal year 1997-98, and prior Office reports.

Similarly, DMS lacks a performance measure that assesses how well the Division of Capitol Police provides security training to state workers, or how well the Program is performing in administering state employee parking. DMS also lacks measures for evaluating the Division of Facilities Management's performance in reviewing state agencies' private sector leases. This function is important to agency administrators because of its potential for delaying their agencies in obtaining needed office space. These problems limit the measures' usefulness to the Legislature in assessing the Program's performance in carrying out its statutory responsibilities.

Performance Data Reliability and Accuracy. Our review and DMS's Office of Inspector General found that Program performance data reported by DMS were reasonably reliable and accurate. DMS also generally used reasonable methods to set performance standards for the Program. Most standards were established using one or more of the following methods: inflation rate projections, historical performance, and plans for the construction of new office facilities. However, significant data reliability and accuracy problems make the outcome measure and standard for the Capitol Police unusable. Although there were minor problems with the data reported for one of the other measures, these problems do not preclude using the data to evaluate program performance in controlling the costs of managing facilities.

As required by Florida law, DMS's Office of Inspector General assesses the reliability and validity of the information provided on performance measures and standards and makes recommendations for improvements. The Office of Inspector General has conducted several reviews of Facilities Program measures by recalculating performance data, checking the source documents used, and assessing the validity and reliability of the measures. These reviews and our assessment of DMS's performance measurement system identified data reliability and accuracy problems with two of the outcome measures.

1. **Criminal incidents, number per 100,000 gross square feet**. Data for this measure did not include some criminal incidents handled by local law enforcement agencies in DMS-administered buildings. DMS subsequently revised its data to include this information. Since the data used to develop the fiscal year 1995-96 standard did not include this information, the standard is no longer a reasonable target for program performance.[4]

2. **Operations and maintenance costs per gross square foot, DMS and private industry average**. This measure compares the Program's operations and maintenance costs to private sector costs. Although the information provided in DMS's budget request can be used to assess the Program's performance, it has the following shortcomings and should be interpreted with caution: (1) private industry costs are likely to be understated due to use of data from 1993, (2) the source of private sector performance data has limited reliability, and (3) a private sector "cost per gross square foot" is not directly comparable with Program costs. The measure was changed in the fiscal year 1996-97 General Appropriations Act to a "cost per maintained square foot" to address the last shortcoming.

[4] DMS reported in its budget request that the standard is also inaccurate due to a typographical error. DMS intended the number of criminal incidents standard to be 5.7, not 4.7 as presented in the General Appropriations Act for fiscal year 1995-96. The 4.7 represents the Program's objective for 1999.

Usefulness of Output Measures. Most of the output measures are of limited usefulness to the Legislature. These measures are not generally useful in making budget decisions or assessing performance.

Three of the five output measures for the Facilities Program do not provide useful information for budgeting decisions. Ideally, output measures should show the amount or level of services that will be provided for a specified funding level. This type of unit cost data would enable the Legislature to determine the impact of funding changes on the quantity or quality of services to be provided. Only two output measures, the gross square feet of office space constructed, and the square feet of office space that is state-owned versus leased, would be directly affected by changes in appropriations.

Further, only one of the output measures assesses performance. The gross square feet of office facilities completed assesses performance in completing planned facilities. The remaining output measures--the square footage of office space that is owned by the state versus leased, the number of square feet maintained, the number of square feet monitored for security purposes, and the number of investigations initiated--simply report demands on DMS that are beyond its control. These measures provide the Legislature with information on Program activity levels. However, they do not directly assess performance because changes in the outputs are beyond the Program's control.

What improvements can be made to the Program's measures and standards for the upcoming fiscal year?

DMS could improve the Program's fiscal year 1997-98 measures and standards by establishing additional measures to provide more comprehensive information about performance. DMS could also improve the measures by developing service level output measures to provide more useful information for budgetary decisions.

The Program's fiscal year 1997-98 performance-based program budgeting measures could be improved by adding measures to assess the quality of services and to provide information on additional major Program functions. DMS maintains an internal performance measurement system that includes some measures of service quality and measures for functions not covered by the current performance-based program budgeting measures. By adding some of these internal measures, DMS would provide more comprehensive information about the Program's performance. Data for any internal measures that are added to the Program's performance-based program budgeting measures will need to be validated by DMS's Inspector General. Our recommendations for additional measures are shown in Exhibit 4.

