Utah Department of Government Operations

Internal Service Fund Rate Committee

Information Packet for
September 8, 2021
Business Meeting

September 1, 2021

Agenda

September 8, 2021, Business Meeting

Agenda

GovOps FY2023
Internal Service Fund Rate Committee
Business Meeting

DATE: Wednesday, September 8, 2021
TIME: 2:30 PM
PLACE: Google Meet Virtual Meeting – to view or make a comment at the meeting, see notice below

Committee Business:

I. Welcome – Jaceson R. Maughan, Labor Commissioner and 2020 Rate Committee Chair
II. Determination Made Pursuant to Utah Code § 52-4-207
III. Review Meeting Protocols
IV. Jenney Rees, Executive Director, Department of Government Operations
V. Approval of minutes of 2020 Rate Committee meetings
VI. Selection of a New Chair
VII. Open and Public Meetings Act Training –Attorney General's Office
VIII. Discussion and action on Rate Committee administrative rule for Electronic Meetings pursuant to Utah Code § 52-4-207
IX. Adjourn

Subsequent Meetings
Thursday, September 16, 2021, Google Meet virtual meeting, 9:00 a.m.
Wednesday, September 22, 2021 (if necessary), Google Meet virtual meeting, 9:00 a.m.

Committee Members
Jaceson Maughan, Commissioner, Labor Commission
Gary Harter, Executive Director, Department of Veterans and Military Affairs
Kristy Rigby, Deputy Commissioner, Department of Public Safety
Ty Howard, Deputy Director, Department of Environmental Quality
Greg Paras, Deputy Director, Department of Workforce Services
Becky Bradshaw, Comptroller, Department of Transportation
Duncan Evans, Managing Director of Budget & Operations, Governor's Office of Planning and Budget

Notice: The committee chair has made a written determination pursuant to Utah Code §§ 52-4-207(4) and (5) that conducting the meeting with an anchor location presents a substantial risk to the health and safety of those who may be present at an anchor location. Therefore, this meeting will be conducted as an electronic meeting without an anchor location. To view or make a comment at this meeting, **register before 12:00 Noon, September 7, 2021**, using the form at https://docs.google.com/forms/d/e/1FAIpQLSee20o5wFEdU16LRvC6gMT4WRiCxteTjpfjoAuoF13PVOnwvg/viewform?usp=pp_url. A link for the meeting will be provided to those who register.

ADA Notice: In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting must notify Ms. Melissa Brown at the Department of Government Operations, 4315 S 2700 W FL 3, Salt Lake City, Utah 84129-2138, or call 801-957-7171, at least three (3) business days prior to the meeting.

OPMA Written Determination

Department of Government Operations Rate Committee

Written Determination Made Pursuant to Utah Code §§ 52-4-207(5)

I, Jaceson R. Maughan, Chair of the Department of Government Operations (GovOps) Rate Committee (Committee), have determined that the Committee meetings to be held during September 2021 will be held electronically without an anchor location pursuant to Utah Code §§ 52-4-207(5). I make this determination because of substantial risk to the health and safety of those who may be present at an anchor location.

This determination is based on the following facts:

1. Utah is currently dealing with COVID-19 and its variants, which has been determined to be a pandemic. COVID-19 is extremely contagious and can be deadly to those who contract it, especially those of advanced age and underlying health conditions.

2. In recent days, statewide COVID-19 ICU utilization has exceeded 86%, and some hospitals in the Salt Lake metropolitan area have reported ICU utilization at 100%.

3. A vast majority of GovOps staff and the members of the Committee are teleworking to avoid unnecessary contact with others.

4. The meeting rooms available are insufficient to ensure social distancing and reasonably safe accommodation of the Committee, GovOps employees, and the public.

5. The Committee uses an electronic platform which allows interested parties to view the meeting, hear discussions and provide written comment.

This determination expires 30 days from the date it is issued.

Issued this 1st day of September, 2021.

Jaceson R. Maughan

Jaceson R. Maughan
Chair of the Department of Government Operations Rate Committee

2020 ISF Rate Committee Meeting Minutes

For the meetings held:

August 26, 2020
Department of Human Resource Management

September 9, 2020
Department of Administrative Services

September 21, 2020
Department of Technology Services

Internal Service Fund Rate Review Committee Meeting Minutes
Department of Human Resource Management
9:30 a.m. August 26, 2020
Virtual Via Google Hangouts
To Join, Please dial **1 617-675-4444 PIN: 106 426 821 5241#**

AGENDA

1. Open DHRM Rate Committee: Paul Garver
    a. DHRM members introduction
        i. Paul Garver. Executive Director
        ii. Jeff Mulitalo, Deputy Director
        iii. Mysti Miskimins, Finance Director
        iv. Traci Graft, Executive Assistant
    b. Appoint Chair for FY2022
        i. Sal Petilos nominated Gary Harter, VA, as Chair for the FY22 Rate Committee Meeting
        ii. Jaceson Maughan 2nd the nomination
            1. no objections
        iii. Gary Harter has been appointed as the Chair for FY22 Rate Committee Meeting

2. Business
    a. Introduction of Committee Members
        i. Sal Petilos - Executive Director, DABC
        ii. Kristy Rigby - Deputy Commissioner, DPS
            1. Attending on behalf of Commissioner Jes Anderson
        iii. Jaceson - Commissioner, Labor Commission
        iv. Nate Talley - GOMB
        v. Logan Wilde - Commissioner, UDAF
        vi. Darin Bird - Deputy Director, DNR
            1. Attending on behalf of Brian Steed, Executive Director
    b. Appoint FY23 Committee Chair - to be voted on by Committee Members
        i. Gary Harter motioned Sal Petilos, Executive Director, DABC, to be the Chair for the FY2023 ISF Rate Committee Meeting
        ii. Commissioner Logan Wilde second the motion
        iii. All Committee Members were in favor
        iv. Sal Petilos will be the Committee Chair for the FY23 ISF Rate Committee Meeting
    c. Open and Public Meeting Act training - Committee Chair
        i. Open and Public Meeting Act Training completed

1. Chair Harter will draft a statement about being unable to have an anchor location due to the pandemic

d. Approve minutes from FY21 DHRM Rate Committee
   i. Motion to approve by Nate Talley, GOMB
   ii. Second by Sal Petilos, DABC
   iii. All in favor of approving minutes for FY21 meeting

3. Presentation by DHRM Internal Service Fund
   a. Human Resource Services and Payroll Services - Paul Garver, Executive Director, DHRM: Mysti Miskimins, Finance Director, DHRM
      i. Presentation
         1. Key FY21 DHRM Objectives
            a. Utah Works
            b. Utah Manager Excellence Training
            c. Recruitment Applicant Tracking System Value Enhancement
            d. HR IT Tool Improvements
               i. Budget impacts due to COVID-19 may delay the IT Improvements
            e. Classification Process Review
            f. DHRM Internal Training
         2. DHRM Staffing to FTE Ratio
            a. DHRM has been able to maintain a steady FTE count.
               i. Approximately 200 state employees to 1 DHRM employee
               ii. Sal Petilos, DABC, asked what the trigger was to move above our current FTE count
                  1. Paul Garver, DHRM, responded that we will maintain the FTE ratio as long as we are able to get the work done, and make sure our satisfaction rates continue to be above 80%. Our goal is to remain at 80-90%
         3. DHRM Customer Satisfaction Rate
            a. Satisfaction rate has been above 85% since we began satisfaction surveys
         4. Rate History
            a. DHRM is not proposing a rate change for the fourth year in a row
            b. Mysti Miskimins spoke about the financial impacts for FY2022
               i. Due to COVID-19, DHRM has decided to keep the rates the same as last year
               ii. 2018 and 2019 DHRM had high retained earnings that we were able to deplete. We are in a better

position with the retained earnings now, however, keeping rates the same will result in DHRM needing to use our retained earnings for expenses

iii. There is a potential for our revenue to be even lower because we are funded off of FTE counts. If FTE's counts in agencies decrease, our funding also decreases

iv. Gary Harter asked about our goal for Operating Capital
    1. DHRM's goal is to always have 30 days of Operating Capital

v. Commissioner Logan Wilde asked if DHRM has a recommendation where we would not want to cross on the Operating Capital?
    1. Satisfied with a retained earnings of $900,000. If we went below $500,000 DHRM would not be comfortable
    2. Would look at increasing our Core System Rates if we were too low on retained earnings

vi. Does DHRM have a plan if we go too low with retained fundings?
    1. DHRM does have actions in place that we can take if we need to have more of a budget cut
    2. Could DHRM have a mid year rate review if it is needed so DHRM could increase their rates if Operating Capital gets too low?
        a. Would have to discuss with policy makers
            i. Staff decrease, or;
            ii. Rate Increase

vii. Nate Talley states that the rate committee shall meet at least once a year to discuss performance and rates. This should allow us to come back to discuss rates again with the possibility of increasing rates

viii. Proposed ISF Rates
    1. HR Services
        a. $740/FTE
    2. Payroll
        a. $54/FTE
    3. Core HR
        a. $12

i. This rate goes into our Core IT rates. This may be the area where increases occur in the future

