



COMMONWEALTH of VIRGINIA

Philip A. Leone
Director

Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

(804) 786-1258

INTERNAL SERVICE FUNDS SUBCOMMITTEE REPORT

July 14, 2008

TO: Delegate M. Kirkland Cox, Chair
Members, Joint Legislative Audit and Review Commission

FROM: Senator Walter A. Stosch *WAS*

The Department of General Services (DGS) recently submitted for the Commission's approval rate requests for the vehicles assigned to agencies from the central fleet and for building maintenance labor rates. These requests were considered by the Internal Service Fund Subcommittee at its meeting at on July 14, 2008. The subcommittee also discussed the DGS real estate services rates approved by the Commission at its June meeting. The materials submitted by DGS in support of the rate requests are attached.

Vehicle Fleet Rates Request

DGS has proposed a change to its current rate structure for the approximately 4,000 vehicles in the State's fleet. The primary reason for this rate change request is to avoid refunds to the federal government for excessive revenue collections. Also, the proposed change will update vehicle operating costs and simplify the rate structure. The new monthly vehicle operating rate is based on a calculation that sets total annual operating fees equal to the net operating cost of managing the fleet so that annual profits will be at or near zero. Vehicle acquisition costs will be passed through to the agencies under the proposed rate structure, which will increase the agency costs for new vehicles but will decrease the costs over the life of the vehicle.

Currently, agencies are charged both an operating fee and a capital fee for the vehicles they are assigned, and these rates vary depending on the class of the vehicle. Operating fees cover the cost of personnel, supplies and materials, and contractual payments for maintaining and managing the State's vehicle fleet. Capital fees cover the cost of purchasing the vehicles. The total monthly vehicle rate ranges from \$221.50 for compact cars to \$367.50 for minivans and SUVs. Agencies pay for their own fuel, so it is not recovered in the DGS rates.

The proposed structure would charge a flat monthly operating fee of \$127.32, regardless of the vehicle class. Agencies would also be charged a monthly rate for new vehi-

cles equal to the actual cost of leasing the vehicle over a seven year period. Once the vehicle is paid off, this fee will no longer be charged. Agencies will also receive the surplus value of the vehicle once it is sold. Agencies would continue to pay for their own fuel. The result of the rate change is that new vehicles will initially be more expensive for the agencies, as total monthly costs will range from about \$305 to \$426 for the first 84 months. However, agencies should see a savings over the life of the vehicles ranging from four percent to 54 percent, depending on the type of vehicle. Furthermore, agencies will be charged only the \$127.32 monthly operating fee for vehicles purchased prior to 2005, so charges for these older vehicles will be reduced significantly.

After reviewing the request submitted by DGS, the Subcommittee recommends that the Commission approve the proposed fleet vehicle rates.

Bureau of Facilities Management Labor Rates Request

DGS has requested changes to the labor rates (cost per hour of work) charged by the DGS Bureau of Facilities Management for maintenance and other services performed in State buildings that are not operated by DGS. The rates proposed by DGS are based on a calculation of the salaries and benefits that are paid to personnel, divided by the number of hours that the staff are available to work. DGS has provided spreadsheets documenting its calculation of these rates. Of the ten trades covered by the request, the rates for three trades decrease, the rates for one increases by 0.4 percent, the rates for five increase within a range from 2.2 to 3.0 percent, and the increase for one is 4.2 percent. The rates would be effective for FY 2009.

After reviewing the requests submitted by DGS, the Subcommittee recommends that the Commission approve the proposed labor rates for the Bureau of Facilities Management.

DGS Real Estate Services

In May 2008, DGS submitted a plan to JLARC for implementing an internal service fund that would be sufficient to fund the costs of its Division of Real Estate Services (DRES). The establishment of such a fund is authorized by the 2008 Appropriation Act. In order to recover its costs, DGS is estimating that it needs to charge a fee of 3.25 percent of lease payments to the landlords for single agency leases and a fee of five percent for master leases. DGS's plan also includes some proposed one-time transaction fees.

At the June JLARC meeting, the DGS Director, Mr. Richard Sliwoski, spoke to the Commission regarding the urgency of approving this rate request. The full Commission approved this rate request but also requested that JLARC's Internal Service Fund Subcommittee review the request.

After reviewing the real estate services rate request submitted by DGS, the Subcommittee concludes that the rates that DGS has proposed appear to be appropriate relative to the costs of the services outlined by DGS. No further action is recommended, then, as the full Commission has approved these rates.



