



Government Operations Appropriations Subcommittee

**Tuesday, February 22, 2011
1:00 PM – 4:00 PM
Morris Hall**

Meeting Packet



The Florida House of Representatives
Appropriations Committee
Government Operations Appropriations Subcommittee

Dean Cannon
Speaker

Ed Hooper
Chair

February 22, 2011

AGENDA
1:00 PM – 4:00 PM
Morris Hall

- I. Call to Order/Roll Call**
- II. Presentations by the Department of Management Services**
 - DMS Overview
 - Overview of the Facilities Management Program and the Facilities Pool
 - Overview of the Division of State Purchasing and the Electronic Procurement System Transaction Fee
 - Update on the Implementation of Section 23 of HB 5003 (relating to multi-supplier contracts for office supplies)
 - Update on Action and Potential Solution for the Municipal Police Officers and Firefighters Trust Fund Office
 - Update on the State Aircraft Program
- III. Adjourn**



Overview and Update

February 22, 2011

**Government Operations
Appropriations Subcommittee**



Agenda

- Overview of the Department of Management Services
- Overview of the Facilities Management Program and the Florida Facilities Pool
- Overview of the Division of Purchasing and the electronic procurement system transaction fee
- Update on the State Aircraft Program
- Update on the implementation of Section 23 of House Bill 5003, related to the solicitation and award of a multi-supplier contract for office suppliers
- Update on actions and potential solutions to maintain funding for the Municipal Police Officers and Firefighters' Retirement Trust Funds Office

Agency Overview



- Administrative Services of Florida Government:
Shared Services Provider
 - Division of Retirement
 - Division of State Group Insurance
 - Division of Human Resource Management
 - Division of State Purchasing
 - Division of Real Estate Development & Management
 - Division of Specialized Services
 - Federal Property Assistance
 - Private Prison Monitoring
 - Fleet Management (auto, aircraft, watercraft)
 - Office of Supplier Diversity
 - Division of Telecommunications



Administratively Housed at DMS

- Public Employees Relations Commission
- Commission on Human Relations
- State Employee Leasing – Enterprise Florida
- State Employee Leasing – Black Business Investment Board
- Governor’s Commission on Disabilities

-----Dotted Line to DMS-----

- Southwood Shared Resource Center
- Division of Administrative Hearings
- Agency for Workforce Innovation

Real Estate Development and Management



Florida Facilities Pool:

- Any facility where rental revenue is collected under the “Florida Building and Facilities Act” and was either:
 - Under the jurisdiction of DMS in 1986 at the creation of the Pool; or
 - Financed under the “Florida Building and Facilities Act”; or
 - Submitted by an agency, and approved by DMS, for entry into the Pool.
- Created pursuant to Section 255.505, F.S

Real Estate Development and Management



Overview of Florida Facilities Pool:

- Division of Real Estate Development and Management (REDM) manages 108 facilities and structures.
 - 71 are part of the Pool
 - 37 are not part of the Pool
- The Pool (71) facilities produce revenue that funds the operations and maintenance, repairs, security, utilities, lease management, building construction, etc. for all 108 REDM-managed facilities
- Current Pool Rental Rate: \$17.18 a square foot

Real Estate Development and Management



Facilities Management Program - Bureau of Leasing:

- Oversees 1,000+ public and private sector leases
 - 203 leases are in the 71 Pool facilities
 - 969 leases are in private sector space
 - 300+ annual lease transactions
- Manages the Tenant Broker contracts
- Provides annual Master Leasing Report / Strategic Plan
- Manages 25,000+ parking spaces in 97 parking facilities statewide

Real Estate Development and Management



Inventory and Disposition Report

- SB 1516, which passed on November 16, 2010, requires DEP to create a comprehensive database of all state-owned property.
- SB 1516 also requires DMS to develop a list of disposition candidates by October 1 each year.
- DMS will provide an interim disposition report to the Governor and Legislature on March 1, 2011, and a final report to the Governor and Legislature by October 1, 2011.

Real Estate Development and Management



Inventory and Disposition Report

- For the March 1 report, DMS contacted 74 state government entities, requesting they review their facility needs, and identify potential disposition candidates.
- DMS provided state government entities with disposition guidelines and held a workshop on January 14, 2011 to assist the agencies in identifying disposition candidates.
- DMS is also developing a template for state government entities to provide facility information on all state-owned facilities by July 1, 2011, as required in s. 216.0152, F.S.

Real Estate Development and Management



Inventory and Disposition Report

- The facility information DMS will collect includes but is not limited to:
 - Facility Address
 - Operating Costs
 - Utilization
 - Deficiencies
- DMS will utilize this information for the October 1, 2011 disposition report, and other strategic analyses, and will be included in the comprehensive database of all state-owned real property being created at DEP.