4. Varying Feed
    a. Consulting Services
        i. $50/hour
    b. Fixed Course Fee
        i. $750/course
    c. Other Training Fee
        i. $25/FTE

ii. Discussion
    1. Committee
        a. No further comments
    2. Public
        a. No Comments

iii. Committee Action
    1. Gary Harter entertained a motion to approve the FY2022 rates
    2. Sal Petilos made the motion to approve FY22 rates for DHRm
    3. Jaceson Maughan second the motion
    4. All approved unanimously

b. Motion to Adjourn
    i. Nate Talley motioned to adjourn the meeting
    ii. Commissioner Wilde Second motion
    iii. All in favor

4. Adjourn

PENDING MINUTES

These minutes are not yet approved and subject to change until approved by the DAS Rate Committee

Department of Administrative Services (DAS) Rate Committee Meeting

Virtual Location
September 9, 2020, 9 AM

NOTE: Information about this meeting, including handouts and the audio recording, is posted online at https://www.utah.gov/pmn/sitemap/notice/625493.html

Committee Member Attendees: Richard Amon, Chief Financial Officer, Utah System of Higher Education; Mark Brasher, Deputy Director, Department of Human Services; Joseph Brown, Division Director, Department of Public Safety; Todd Kiser, Commissioner, Department of Insurance; Jaceson Maughan, Commissioner, Labor Commission; Chris Parker, Executive Director, Department of Commerce; and Richie Wilcox, Budget and Financial Operations Specialist, Governor's Office of Management and Budget

Attendees: Amy Davis, Brad Foley, Brian Nelson, Chris Hughes, Craig Silotti, Dale Jorgensen, Danny Schoenfeld, Darin Dennis, Dave Williams, Heidi Reily, Ivan Djambov, Jake Hennessy, Jason Marden, Jim Russell, Kamron Dalton, Kathy Carling, Ken Hansen, Kori Ann Edwards, Marilee Richins, Mark Yeschick, Matt Tuttle, Michael Jones, Michelle Brown, Nick Radulovich, Pat Gillians, Robert Muir, Scott Whitney, Shuai Wang, Stephanie Martin, Stewart Cowley, Tani Downing, and Xochiati Thomas

Welcome and Committee Business

Commissioner Todd Kiser began the meeting by saying that he is retiring on September 30, 2020. He then introduced the Committee members including Rich Amon, Chris Parker, Mark Brasher, Joe Brown, Jaceson Maughan, and Richie Wilcox.

Commissioner Kiser read a declaration, issued pursuant to Utah Code § 52-4-207, regarding the meeting being held virtually due to the pandemic.

MOTION: Commissioner Kiser asked for nominations from the Committee for a new chair. Mr. Brasher put forth a motion to nominate Commissioner Maughan as the new chair, it was seconded by Mr. Brown and the motion was approved by the Committee.

The Commissioner again thanked the group and turned the meeting over to the new Chair Jaceson Maughan.

MOTION: Chair Maughan then asked for a motion to approve the minutes from last year's meeting. Mr. Parker made a motion to approve the minutes from the September 2019 meeting. Mr. Brasher seconded the motion. The committee unanimously approved the minutes from the September 11, 2019 meeting.

Open and Public Meetings Training

(Refer to 11:16 of the recording) Paul Tonks from the Attorney General's Office provided the required Open and Public Meetings Act training for the Committee.

Meeting Protocols

(Refer to 22:55 of the recording) Chair Maughan ask that individuals attending the meeting mute microphones, and turn off cameras. He asked that individuals turn on their camera if they wish to speak. Committee members must have their camera turned on to vote.

DAS Overview and Rate Committee Responsibilities

(Refer to 23:57 of the recording) Ken Hansen, Deputy Director, Department of Administrative Services, again thanked the Committee members and those attending. He also thanked all of the Divisions for their hard work. Mr. Hansen explained that the Department of Administrative Services provides services to other state agencies. If a service is provided by an Internal Service Fund (ISF) program, those rates must be presented to the DAS Rate Committee. The committee then recommends rates to the Governor's Office of Management and Budget, and the Legislature.

Division of Finance

Purchasing Card Program

(Refer to 28:06 of the recording) Janica Gines, Assistant Director, Division of Finance provided an overview of the Purchasing Card program which is administered by Finance. Ms. Gines thanked Cory Weeks and Matt Jenkins for their work on this program. The Purchasing Card program is funded through a rebate that DAS receives from US Bank. In 2019, state agencies spent $33.4M through the Purchasing Card program. This is an increase from the previous year. The net rebate was $351,920. The rebate is allocated to State agencies and local government entities that use the cards, and the Federal government.

Mr. Parker asked why we are paying a rebate to the Feds. Ms. Gines explained that Finance must pay a proportionate amount of the rebate based on federal funds spent.

In FY18 the rebate was not paid out until early FY19. FY21 will be paying out some of the retained earnings so that there will be no excess retained earnings. There are no rates charged for the program and no recommendations were made to adjust the rate. It was asked that the Committee approve the existing rate. Chair Maughan asked for any questions or discussion from the Committee and then asked for questions from the public regarding the Purchasing Card program. There were none.

MOTION: Mr. Parker made a motion to approve the existing rate for the Purchasing Card program, Mr. Brown seconded the motion, the motion carried and the committee unanimously approved the existing Finance Purchasing Card rate.

Division of Purchasing and General Services

(Refer to 35:29 of the recording) Christopher Hughes, Director, Division of Purchasing and General Services, explained that there are four programs that charge rates within the Division: Cooperative Contracting, State Mail and Distribution Services, Surplus Property, and Print Services.

Cooperative Contracts Program

There were over 1,300 requisition cut in FY20. There are over 1,300 state cooperative contracts that help state agencies with their purchasing and these contracts have some of the best pricing in the nation. All contracts are compliant with the Utah Procurement Code. There was almost $700M in total spending with the cooperative contracts. State agencies spent $218M using cooperative contracts, other entities that voluntarily use our contracts spent $479M.

Mr. Parker asked if the discount is a discount off the manufacture suggested pricing or off of the prevailing market pricing. Mr. Hughes said it is the MSRP discount and differs from contract to contract. Cooperative Contracting does try to be uniform but each vendor is different. Mr. Parker asked about overall how does the pricing compare to a vendor like Amazon. Mr. Parker provided an example that state contracts aren't always cheaper for agencies to use. Mr. Hughes said that we do see that and we do have Amazon on contract but it's the ease of using them vs pricing that agencies tend to use them. Some agencies do shop sales but our contracts are negotiated so that the State is protected on the items being purchased and we are receiving warranties as well. Mr. Brasher said that what they find with pricing is smaller items, i.e. furniture, keyboards, etc. they can get cheaper prices. Mr. Brasher asked if there was another vendor that provides these items, they were not allowed to use Amazon for these purchases. Is he mistaken in that assumption? Mr. Hughes said that Amazon is seen as a cooperative contract and can be used as agencies see fit.

Mr. Hughes said that there is a 1% administrative fee, but Purchasing does not always charge 1%. The average administrative fee paid by the vendors is 0.39%, which is significantly lower than the national average. Mr. Hughes reviewed the retained earnings which does have a higher than normal balance which is needed to keep the cooperative contract program functioning should there be another economic downturn. Purchasing also helps many state agencies with their RFP processes. There is monthly and quarterly training for purchasing staff which is free of charge. Purchasing also does site visits for agencies and does not charge for this or it's website. A higher retained earnings balance provide stability with the State's procurement system. As we've recently seen with budget cuts many of the procurement professionals are the first positions to be cut. Purchasing is not recommending a rate change for the cooperative contract program.

