

# LFC HEARING BRIEF

**AGENCY:**

General Services Department (GSD)

**DATE:** August 21, 2015

**PURPOSE OF HEARING:**

Space Utilization and Capital Planning

**WITNESS:** Ed Burckle,

Secretary, General Services Department; George Morgan, Facilities Management Division Director, General Services Department

**PREPARED BY:** Anne Hanika-

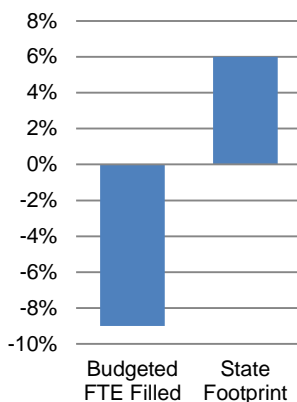
Ortiz, Principle Analyst, LFC

**EXPECTED OUTCOME:**

Informational

Executive Order 2012-23 required state agencies to submit five-year facility master plans to GSD by July 1 of each year that includes lease planning as a component.

**Change in Employee Headcount and State Footprint (2010-2015)**



Source: LFC files

**BACKGROUND INFORMATION**

Although the state employs fewer workers, over one half million square feet was added under the ownership and oversight of the General Services Department (GSD). More efficient use of space will reduce lease and maintenance costs and capital budget requests.

**Space under GSD Oversight**

	GSF 2012	GSF 2015	Change (2012-2015)	Percent of Total (2012)	Percent of Total (2015)
Owned	6,892,594	7,328,277	6.32%	72.6%	72.7%
Leased	2,594,825	2,748,653	5.93%	27.4%	27.3%
<b>Total</b>	<b>9,487,419</b>	<b>10,076,930</b>	<b>6.21%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: LFC Files and CBPC

**Strategic Planning for Space Utilization.** Elements of a sound strategic plan for effective space utilization include good maintenance plans; use of space standards; use of cost effective metrics such as cost per square foot and space per FTE; and use of facility condition indexes to determine when to repair or replace.

**Oversight Role.** In addition to managing large capital projects and smaller repair projects on behalf of executive agencies and the State Board of Finance, the Facilities Management Division (FMD) assigns state-owned space and controls the rental of space in private buildings for all executive agencies except State Land Office.

**Space occupied.** With 131 state-owned facilities and 2.8 million gross square feet (GSF) for about 5,000 FTE, Santa Fe county has the highest percentage of total GSF and FTE. With 57 leases and nearly 1 million GSF for 2,100 FTE at a cost of \$17 million annually, Bernalillo county has the highest percentage of total GSF, FTE, and lease costs. However, costs are higher in Santa Fe county, on average \$22 per SF, than other counties, on average \$17 per SF.

**Changing footprint.** Some agencies continue to occupy more space per FTE than may be necessary, whether it is in state-owned facilities or privately-leased space. The new state space standard suggested by GSD is 215 GSF per FTE, down from the state's previous space standard of 230 to 250. Although somewhat improved, the statewide average is still high at 381 GSF per FTE for state-owned facilities and 420 GSF for privately-leased space. Assuming half of lease costs are paid from the general fund; taxpayers may spend as much as \$11 million each year on excess space, excluding costs to maintain less efficient state facilities.

The Capital Buildings Planning Commission's (CBPC) master plan includes a health and human services (HHS) complex in the south capitol area on Department of Transportation property and executive office building across from the state capital building.

**Potential savings from moving leasing agencies into a new executive office building**

Agency	Square Foot	Lease Costs
State Auditor	9,400	\$216,200
State Treasurer	11,000	\$223,000
<b>TOTAL</b>	<b>20,400</b>	<b>\$439,200</b>

Source: CBPC, GSD and LFC files

The executive is considering using lease savings to offset capital costs for a health and human services (HHS) multi-use complex in Albuquerque.

**Potential savings from moving HHS agencies into a Santa Fe-based state-owned complex**

Agency	Square Foot	Lease Costs
DOH	65,000	\$1,200,000
CYFD	29,000	\$690,000
HSD	202,000	\$4,900,000
<b>TOTAL</b>	<b>296,000</b>	<b>\$6,790,000</b>

Source: CBPC, GSD and LFC files

**Potential savings from moving HHS agencies into an Albuquerque-based state-owned complex**

Agency	Square Foot	Lease Costs
DOH	50,558	\$749,456
CYFD	137,989	\$3,103,826
HSD	164,405	\$3,869,398
<b>TOTAL</b>	<b>352,952</b>	<b>\$7,722,680</b>

Source: CBPC, GSD and LFC files

**Leases under GSD/FMD Oversight**

ITEM	2010	2015	Change
Number of Leases	321	424	32%
Number of FTE in Leased Space	5,814	6,618	14%
Total Square Foot	2.3M	2.8M	22%
Total Annual Lease Cost	\$42.3M	\$49.4	11%
Space per FTE	401	420	5%
Annual Lease Cost per FTE	\$7,282	\$7,464	2%
Cost per Square Foot	\$18.14	\$17.64	-3%

Source: GSD and LFC files

**Lease Costs.** In 2012, FMD encouraged agencies to consolidate in the space they occupied, both owned and leased. This effort resulted in about \$2 million in annual lease savings. FMD accomplished this by renegotiating or terminating expired leases and consolidating or moving more programs into state-owned buildings. However, since then, the amount of leased space and the cost to maintain those leases has increased, partly due to adjustments built into leases in recognition of increases in owner expenses over time. For FY15, the number of active leases is now 424, up from 400, and the cost per square foot is \$17.64 on average, up from \$16.70 the year before.