JUN 23 2008

COMMONWEALTH of VIRGINIA

Department of General Services

Richard F. Sliwoski, P.E.
Director

Joseph F. Damico
Deputy Director

Bobby Myers
Deputy Director

202 North Ninth Street
Suite 209
Richmond, Virginia 23219-3402
Voice/TDD (804) 786-6152
FAX (804) 371-8305

June 18, 2008

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission
General Assembly Building, Suite 1100
Richmond, VA 23219

Dear Mr. Leone: *Phil*

The Department of General Services requests a change to our Office of Fleet Management Services current rate structure with the changes to be effective July 1, 2008.

The proposed rate structure, if approved, will solve the following key problems that exist with the current rate structure:

1. Avoid potential federal refunds for excessive revenue collections that exceed operational expenses.
2. Ongoing customer charges for capital recovery costs after a vehicle is fully depreciated.
3. Out-of-date operational costs.

A detail of the proposed rated structure is attached.

Sincerely,

Richard F. Sliwoski, P. E.

Attachment



DEPARTMENT OF
GENERAL SERVICES

Serving Government. Serving Virginians.

Virginia Department of General Services

Office of Fleet Management Services

Rate Structure Change Request

July 1, 2008

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Executive Summary

The Office of Fleet Management Services is responsible to manage and finance the Department of General Services centralized fleet of approximately 4,000 passenger type vehicles. Every two years a review of rates is to be conducted and appropriate adjustments made to ensure the organization is operating its internal service fund at, or near the zero profit level.

Overview

The Office of Fleet Management Services (OFMS) is the administrative unit within the Department of General Services that manages the centralized fleet. The Director of DGS has been given authority and responsibilities by Chapter 11, Title 2.2-1178 of the *Code of Virginia* concerning the purchase, use, storage, maintenance and repair, and disposal of all vehicles within the centralized fleet. Executive Order 89 (2005), Purchase, Assignment, and Use of State-Owned Vehicles, extends the *Code of Virginia* authority to all vehicles owned by the Commonwealth. The Director of DGS has delegated the responsibilities for implementing approved policies and procedures to the Director of the Office of Fleet Management Services. The mission of OFMS is to provide statewide vehicle management services using current best practices and technology to ensure safe, efficient, operation of vehicles owned by the Commonwealth.

OFMS operates as an internal service fund and receives no general fund appropriations. It receives funding from two sources: (1) the fees charged to State agencies and institutions for using fleet vehicles and (2) the sale of surplus vehicles.

Purpose

The purpose of this request is to revise the current rate structure to solve the following existing issues:

1. Avoid potential federal refunds for excessive revenue collections that exceed operational expenses.
2. Ongoing customer charges for capital recovery costs after a vehicle is fully depreciated.
3. Out-of-date operational costs.

History

1999

A rate structure was established based on recommendations made in 1999 by the Virginia Transportation Research Council (VTRC) in their "An Investigation of Rental Rates for Centralized Fleet Vehicles" (1999). This rate study caused the rates to be changed for the first time since 1992, and this study provided the following recommendations:

- Fleet Management should replace passenger sedans and minivans at 105,000 miles and replace full size vans at 120,000 miles.
- Fleet Management should request that JLARC change the current rental rates to the rates suggested in the study.
- Fleet Management should reevaluate the rental rates every two years and/or after any significant change in vehicle purchase prices or in the composition of the fleet.

2004

In the Department of General Services performed an analysis of the current fleet business practices and to review the recommendations given OFMS by JLARC in their 2004 “Review of the State’s Passenger Vehicle Fleet”, and the APA “Statewide Review of Agency Owned Vehicles”, also completed in 2004. DGS performed the required analysis and submitted a proposal to reengineer the fleet to the director of DGS in November 2004.

2005

OFMS conducted a competition for a Best Value Acquisition (BVA) vehicle maintenance and management services contract. The successful offeror was required to submit a proposal that included a fleet management system that could be used by OFMS. Four companies submitted proposals, and an award was made to TECOM, Inc. of Austin, Texas. TECOM partnered with a Virginia based company, CCG Systems, Inc., that provided the FASTER system, an off-the-shelf fleet management system that is designed for government fleet management, currently used by many government entities, including the University of Virginia and Virginia Tech. The operation that is being implemented by TECOM is called the OFMS Vehicle Management Control Center (VMCC). It is a call center, managing the scheduled and unscheduled maintenance, breakdowns and accidents of state owned vehicles 24 hours a day, 7 days a week, 365 days a year. The implementation is designed to work in two phases, Phase I is to implement the VMCC at OFMS and bring the centralized fleet into the call center and new FASTER system. Phase II will offer the other state agencies the opportunity to place their agency owned vehicles under the VMCC umbrella, enabling these agencies to manage their vehicles consistently with OFMS and offer the drivers of the agency owned vehicles the same level of service afforded to the drivers of OFMS vehicles.

