

**MINUTES OF THE
JOINT CAPITAL FACILITIES & GOVERNMENT OPERATIONS
APPROPRIATIONS SUBCOMMITTEE MEETING
WEDNESDAY, JULY 16, 2008, 9:00 A.M.
Room C450, State Capitol Complex**

Members Present: Sen. Scott K. Jenkins, Committee Co-Chair
Rep. Kevin S. Garn, Committee Co-Chair
Rep. DeMar "Bud" Bowman
Rep. Rebecca Chavez-Houck
Rep. Janice M. Fisher
Rep. Fred R. Hunsaker
Rep. Bradley A. Winn

Members Excused: Sen. Mike Dmitrich
Sen. Sheldon L. Killpack
Sen. Darin G. Peterson
Rep. Stephen D. Clark
Rep. Gordon E. Snow

Staff Present: Steve Allred, Fiscal Analyst
Richard Amon, Fiscal Analyst
Greta Rodebush, Committee Secretary

Speakers Present: Stephen Fletcher, Chief Information Officer/Executive Director,
Department of Technology Services
Ken Petersen, Chief Operating Officer/Deputy Executive Director,
Department of Technology Services
Dan Frei, Chief Financial Officer, Department of Technology
Services
Steven Proctor, Executive Director, Utah Communications Agency
Network
Kimberly Hood, Executive Director, Department of Administrative
Services
D. Gregg Buxton, Director, Division of Facilities Construction
and Management
Kent Beers, Deputy Director, Division of Facilities Construction
and Management
Mark Spencer, Associate Commissioner of Higher Education
Timothy Smith, Superintendent, Utah Schools for the Deaf and
the Blind
Jay R. Goff, Citizen, Interested in Utah Schools for the Deaf and
the Blind
Michael Styler, Executive Director, Department of Natural
Resources

Note: A list of visitors, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov

1. Call to Order/Approval of Minutes from February 7, 2008

Co-Chair Garn called the meeting to order at 9:00 a.m. Due to lack of a quorum, the subcommittee did not act on the minutes.

2. Department of Technology Services (DTS) Rates, Comparisons, and Customer Satisfaction

a. DTS Rates and Comparisons

Richard Amon presented a PowerPoint briefing regarding the Department of Technology Services' (DTS) rates. His presentation included a DTS rate overview, a market analysis overview, and a market analysis of specific rates.

DTS charges rates to user agencies to cover the costs of services provided. Unlike private sector companies, DTS does not make a profit. DTS is allowed by federal regulation to retain a 45-day working capital balance. Revenues and expenditures in the Enterprise/ITS area are expected to grow rapidly in FY 2009, while revenues and expenditures in the Agency Services area decline. This is due to a workload shift from unique agency applications to enterprise applications.

Mr. Amon reported that FY 2007 and FY 2008 agency rates were based on personnel and were set a year in advance. A recent review by DTS revealed that five agencies were overcharged and sixteen agencies were undercharged. The net result is that DTS will refund \$572,110 to customers, and \$334,077 to the federal government, for a total of \$906,187.

Co-Chair Garn asked about the federal refund. Mr. Amon replied that the customers receiving refunds use federal funds to pay part of their DTS bills, so any refund to the agencies must also include a refund to the federal government. Rep. Hunsaker asked who calculated the over and undercharges. Mr. Amon replied that they were calculated by DTS and not by outside auditors.

Mr. Amon presented findings of the market analysis. Any market analysis is challenging because private sector information is not readily available, rate definitions are not standard across providers, and not all entities provide comparable service. Mr. Amon referred to a handout of all rates approved during the 2008 General Session. He presented market comparisons of each of the DTS rate categories: Desktop Management, Wide Area Network, Hosting Services, Database Services, Mainframe Computing, Storage Services, Telecommunications, Wireless Services, Print Services, and Labor and Training.

Mr. Amon; Stephen Fletcher, Chief Information Officer/Executive Director, Department of Technology Services (DTS); Ken Petersen, Chief Operating Officer/Deputy Executive Director, DTS; and Dan Frei, Chief Financial Officer, DTS, addressed subcommittee questions.

The presentation concluded that about half of DTS' rates are below market average, and most rates above market average have been adjusted for FY 2009. The consultants have another report due within the next month.

b. Commentary/follow-up on rates and comparisons

Stephen Fletcher responded to Mr. Amon's presentation. Mr. Fletcher reiterated that the market survey is an annual requirement that DTS will continue to collect. He stated that 79 percent of rates are considered "average" or "best value," and other rates were adjusted in FY 2009 to be more competitive. Some rates have been set high intentionally to steer customers toward other services. DTS is looking at rates from an enterprise view. DTS has not increased rates since FY 2007 except for the legislatively approved compensation package.