State and Federal Surplus Property Programs

The Surplus Property program is also part of the Purchasing and General Services Division. The State and Federal surplus property program returned over $4M to state agencies, saved law enforcement agencies over $2M and saved Utah governmental entities over $1.7M through the Federal Donation Program. Mr. Hughes then reviewed the retained earnings. He mentioned that the Surplus Property Program need to move its physical location. The federal surplus program is running better and we need to get that portion of the program's retained earnings to a higher level and we should be able to do that in the next year. The retained earnings have been higher than usual because of the need to move. Surplus is currently located at the Utah State prison property and will be moving. Surplus Property will be working with the Division of Facilities and Construction Management regarding potential property located near the Taylorsville State Office Building. It is possible that Surplus could move to that location. Purchasing and General Services is not recommending any rate changes for the Surplus Property programs.

Print Services Program
The State Print Services program allows for state agencies to lease copiers for 48 months. The program had nearly 53 million impressions made during FY20 and there are over 1000 copiers in the program. Copiers in this program have on average a two year longer lifecycle than other copiers. The maintenance program helps with this and the program does not charge an interest rate for this. There is a nominal rate of .004 for each impression which allows for the program to be maintained. Another part of the program is the Xerox state copy center; this program has been very beneficial getting jobs done quickly. There is still a need for this program even with many agencies moving towards a more electronic approach. Purchasing and General Services is not recommending any rate changes for the Print Services program

State Mail and Distribution Services Program
The State Mail program processed over 20 million pieces of mail in FY20 with a cost avoidance of over $1.9M for processing mail for the United States Postal Service (USPS). The State Mail program gets a $0.13 discount on all postage purchased. The program also provided over 68 million billable production tasks anything that is needed to get something mailed or sent via USPS, FedEx and UPS. Mail is still being processed and it is still functioning during the pandemic. There has been an increase in the program processing mail. Purchasing and General Services is not recommending any rate changes for the State Mail and Distribution Services program.

Mr. Hughes asked the Committee to approve all Purchasing and General Services existing rates.

Chair Maughan asked for questions from the Committee. Mr. Parker asked how the State Mail program is compensated? Does the discount that we get over the published USPS rate provide for all of the administrative expense or is there an above market postage rate for the postage? Mr. Hughes said that it is a pass-through expense so State Mail tries to forecast what postage is needed and purchase it at the discounted rate. This is then passed on to the agencies without a mark-up. Mr. Hughes explained how State Mail functions is through the billable tasks and the courier service fees which are charged to state agencies. The billable production tasks are services billed for. Mr. Parker said that for an agency that is doesn't send out a lot of mail or do bulk mailings would it be cheaper using regular rates from USPS than using State Mail? Mr. Hughes said he'd have to look at each instance to make that determination, but if there is a savings from USPS then yes it would still be cheaper. If an agency is using the most commonly utilized tasks there would still be a savings on each piece of mail and there is still a savings even if an agency is using the program nominally. Mr. Parker also asked in aggregate the amount that is saved on postage how does that compare to the administrative expenses of running the program? Mr. Hughes said that he would need to look at the exact cost running State Mail. There are still agencies using the services because they have staff going into the building. This includes cities and counties as well. They have looked at privatizing but State Mail provides a competitive rate compared to local vendors. There some agencies that do not want to go outside of State Mail to mail information.

Mr. Brasher asked that for the last few years that mail has increased is that interoffice or postal mail? Mr. Hughes said that the inter office mail is not tracked and this is part of the courier service, but mail sent by state agencies has increased but mail usage but it has gone down some in FY20. Mr. Brasher said there will come a time when the services aren't really needed because there are more electronic ways to send items. Mr. Hughes said there is no plan to stop State Mail and interoffice mail will be picked up and delivered. Some agencies want service five days per week some want one day per week. There is no requirement to use State Mail and there are some agencies that don't want to use State Mail due to COVID-19 (these are being tracked) but State Mail is ensuring that mail is being delivered for those entities somewhere. We do monitor where State Mail isn't viable but don't see the service going away.

Mr. Amon expressed his appreciation to Purchasing from Higher Education. Purchasing provides great service and are great partners. Mr. Hughes mentioned that Purchasing has relationships with many municipalities, school districts and universities. Chair Maughan asked for any further questions from the Committee and there were none.

Chair Maughan then asked for comments or questions from the public. There were none.

MOTION: Chair Maughan asked for the motion to approve existing rates for Purchasing and General Services. Commissioner Kiser made a motion to approve the existing rates for Purchasing and General Services, including Cooperative Contracts, State Surplus, State Mail and Print Services. Mr. Wilcox seconded the motion. The Committee unanimously approved the Purchasing and General Services existing rates.

Division of Facilities and Construction Management

Facilities Management Program

(Refer to 1:01:19 of the recording) Nick Radulovich, Assistant Director, Division of Facilities and Construction Management (DFCM), explained that DFCM provides facilities management services to state agency subscribers. The services include preventative and corrective maintenance, grounds care, energy management, contract management and accounting services. There are 156 current full-time employees in the Division. Management and maintenance services are provided to over 200 state owned and leased buildings. For FY21 there is $36M in adjusted revenue and the Division manages over eight million square feet of space. Mr. Radulovich then reviewed the program efficiencies which include maintenance costs below the national average, regionalized management groups, energy efficiencies are obtained by optimizing the operating schedules based on reduced utility usage, and a combination of internal and private sector resources provide cost effective services, i.e. elevator and janitorial services are outsourced. Mr. Radulovich provided the cost per square foot for private sector buildings in the US and Utah along with federal government buildings compared to DFCM buildings state wide. He also reviewed the retained earnings, there is a small dip in FY22. Mr. Radulovich acknowledged our management staff and how they have been able to handle many issues including COVID-19 and the earthquake and the recent windstorm.

Mr. Radulovich then gave an overview of the rate recommendations for the 20 properties/programs with rate increases for FY22. The Taylorsville State Office Building (TSOB) is looking at a proposed new rate of $7.11 per square foot. He said that there are several tenants that will be moving into the TSOB including the Courts, Department of Technology Services, Department of Human Resource Management, Division of Emergency Management (DPS), Insurance Commission, the Department of Agriculture and Food, Department of Administrative Services and there is some unoccupied space. The agencies are coming with current operation and maintenance (O&M) when they move in along with agencies that will have expiring leases. Mr. Wilcox asked if the current number isn't including the O&M. Mr. Radulovich said that is correct that money isn't included. Mr. Wilcox asked if there was an estimate for that funding. Mr. Radulovich said that they will be discussing around $800,000 with the Capitol Preservation Board, the Department of Agriculture and Food would be bringing in about $365,000, the Courts would be bringing in $154,000 and anything from the lease space we don't currently know about.

Mr. Wilcox then asked how long before the funds would be brought in. Mr. Radulovich said that it should come in during FY22. Tani Downing, Executive Director, Department of Administrative Services, also said that the O&M from the State Office Building will need to stay there as long as the building is not demolished. A decision regarding demolition has not yet been made. Ms. Downing also explained that normally O&M would follow the entity when they move, but O&M was not sent when DAS moved into the TSOB. Ms. Downing said that is why it's included now instead of later, because it's not known when we'll get the remaining O&M and that is why the total amount in included.

Mr. Wilcox also asked if the funds will be brought in FY21 to help offset? Mr. Radulovich said there is none in FY21. Jim Russell, Director, Division of Facilities and Construction Management said that we would need O&M, the O&M is being covered by the rental revenue from American Express the former owner of the building so we retained those earnings. We will need to supplement the funding from our construction. Mr. Russell said that for FY22 decisions need to be made, including do we get new funding or transfer funding? He said the unoccupied space would then be charged an O&M rate. The only way there would be new funding requested would be if they keep the SOB funding in place and supplement the funding. Mr. Russell explained that DFCM does not have funding for the third phase of the TSOB, so the Courts will not move unless funding is approved. DFCM is hoping to be able to move them in summer of next year. The unoccupied space tenants would bring their O&M with them.

Mr. Wilcox asked assuming that the SOB O&M comes over there would be no new costs? Mr. Russell said that would be correct. Mr. Wilcox asked if we know when most of the agencies are coming over? Mr. Russell said that most will come in FY21 and the summer of FY22. Mr. Wilcox asked if the full $2.9M is need if it will be offset when the agencies move over. Mr. Russell said that a lot of the questions will have to be answered by the Legislature, this information is just to represent the cost and the rate that is being projected.