During the oral presentation process with TECOM, it was revealed during the demonstration of the FASTER system that the rating and billing functionality of the FASTER system was not compatible to accept the current minimum mileage/flat rate/operating rate/capital replacement rate structure currently used by DGS. Upon review and selection of the system, a determination was made that this issue would not outweigh the value and merits of obtaining this system for the Commonwealth’s future fleet management needs. It is a very robust system, and supplies OFMS with a system capable of handling all fleet management needs with modules that handle functions such as trip pool, fuel management, asset management, technician workstations, parts management, and has several hundred types of reports available. The director of OFMS contacted JLARC in May 2005, and an analyst from JLARC was given an overview of the project and a thorough demonstration of the FASTER system. Every type of rate or other type of charge that is available was explained and demonstrated. The charge-back rate structure concept to be proposed in this document

was outlined and the JLARC analyst instructed the director of OFMS to draft a request for the temporary rate changes for submission to JLARC for review.

2007-2008

OFMS initiated a 2 year rate review, as recommended by the Virginia Transportation Research Council in 1999 (see above).

This rate review began with a current situation assessment. This revealed both external and internal concerns. The following lists are a summary of those key concerns:

- External Concerns (Agencies)
 - Paying for vehicle long after recovery of capital cost.
 - Aging fleet impact
 - Increasing Maintenance
 - Decreasing Reliability
 - Length of acquisition process
 - Need for more fuel efficient vehicles
 - Availability of “Green” vehicles
- Internal Concerns (OFMS)
 - Limited/emerging vehicle classes:
 - Mini-Van/SUV
 - Hybrid, etc.
 - Partial operating cost recovery (FY 08 = <50%)
 - Open-ended recovery of capital costs results in excess profits

The most significant concerns that only a rate change could correct were:

- Avoid potential federal refunds for excessive revenue collections that exceed operational expenses
- Ongoing customer charges for capital recovery costs after a vehicle is fully depreciated.
- Out-of-date operational costs.

During the course of the 2007-08 review data, references, and a methodology to calculate a simple and fair mileage rate to recover all OFMS operational costs was developed. It allocates the cost recovery of preventative maintenance, scheduled repairs, and liability insurance, and management costs to all OFMS fleet vehicles thus allowing for consistent and predictable cost recovery from client agencies. Costs for vehicle acquisition and fuel are treated as simply pass-through expenses and thus excluded from the calculation.

Research was then conducted to benchmark against other comparable state-level fleet rate structures (primarily GA & SC). Finally this information was then developed into this rate change proposal.

Current Rate Structure

The current rate structure was approved by JLARC in November 2005.

A monthly flat rate is charged to client agencies. This charge is the total of the capital recovery charge plus the mileage rate times 1250 miles. For a compact vehicle the monthly flat rate would be \$221.50 which is the total of the capital recovery charge of \$169.00 plus the operational rate of \$52.50 (\$0.042*1,250 miles). Other vehicle class flat rates are calculated in the same manner.

Vehicle Class	Monthly Rate	Mileage Rate
Compact	\$169	\$0.042
Midsize	\$197	\$0.048
Full-size	\$238	\$0.054
SUV/Minivan	\$225	\$0.114

Proposed Rate Structure Information Components

Our proposed rate structure is developed using the following components:

- Fleet Composition – to understand the mix of vehicles and total miles driven in the most recent fiscal year (FY07).
- Fleet Use – to understand changes are occurring to vehicle usage due to fuel costs and increased management oversight.
- Cost Distribution – to understand what are the operational costs that must be recovered to keep the internal service fund operating at near zero profit.
- Mileage Rate Calculation – the simple math to determine a cost per mile driven to recover 100% of the operational costs... no more, no less.
- Benchmark Rates – to see if tentative rates are similar to similar state fleets. South Carolina is the best benchmark to Virginia due to size, management structure, and regional labor rates.
- Total Life Cycle Cost Comparison – to see if tentative rates are positive for OFMS customers.