Mr. Fletcher also discussed the department's efforts in optimization. DTS has reduced staff by 56 employees, improved support in rural areas, increased coordination of resources, achieved greater savings through enterprise purchasing, and increased wide area network speed along the Wasatch Front by 650 percent at no cost to the customers. He reviewed security measures taken against the one million attacks on the state's system per day. Utah received a 2007 "Best of Web" award for having more than 800 services available online. Utah has approximately 1.7 million unique hits on its website each month.

c. DTS Customer Satisfaction

Mr. Amon continued with another PowerPoint presentation regarding results of his customer satisfaction survey. The survey was conducted in October 2007 and was sent to executive directors, financial managers, and information technology directors at seven large agencies, seven medium agencies, and seven small agencies. Of the 63 people contacted, 34 (55 percent) responded. Surveys indicate perception, which is not always fact.

Results varied slightly by position and by agency size, but generally show that agencies perceive that overall information technology service has remained the same since the DTS consolidation. Agencies remain cautious about DTS rates and the new costs of information technology services--most believe information technology now costs slightly more. Agencies provided good comments that DTS is using for improvement. Mr. Amon will repeat the survey in October, after the rate process for FY 2010 concludes.

d. Commentary/follow-ups on DTS customer satisfaction

Mr. Fletcher responded that DTS applauds the survey, especially since it comes from an independent source. DTS will work to improve perception of costs, to improve perception that DTS employees are sometimes caught between two masters (customer agencies and DTS management), and to improve the time lag in approving new equipment purchases.

3. State Emergency Communications Narrow-Banding Requirements

a. Introduction to issue

In order to assist the subcommittee, Mr. Amon provided a PowerPoint presentation on the physics and federal regulations behind the public safety radio communications narrow-banding requirement. The Federal Communications Commission (FCC) has mandated that all users operating below 512

MHZ move to 12.5 KHz wide channels by January 1, 2013. After January 1, 2011, the FCC will not allow the manufacture of equipment operating above 12.5 KHz channels.

The Utah Communications Agency Network (UCAN) provides 800 MHz radio coverage on a trunked system along the Wasatch Front. UCAN is an independent state agency that sets rates to recover costs of the 800 MHz system. State agencies pay rates to UCAN for their share of the system. There are 3,700 state users and 11,650 local/non-state agency users on UCAN.

The State Interoperability Executive Committee (SIEC) comprises state and local representatives to create a strategy for interoperable emergency communications in Utah. The SIEC meets regularly and is discussing the issue of narrow banding. The SIEC will present its findings to the Governor and the Legislature.

b. Work in progress on this issue

Steven Proctor, Executive Director, Utah Communications Agency Network (UCAN), addressed the subcommittee and provided a handout, "Narrowbanding and Interoperable Emergency Radio Communications in the State of Utah." State and local agencies utilize a variety of systems and frequencies. The state supports an audio bridge (Omnalink) that provides limited interoperability between the majority of networks and dispatch centers. Several state and local agencies operate below the 512 MHz spectrum. Upgrading to narrowband compliant equipment and infrastructure will require a significant investment. The state has two different service providers for radio communications. DTS provides statewide conventional radio service at 150 MHz. UCAN provides trunked radio service along the Wasatch Front at 800 MHz.

Stephen Fletcher, DTS, discussed early recommendations from the SIEC, which are listed in Mr. Proctor's handout.

Sen. Jenkins inquired about the cost and impact on the state and local governments. Mr. Fletcher responded that they are still collecting that data. Co-Chair Garn asked if the 800 MHz conversion that took place several years ago is complete. Mr. Proctor replied that the 800 MHz equipment and infrastructure are working in many areas, and 800 MHz equipment doesn't need to migrate to narrow bandwidth.

4. State Building Issues

Co-Chair Garn invited Kimberly Hood, Executive Director, Department of Administrative Services (DAS); Gregg Buxton, Director, Division of Facilities Construction and Management (DFCM); and Kent Beers, Deputy Director, DFCM, to come to the witness table. After a short introduction by Ms. Hood, Co-Chair Garn turned the time over to Steven Allred for a discussion of building issues.

Mr. Allred distributed a handout entitled, "Ideas to Improve and Clarify Oversight of Capital Projects." The handout listed seven suggestions, including:

1. Standardize the definition of "state funds" throughout UCA 63A Chapter 5.
2. Clarify statute regarding the powers of the State Building Board relative to state-funded

buildings.