The Program's measures could also be improved to be more useful for budgeting decisions. For example, for the lease review function, DMS could develop an output measure that shows the number of lease reviews that would be performed within a specified number of days at the funding level requested. Similarly, for the Program's custodial activities, DMS could develop measures to show the frequency of cleaning to be provided at a specified funding level.[5] The Program's operations and maintenance function would need output measures for services provided by its building superintendents, custodial staff, and grounds maintenance staff. These types of measures could be used for assessing the amount of service the state could expect to receive at various funding levels. Increasing the number of measures in the General Appropriations Act would provide additional information the Legislature could consider when evaluating the Program's performance and making appropriations decisions.

Conclusions and Recommendations

The Facilities Program's fiscal year 1995-96 performance-based program budgeting measures and standards provide limited information for assessing performance. The measures primarily assess the Program's performance in controlling costs and show that it has met its objectives to keep its average costs below private sector costs when constructing new office buildings and managing facilities. However, the measures are not sufficiently comprehensive to be used to assess the quality of services and do not address some major Program functions. Further, the outcome measure for the Capitol Police cannot be used to assess performance. Most of the Program's output measures are not useful for making budgetary decisions or assessing performance.

Improvements are needed to the Program's performance measures and standards for fiscal year 1997-98. Additional measures from DMS's internal performance measurement system can be used to provide more comprehensive information on the Program's performance. The development of service-level output measures for major Program functions would provide more useful information for budgeting decisions.

Accordingly, we recommend that:

- The Legislature adopt additional performance-based program budgeting outcome measures for the Facilities Program. A list of potential measures the Legislature should consider adopting is shown in Exhibit 4. Many of these measures are already in DMS's internal performance measurement system, although DMS is still developing its data collection methodology for some of them. However, as shown in Exhibit 4, some of the measures are not currently included in DMS's internal performance measurement system. DMS will need to develop data collection methodologies for these measures. Also, the DMS Inspector General will need to verify the validity and reliability of data for any new Facilities Program performance measures adopted by the Legislature; and

- The Department of Management Services develop service-level outputs for the Facilities Program's major functions, and include these in the Program's performance-based program budgeting measures. These measures may not be available for the fiscal year 1997-98 General Appropriations Act due to the time needed to develop them.

[5] Developing output measures for custodial activities would require DMS to establish several categories of service levels that would vary depending on the level of funding provided. The funding levels could vary from full funding to lower amounts, such as 10%, 25%, and 50% reductions. The full funding service level would correspond to the Program's current cleaning frequency in DMS-administered buildings, which includes nightly cleaning of offices and bathrooms and an additional daily bathroom cleaning. The other service level categories would show the effects of reduced funding on cleaning frequency, such as eliminating daily bathroom cleaning and reducing the frequency of other services such as carpet cleaning. DMS would need to provide information in its Legislative Budget Request regarding the amount of services provided at each service level.

Exhibit 4
Additional Performance Measures Recommended for Consideration

Major Functions and Estimated 1995-96 Expenditures	Measures Included in DMS Internal Measurement System	Measures Not Currently Included in DMS Internal Measurement System[1]
Construction Project Management ($2.3 million)	• Median project development time for new office buildings • Projects completed within budget • Customer feedback ranking • New office building percent efficiency: net square feet/gross square feet • Design BTU/Square Foot/Year (DMS vs industry standard)	• Dollar value of projects for which DMS received requests for project management assistance • Percent of projects completed on schedule • Construction cost per gross square foot for other than new office buildings
Permitting and Inspecting Construction Projects ($0.9 million)		• Customer satisfaction
Renovation and Remodeling (Expenditures not tracked)	• Customer feedback ranking	
Maintaining DMS Buildings ($31.4 million)	• Customer feedback ranking • Compare DMS custodial costs per gross square foot to DMS private contracts	
Administering Space in DMS Buildings ($0.9 million)	• Average adjusted vacancy rate in DMS buildings • Percentage of state-owned facilities vs. leased from private sector[2]	
Managing State Parking Facilities ($0.3 million)	• Percentage of unassigned spaces to total spaces administered	• Percentage of costs covered by parking fees[2]
Reviewing and Approving Agency Leases ($0.2 million)	• Median turnaround time for space needs approval • Customer survey (for timely lease information)	
Statewide Facilities Services[3] ($0.6 million)	• Customer satisfaction[4]	
Providing Security in State Buildings ($3.9 million)	• Customer feedback ranking • Average response time in minutes for thefts and fire alarms	
Providing Crime Prevention and Safety Training ($0.2 million)	• Percent of state employees in DMS buildings trained in crime prevention	