Mr. Parker asked what are the main drivers for these increases. Other state agencies are facing budget cuts what is DFCM doing to find savings and efficiencies? Mr. Radulovich said that we operate with our electronic resource group to reduce utility costs through occupancy levels, also we look at the private janitorial firms by looking for reduction or days of service. With COVID-19 we've had to increase some cleaning of hard surfaces but reduced other services within the building like trash removal and vacuuming. We also look at building run times, staffing and inventory of supplies for maintenance and equipment. Mr. Radulovich said the cost of supplies and labor are going up due to the current situation.

Mr. Parker asked when you will see energy savings from the buildings and reduction in building use from COVID-19, i.e. lower energy costs and wear and tear on buildings. Mr. Radulovich said they will look for areas of improvement on projects like painting and flooring using retained earnings and work with the agencies on this.

Mr. Brasher asked about the largest state lease that DHS has, there are tenant improvement issues with moving to the TSOB around $4-6M, this is beyond the means of the agency to move there. How would this be managed and how would it affect the O&M? Mr. Russell said that phase 3 funding has been pulled back, we're hoping to get that funding restored possibly this year so that would pay for tenant improvements, with the purchase of the building we included the cost to completely remodel the entire building. This wouldn't be put on the agency to come up with tenant improvement funds. Mr. Russell said that janitorial costs have not really gone up because we've moved services around, spending more time on touch points. He also said that energy costs, the building board has a larger fund for this, there are several projects slated for this including looking at projects that we can get a quick pay back and reduce costs. We have the State building efficiency groups are looking at this.

Mr. Brasher also asked if they are able to move to the TSOB and have large amounts of federal funding. If the federal funds are used then they would feel they had an interest in this project. The participating rate is 66% of federal funds so are they using any federal funds? Mr. Russell said there is no federal funds for O&M and we'll need to have a conversation regarding this offline. Mr. Brasher asked that DFCM keep that information in mind as discussions are being held.

Mr. Amon said that the rate for the SOB $2.9M, what about the agencies that transfer the O&M, is there a rate to decrease this for FY22? Mr. Radulovich said that for the Department of Agriculture and Food it would be proposed to move them into the TSOB and use retained earnings that can be used to operate that site. In regards to the SOB, they are still looking at keeping that site in operation during FY22. Mr. Russell asked what Mr. Amon meant by a decrease. Mr. Amon said that the decrease would be if the Department of Agriculture and Food moves their building would get demolished, so there would be an elimination of that rate for the Agriculture and Food building by moving to the TSOB and be included in the $2.9M. Mr. Russell said we aren't requesting new funds. Mr. Amon said this is about the existing rate. Mr. Radulovich said that these funds would be moved to the TSOB but there is not a decrease. The funds for the Department of Agriculture and Food would move to the TSOB, there is currently a rate for FY21 for the building but there is not a rate for FY22.

Mr. Brown said that most of his questions have been answered, but asked for clarification of the $2.9M for the TSOB. Is DFCM asking to be able to charge agencies coming in? We don't know the funding mix at the time but leave that to the Governor's Office and the Legislature. Mr. Radulovich said that is correct. Mr. Brown said you have $500K of unaffiliated so we don't know how this will be funded. Mr. Radulovich said that they will probably be back next year to discuss this again. Mr. Wilcox said that the O&M for the buildings that are moving over, the offset is not included in the new DFCM request? Mr. Radulovich said that was correct.

Mr. Radulovich then moved on to the other 19 facilities that are looking at rate increases. The more seasoned buildings which are five years and older will need new service contracts, inflation because the last rate increase was many years ago. There is a proposed $54K increase. Mr. Radulovich said that some facilities have a scope change, one property was turned over for storage and office space but that project didn't move forward so there was an increase for that program. The Heber Wells building's last increase was FY19. Since then, there have been a lot of issues including, flooding, elevator contract increases, insurance increases and the earthquake.

Mr. Radulovich said there are three new projects coming on line, two Department of Alcoholic Beverage Control stores and one Veteran's Administration home in Salt Lake City. This would be $144,708 increase.

Mr. Radulovich asked for the Committee to approve the 20 programs, the three scope changes and the other existing rates from House Bill 8 (2020).

Chair Maughan asked if there were any other questions from the Committee. Mr. Brown said that they also have a federally funded agency moving over but if federal funds are paying for O&M for TSOB but they didn't pay for them at the SOB. This could be looked at as supplanting federal funds. Mr. Brasher said that the lease they are paying for is federal funds and no supplanting for the Department of Human Services. This could complicate things for others.

Mr. Brasher said that they don't envy DFCM but Human Services is getting pressure to mandate more telework. Mr. Brasher said this is going to complicate issues so not sure how this will move forward. He mentioned other complicating issues are space standards and COVID-19. We need to work together on this because the Legislature is already counting the savings for this and that isn't going to happen overnight. Mr. Brasher said that he was very appreciative of the work that DFCM is doing. Mr. Russell said that he appreciated Mr. Brasher's comments. Mr. Russell said that they are trying to get support for the space utilization fund and how space usage will be changing. They are still working on the state-wide master plan. Mr. Wilcox asked that a caveat be put in the motion for a better understanding of the $2.9M request for the timeline that DFCM will have for agencies moving in to the TSOB. Commissioner Kiser said that he felt that DAS will already do this. He said that the greater concern is that the Legislature will fund this, but if they don't fund then it puts stress on the agencies to come up with funds. Ms. Downing said that the Legislature didn't fund the rate several years ago and they asked the ISF to come up with ways to cover the rate. She said that there are concerns regarding this. We need to include this so that they remember that funding is needed for the TSOB. However, the Legislature wants to do this, we just need the funds to be able to function. Chair Maughan asked if there were any further questions from the Committee and there was none.

Chair Maughan asked if there were questions or comments from the public. There were no comments or questions.

MOTION: Chair Maughan asked for a motion to approve the DFCM rates. Mr. Wilcox made a motion to approve the DAS recommended rates for the DFCM ISF with the understanding that the TSOB rate will be adjusted as agencies move over and the SOB O&M. Mr. Amon said that he didn't feel that this was the right motion. He said that we need to approve the rate and then have DFCM look at the impacts. Mr. Wilcox said that the $2.9M is new funds but will be offset in FY22, if we fund the full amount there would be more than is needed. Mr. Amon said the rate is for running the building which we're voting on and the rate impact is how it's funded that will need to be impacted. Mr. Russell said that they still have to go to the Governor's Office and the Legislature for the rate to be transferred and finalize it and the impact does need to be looked at and figure out where all the dollars are coming from. Mr. Brasher asked about the unoccupied space if the Department of Human Services was able to move to the TSOB will that reduce some of the cost, the O&M would be the same if the tenant improvement is funded. Mr. Radulovich said this is correct. Mr. Russell said it would be beneficial but if the building if not completely occupied then there would be some offset if the space is unoccupied so if the space can be finished and occupied that would help. Chair Maughan asked that Mr. Wilcox amend his motion. Mr. Wilcox amended his motion to approve the DAS recommended actions for the DFCM ISF rates for FY22, Mr. Amon seconded the motion and the motion carried unanimously.

Division of Risk Management

(Refer to 1:55:09 of the recording) Brian Nelson, Director, Division of Risk Management, thanked Darin Dennis and Brian Jensen for their help with the rate committee presentation. Mr. Nelson mentioned they have broad lines of coverage and a huge portfolio and there is a lot going on. Risk Management purchases excess liability and property insurance to help protect taxpayer money in the Risk Fund and pay the large losses they experience. FY2021 has been a challenge in that respect, and they are experiencing a very hard market with insurance these days, which hasn't been seen since the mid 80's, and it is affecting their renewal and their premiums in the excess lines.