3. Clarify statute regarding the powers of the State Building Board relative to non-state funded buildings.
4. Clarify statute regarding use of Capital Improvement funds.
5. Clarify other statute.
6. Discuss the use of in-house architects and the payment of impact fees.
7. Formalize legislative policy on operations and maintenance (O&M) funding.

The subcommittee discussed Mr. Allred's recommendations. Rep. Hunsaker requested that the recommendations also include clarification on O&M funding for state funded vs. non-state funded buildings.

Mark Spencer, Associate Commissioner of Higher Education, expressed a desire to work with Mr. Allred. For example, he recommended a provision for planning and programming up to two higher education buildings even if no higher education buildings were in the top five ranked buildings not funded by the Legislature in the previous session.

Without objection from the subcommittee, Co-Chair Garn requested Mr. Allred to include the O&M clarification and higher education amendment, and to take the recommendations to legislative management for consideration in a bill during the 2009 General Session.

Mr. Allred said the Division of Facilities Construction and Management (DFCM) had several issues to present to the subcommittee. DFCM is looking for some direction on whether they should proceed with these issues or change course.

Mr. Beers presented a briefing on state building issues, including: (a) Use of the old Peace Officers Standards Training (POST) Building; (b) A Building for the Utah Schools for the Deaf and the Blind; (c) Multi-Agency Office Building; (d) Operations and Maintenance Funding; (e) UTA Park and Ride lease at the Fair Park; (f) A DNR long-term lease at Quail Creek.

a. Use of the old Peace Officers Standards Training (POST) Building

The former POST Building is located in the Rampton Complex at 4500 S. 2700 W. The building is currently vacant. It includes 12,000 square feet in two stories of dormitories, an 8,200 square foot high-bay gymnasium, and 11,000 square feet of one-story office space. DFCM plans to relocate State Mail Services, State General Services, State Print Services, and possibly other state agencies into the building. Cost to renovate the building is estimated at \$3.1 million, of which \$2.5 million has already been set aside in Capital Improvement funds. DFCM will request legislative authorization to use another \$0.6 million in Capital Improvement funds.

State Mail Services is currently located in the State Library at 250 N. 1950 W. They occupy about 13,000 square feet. They have an annual bond payment at their current facility of \$76,000 per year. The State Division of Services for the Blind would like the space that State Mail Services is occupying. Their budgets would need to be increased to assume the bond payment.

b. A Building for the Utah Schools for the Deaf and the Blind (USDB)

USDB currently houses students and faculty in two facilities in the Salt Lake area. The lease at the Jean Massieu School (JMS) expired in June 2008. Students and faculty from JMS have been moved to the Connor Street facility temporarily. The lease at Connor Street expires in June 2009.

DFCM is negotiating with the Granite School District to purchase an old elementary school with 43,000 square feet and five acres of vacant land. The appraised value is \$2.8 million (state's appraisal) to \$3.8 million (school district's appraisal). The estimated cost to renovate the school is \$3 million. The renovated building would have a 10-15 year useful life, after which a new facility could be constructed on the five acres of vacant land and the current facility demolished.

Approximately 20 students attended JMS and about 70 students attended the Connor Street building prior to the relocation of the JMS students. Aside from students, the facilities provide office space for the entire faculty who work with students integrated in area school districts.

Timothy Smith, Superintendent, Utah Schools for the Deaf and the Blind, expressed support for this solution. He said USDB has been seeking a home for approximately ten years.

Kimberly Hood, DAS, expressed optimism that this solution will work. She said that DFCM is working diligently to ensure the building can meet USDB's needs. The Governor is also supportive.

Gregg Buxton, DFCM, reminded the committee that this solution is still in the negotiation phase and has not been finalized.

Jay R. Goff, a father of two deaf children, expressed support for this option.

The Co-Chairs expressed a desire to help the USDB. The Legislature acted in good faith to address USDB's needs two years ago when they funded the purchase of a BYU classroom building for USDB.