Note: DMS is still developing the data-collection methodology for the highlighted measures.

[1] DMS will need to develop data collection methodologies for these measures.
[2] The measure would provide information only (not within DMS control).
[3] Statewide Facilities Services include inventorying state buildings, energy management, preventive maintenance inspections, and land acquisition services.
[4] The customer satisfaction measure is only available in the DMS internal performance system for energy management.

Source: Office of Program Policy Analysis and Government Accountability review of the fiscal year 1997-98 Legislative Budget Request for the Facilities Program and Department of Management Services' internal performance accountability system.

Agency Response

Department of Management Services

January 17, 1997

Mr. John Turcotte, Director
Office of Program Policy Analysis
and Government Accountability
Claude Pepper Building, Room 312
111 West Madison Street
Tallahassee, Florida 32302

Dear Mr. Turcotte:

Pursuant to Section 11.45(7)(d), Florida Statutes, this is our response to your report, Review of the Department of Management Services' Facilities Program's Performance-Based Program Budgeting Measures and Standards.

The Facilities program plans to develop data collection methodologies for outcome measures adopted by the Legislature. Also, the Office of Inspector General plans to assess the validity and reliability of new measures adopted. However, we have concerns regarding the inclusion of the following measures in future budget submissions:

- *Percentage of Costs Covered by Parking Fees*: Parking fees paid by state employees is a very volatile area over which the program has little control. We agree with your assessment that this measure should be used for informational purposes only.
- *Customer Satisfaction Survey - Statewide Facilities*: Statewide Facilities Services is composed of four separate functions. Measuring customer satisfaction would involve the development of different survey instruments to gauge the level of satisfaction of each function. The cost and time of preparing instruments for these functions does not seem appropriate, especially in light of their portion of the Program's overall expenditures.

Additionally, we will provide information on any output measures that the Legislature determines will be useful in assessing program performance and making budget decisions. Such information will be provided in accordance with existing budget instructions.

If further information is needed concerning our response, please contact Randy S. Toothaker, Acting Inspector General, at 488-5285.

Sincerely,

/s/ William H. Lindner
Secretary

WHL/chk

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (904/488-1023 or 800/531-2477), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).

Web site: http://www.state.fl.us/oppaga/

Project Supervised by: Thomas S. Roth (488-1024)

Project Conducted by: Becky Vickers (487-1316)
Linda S. Vaughn (487-9216)

Appendix D
Florida Facilities Pool Buildings

Buildings Located in Tallahassee

Bloxham
Bloxham Annex "A"
Bloxham Annex "B"
Bloxham Annex "C"
Capitol
Carlton
Chapman
Chevron Building
Clemons
Coleman
Collins
Department of Environmental Regulation
  Office/Lab (@ Twin Towers)
Douglas
Dura-Print Building
Elliot
Executive
"F" Building
Florida Department of Law Enforcement
Firestone
Fletcher
Gray
Grounds Building
Holland
Johns
Knott
Larson
Legislative Wing (House)
Legislative Wing (Senate)
Maintenance Warehouse
Records Center
Records Center (new)
Pepper
Satellite Office Complex -
  Department of Management Services (1)
Satellite Office Complex -
  Department of Community Affairs (2A)
Satellite Office Complex -
  Public Service Commission (2B)
Turlington
Twin Towers
Warren
Winchester
319 W. Madison Street

Regional Service Centers	Location
Daytona Beach	Daytona Beach
Dimick	West Palm Beach
Fort Myers	Fort Myers
Fort Pierce	Fort Pierce
Gore	Fort Lauderdale
Grizzle	Largo
Hurston	Orlando
Jacksonville	Jacksonville
James	Pensacola
McCarty	Winter Park
Marathon	Marathon
Peterson	Lakeland
Rohde	Miami
Sebring	St. Petersburg
Trammell	Tampa

Source: Department of Management Services.