Liability Program

Mr. Nelson thanked the Committee for their help in getting where the Division need to get in terms of their Liability Fund reserves. Mr. Nelson indicated that at the end of FY20 they were in the positive—over $2M. That's been a result of the rates the Division has been able to charge and the funds they've been able to transfer with the permission of the Legislature. The Division of Risk Management is asking for a 0.3% increase overall in liability premiums. This is a huge departure and drop from what they've had to do in years past. Mr. Nelson said that social inflation is driving up the costs of the excess liability premiums, more so than their loss experience, and underwriters are looking at this, expecting the State of Utah to follow suit with other states and municipalities. Mr. Nelson addressed the claims in excess of $500,000 that have been experienced by the Risk Fund since 2012, and mentioned that the underwriters have found this almost unbelievable. Utah is still not a litigious state, but it is experiencing more, higher verdicts/outcomes. FY2019 was an anomaly due to the McClusky case, which is ongoing. Mr. Nelson mentioned that as a result Risk Management had a difficult excess liability renewal and had to change its structure to be able to afford the coverage needed. The Division has had significant increases in the SIR (self-insured retention). There has been a significant per claim limit decrease, an annual aggregate decrease which was significant, and there was an increase in premium of about $200K. They did go forward with the renewal, which cost $862K in premium. They were impelled to purchase excess liability re-insurance for the first time in the history of the Fund to maintain the per claim and aggregate limits that the State has had, which were really helpful, given where they are this year with some significant claims. Mr. Nelson mentioned that the retained earnings experience is improving and things are moving in the proper direction. They are looking at all of their programs now. In the context of liability, they are looking at excess liability reinsurance for the first time, and they are looking at captives. They are also looking at purchasing excess liability for different groupings of their covered entities because their portfolio is so large. Mr. Nelson added that Utah's Risk Fund is one of the few that includes school districts, and that presents challenges in underwriting.

Property Program

The State of Utah has a current total insured property value of $39B. This program is increasing and is getting a bigger premium hit this year. Overall, they are asking for a premium increase of 27.8%, with a significant percentage increase for the independent agencies, though with relatively smaller dollar amounts, and with the largest increase going to higher education. Mr. Nelson asked that the University of Utah's premium be adjusted downward by $1M—from $6.4M down to $5.4M. This ask is responding to changes that have been made by the actuary with premium allocation based upon loss experience. Mr. Nelson felt this was an equitable and appropriate action to take, inasmuch as the University's premium in the current year was $3.5M and would otherwise result in an increase of almost $3M. He added that the University of Utah pays a higher premium than most universities and all other covered entities in the program, which makes premiums more affordable for all covered entities. This reduction will be evaluated appropriately at the end of the current fiscal year. Mr. Nelson said regarding renewals the hard market conditions are causing some of the premium increases, as are their property losses, including two fires (Union Middle School and SLCC ATC) and the earthquake losses (estimated $50M), which resulted in an estimated $72M in total property losses for FY21, which figured into the underwriting of the Property Program and the premium increase from $11.7M to $16.5M. Mr. Nelson added that the SLCC ATC fire builders risk loss caused the renewal premium to increase over $861K. Both the hard market and the Fund's loss experience have been unprecedented.

Mr. Parker asked at what point do some of the insurance products we purchase no longer become economical and, rather than paying increased rates for less coverage, we start to self-insure for more and more things. What does the calculus look like for the Legislature and the Rate Committee? Mr. Nelson said that for liability, they don't think it makes sense to continue the way they are going. They are looking at other options including reinsurance and self-insurance through a captive. Mr. Nelson mentioned there aren't many insurance carriers that will take a portfolio that is as large as the State's. They will be reporting on the changes they need to make next year and are already meeting with their broker and experts in the insurance industry to look at what they need to do, because they are experiencing increases in liability losses. As to the Property Program, Mr. Nelson indicated they have $525M in earthquake coverage, and that catastrophic loss coverage really drives the premiums for the program. Mr. Nelson explained that there would be a reduction in premium if they decided to self-insure for earthquake losses, and they asked how can they could save money for the state? Mr. Nelson said that their brokers principally suggested that the State change its earthquake deductible or self-insured retention (SIR) from $1M per occurrence to a catastrophic SIR, which is very common across the country and is a percentage of the unit value properties that are damaged, with some minimums and maximums. They opted for that change, which saved $2m in premiums. Risk Management also looked at reducing earthquake limits and the property program SIR, which is still $1M. If they had reduced the earthquake limit from $525M to $475M, it would have saved the State $250K in premium. If they had dropped the limits to $400M, it would have saved $550K. If they had dropped the limits to $250M, they would have saved $2M to $2.5M. If they had dropped the limits to $100M, they would have saved $3.5M to $4.5M. If they had dropped the quake limits to $50M, they would have saved about $5.5M. Mr. Nelson added that the insurance industry and their brokers recommend that, because of the total of our assets ($39B), they should have earthquake limits of $1.2B. Earthquake coverage for the State is now limited to $525M, augmented by a parametric quake policy with $50M limits. As this is looked at from brokers and others in the insurance industry, we are basically underinsured. Mr. Nelson said that other similarly situated states, like Oregon and Washington, don't have earthquake insurance, and they don't insure some of their bigger buildings like their State Capitol building. Their programs assume that their legislature would just fund any damages to those structures. The state's buildings are now exposed in a way that they haven't been because they no longer have a $1m per occurrence SIR on the earthquake coverage. Had the current structure been in place during the March 2020 earthquake, with over $59M in damage, Risk Management would have had to pay the maximum of $25M. They looked at ways to save. They now need to have $25M available to pay if there is a more severe quake than a 5.8. They are looking at this issue of premium and coverage return very hard. Mr. Nelson solicited input from the Committee on the perspective of purchasing stop loss insurance to protect taxpayer dollars in the event of a big loss. Mr. Nelson expressed appreciation for FEMA and what they can do but indicated they aren't the fastest at addressing large losses. FEMA is still adjusting some of the losses from the Northridge, California, earthquake that occurred decades ago. Mr. Nelson added that their position is to be as self-sufficient as possible and be prudent with the expenditure of resources, which is why they retained the $525M quake limits, as opposed to the $1.2B, but they still have the insurance available to respond promptly to significant losses that occur.

Mr. Parker expressed his understanding that the changes being made to the earthquake policy have the effect of diminishing the value of the earthquake policy on the small to moderate earthquake, while providing premium savings on a large earthquake loss. So, what we're doing as a state to really protect ourselves, to hedge against those catastrophic losses, the product has gotten better for us in some ways in that respect, but if what we're trying to do is smooth expenses across even small to moderate earthquakes, it's gotten worse in doing that. Is that fair? Mr. Nelson indicated that Mr. Parker's characterization was accurate and that there are tradeoffs whenever these programs are looked at—if you're saving money somewhere, you're giving somewhere else. Mr. Parker expressed his perspective that insurance can be a lot of different things, and with the State as conservative as it is generally, and with the bonding capacity and fiscal capacity to respond to many different types of emergencies without too much pain, his personal philosophy would be to err on the side of protecting against catastrophic losses but not to throw loads of money at sort of the stabilizing types of insurance products that might hedge against smaller losses, which is a personal theory that may be a bad idea when broader policy makers look at it. Commissioner Kiser said that it's tempting to look at self-insurance and say I'll save this much money until there is a loss. He mentioned that he was recently on an airplane with a Utah policy holder who started a captive company, was self-insured, had a $125K loss, and was bemoaning the fact that he was self-insured and had to pay the $125K loss, which he wouldn't have had to pay had he retained his insurance policy. He added that our total exposure is in excess of $39B and there is $525M of insurance, so we are horribly underinsured. If we have a large catastrophic loss, the quake that we talk about that may be a 7.2, a large catastrophic loss, we can't even begin to have enough insurance to cover what would be needed. He expressed his disfavor with going to a 2% minimum and opined that the state should raise its limit which is what is being recommended at $1.2B. Even then, with $39B in assets, he added we are still underinsured. If a large earthquake occurs, this is a no-win situation and we are horribly underinsured. Commissioner Kiser indicated that we came out of this last Magna earthquake looking really pretty. He was shocked when Mr. Nelson reviewed the numbers with him—almost all of it was completely covered. He was shocked because we had a high enough rate and not very much damage. But if that big earthquake comes, we are not insured for the big one.

Mr. Nelson indicated that Risk Management did price out what it would cost to get to the $1.2B of limits, and it would actually double the premium, from about $16M to $32M. Those are the analyses and looks they go through to see what makes sense economically. He said that they recognize they're under-insured. They would rather have the $1.2B of limits and that is the direction they are heading, and they intend to go there, but this climate isn't ready for that discussion at the moment, given the economy and other budgetary issues with the pandemic. It's not a lost item for Risk Management's agenda, because they agree they are underinsured for a 7.2 earthquake, but they have more buildings that are up to code and earthquake-resistant, including the State Capitol, which alone is valued at just around $500M. Even the Rainy-Day Fund, if it's close to $500M, doesn't touch the insured values of state buildings. It's an ongoing significant challenge for Risk Management, and in working with their brokers they believe they've arrived at somewhat of a sweet spot; although, they're not happy that they're having to make this change to reduce premium, but it seems to make sense, and they have $22M in reserves in their Property Program. They want to get it up to $25M and put it in a captive, and have it there to be able to cover the maximum they would have to pay out in SIR if we have another quake event.