Fleet Composition

Vehicle Type	#	%	FY07 Miles
Compact	1,758	42.3%	20,112,480
Mid-Size	1,173	28.3%	13,419,760
Full Size	460	11.1%	5,262,651
Van	664	16.0%	7,596,523
SUV	96	2.3%	1,098,292
Total	4,151	100.0%	47,501,147

Fleet Use

Ave Vehicle Total Miles (FY 07)	11,443
Ave Vehicle Miles/Month (FY07)	954

Cost Distribution

Cost Type	FY08 Cost
Personnel	\$930,000
Contractual (inc. Maintenance)	\$2,680,500
Supplies & Materials	\$4,719,500
Transfer Payments	\$330,000
Continuous Charges	\$1,862,500
Fixed Assets	\$6,732,709
Subtotal	\$17,255,209
Less Pass-through costs	
Fuel	(\$4,500,000)
Vehicles	(\$6,413,000)
FY08 Net Operating Cost	\$6,342,209

Mileage Rate Calculation

FY07 Miles (Source: Fleet Composition)	47,501,147
FY08 Net Operating Cost (Source: Cost Distribution)	\$6,342,209
Cost per Mile	\$0.1335
Vehicle Mileage per Month (Source: Fleet Use)	954
Vehicle Mileage Fee per Month	\$127.32

Benchmark Rates (State of South Carolina)

Vehicle Class	Monthly Rate	Mileage Rate
Compact Car	\$265	\$0.13
Intermediate Car	\$314	\$0.17
Intermediate Police Sedan	\$437	\$0.20
Minivan	\$353	\$0.16
SUV (Intermediate)	\$406	\$0.19
Pickup Truck (Compact)	\$177	\$0.18
Pickup Truck (1/2 Ton 4x4)	\$319	\$0.25

Total Vehicle Life Cycle Cost Comparison

	Vehicle Cost/Mo	Operating Cost/Mo	Total Cost/Mo	Months Billed	Total Cost
Compact					
Current Rate	\$169.00	\$52.50	\$221.50	120	\$26,580
Proposed Rate	\$177.65	\$127.32	\$304.97	84	\$25,618
Savings					4%
Midsize					
Current Rate	\$197.00	\$60.00	\$257.00	120	\$30,840
Proposed Rate	\$195.18	\$127.32	\$322.50	84	\$27,090
Savings					14%
Full-size					
Current Rate	\$238.00	\$67.50	\$305.50	120	\$36,660
Proposed Rate	\$218.38	\$127.32	\$345.70	84	\$29,039
Savings					26%
Minivan					
Current Rate	\$225.00	\$142.50	\$367.50	120	\$44,100
Proposed Rate	\$213.37	\$127.32	\$340.69	84	\$28,618
Savings					54%
SUV					
Current Rate	\$225.00	\$142.50	\$367.50	120	\$44,100
Proposed Rate	\$298.53	\$127.32	\$425.85	84	\$35,772
Savings					23%

Proposed Rate Structure

The goal of this rate structure is a simple, transparent system that enables OFMS management to achieve a break-even internal service fund. Significant elements of the rate structure include:

- Capital recovery term is specific: 84 months depreciation to 0% value..
- Surplus sale proceeds are rebated to agency.
- Operating cost recovery @13.3 cents per mile for average miles per month (954 miles per month).
- Fuel as pass through.
- Separate Mini-van/SUV class & add Hybrids & Pickup classes.
- Pros
 - Fixed Term

- No excess profits
- Full recovery of operating costs
- Expanded vehicle classes
- Agency surplus proceed initiative
- Resolves agency concerns
- Cons
 - Initial increase in rates but savings over the life of the vehicle

Vehicle Cost

A simple pass-through expense that is a flat monthly amount equal to the actual monthly price of vehicle and interest being paid by OFMS for the vehicle. The monthly rate will cease once vehicle is fully paid for and depreciated. Here are some sample monthly rates for various vehicle classes using the FY08 state-wide contract costs:

Vehicle Class	Typical Model	Cost	Interest Rate	Term	Monthly Rate
Compact Car	Cobalt	\$12,888	4.25%	84 months	\$177.65
Intermediate Car	Fusion	\$14,160	4.25%	84 months	\$195.18
Full-size Car	Impala	\$15,843	4.25%	84 months	\$218.38
Minivan	Uplander	\$15,480	4.25%	84 months	\$213.37
SUV	Durango	\$21,658	4.25%	84 months	\$298.53
Pickup Truck	Colorado	\$10,990	4.25%	84 months	\$151.48
Hybrid (Sedan)	TBD	\$20,000	4.25%	84 months	\$275.86
Hybrid (SUV)	TBD	\$30,000	4.25%	84 months	\$413.52

Adopting this vehicle cost recovery method, OFMS customers will have greater flexibility to acquire the exact vehicle that meets their agency needs.