Appendix E
Florida Facilities Pool Adjusted Rental Rate

For fiscal years 1995-96 and 1996-97, one of the Program's performance-based program budgeting measures is the actual and "adjusted" rental rates for the Florida Facilities Pool compared to the average full-service rental rate paid by state agencies for private sector office space. For fiscal year 1997-98, the Program will no longer report the "adjusted" rental rate as part of this measure.

DMS's reason for reporting an "adjusted" rental rate is to make comparison of the Program's rental rate and private sector rental rates more equitable. The Program funds several services from the Facilities Pool's rental rate that either would not be included in a private sector rental rate or which the Program provides at a higher level than would be provided by the typical private sector landlord. Unlike the rental fees state agencies pay for private sector office space, Facilities Pool rental revenues are used to fund the debt service cost of parking garages, care of the Historic Capitol and the Union Bank, and certain Program services provided to all state agencies such as private sector lease management, energy consumption reporting, preventive maintenance inspections of boiler equipment, and building inventory and condition assessments. Some of the Pool buildings incur unusually high utility costs due to their usage, such as facilities with large data centers. Moreover, the duties of the Capitol Police are currently more extensive than the security services provided in a private sector office building. To account for a lack of comparability between Program costs and private sector costs, Program staff estimate an adjusted rental rate by subtracting the costs associated with non-comparable services and higher levels of service from the Facilities Pool rental rate.

DMS managers determined that the Program's rental rate adjustment was problematic and requested that the Program's performance-based program budgeting measure no longer include this adjustment. The primary problem with the adjustment was that the expenditures related to several of the adjusted items were not sensitive to increases in the square footage of Facilities Pool buildings. These adjustment costs were relatively constant regardless of increases in the amount of office space in the Facilities Pool. As the square footage of the Facilities Pool increased due to new construction, the cost per square foot of the adjustment decreased. As a result, the cost per square foot of the "adjusted" rental rate appeared to increase. DMS received approval from the Governor's Office of Planning and Budgeting to modify the Program's performance-based program budgeting measure to no longer include the adjusted rental rate, and the Legislature approved this change in the fiscal year 1997-98 Legislative Appropriations Act.

Appendix F
Agency Responses

Department of Management Services

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary review findings was submitted to the Secretary of the Department of Management Services for his review and response.

The Secretary's written response is reprinted herein beginning on page 58.

Department of Insurance

The Insurance Commissioner was also provided a copy of the preliminary review finding pertaining to the Department of Insurance. The Department's response is reprinted herein beginning on page 62.

Department of Management Services

June 25, 1997

Mr. John Turcotte, Director
Office of Program Policy Analysis
and Government Accountability
Claude Pepper Building, Room 312
111 West Madison Street
Tallahassee, Florida 32302

Dear Mr. Turcotte:

Pursuant to Section 11.45(7)(d), Florida Statutes, this is our response to your report, Program Evaluation and Justification Review, Department of Management Services' Facilities Program. Our response corresponds with the order of the information presented in your report.

Chapter Two: Operations and Maintenance

Custodial Contracts

The Department will continue to evaluate the cost effectiveness of privatization. Unless directed otherwise, the Department plans to continue its current policy of converting full-time custodial positions to half-time as these positions become vacant. Any decision to privatize custodial services should consider the costs that will be incurred by other state programs due to displacement of employees. These costs could exceed any savings realized by the Facilities Program.

State Council on Competitive Government

The Department has privatized operations and maintenance services on new facilities and plans to continue this practice as long as it remains cost effective. Prior to our privatization efforts, we contracted with a private vendor who specialized in developing bid specifications for operations and maintenance services. At a minimum, these specifications should be used as a starting point should the State Council on Competitive Government issue requests for proposals.

We are unsure of the continued cost effectiveness of the privatization efforts as evidenced by our experience with a vendor in the Fort Pierce Regional Service Center. In this case the vendor declined contract renewal, and proposed a counter offer to continue operations and maintenance services at approximately 50% above the original option price. Additionally, as discussed under the custodial contracts section of this report, any cost savings realized by the Facilities Program could be exceeded by costs incurred by other state programs due to displacement of employees.