Mr. Amon expressed appreciation and recognized that this is not an easy environment to deal with, and Higher Education has the largest exposure in the state with their property. He said of course they're not that their premiums are increasing by several million dollars, but on the other side they definitely see this environment. They see what's happening in the insurance market around the country and understand this is a world-wide industry and phenomenon and they are supportive of the actions taken. There's more for discussion in the future, but their perspective is that this is probably a new normal and costs are increasing because of it. Mr. Amon concluded by expressing support for the current structure. Mr. Nelson said that stakeholders will be involved with the restructure of this program. Mr. Brasher said what a tough position to be in and indicated there needs to be a re-evaluation of our building space, including higher education's considerable properties and historic buildings that don't meet seismic standards. Mr. Brasher further suggested reducing the footprint of our buildings, decreasing occupancy levels, increasing telework, and doing something with self-insurance. Her further indicated that we also need a way to protect self-insurance funds, because the legislature may be inclined to raid this fund in times of need. He asked what can be done to make sure that self-insurance funds are protected from a raid by the legislature. Mr. Nelson responded that they are looking at creating captives as a way to protect those funds.

Mr. Nelson then discussed the rate for the builders' risk program and recommended an increase from 0.053 per $100 of contract value to 0.080 per $100 of contract value. This rate has not been increased for decades. The costs of the builders' risk program has outstripped the costs of their traditional property program, and the additional excess property renewal premium payment of $861K for the Salt Lake Community College ATC fire is further necessitating this increase. He added that if they had applied the 0.080 rate in FY2020, it would have netted maybe $200K, so it's not a significant increase from a monetary perspective, because their rates are so low, and are far below the commercial market. The increased rate is also below what DFCM is budgeting for their builders' risk costs. Mr. Nelson also mentioned that they feel they can absorb the $1M reduction of property premium to the University of Utah, because of their positive retained earnings balance.

Auto Physical Damage Program

Mr. Nelson then moved on to the auto physical damage which is also due for an increase as well. This is a relatively small program that covers damages to the vehicles owned by the State and other covered entities. This does not include auto liability. The ask is a 5.3% rate increase, which is modest, with the school districts experiencing the bigger hit. There has been a reduction in these losses due to COVID-19, but they are expected to increase due to school being back in session and people are driving more.

Workers Compensation Program

Mr. Nelson explained the Workers Comp program needs increases on three classifications including aviation crews, state workers and Utah Department of Transportation (UDOT) workers. We are experiencing an increase in costs because of recent legislation amending the Occupational Disease Act that created presumptive workers compensation coverage for first responders who contract COVID-19 in the course and scope of employment. The state is experiencing an uptick in these claims now, and that is expected to continue. The state experienced a $1.4M increase in premium, which became effective July 1, 2020.

Commissioner Kiser said that school teachers are asking for this type of change in their worker's comp coverage. Commissioner Kiser indicated that the $1.4M cost increase was significant and that if the legislature had known, they may not have jumped in so readily and said let's do this. He added that the Governor's Office of Management and Budget needs to be aware of this. He suggested that they get a bid so the legislature will know what those associated costs will be. Mr. Nelson mentioned that the Division of Risk Management doesn't provide workers' compensation coverage for the school districts, but he has been in communication with the School Districts because they inquired about it and they are aware of the cost increase for the state. Chairman Maughan asked to clarify that the state would not recognize that sort of increase for a teacher bill. Mr. Nelson said this is correct—it is an issue for the school districts, most of which get workers' compensation through the Utah School Boards Association.

Mr. Parker said there is a lot of guess work in WCF's calculation for this rate/premium—they don't really know what it's going to cost. He then asked what is the mechanism for recapturing WCF's incorrect projections going forward and whether in the long run can we get more granularity in the way we describe these workers? Mr. Parker mentioned that they are paying a premium increase for first responders, which they don't have in Commerce and asked if there is a more granular rate for state employees that would more effectively allocate these rates. Mr. Nelson said that they had the option to go with a retro program, which would have allowed them to gamble a little bit on what their actual loss experience would be during the current fiscal year. In such a program, if they choose right the state gets money back, and if they choose wrong the state would have to pay more premium. They opted instead for a guaranteed cost premium, because it sometimes takes four to five years to reconcile the consequences of a retro program. They've done this once before, and it appeared to be more of a nightmare than a blessing. As to classification granularity, the state only has these three classifications, because the WCF negotiated those classifications with NCIC. As a consequence, our rates are really, really cheap, comparatively speaking. Typically, you'd have classifications for law enforcement, for nursing care workers, and constructions workers (like UDOT), but you'd have higher rates and our premiums would be much higher if the state became more granular. The state actually has an advantage with this schema that's been in place for decades. As to recapture, this premium increase is only going to net the state around $400K over FY2022, so it's not intended to be a quick recapture, but rather a way of normalizing things as we go forward.

Learning Management System

Mr. Nelson explained that the Learning Management System (LMS) is the enterprise learning portal. Risk Management is not recommending a rate change for this program.

Mr. Nelson recapped the increases for the Committee including approving the liability premium increases, approving the property premium increases, approving the builders risk rate, approving the automobile premium increases, approving the workers compensation rates and approving the existing learning management system rate.

Chairman Maughan asked for questions or comments from the Committee. Commissioner Kiser asked for the placement of an asterisk as a reminder that we need to consider increasing our earthquake limit to $1.2B, which would double the current premium. Commissioner Kiser said that we are so under-insured that he wanted make this point. As an insurance agent, he could not in good conscience recommend that a homeowner insure their home for 1/32 of its value.

Mr. Parker asked for a separate motion on Commissioner Kiser's point of reconsidering the increase in insurance limits and that the Committee supports it. Chairman Maughan asked if this would be helpful? Mr. Nelson said yes that would be welcomed. Ms. Downing said that she also agreed with this. Mr. Amon suggested that this should be an Infrastructure and General Government Appropriations Subcommittee (IGG) study item. He agreed with Commissioner Kiser that this study is needed, but recognized that the fiscal environment isn't going to support it at this time. He said this does need to be brought to the attention of the committee. Mr. Amon recommended that the Department of Administrative Services work with the Legislative Fiscal Analyst and the Governor's Office of Management and Budget to make this a study item. Chairman Maughan asked if there were any further questions or comments from the Committee. There were none.

Chairman Maughan asked for questions or comments from the public. There were none.

MOTION: Chairman Maughan asked for a motion to approve the Risk Management rates. Mr. Amon made a motion to approve the rates as presented. Mr. Parker seconded the motion. The committee voted to unanimously approve the recommended Risk Management rates.

MOTION: Chairman Maughan asked if anyone would like to make a motion regarding Commissioner Kiser's suggestion on the study item. Mr. Parker made a motion that the Committee recommend that appropriate study groups, including IGG, review the State's property insurance position in light of recent events, including earthquakes and pandemics, to determine the appropriate levels of insurance that should be maintained for these types of losses. Mr. Amon seconded the motion. The committee unanimously approved the motion.

Division of Fleet Operations

(Refer to 2:42:55 of the recording) Stewart Cowley, Director, Division of Fleet Operations said they have four Internal Service Fund programs including the Fuel Network, Motor Pool, State Travel and Transactions Team.

Motor Pool Program

Mr. Cowley mentioned the Motor Pool has over 4,000 vehicles that are leased and maintained for state agencies. He said that prior to the COVID-19 shutdown the motor pool vehicle use was decreasing. People weren't driving as much because agencies were moving towards telework. Now, with the COVID-19 shutdown, usage has decreased even more. Some agencies are looking at shared motor pools and some agencies are looking at downsizing. Mr. Cowley said there will be changes in the way that we manage fleet vehicles and the state motor pool. Fleet Operations will study this and do an analysis of the program as things change with COVID-19. Mr. Cowley indicated that Fleet is not recommending changes to the existing rates for this program.

Mr. Brasher commented that a central motor pool used by multiple agencies has positive aspects, but also raises some concerns. For DHS it makes sense that DHS could use a shared motor pool but there would need to be some exceptions for UDOT, Department of Public Safety (DPS), as they have specialized vehicles. He pointed out that in the remote areas there need to be enough vehicles available, and, with Division of Child and Family Services there need to be vehicles at 2 AM, so that can be difficult. Mr. Brasher said that the kiosks have worked well for DHS. It may be cost prohibitive to have kiosks in rural areas. They are seeing more personal vehicle use but would be looking for a more centralized vehicle pool. This item should be studied.