Fuel Cost

A simple pass-through expense, based on the actual fuel purchased each month by the customer.

Mileage Cost

A fixed rate of \$127.32 (see page 7 for calculation to determine the amount) per vehicle (based on the average miles driven per vehicle per month) to recover all operational costs (acquisition, preventative maintenance, scheduled repairs, liability insurance, management, and disposal).

Transition Plan

Implementation of the proposed rate structure for all current fleet vehicles would not be fair to customers as these vehicles were acquired, managed, and depreciated using an old set of rules.

To ease the transition to this more business-like, transparent rate structure, we recommend vehicles be grouped into classes and treated as follows:

1. New Vehicles (Model Year 09 and beyond) New Rates. This allows customers greater freedom to request vehicles that meet their operational needs (“green”, hybrids, etc). OFMS will then recover vehicle and interest costs and as a pass-through. Fuel will also be a pass-through. All OFMS operational costs will be recovered by the mileage rate.
2. Newer Vehicles (Model Years 05 - 08) No Change. These vehicles were acquired and are being depreciated under the old rate structure. They will be moved from the group of “Newer Vehicles” to the group of “Older Vehicles” as quickly as possible to reduce OFMS income to the “near zero” internal service fund goal.
3. Older Vehicles (Model Years 04 & Older). This group is approximately 2,500 vehicles. Many of these vehicles are fully depreciated. The current capital recovery charge and mileage rate will be eliminated. These will be replaced with only the new mileage rate, thus reducing the customer cost of these vehicles by half or more.

The combination of the new business-like rate structure and a transition plan that significantly reduces costs for most existing vehicles will result a properly managed internal service fund and a more modern fleet for the Commonwealth of Virginia.

**BFM PROPOSED LABOR RATES
FY 2009**

Trade	FY 08 Rates Approved (1)	FY09 Rates (2) Proposed (3)	Percent Change
Housekeeping	23.42	23.94	2.2%
Security	20.11	20.71	3.0%
Painter	30.45	31.74	4.2%
Electrician	31.61	32.47	2.7%
Sheet Metal Worker	30.46	30.37	-0.3%
HVAC Mechanic	35.10	34.45	-1.9%
Plumber	30.71	31.40	2.2%
Carpenter	31.89	31.70	-0.6%
Grounds Worker	24.25	24.35	0.4%
Project Management	53.41	54.93	2.8%

NOTES:

(1) Rates approved by JLARC for use in FY 2008.

(2) Rates proposed by DGS for use in FY 2009.

(3) FY 09 proposed rates include the following factors:

- > The November 2007 4% pay adjustment and an annualized pay adjustment of 2% effective November 2008.
- > The revised fringe benefits factors from DPB.

	FY08	FY09	Change
VRS Contributions	11.15%	11.23%	0.08%
Social Security	7.65%	7.65%	0.00%
Group Life	1.00%	0.82%	-0.18%
Health Ins			
Single	4,720	4,476	-5.45%
Employee + 1	8,472	7,968	-6.33%
Family	12,420	11,688	-6.26%
Retiree Health	1.20%	1.18%	-0.02%
Long Term Disability	2.00%	1.94%	-0.06%
Total increase in fringe cost			-5.63%

- > The factors used for annual leave, sick leave, personal days and holidays did not change

