



DEPARTMENT OF  
GENERAL SERVICES

# Department of General Services Internal Service Funds

Report to JLARC

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# DGS Internal Service Funds

- Accounting Method
  - Business/Enterprise Model
  - Cost Allocation Allows Distribution to All Fund Sources
- Not Profit Centers
- Annual/Periodic Review Assures:
  - Rates Are Reasonable
  - Balances Not Excessive



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# Rent Plan

- Applies to DGS Maintained Buildings at Seat of Government
  - 2.1 million Square Feet
  - \$20.1 million budget supports:
    - Housekeeping (supervision), Grounds, Trades, Plans/Design
    - Utilities, Network Infrastructure, Payment in Lieu of Taxes, etc.
- Total charges at requested rates = level funding from FY 03, and incorporates Dec. '03 Salary increase and other benefit and rate changes



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# Rent Plan

*per square foot charges*

<b>Type</b>	<b>FY 03 Approved</b>	<b>FY 04 Request</b>	<b>Change</b>
Office	\$11.47	\$11.47	0.0%
Storage	3.75	3.75	0.0
Mansion	13.23	13.23	0.0
Library	9.03	9.48	5.0
Laboratory	19.56	15.45	- 21.0
Vacant	5.24	--	--



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# Building Maintenance

- Rates/Charges for non-DGS Maintained Buildings
  - i.e., GAB, SCC, Transportation (part) etc.
- Contracts/Agreements with Agencies
  - DGS Contracts Out Some Services (i.e. Housekeeping)
- Hourly Rates Reflect Salaries & Benefits
  - Benefits include employer share VRS, FICA, Medical, Disability, Deferred Comp, Annual & Sick Leave, Holidays & Overtime
- Requested Labor Rates (following page) are generally lower than private market/contract alternatives



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# Building Maintenance

*billable hour charges*

<b>Trade</b>	<b>FY 03 Approved</b>	<b>FY 04 Request</b>	<b>% Change</b>	<b>Metro Area Benchmarks (median total compensation)</b>
Security	\$14.61	<b>\$14.94</b>	2.3%	\$19.76
Painter	\$21.44	<b>\$22.67</b>	5.7	\$23.78
Electrician	\$23.28	<b>\$24.26</b>	3.8	\$26.50
Sheet Metal	\$22.82	<b>\$24.05</b>	5.4	\$26.02
HVAC Mechanic	\$25.24	<b>\$26.32</b>	4.6	\$26.10
Plumber	\$22.03	<b>\$23.25</b>	5.5	\$26.18
Carpenter	\$23.95	<b>\$24.93</b>	4.1	\$25.20
Grounds Worker	\$18.18	<b>\$18.75</b>	3.1	\$19.56
Housekeeping	\$17.62	<b>\$18.48</b>	4.9	\$17.65
Project Mgt.	\$37.09	<b>\$38.50</b>	3.8	\$49.31



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# Capital Outlay Management

- **State Building Official** – Code Compliance – Capital Project Design Review
  - Professional, Licensed Architects & Engineers
- **2003 General Assembly Created Fund** – Jan. '03
  - Swept \$2.8 million from GF Appropriation
  - New Charges Assessed to Project Accounts
  - Review 1,300 – 1,500 capital projects/year
- **Performance Goal** – Decrease Review Time:
  - 85% Complete within 2 weeks
  - 95% Complete within 3 weeks
- **Rate Request: \$95.00 per hour**
- **Comparables (per hour):**

– UVA	\$94.19 +
– Hanbury	\$115.00 +
– Clark Nexen	\$115.00 +
– Shepley Bullfinch	\$110.00 +



# Graphic Communications

## *billable hour charges*

- Small Graphic Design Office Assists State Agencies w/publications, brochures, etc.
- Five (5) Staff, @ \$350,000 annual budget
  - Supports Staff Salaries, Direct and Related Costs
- Current Rate: \$50.00 per hour, established 1999
  - 3-4% annual loss or profit
- Requested Rate: \$60.00 per hour
- Comparable State Agency-Private Contracts:
  - VDH with the *Prospect Center* - \$100.00 per hour
  - VDACS with *Communique Marketing* - \$105.00 per hour



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# Graphic Communications

	FY 00	FY 01	FY 02	FY 03	FY 04
Revenue	\$342,742	\$391,403	\$372,302	\$334,134	\$360,000
Expense	356,937	378,439	383,710	357,100	360,000
Profit (Loss)	(14,195)	12,964	(11,408)	(22,967)	--

## Budget Bill (§ 3-1.01 AAA)

- *State Comptroller shall transfer \$33,923 and \$50,885 ... from the Office of Graphic Communication ... However, the Department may substitute nongeneral fund revenue from another program...*



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# Virginia Distribution Center

- +/- \$30.0 million annual enterprise
  - Consolidated Purchasing Function for Food and Janitorial items to support needs of state agencies, institutions, jails, local government
  - New Facility Completed 2000 - \$12.5 million
    - Construction Cost – Treasury Loan
    - Directed to amortize through Rates over 10 Years
- 8 independent Studies Completed past decade
- Volume/Leveraged Buying Power Decreases Costs



# Virginia Distribution Center 2001 JLARC Report

- Findings:
  - 41% Savings on Food Purchases
  - 38% Savings on Housekeeping Supplies
  - Sales Need to Be Increased
  - Expenses Need to be Contained
  - New Facility Cost Must be Included in Markup
  - Mark-up Rate Needs to be Adjusted



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# Virginia Distribution Center

- 2003 Market-basket
  - 38% Savings on Food
  - 68% Savings on Housekeeping Supplies
  - Examples:
    - Paper Towels (case) \$10.40 compared to \$26.76
    - Frozen Waffles (case) \$7.13 compared to \$12.38
    - Mayonnaise (case) \$10.51 compared to \$18.30
- Issues:
  - Sales have Slipped
  - Operating Expenses have been Reduced
  - Building Payments Need to be Included in Mark-up
- **Request: Increase 8% Operating mark-up to 12% Operating and Capital Mark-up**



# Virginia Distribution Center

(\$ millions)

<u>Fiscal</u>	<u>Sales</u>	<u>Cost Goods</u>	<u>Operate Expense</u>	<u>%</u>	<u>Building</u>	<u>Total Expense</u>	<u>%</u>
1997	\$41.6	\$39.3	\$2.8	7%		\$2.8	7%
1998	39.2	36.0	3.1	8%		3.1	8%
1999	41.0	37.9	3.6	9%		3.6	9%
2000	38.3	35.1	3.8	10%		3.8	10%
2001	32.0	29.1	3.1	10%		3.1	10%
2002	31.9	29.8	2.1	6%	\$0.1*	3.1	10%
2003	24.8	22.9	<b>1.6</b>	<b>7%</b>	<b>1.2</b>	<b>2.8</b>	<b>11%</b>

*Remaining loan*

**\$9.5**

*\* Net of sale of old  
building*