Mr. Cowley said that, prior to COVID-19, Fleet Operations was looking at combining some motor pools into a larger shared motor pool, and the possibility of having vehicles in rural areas. Mr. Cowley also mentioned that the key kiosks make sense at a larger facility, but financially it doesn't make as much sense with smaller motor pools. As people have been teleworking they have been using their personal vehicles, so there has been a change in that as well. Mr. Cowley said Fleet Operations will be reviewing this with each agency. We've already started looking at these things and hopefully they will be clearer in a year or so.

Fuel Network Program

Mr. Cowley then moved on to the Fuel Network which he reported has a new fuel card system. The previous fuel card program could not prevent fraud and they were finding out about fraud issues several days after the fact. The new system does prevent fraud because we can see when there is an attempt to use a card fraudulently and stop it at the pump. The new cards were rolled out during COVID-19 but it went well. We are working with the non-state agencies to make sure they know how to use the new system. With COVID-19, people quit driving and fuel usage dropped. We are working to encourage our card users to use the new cards at our state-owned fuel sites.

Previously, Fleet Operations collected the administrative rate as a percentage of fuel cost and this resulted in volatility in the fund. Depending on the cost of fuel, Fleet Operations either under-collected or over-collected.

Mr. Wilcox asked about the $1M fiscal impact from reduced usage and whether this was offset by reduced expenditures. Mr. Cowley said the program's administrative costs are relatively constant, but, with the rate based on market rates revenues fluctuated. He pointed out that there was a time during the beginning of COVID when fuel (market value) went into the negative. A certain volume has to be sold to cover administrative costs.

Last year Fleet Operations asked for a different rate structure, changing from a percentage-based rate to a cents-per-gallon rate. The new rate went into effect this fiscal year and will give the stability that is needed. The strategy is that it will take time to rebuild the fund.

Mr. Cowley also mentioned that Fleet Operations is in the process of upgrading the tanks at the State's fuel sites, pointing out that this can be expensive. This is a mandate from the Legislature that was not adequately funded. He also reported that, with this many fuel sites there is some environmental liability exposure , and there was a significant spill at Salt Lake Community College which is still in remediation. Mr. Cowley said Fleet Operations is proposing a five-cent per gallon increase at retail and state-owned sites. He pointed out that, with this increase, the cost with the State's fuel cards is still below the market rate. He also emphasized that State agencies do save money if they use state-owned fuel sites. Mr. Cowley expressed confidence that over time this fund will come back with the rate increase. This is a good program with a new stable rate structure.

State Travel Program

Mr. Cowley then provided an overview of the State Travel program. Last year State Travel was on track for a heavier travel year but COVID-19 changed that. Last year State Travel issued over 15,000 airline tickets, made over 9,000 hotel reservations and booked over 5,000 car reservations. Once COVID-19 hit there was a ban on travel for state agencies and this hit the program hard. Travel was down 90%, hotel bookings down 72% and car rentals were down 81%. All but one of the contract travel agents have been furloughed or reassigned to other contracts and the two State Travel staff have been keeping the program going. We are starting to see an increase in service requests and we are still watching to see how travel picks up again. We believe that at some time travel overall should come back to normal levels.

Mr. Cowley reported that last year a new fee from the contract travel agency went into effect and the State Travel program covered that fee for several months, because of its timing with the budget cycle. The strategy had been going as projected until COVID-19. Now, the fund balance has gone negative and we need to rebuild this fund. The proposal is that the current airline booking rate will be increase by $1 from $26 to $27. This will put the program on the path to rebuilding, but it should be remembered that it is currently still being impacted by COVID-19.

Mr. Parker said he’s struggling to see the value that his agency gets from this program based on how easy it is to book travel on the Internet. Mr. Parker asked why agencies wouldn't book their own travel, because State Travel has a process that takes a while because there is a lot of steps and it’s $26 more than they wanted to pay because they could have done all this themselves. Mr. Parker added that there is value in having a travel agent help with the cancellation process, but he questioned whether that is worth all of the fees that are being tacked on, and he suggested that Fleet Operations should be looking at this.

Mr. Cowley summarized the value added by the program, pointing out that State travel ensures that State Purchasing policies are followed, and that all travel policies are followed including per diem. He pointed out that they make sure everything is properly entered into the FINET system and that billing back is handled properly. Discounts are available with State Travel and the travel agents ensure that the discounts are given. He stated that this may seem like a cumbersome process but it is more efficient than doing it yourself. State Travel tracks all travelers and can help with emergencies when there are weather events, natural disasters and other issues that come up.

Mr. Parker said that he appreciates that program and it’s a matter of perspective.

Mark Yeschick, Financial Manager with the Division of Fleet Operations, clarified that Fleet Operations is proposing that all booking rates, except the rental car/hotel booking rate, increase by $1, not just the airline fee. Mr. Cowley thanked Mr. Yeschick for the clarification.

Transactions Team Program

Mr. Cowley explained that the Transactions Team staff are experts at FINET and processing financial transactions. Last year they processed over 98,000 transactions. They currently serve DAS divisions;

however, they are set up with a rate structure that allows them to serve non-DAS customers. Fleet Operations and DFCM are their largest customers but other entities also use them. They are an excellent team and do their jobs very well. No rate change is requested.

Mr. Cowley then recapped the requests being made by Fleet Operations which are: approving the fuel network retail rate increase of $0.05 per gallon, approving the fuel network state-owned rate increase of $0.05 per gallon, and approving the State Travel increase of $1 for airline and group booking rates.

Chair Maughan asked the Committee members for questions or discussion. There were none. He then asked if the public had comments or questions, and there were none.

MOTION: Chair Maughan then asked for a motion from the Committee. Commissioner Kiser made a motion to approve the Fleet Operations rates as presented. Mr. Parker seconded the motion. The committee unanimously approved the Fleet Operations rate recommendations.

Adjournment

With no further business, Chair Maughan asked for one final motion to adjourn the 2020 DAS Rate Committee meeting. He then thanked Commissioner Kiser for his service to the Committee.

MOTION: Commissioner Kiser made a motion to adjourn the meeting. The committee unanimously approved the motion to adjourn.

DTS Rate Committee Meeting Minutes

DTS
Utah Department of
Technology Services

September 21, 2020

Agenda:

Introduction

- Open Meeting Training
- Service Levels
- Market Benchmark Analysis
- FY2022 Rates
- Looking Forward
- Public Comment
- Committee Discussion and Action

Meeting start time: 2:01pm.

Approval of minutes (8/5/2020) - Mark Brasher

Public Meeting Training - Debbie Kurzban

Change of OPMA statute from Gov' Herbert:

- New statutory language must be matched.
- There must be an anchor location for electronic meetings for the public to access - when applicable.
- Quorum must be established for voting. IT Rates Committee does not specify how many people constitute a quorum.
- The meeting must be posted to the PNW at least 24 hours prior to the meeting, and must be specific to the agenda and topic items that will be considered. Public chats must be utilized during the meeting to discuss topics of the meeting, rather than private IM's.
- Minutes - according to GRAMA, any votes should be by way of a roll call vote to ensure who is voting and what their vote is. Traditionally that is held when a vote is not unanimous - best practice.

DTS Rate Committee Meeting Minutes

Utah Department of Technology Services

September 21, 2020

- Administrative issue- audio recording of each meeting must be posted within 3 days, minutes within 30 days. Final version within 3 days after approval from the committee chair, and then to the PNW 3 days after that.

Service Levels - Mike Hussey

DTS has approx 750 employees statewide:

- DTS Budgets: $145 in rates with a small appropriation.
- Pass through $119 million.

Service Level Agreements:

- Priorities are to distil down things that are most important to agencies to be completed by DTS by the end of the year.
- Move to the Cloud. Last year goal was 10% of work load. This year 30%.
- Data Center move - pre-pandemic decision. Due to high costs of COVID-19 response, we have delayed. Waiting for funds in the future.
- Assembled a Cloud team - Initiatives to move to the Cloud rapidly. Ensuring that we have a “rock solid” process.
- VoIP - ensure that this is an easy transition to teleworking.
- Security - ForeScout and Multi-Factor authentication in the process of buying tokens.
  - DTS is doing everything they can to be sure that agencies have roadblocks removed.
- Agency meetings - regular meetings with director’s to make sure that nothing has been overlooked or missed.
- LTE backup’s placed in locations. Fast PC deployment up to speed and setting up a team right now - creating a separate team that is specific to computer deployment.
- DaaS - agencies that have telework requirements will benefit from this fully functional desktop in the Cloud. Retiring the Mainframe - cost savings for the State.
- Measuring Metrics - we are ensuring that we are measuring what agencies needs.