**DEPARTMENT OF GENERAL SERVICES
DIVISION OF ENGINEERING AND BUILDINGS
PERSONAL SERVICE CALCULATIONS
FISCAL YEAR 2007**

HOUSEKEEPING

COST CODE	POS. #	CLASSIFICATION	PAY BAND	ADJ FOR	1.17%										TOTAL
					L1123	L1111	L1112/13	L1114	L1115	L1116	L1117	L1138			
				SALARY	MID YR INC	FY08 Cost	VRS	FICA	GROUP LIF	MEDICAL	RET HLTH L T	DISAB	DEF	COMP	
			(RATES)				11.23%	7.65%	0.82%	Actual	1.18%	1.94%	Actual		
410	EC003	HOUSEKEEPING MANAGER	3	44,193	516	44,709	5,021	3,420	367	4,476	528	867	0	59,387	
410	EC005	HOUSEKEEPING SUPER. SR	3	32,446	379	32,825	3,686	2,511	269	7,968	387	637	0	48,283	
410	EC007	HOUSEKEEPING SUPER. SR	3	35,302	412	35,714	4,011	2,732	293	4,476	421	693	480	48,820	
410	EC009	HOUSEKEEPING SUPER. SR	3	37,449	437	37,886	4,255	2,898	311	11,688	447	735	0	58,219	
410	EC010	HOUSEKEEPING SUPER. SR	3	32,446	379	32,825	3,686	2,511	269	4,476	387	637	0	44,791	
410	EC011	HOUSEKEEPING WORKER	1	20,654	241	20,895	2,347	1,598	171	4,476	247	405	0	30,139	
410	EC015	HOUSEKEEPING MANAGER	3	39,053	456	39,509	4,437	3,022	324	4,476	466	766	240	53,240	
410	EC016	HOUSEKEEPING WORKER	1	21,925	256	22,181	2,491	1,697	182	4,476	262	430	120	31,838	
410	EC022	HOUSEKEEPING SUPER.	3	30,296	353	30,649	3,442	2,345	251	7,968	362	595	0	45,612	
410	EC023	HOUSEKEEPING WORKER	1	21,576	252	21,828	2,451	1,670	179	4,476	258	423	0	31,285	
410	EC025	HOUSEKEEPING SUPER. SR	3	25,813	301	26,114	2,933	1,998	214	4,476	308	507	0	36,549	
410	EC026	HOUSEKEEPING WORKER	1	21,576	252	21,828	2,451	1,670	179	0	258	423	240	27,049	
410	EC027	HOUSEKEEPING WORKER	1	24,641	287	24,928	2,799	1,907	204	4,476	294	484	0	35,093	
410	EC029	HOUSEKEEPING WORKER	1	21,981	256	22,237	2,497	1,701	182	7,968	262	431	240	35,520	
410	EC051	HOUSEKEEPING SUPER. SR	3	29,716	347	30,063	3,376	2,300	247	4,476	355	583	0	41,399	
410	EC072	HOUSEKEEPING SUPER. SR	3	24,278	283	24,561	2,758	1,879	201	4,476	290	476	0	34,642	
410	EC080	HOUSEKEEPING SUPER. SR	3	36,481	449	38,930	4,372	2,978	319	4,476	459	755	0	52,290	
410	EC090	HOUSEKEEPING WORKER	1	22,948	268	23,216	2,607	1,776	190	4,476	274	450	240	33,230	
410	EC094	HOUSEKEEPING WORKER	1	25,781	301	26,082	2,929	1,995	214	11,888	308	506	0	43,722	
410	EC102	HOUSEKEEPING SUPER. SR	3	36,383	424	36,807	4,133	2,816	302	7,968	434	714	0	53,175	
410	EC110	HOUSEKEEPING WORKER	1	21,576	252	21,828	2,451	1,670	179	4,476	258	423	240	31,525	
410	EC122	HOUSEKEEPING SUPER. SR	3	32,446	379	32,825	3,686	2,511	269	4,476	387	637	0	44,791	
410	EC145	HOUSEKEEPING SUPER. SR	3	30,552	356	30,908	3,471	2,364	253	7,968	365	600	0	45,930	
410	EC278	HOUSEKEEPING WORKER	1	20,133	235	20,368	2,287	1,558	167	4,476	240	395	0	29,492	
410	EC336	HOUSEKEEPING WORKER	3	24,176	282	24,460	2,747	1,871	201	4,476	289	475	0	34,518	
410	EC381	HOUSEKEEPING SUPER.	3	32,446	379	32,825	3,686	2,511	269	4,476	387	637	0	44,791	
410	EC382	HOUSEKEEPING SUPER. SR	3	27,383	319	27,702	3,111	2,119	227	4,476	327	537	0	38,500	
410	EC383	HOUSEKEEPING MANAGER	3	31,718	370	32,088	3,603	2,455	263	7,968	379	623	120	47,499	
410	EC384	HOUSEKEEPING SUPER. SR	3	24,667	288	24,955	2,802	1,909	205	4,476	294	484	0	35,125	
410	EC385	HOUSEKEEPING SUPER. SR	3	28,834	336	29,170	3,276	2,232	239	4,476	344	566	0	40,303	
TOTAL						870,914	97,804	66,625	7,141	165,180	10,277	16,996	1,920	1,238,757	
AVERAGE						29,030	3,260	2,221	238	5,506	343	563	64	41,225	
HOURLY RATE						16.86	1.89	1.29	0.14	3.20	0.20	0.33	0.04	23.94	