Real Estate Development and Management



Backlog of Maintenance Items

- Current funding formula provides approximately \$8 million/year for Fixed Capital Outlay projects in the REDM-managed (108) facilities
- \$100 million identified deficiencies
- ADA, life-safety, HVAC and roof replacements are top issues among the identified deficiencies

Division of State Purchasing



- Four primary areas of responsibility
 - State Term Contracts (STC)
 - Governance
 - Training & Certification
 - MyFloridaMarketPlace

Division of State Purchasing



- State Term Contracts
 - Leverage state-wide spend for goods and services that most or all agencies need.
 - Mandatory for executive agencies.
 - Optional for local governments and other entities.
 - Other governmental entities represent the majority of spending on state term contracts.

Division of State Purchasing



- Training & Certification Program
 - Ch. 287.057, Florida Statutes requires
 - Certified negotiators to participate in negotiated contracts with an annual value of \$1 million or more.
 - Certified Project Management Professionals (PMP) to participate in negotiated contracts with an annual value of \$10 million or more.
 - Program offers training and four Florida-specific certifications, and courses to facilitate PMP certification.
- Governance
 - Rulemaking, provide guidance to agencies and local government customers



Division of State Purchasing

- MyFloridaMarketPlace (MFMP)
 - Contract began in 2002 and is an eProcurement system designed to support the State's purchasing requirements.
 - Accenture is the service provider and is responsible for all system design and maintenance, billing and collections services, and customer service support for vendors and buyers.
 - The system is designed to manage spending from purchase-to-payment and provides the needed visibility to conduct a complete spend analysis.
 - System modules include vendor registration and management, purchase requisitions, solicitations, contracts, vendor catalogs, purchase orders, payments and reporting capabilities.
 - Over 140,000 vendors are registered in MFMP
 - Fully integrated with FLAIR to facilitate payment
 - 32 agencies, with 14,500 users are currently utilizing MFMP

Division of State Purchasing



- MyFloridaMarketPlace contract was renewed and price renegotiated.
 - In 2009 the contract was changed from a shared revenue model to a fixed price resulting in cost savings. The contract is fixed at an annual rate of \$14.8M
- MyFloridaMarketPlace contract expires December 8, 2012
- Proviso language included in the FY10/11 General Appropriations Act required a business case before issuing a competitive solicitation

Purchasing Oversight Trust Fund FY 10-11



REVENUES (Projected)

State Term Contract Revenues	\$	19,618,500
Purchasing Card Revenues		4,100,000
TOTAL		23,718,500

EXPENDITURES

State Purchasing		5,318,070
Office of Supplier Diversity		482,528
Motor Pool		375,000
MyFloridaMarketPlace Contract Payment		14,800,000
TOTAL		20,975,598

**PROJECTED REVENUES OVER
EXPENDITURES**

\$ 2,742,902



Division of State Purchasing

- Office and Educational Consumables State Term Contract
Background
 - 3/31/2010: DMS Launched Invitation to Negotiate
 - 5/5/2010: HB 5003, the 2010 implementing bill was passed – Section 23 Required DMS to issue a solicitation for office supplies and award a multiple supplier contract with at least 3 vendors.
 - 8/23/2010: DMS issued Intent to Award
 - Three vendors awarded:
 - Staples - Statewide
 - Office Depot - Statewide
 - Gulf Coast Office Products – Regional (with option to expand Statewide)
 - 10/18/2010: Effective Date of State Term Contract

Division of State Purchasing



- Office and Educational Consumables STC – Auditing:
 - A “third party” audits each vendor’s pricing for contracted items on a monthly and annual basis.
 - Monthly Price Accuracy Audit – Samples a minimum of 570 items displayed on the vendor’s State of Florida portal.
 - Annual Price Accuracy Audit – Samples a minimum of 600 customer invoices.
 - Audits conducted thus far have revealed compliance



Division of State Purchasing

- Office and Educational Consumables STC Cooperative Purchasing Option.
 - Cooperative purchasing option is available to all 3 contractors.
 - Office Depot chose to exercise this contractual right and has done so with the National Intergovernmental Purchasing Alliance (NIPA)
 - 12/8/2010: Amendment I and National IPA Participating Agreement Signed:
 - Amendment I allows for non-contract items to be offered on Office Depot's website with the option for entities to "opt out" and only see contract items
 - DMS opted out for all required users (State Agencies)
 - OEU's have option
 - Participating Agreement with NIPA
 - Allows for the State to collect 10% of administrative fees paid to NIPA from Office Depot which is a 1.8% administrative fee on all revenue generated

Local Government Pension Plans



Local Retirement Systems State Monitoring and Enforcement

- The Division of Retirement monitors all of Florida's local government pension plans for compliance with **Part VII of Chapter 112, F.S.** These pension plans are administered at the local level and may cover either or all of the following groups: police officers, firefighters and / or general or other employees.
- The Division conducts an actuarial review at least once every three years on each of Florida's 489 plans. This review includes determining whether the plan actuary is using acceptable actuarial methods and reasonable assumptions, and whether the required minimum contribution is being deposited timely into the plan.