Chapter Three: Real Property Management

20-Year Fixed Capital Outlay Plan

The factors outlined in the report will be taken into consideration in developing future 20-year plans. However, numerous factors in addition to information contained in the 20-year plan are considered in establishing the State's fixed capital outlay budget.

Parking

We agree that the Legislature should provide direction regarding parking fees. Historically we have not collected for scramble parking because of the cost of administering such a small fee. Reserved parking is significantly more valuable than scramble parking, and the lowest amount charged for reserved parking is $2.00 per month. Therefore, it will not be cost effective to charge a fee for scramble parking unless fees are raised substantially.

Energy Consumption

DMS will revise the energy reporting system to meet agency needs. If agencies do not utilize the revised system, the Legislature should consider mandating agency use of the information rather than eliminating collection and reporting of the data. Furthermore, if the Legislature eliminates the energy analyst position at DMS, no centralized data relating to energy usage will be available.

Chapter Four: Facilities Security

Reduction of staff in Regional Service Centers

As outlined in OPPAGA's Exhibit 7, the incidents of serious crimes in the regional service centers are relatively low compared to crime rates in the counties in which these buildings are located. This supports maintaining the current staffing level rather than reducing staff. Site staffing is based upon the crime in the areas surrounding a facility and the type of tenants in the building. By having on-site personnel for crime deterrence and prevention, the Capitol Police has kept criminal incidents below those of the counties surrounding DMS-administered properties. This site presence has also contributed to the Program's ability to meet PB^2 outcomes of reducing criminal incidents.

If Capitol Police staff is reduced as proposed, it is likely that individual tenants would consider it necessary to provide security services for their personnel and property, which would displace the security costs from DMS to other agencies. Additionally, the elimination of fire safety and security services would necessitate a change in the existing service delivery strategy, as well as statutes.

It should also be noted that the State could face potential tort liability should it eliminate the Capitol Police function without replacing it with an equivalent or greater security alternative. It could be argued that the public and employees who visit and work at the buildings serviced by the Capitol Police now have a reasonable expectation that a certain level of security will be provided and that the State has a duty to provide it. By virtue of the fact that at each of those locations which requires the present security level, the State would be open to suits for negligence if the State were to decrease that security protection level without justification that the danger level had also proportionately decreased. At present, under Section 786.28, Florida Statutes, the State could be liable for up to $100,000 per person or $200,000 per incident if such a suit were successfully brought.

Privatization

As stated in OPPAGA's report, "Private security companies tend to have high employee turnover rates, which can affect their performance." The Department has already utilized private security services, generally with unfavorable results. In two competitive bid situations in Fort Pierce and Fort Lauderdale, Capitol Police security services proved to be the most cost effective. At the Jacksonville Regional Service Center, a combination of contract security and Capitol Police staff was tested. During a 17-month period, 3.0 FTE were filled with 76 different security officers from the contract security company, which equates to approximately 25 officers for each position. In contrast, 4 Capitol Police officers filled 3.5 FTE during the same time period. This experience has compelled DMS to return to Capitol Police personnel to fully staff the Jacksonville Regional Service Center.

Chapter Five: Facilities Construction

Building Plan Review

DMS believes that further study, in conjunction with the Department of Insurance, should be performed before consolidating the review of state agency building plans.

If further information is needed concerning our response, please contact Randy S. Toothaker, Acting Inspector General, at 488-5285.

Sincerely,

/s/ William H. Lindner
Secretary

WHL/cbw

Department of Insurance

June 26, 1997

Mr. John W. Turcotte
Director
Office of Program Policy Analysis and
Government Accountability
111 West Madison Street, Room 312
Claude Pepper Building
Tallahassee, Florida 32301

Dear Mr. Turcotte:

We received your letter of June 11, 1997, regarding the recommendation affecting the fire safety code review function by the State Fire Marshal's office. We are waiting for completion of the Governor's Building Code Commission, which could address related issues. At that time we will submit our recommendation.

Thank you for the opportunity to address this important issue.

Sincerely,

/s/ Candice J. Crawford

CJC:ld
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