PERSONAL SERVICE CALCULATIONS CON'T

SECURITY

COST CODE	POS. #	CLASSIFICATION	PAY BAND	ADJ FOR	1.17% MID YR INC	L1123 FY08 Cost	L1111 VRS	L1112/13 FICA	L1114 GROUP LIF	L1115 MEDICAL	L1116 RET HLTH L T	L1117 DISAB DEF	L1138 COMP	TOTAL	
															(RATES)
410	EC002	SECURITY GUARD	1		22,866	267	23,133	2,598	1,770	190	4,476	273	449	0	32,888
410	EC008	SECURITY GUARD	1		22,866	267	23,133	2,598	1,770	190	0	273	449	480	28,892
410	EC036	SECURITY GUARD	1		25,123	293	25,416	2,854	1,944	208	7,968	300	493	480	39,664
410	EC087	SECURITY GUARD	1		25,487	297	25,784	2,896	1,973	211	4,476	304	500	480	36,624
410	EC098	SECURITY GUARD	1		26,571	310	26,881	3,019	2,056	220	4,476	317	521	480	37,971
410	EC101	SECURITY GUARD	1		25,932	303	26,235	2,946	2,007	215	4,476	310	509	0	36,697
410	EC103	SECURITY GUARD	1		21,802	254	22,056	2,477	1,687	181	7,968	260	428	480	35,538
410	EC104	SECURITY GUARD	1		20,610	240	20,850	2,342	1,595	171	11,688	246	404	0	37,297
410	EC112	SECURITY GUARD	1		25,392	296	25,688	2,885	1,965	211	4,476	303	498	0	36,026
410	EC119	SECURITY GUARD	1		22,766	266	23,032	2,586	1,762	189	7,968	272	447	0	36,255
410	EC121	SECURITY GUARD	1		27,329	319	27,648	3,105	2,115	227	7,968	326	536	0	41,925
410	EC191	SECURITY GUARD	1		22,866	267	23,133	2,598	1,770	190	4,476	273	449	0	32,888
410	EC197	SECURITY GUARD	1		22,377	261	22,638	2,542	1,732	186	4,476	267	439	480	32,760
410	EC374	SECURITY GUARD	1*		13,414	156	13,570	1,524	1,038	111	0	160	263	0	16,667
410	EC375	SECURITY GUARD	1*		13,442	157	13,599	1,527	1,040	112	0	160	264	0	16,702
410	EC376	SECURITY GUARD	1*		13,414	156	13,570	1,524	1,038	111	0	160	263	0	16,667
410	EC377	SECURITY GUARD	1*		13,414	156	13,570	1,524	1,038	111	0	160	263	0	16,667
410	EC379	NIGHT SECURITY SUPERVISOR	3		26,987	315	27,302	3,065	2,089	224	4,476	322	530	480	38,488
TOTAL							397,239	44,610	30,389	3,257	79,368	4,687	7,706	3,360	570,617
AVERAGE							24,827	2,788	1,899	204	4,961	293	482	210	35,864
HOURLY RATE							14.42	1.62	1.10	0.12	2.88	0.17	0.28	0.12	20.71

PAINTERS

309	ER026	PAINTER	3		33,263	388	33,651	3,779	2,574	276	11,688	397	653	240	53,258
309	ER054	PAINTER	3		40,270	470	40,740	4,575	3,117	334	4,476	481	790	0	54,513
309	ER061	PAINTER	3		34,063	397	34,460	3,870	2,636	283	0	407	669	0	42,324
309	ER092	PAINTER SUPERVISOR	3		48,565	567	49,132	5,517	3,759	403	7,968	580	953	240	68,551
TOTAL							157,983	17,741	12,086	1,295	24,132	1,864	3,065	480	218,647
AVERAGE							39,496	4,435	3,021	324	6,033	466	766	120	54,662
HOURLY RATE							22.94	2.58	1.75	0.19	3.50	0.27	0.44	0.07	31.74