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- Endpoint Management - phone's, tablets, and end point perspective management to help agencies out.
- These are our goals by end of year 2020.

Data Security:

- 2,303,314,546 blocked yesterday (9/20/20)
- Establishing great partnerships between other agencies and DTS.

Customer Satisfaction:

- Our goal is to be customer service driven. When we close tickets we ask for a survey to grade us on our service - approx 1k / month.

Application Availability:

- Measuring 98.8% - 100.00%.
- We hit our goal of 100% in September.
- We aim to measure the complete picture.

Response Time:

- Total time resolution (TTR) We want to ensure that we are responding quickly to tickets coming in.
  - We have 30 minutes to respond on critical tickets, and 3 hrs to resolve.
  - High ticket - 1 hr to respond from time received and 3 hours to solve.
  - Med ticket - 1 business hour with 4 hours to resolve.
  - Low 1 hr to respond, 6 hrs to resolve.

Innovation Fund:

- Money Set aside to innovate new creative ideas.
- Multi agency need to have multiple agencies.
- Provides opportunity to buy into good ideas when resources may not be available.
- Each year we utilize echo to assist in scaling votes on the ballot.
- This year we have awarded 150k to various different agencies.

- Funds will be available again in 2021.

Market Benchmark Analysis - Dan Frei

Independent Rate Study:

- We utilize an outside company to ensure that we are providing fair rates to our costumers, and they provide a cost comparison between us and other private/public companies who are also providing the same services. They rank us on our market competitive scale.

Market competitive 2020:

- Best Value: 44.0%, Reasonable 9.0%, Very Reasonable 47.0%

Cost Savings:

- 1.7million given back to agencies in 2020.

Retained Earnings FY20: (rainy day funds):

- Efficiencies of cost savings we retain managed by the federal cost allocation form health and human services.
- The federal cost allocation gives DTS 45 days as a max retain earnings. We are given a single audit by the State auditing office.

Rate Process:

- Code states that rates need to be equitable. Zero base - full accounting principles in our rates - meaning that we do not collect more or less than the cost of services. After many budget planning meetings and cost analysis we create a budget.

Rates Calculation:

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Utah Department of Technology Services

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- Annual budgeted expenses per service / projected consumption = calculated rate.

Compensation Package FY22:

- 0% Cola
- 4.9%health benefits increase.

System Admin Rate Change - Mike Hussey

DTS is moving to DevOps model:

- More efficient
- Development and operations coming together to work on the same team.
- Sys Admins - bill directly for their hourly work with the combo of the two teams
- Org changes - looking at the way we do things.
- Sys Admins report up throught the IT Director of each agency. This gives the IT Director the leverage to focus their work appropriately for agency needs while providing Enterprise governance with an Agile approach.

Rates and impacts:

- Survey of staff to see where they are spending their time among all agencies. All time was taken and converted into hours, and through Rate impact process fund it back to the agency.

Migrating to the Cloud - Mike Hussey

Benefits of moving to the Cloud:

- Enhanced security - Decrease in breaches.
- Continuity of operations - Enablement for duplication.
- Reduction of size in Data Center - 25k to 6k square feet in size.

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- Economies of scale - FTE only managing hundreds of servers.
- Feature set - Released over 1k new features within the last year.
- Potential to develop and deploy applications faster - deploy more quickly.
- Scalability - Assist in elections, seasonal activities, spikes in need, in all in higher efficiency.
- Availability of staff
- Current software revisions - Cloud drives you to the newest version of software.
- Potential cost savings - Likely to cause dividends by scaling back environments, and pay for actual consumption.
- Improved performance - Marked improvements.
- Data mining capabilities - More logging available providing more future opportunities.

Cloud Cost:

- Converted from model Cloud Cost +19% to Cloud Cost +25% to scale back up from money loss.
    - Personnel included in increase cost.

SaaS Products Cost - Dan Frei

Agencies moving to Vendor Cloud (not State):

- Consuming DTS resources and systems - however not yet paying.
- Collected a sub-group of how to move forward in SaaS:
    - SaaS Cloud hourly rate - Start billing infrastructure
    - Change product description (SaaS) - Also include SaaS solution in agency rates.
    - Move authentication expenses to security rate - FY21 authentication costs is spread to all rates. This is a security measure for security rates.
    - Move Cloud Direct Connect to network rate.

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- Overhead Expenses - Next year?

Regulated Rates - Dan Frei

Regulated agencies would pay a higher rate, and non-regulated agencies would pay a lower rate.

- Sub team met over this topic however did not have enough time to come up with a solution for this year.
- DTS takes longer to support regulated agencies due to auditing.

Other Rate Changes - Dan Frei / Mike Hussey

- See rate sheet and rate impact sheet
  - VoIP
  - Data Center Hosting
  - Network
- Financial statements can be found in the Rates folder

Proposed Motion: Approve FY22 Rates as identified by this presentation.

Committee Motion Approved.

Adjourned 3:45

Draft
Administrative Rule

R13. Government Operations, Administration.
R13-5. Use of Electronic Meetings for the Government Operations Rate Committee.
R13-5-1. Purpose and Authority.

(1) Purpose. The Rate Committee ("Committee") created by Utah Code Section 63A-1-114 is required to comply with the provisions of the Open and Public Meetings Act, Title 52, Chapter 4. The Committee recognizes that there may be times when members may need to appear telephonically or electronically pursuant to Utah Code Section 52-4-207.

(2) Authority. Utah Code Section 52-4-207 requires a public body that convenes or conducts an electronic meeting to establish a rule for such meetings. This rule establishes procedures for conducting Committee meetings by electronic means. This rule is enacted under the authority of Utah Code Subsections 52-4-207(2) and 63A-1-114(2)(b)(i).

R13-5-2. Definitions.

Terms used in this rule are defined in Sections 63A-1-103 and 52-4-103.

R13-5-3. Procedure.

(1) Electronic meetings of the Government Operations Rate Committee are governed by Subsection 52-4-207(3).

(2) As permitted by Subsection 52-4-207(2), the following provisions govern any meeting at which one or more Committee Members appear telephonically or electronically pursuant to Utah Code Section 52-4-207:

(a) If one or more members of the Committee participate in any meeting electronically or telephonically, public notices of the meeting shall so indicate. In addition, the notices shall specify the anchor location where the members of the Committee who are not participating electronically or telephonically will be meeting and where interested persons and the public may attend, monitor, and participate in the open portions of the meeting.

(b) Notice of the meeting and the agenda shall be posted at the anchor location. Written or electronic notice shall also be provided to at least one newspaper of general circulation within the state and to a local media correspondent in accordance with Section 52-4-202(3). These notices shall be provided at least 24 hours before the meetings.

(c) Notice of the possibility of an electronic meeting shall be given to the Committee Members at least 24 hours before the meeting. In addition, the notice shall describe how a Committee Member may participate in the meeting electronically or telephonically.

(d) When notice is given of the possibility of a Committee Member(s) appearing electronically or telephonically, any member(s) may do so and shall be counted as present for purposes of a quorum and may fully participate and vote on any matter coming before the Committee. At the commencement of the meeting, or at such time as any member initially appears electronically or telephonically, the chair shall identify for the record all those who are appearing telephonically or electronically. Votes by members of the Committee who are not at the physical location of the meeting shall be confirmed by the chair.

(e) The anchor location, unless otherwise designated in the notice, shall be at the Taylorsville State Office Building, Floor 3, 4315 South 2700 West, Taylorsville, UT 84129. The anchor location is the physical location from which the electronic meeting originates or from which the participants are connected. In addition, the anchor location shall have space and facilities so that interested persons and the public may attend, monitor, and participate in the open portions of the meeting.

(f) The Committee may convene and conduct an electronic meeting without an anchor location if the chair makes a written determination that conducting the meeting with an anchor location presents a substantial risk to the health and safety of those who may be present at the anchor location and complies with the provisions of Utah Code Section 52-4-207(5).

KEY: rate committee, electronic meetings, OPMA
Date of Enactment or Last Substantive Amendment: 2021
Authorizing, and Implementing or Interpreted Law: 52-4-207; 63A-1-114