If negotiations are successful, this request will go before the State Building Board and the Legislature for prioritization in the 2009 General Session.

c. Multi-Agency Office Building

The multi-agency office building was approved by the Legislature during the 2008 General Session. DFCM is currently selecting the design/build team. The building will be about 230,000 square feet and is estimated for completion in about December 2009. Occupants will be the Department of Human Services (DHS) and the Department of Environmental Quality (DEQ). DHS must vacate their current building because it has been sold. DEQ will vacate its two current buildings. One will be re-occupied by the Department of Insurance, and the other doesn't currently have an occupant planned, although DFCM is confident the space will be needed. The two current DEQ buildings have annual bond payments of \$509,000 per year for 10 more years. Funds will need to be transferred from DEQ to the new occupants to make the bond payments.

d. Operations and Maintenance Funding

Operations and Maintenance (O&M) has three components: Personnel, Utilities, and Materials/Supplies. At facilities not managed by DFCM's internal service fund (ISF), O&M rates aren't fully adjusted for inflation each year. Rates are adjusted annually for personnel expenses according to the legislatively approved compensation package, but the other two components of O&M are partially adjusted or not adjusted at all. Each building's O&M rate is established at the time of construction. As a result, some older buildings, which require more O&M, have lower rates than newer buildings, which require less O&M.

Mr. Allred explained the difference between funding for buildings managed by the DFCM ISF and buildings managed by other state entities. He explained that buildings managed by the ISF have individual cost accounting and have rate adjustments as needed, which are generally approved by the Legislature. Buildings not managed by DFCM do not undergo frequent O&M rate adjustments.

Mr. Beers stated that over time, the gap between approved funding and needed funding for O&M will continue to grow. At the last estimate, the gap was \$7 million to \$8 million. Co-Chair Garn stated that the state got into this situation incrementally and will probably have to solve it incrementally. Mr. Beers agreed and said today's discussion was meant to inform policymakers of the situation.

e. UTA Park and Ride leases at the Fair Park

The Utah Transit Authority (UTA) plans to build a light rail line down North Temple Street from downtown to the airport. UTA has inquired about developing a park-and-ride lot and a Trax station adjacent to the State Fair Park. DFCM recommends a long-term lease of the 250 stall parking lot located west of the Jordan River, and a short-term lease of a piece of ground at the White Ballfield located south of North Temple across from the Fair Park. DFCM's medium-term plans include construction of an office building at the White Ballfield, at which point the ground leased to UTA would be returned to the state, or UTA could assist in building a parking terrace to be shared by both entities.

Rep. Fisher expressed a desire to fully consider the value of the land in question. Entering into a long-term lease would diminish the market value. Mr. Beers replied that having a Trax station near the Fair Park would probably increase the value of the remaining property more than the value lost in the leased land. He said that in the future the property will become more and more valuable and the state will continue to receive offers for it.

Without objection from the subcommittee, Co-Chair Garn asked DFCM to continue to work with UTA.

f. A DNR long-term lease at Quail Creek

Mr. Beers stated that the Building Board recently approved a long-term lease for the Department of Natural Resources (DNR) at Quail Creek. He handed out a copy of a memorandum from DFCM to

the Building Board. Mr. Allred asked DNR representatives to report the lease to the subcommittee as well, since it is essentially acquiring a new building.

Michael Styler, Executive Director, Department of Natural Resources, reported that DNR is working with the Washington County Water Conservancy District (WCWCD) on various endangered species mitigation projects. Their current leased space is inadequate and the landlord doesn't want to renew the lease. WCWCD proposes to construct a building as their contribution to the projects, and lease it for fifty years to DNR. DNR does not need additional money for O&M.

The subcommittee did not express objection to the long-term lease.

5. Discussion on Upcoming Capital Facilities Tour in August

Mr. Beers presented a list of capital development requests for consideration in the 2009 General Session. Since last year's tour visited the northern portion of the state, he recommended a tour of the southern portion this year. He presented a list of buildings and a recommendation that the tour be held on August 21 and 22.

Mr. Allred informed the subcommittee that the Legislative Management Committee (LMC) approved the two days of meetings, but not an overnight stay in lodging. The LMC will meet again on August 19 and can reconsider if we give them further information.

Co-Chair Jenkins said he is unavailable on August 21 and 22. Co-Chair Garn asked if the subcommittee sees value in the tour. Various subcommittee members expressed that the tour is helpful in their evaluations, especially with older buildings.

The subcommittee discussed the possibility of postponing the tour until September or October. Mr. Beers stated that the Building Board likes to go earlier so they can prepare for their prioritization. After further discussion, the Co-Chairs chose August 7 and 8 for the tour. Mr. Beers said he didn't know whether members of the Building Board would be available on those dates, but he would ask. If necessary, the Building Board will tour separately from the subcommittee. Co-Chair Garn expressed hope that the LMC will authorize the overnight stay.

6. Other Business/Adjourn

Co-Chair Garn recognized Co-Chair Jenkins for a motion.

MOTION: Co-Chair Jenkins moved to adjourn. The motion passed unanimously.

Co-Chair Garn adjourned the meeting at 12:20 p.m.