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John W. Turcotte, Director February 1998

Review of the Department of Management Services' Facilities Program Based on Its Performance-Based Program Budgeting Measures and Standards for Fiscal Year 1996-97

Abstract

- **The Facilities Program continued to keep the costs of its construction services, operations and maintenance services, and rental rates below those of the private sector in Fiscal Year 1996-97. In addition, the Program saw a drop in the crime rate in DMS-administered buildings.**
- **The Program needs additional measures to address its construction project management services.**
- **Based on the Program's performance in Fiscal Year 1996-97, the Governor and Legislature should consider applying incentives as provided in the performance-based program budgeting statutes.**

Purpose

This report assesses the performance of the Department of Management Services' (DMS) Facilities Program based on measures and standards established for the Program by the General Appropriations Act for Fiscal Year 1996-97. Additional information on the Program is contained in our Program Evaluation and Justification Review.[1]

[1] OPPAGA Report No. 96-39, dated January 1997, presents the results of our assessment of Program performance-based program budgeting measures and performance in Fiscal Year 1995-96. OPPAGA Report No. 96-88, dated June 1997, presents the results of our Program Evaluation and Justification Review in their entirety.

Background

The Facilities Program is operated by DMS to provide construction, operations and maintenance, real property management, and security services that relate 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.[2] The Program also operates and maintains buildings in the Florida Facilities Pool (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 $104 million (including fixed capital outlay) and 737 positions for Fiscal Year 1997-98.

The Legislature initially budgeted the Facilities Program under performance-based program budgeting in Fiscal Year 1995-96. DMS has proposed to continue the Facilities Program in its budget request for Fiscal Year 1998-99 and has proposed performance measures and standards for the Program. These measures are shown in Exhibit 1.

[2] The Program also provides construction project management services at the request of local governments on a fee-for-service basis.

Exhibit 1
The Facilities Program Kept Its Costs Below Private Sector Costs for Fiscal Year 1996-97

	1995-96 Performance	1996-97 Performance	1996-97 Standards
Outcome Measures:			
Construction cost of office facilities, cost per gross square foot:			
DMS	$70.21	$77.17	$70.55
Private industry average	$80.51	$84.29	$83.73
New office building percent efficiency:			
Net square feet/gross square feet[1]	87	87	N/A
Full service rent cost per net square foot:			
DMS actual	$14.38	$14.38	$14.59
DMS adjusted[2]	$12.69	not reported	$12.75
Private industry average	$14.79	$15.06	$15.59
Operations and maintenance cost, cost per maintained square foot:			
DMS	$4.53	$4.67	$4.78
Private industry average	$5.92	$5.92	$6.31
Criminal incidents, number per 100,000 gross square feet	5.9	4.8	5.3
Criminal incidents, number per 1,000 employees[1]	25.27	20.88	N/A
Output Measures:			
Gross square feet completed – office facilities	320,804	0	209,146
Net square feet of office space occupied by state agencies:			
State-owned (includes non-DMS facilities)	7,022,037	6,999,537	6,985,325
Private	10,275,061	10,758,460	9,116,471
Total	*17,297,098*	*17,757,997*	
Number of square feet maintained:			
DMS	5,246,445	4,858,996	5,274,644
Private contracts	1,013,225	1,373,280	1,267,562
Total	*6,259,670*	*6,232,276*	
Gross square feet monitored for security purposes	6,854,063	6,912,743	7,005,786
Number of investigations	213	255	210

[1] New measure for Fiscal Year 1997-98.
[2] DMS adjusted the rental rate to reflect differences between DMS and private sector rates, such as the cost of services DMS provides to all agencies and not just DMS tenants. The 1997 Legislature approved DMS's request to discontinue reporting an adjusted rental rate.

Source: Office of Program Policy Analysis and Government Accountability (OPPAGA) review of the Fiscal Year 1996-97 General Appropriations Act, the Fiscal Year 1998-99 Legislative Budget Request for the Facilities Program, Program records, and prior OPPAGA reviews of the Facilities Program

Findings

The Program has controlled its construction costs, operations and maintenance costs, and rental rates at levels below that of the private sector. In addition, criminal incidents were below expected levels in Fiscal Year 1996-97.

Construction Project Management. Although the Program did not meet its construction cost standard for Fiscal Year 1996-97, it met its objective to keep costs below that of the private sector ($77 per square foot compared to $84).[3] The Program accomplishes this primarily by using a prototype for office buildings.[4] Program managers attributed the fact that construction costs exceeded the 1996-97 standard to not being able to purchase construction materials in bulk quantities as in past fiscal years.

The two office buildings the Program scheduled for completion during Fiscal Year 1996-97 were delayed due to delays in selling bonds to finance the buildings.

[3] The private-sector cost data used for this measure are derived from published industry standards that are adjusted to reflect costs in various regions of the state.
[4] OPPAGA Report No. 96-88, dated June 1997

As a result, the Program's output for this function (gross square feet completed) is zero for Fiscal Year 1996-97. Although staff worked on these buildings in Fiscal Year 1996-97, the buildings are considered work-in-process until substantially complete.