**Planning Efforts.** FMD requires a "space needs analysis" with drawings and FTE data for all new space requests. In addition, agencies must seek FMD approval before modifying a state building or before negotiating a lease modification. This is expected to stop the practice of agencies submitting requests after moves have already occurred or leases have been negotiated. Because of the difficulty getting agencies to comply with the new requirement, the executive now requires FMD to approve space and lease changes.

**Capital Buildings Planning Commission.** FMD partners with the Capital Buildings Planning Commission (CBPC) to maintain and update master plans for Santa Fe, Albuquerque, and Las Cruces. An important project in this partnership is the development of a publicly accessible, web-based inventory of owned and leased space that has become more accurate over time as data sources and agency cooperation improves. Agencies are required to provide annual updates on state-owned space, and quarterly updates on leased space, including FTE by building. Still left to populate are facility condition assessments and FMD will have that effort completed by October.

**State Employee Headcount**

FY11	FY12	FY13	FY14	FY15	Change over 5 years	Change over 3 years
24,073	22,163	22,615	22,587	22,776	5.4%	0.7%

Source: LFC Files and SPO

**GSD recommendations to increase efficiencies**

Bataan	\$1,479,430
Runnels	\$2,119,307
Apodaca	\$13,145
Montoya	\$10,489,006
Old PERA	\$12,516,451
Anaya	\$958,139
Chino	\$5,578,403
<b>TOTAL</b>	<b>\$33,153,881</b>

Source: CBPC and GSD

Study data suggests increasing efficiencies in seven state-owned buildings in Santa Fe could increase occupancy rates 40 percent, adding 1,200 FTE

**Total Capital Outlay Appropriations to FMD for Statewide Facility Repairs (2011-2016)**

2016	\$2,000,000
2015	\$0
2014	\$4,500,000
2013	\$500,000
2012	\$5,000,000
2011	\$3,500,000

Source: LFC files

**Space Planning.** CBPC’s long-term plan includes increasing state-owned space and reducing leases. However, since the plan was developed in 2008, the workforce is smaller and may stay that way.

**State-Owned Building Efficiencies for Santa Fe**

Building	USF	GSF	Efficiency (USF/GSF)	FTE	Existing GSF/FTE
		<i>Target is 215 per FTE</i>	<i>Minimum is a factor of 80</i>		
<b>Bataan</b>	96,158	159,323	60%	333	478
<b>Runnels</b>	128,493	181,128	71%	608	298
<b>Apodaca</b>	106,170	61,613	60%	250	246
<b>Montoya</b>	96,107	137,861	70%	586	235
<b>Old PERA</b>	106,170	158,559	67%	518	306
<b>Anaya</b>	67,758	95,042	71%	306	311
<b>Chino</b>	65,943	80,159	82%	300	267
<b>Total</b>	<b>597,881</b>	<b>873,685</b>	<b>68%</b>	<b>2,901</b>	<b>306</b>

USF excludes common areas/ GSF includes common areas

Source: LFC Files and GSD

**State-owned Building Use.** In 2014, FMD conducted a study to identify use, occupancy, and recommendations to increase the efficiency of seven Santa Fe state-owned facilities. The study analyzed space allocations, room by room, and compared those allocations to the space standards. According to FMD, the goal was for buildings to be at least 80 percent efficient which is measured by looking at how much space is used for actual work as compared to gross square feet which includes common areas. The study found a 68 percent building efficiency factor overall and projected the costs at \$33 million to improve the efficiency levels to 80 percent.

**Capital Planning.** Laws 2015, Chapter 101, included a special appropriation of \$1.2 million to FMD from the public buildings repair fund to develop and administer master planning guidelines and provide training to executive agencies; reassess space and tenant assignments in state buildings owned by FMD; and provide a valuation of lands managed by FMD. In addition, a prior-fiscal-year appropriation to FMD from the same fund to complete a statewide facility condition assessment was extended into FY16. These efforts will help support future capital planning and budgeting and provide better justification for the amounts needed for statewide repairs.

**LFC STAFF SUGGESTIONS FOR NEXT STEPS:**

- 1) add FTE data and condition assessments to databases;
- 2) identify funding to further increase building efficiencies;
- 3) encourage GSD to impose user fees for state-owned space;
- 4) evaluate opportunities using vacant land inventories; and
- 5) in light of a smaller workforce, revisit the master plan.