Local Government Pension Plans



Municipal Police and Fire Pensions: State Monitoring and Enforcement

- In addition to the actuarial reviews, the Division also conducts annual compliance reviews of Florida's municipal police officer and / or firefighter pension plans created pursuant to **Chapters 175 & 185, F.S.**
- The Division reviews each plan's report of financial and statistical activity for the prior year, and reviews any plan changes to make sure they comply with state statute. The plan is evaluated to determine whether the state premium tax moneys are being used as specified by the Legislature.

Local Government Pension Plans



Program funding

- Currently, the local government pension review programs are wholly funded through the interest and investment income derived from the Police and Firefighters' Premium Tax Trust Fund.
- The assets of the Police and Firefighters' Premium Tax Trust Fund are required by law to be invested by the State Board of Administration.



Local Government Pension Plans

Program funding

- All excess earnings that are not expended in administering the review programs are returned to the General Revenue Fund as of June 30 each year. No reserve balance is currently authorized to be maintained to smooth out temporary fluctuations in investment earnings, such as has occurred the past 2 years.
- Prior to fiscal year 09/10, the Trust Fund had always returned excess earnings to General Revenue. The amounts returned were often much higher than the amounts required to maintain the program.

Local Government Pension Plans



Program Funding

- In fiscal years 09/10 and 10/11, the investment earnings in the Trust Fund were insufficient to cover the total expenditures of running the local government pension review programs, despite severe cutbacks in operating expenditures.
- To lower expenses actuarial reviews from external actuaries were cancelled, two staff were moved to other positions in the Division, 1 position is being held vacant and other expenses were cut. Interest earnings were transferred from other trust funds to cover the remaining deficit as authorized by a budget amendment.
- The expectation has been that investment earnings would return to prior levels to avoid future shortfalls, but that has not occurred. DMS no longer has the ability to transfer additional funds in future years if earnings do not improve.



Local Government Pension Plans

Trust Fund historical revenues and expenditures

	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	(estimated) FY 10/11	(estimated) FY 11/12
Net investment earnings	4,567,724	6,132,592	5,439,136	1,522,251	456,004	341,275	585,000
Less: Program operating expenses	(649,151)	(659,356)	(696,758)	(1,554,145)	(936,240)	(761,945)	(1,054,696)
Excess / (deficient) earnings	3,918,573	5,473,236	4,742,378	(31,894)	(480,236)	(420,670)	(469,696)
<u>Intra-DMS transfers to cover deficit:</u>							
State Personnel System TF	-	-	-	-	-	137,358	-
Communications Working Capital TF	-	-	-	-	-	150,000	-
Purchasing Oversight Operating TF	-	-	-	-	478,587	150,000	-
Office of Supplier Diversity Operating TF	-	-	-	-	33,767	-	-
Total intra-DMS transfers	-	-	-	-	512,354	437,358	-

NOTE: In FY 08/09, the Legislature approved a one-time special project for the program that added \$697,400 to that year's expenditures. Excluding that project, the Excess Interest for 08/09 would have been \$665,506.



Local Government Pension Plans

Program Funding

- Growing actuarial review backlog - Section 112.63(4), F.S. requires each local government plan to receive an actuarial review at least once every three years. Due to limited in-house resources, the Department maintains a contract with an external actuary to perform some of the local plan reviews. Budget reductions in fiscal years 09/10 and 10/11, have nearly eliminated all funding for these external reviews, leading to a growing backlog of delinquent reviews.

	FY 09/10	FY 10/11
Scheduled for review	160	190
In-house reviews	(114)	(145)
External reviews	(25)	(4)
Backlog	21	41



Local Government Pension Plans

- DMS proposes the following legislative changes:
 - Clarify the use of moneys retained / returned to the Trust Fund - The statute does not currently specify how the police premium tax moneys will be administered for plans that fail to qualify or are terminated. Currently, these funds are transferred to General Revenue.
 - We propose these funds remain in the Trust Fund for the operation of the program.
 - Provide the Division with authority to withhold the amounts necessary to fund any deficiency if the earnings are inadequate to cover the Division's appropriations.
 - If other sources of funding are insufficient, this amendment would authorize the Division to withhold the necessary amount from the premium tax distributions.



State-owned Aircraft

- On January 5, 2011, Governor Rick Scott directed DMS to sell the two state-owned and operated airplanes.
- Bids for the 2000 King Air 350 and the 2003 Cessna Citation Bravo were accepted netting the state of Florida more than \$560,000 in savings this fiscal year, and eliminating the annual operating and leasing costs of \$2.4 million per year.
- King Air sales Price: \$1,765,000
- Citation Bravo Jet sales price: \$1,900,001