When reviewing the Program's measures, it should be noted that the measures for the Program's construction project management services apply to only a portion of the types of construction projects the Program manages. The measures assess new office building construction, which represented 34% of the Program's state-appropriated construction project budgets and 16% of total project budgets in Fiscal Year 1996-97.

Operations and Maintenance. As seen in Exhibit 1, the Program's reported average costs of $4.67 per maintained square foot for Fiscal Year 1996-97 were lower than the standard ($4.78). Program costs were also lower than the reported costs of the private sector ($5.92), but the private sector costs may be understated because they are based on 1993 data. Further, these costs are based on a survey with limited data reliability.[5] Program managers are continuing to search for better information on private sector costs.

The Program has undertaken a number of initiatives to control its operations and maintenance costs. For example, Program managers have privatized many building repair and cleaning services. The Program has also changed its staffing arrangements to hold down staffing costs. Changes in staffing arrangements include rearranging custodial staff into teams, replacing full-time custodial positions with half-time positions, and consolidating building management. Another Program cost control initiative is to closely track utility usage trends to identify abnormal patterns of usage that can indicate problems that need to be addressed.[6]

The Program's outputs show that the Program has increased its use of private contracts for operations and maintenance services. In 1996-97, the private sector maintained 22% of the total office space for which the Program is responsible, compared to 16% in 1995-96.

Facilities Pool Rental Rates. The Program also performed well in keeping its rental rate lower than its standard for Fiscal Year 1996-97 and lower than comparable rental rates in the private sector. As shown in Exhibit 1, the rental rate in DMS-administered buildings of $14.38 was lower than the average full-service rental rate state agencies paid for privately-owned office buildings ($15.06). Program managers are considering a revised performance measure to compare the Program's rental rate to the private sector rates for only those 16 counties where Florida Facilities Pool buildings are located. This would allow a more precise comparison than the current measure that assesses private sector costs statewide.

Crime rate in DMS-administered buildings. Crime rates in DMS-administered buildings have decreased over time. As shown in Exhibit 1, the number of criminal incidents per 1,000 employees (20.88) for 1996-97 was lower than in 1995-96 (25.27). The Program also met the Fiscal Year 1996-97 standard for the number of criminal incidents per 100,000 gross square feet.

We were not able to determine the extent to which the Capitol Police were responsible for reducing the crime rate in DMS-administered buildings since factors outside the Program's control influence crime rates. Program managers attribute some of the decrease to their crime prevention training and education for state employees, increased patrols of parking lots and garages (where a significant number of criminal incidents occurred in the past), and reassignment of staff to higher crime areas.

Office Space Occupied by State Agencies, State-Owned Versus Private Sector. The state has lost ground over time in reaching a goal to increase the proportion of state-owned office space occupied by state agencies in comparison to private sector space. DMS established a goal that the state should own 65% of the office space occupied by state agencies and lease the remaining 35%. This goal was based on studies that concluded that it is more costly over the long-term for state government to lease rather than own office space. In 1996-97, the state owned 39% of the office space occupied by state agencies versus 41% in 1995-96. This measure was included in the Program's measures to provide information to the Legislature rather than as an assessment of Program performance.

[5] OPPAGA Report No. 96-39, dated January 1997
[6] OPPAGA Report No. 96-88, dated June 1997

Additional measures for the Program's construction project management function are needed.

The Program's measures could be improved by providing additional measures for the Program's construction project management services. As discussed earlier, the Program's performance-based program budgeting measures for this function address only a portion of the types of construction projects the Program manages. These measures are the *construction cost of office facilities, gross square feet completed,* and *new office building percent efficiency*.[7] Each of these measures only apply to new office building construction, which represented 34% of the Program's state-appropriated construction project budgets and 16% of total project budgets in Fiscal Year 1996-97. The Program has no performance-based program budgeting measures that address how well it performs in managing other types of construction projects, such as constructing schools or renovating existing buildings.

An additional problem with the measures for the Program's construction project services is that its output measure (gross square feet completed) does not provide a full picture of the Program's workload. As discussed earlier, the Program did not complete any new office buildings during Fiscal Year 1996-97. However, it had two new office buildings under construction. The Program also completed 136 other types of construction projects, such as schools and major renovations, totaling $132 million during Fiscal Year 1996-97. The Program's output measures would be improved by providing information on other types of construction projects completed.

[7] *New office building percent efficiency* was added to the Program's measures for Fiscal Year 1997-98. This measure assesses the portion of gross square footage that is usable for office space and other office-related uses.

Conclusions and Recommendations

The Facilities Program performed well in controlling its construction costs, operations and maintenance costs, and rental rate. These costs were below those of the private sector in Fiscal Year 1996-97. The Program also saw a reduction in the crime rates in DMS-administered buildings. Based on this performance, the Governor and Legislature should 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 unexpended and unencumbered appropriation balances, additional flexibility in budget management, and additional flexibility in salary rate and position management.

The Program's performance-based program budgeting measures for the Program's construction project management services do not address a significant portion of the types of construction projects the Program manages and do not provide a full picture of its workload. The Legislature should expand the measures for the Facilities Program to include a customer satisfaction rating for the Program's construction project management services as an outcome measure, and information on construction projects completed other than new office buildings as an output measure.

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