PERSONAL SERVICE CALCULATIONS CON'T

ELECTRICIANS

COST CODE	POS. #	CLASSIFICATION	PAY BAND	ADJ FOR 1.17% SALARY MID YR INC	L1123 FY08 Cost	L1111 VRS	L1112/13 FICA	L1114 GROUP LIF	L1115 MEDICAL	L1116 RET HLTH L	L1117 DISAB DEF	L1138 L1138	TOTAL	
														(RATES)
309	ER009	ELECTRICIAN	3	34,500	403	34,903	3,920	2,670	286	4,476	412	677	0	47,343
309	ER010	ELECTRICIAN	3	39,803	464	40,267	4,522	3,080	330	4,476	475	781	0	53,932
309	ER011	ELECTRICIAN	3	40,392	471	40,863	4,589	3,126	335	7,968	482	793	480	58,636
309	ER057	ELECTRICIAN	3	45,049	526	45,575	5,118	3,486	374	7,968	538	884	480	64,423
309	ER091	TRADES/UTILITIES SR WORKER	3	29,790	348	30,138	3,384	2,306	247	7,968	356	585	360	45,343
309	ER093	ELECTRICIAN	4	44,500	519	45,019	5,056	3,444	369	7,968	531	873	480	63,741
309	ER094	ELECTRICIAN	3	39,803	464	40,267	4,522	3,080	330	4,476	475	781	0	53,932
309	ER105	TRADES/UTILITY SR WORKER	3	30,083	351	30,434	3,418	2,328	250	11,688	359	590	0	49,067
309	ER107	ELECTRICIAN	3	37,172	434	37,606	4,223	2,877	308	4,476	444	730	480	51,143
309	EF123	ELECTRICIAN SR	3	41,505	484	41,989	4,715	3,212	344	11,688	495	815	480	63,739
309	ER137	ELECTRICIAN SUPERVISOR	4	50,175	585	50,760	5,700	3,883	416	4,476	599	985	0	66,820
309	ER139	ELECTRICIAN	3	36,466	425	36,891	4,143	2,822	303	4,476	435	716	240	50,026
309	ER142	ELECTRICIAN	3	35,164	410	35,574	3,995	2,721	292	4,476	420	690	0	48,168
309	ER156	ELECTRICIAN	3	39,891	465	40,356	4,532	3,087	331	11,688	476	783	480	61,734
309	ER157	ELECTRICIAN	3	42,668	498	43,166	4,848	3,302	354	11,688	509	837	480	65,184
309	ER163	ELECTRICIAN	3	40,764	476	41,240	4,631	3,155	338	4,476	487	800	0	55,126
309	ER164	ELECTRICIAN	3	37,961	443	38,404	4,313	2,938	315	4,476	453	745	480	52,124
TOTAL						673,452	75,629	51,519	5,522	118,908	7,947	13,065	4,440	950,482
AVERAGE						39,615	4,449	3,031	325	6,995	467	769	261	55,911
HOURLY RATE						23.01	2.58	1.76	0.19	4.06	0.27	0.45	0.15	32.47

SHEET METAL WORKERS

309	ER017	HVAC INSTALL & REPAIR TECH	3	33,797	394	34,191	3,840	2,616	280	7,968	403	663	480	50,442
309	ER063	SHEET METAL WORKER	7	39,972	466	40,438	4,541	3,094	332	4,476	477	785	0	54,142
TOTAL						74,630	8,381	5,709	612	12,444	881	1,448	480	104,584
AVERAGE						37,315	4,190	2,855	306	6,222	440	724	240	52,292
HOURLY RATE						21.67	2.43	1.66	0.18	3.61	0.26	0.42	0.14	30.37

PERSONAL SERVICE CALCULATIONS CONT

HVAC INSTALLATION AND REPAIR

COST CODE	POS. #	CLASSIFICATION	PAY BAND	ADJ FOR	1.17% MID YR INC	L1123 FY08 Cost	L1111 VRS	L1112/13 FICA	L1114 GROUP LIF	L1115 MEDICAL	L1116 RET HLTH L	L1117 T DISAB	L1138 DEF COMP	TOTAL
309	ER015	HVAC INSTALL & REPAIR SR TECH	4	44,500	519	45,019	5,056	3,444	369	4,476	531	873	0	59,769
309	ER016	HVAC INSTALL & REPAIR TECH	3	48,222	563	48,785	5,479	3,732	400	7,968	576	946	480	68,365
309	ER018	HVAC INSTALL & REPAIR TECH	3	39,955	466	40,421	4,539	3,092	331	11,688	477	784	0	61,333
309	ER019	HVAC INSTALL & REPAIR TECH	3	46,057	537	46,594	5,233	3,564	362	7,968	550	904	480	65,675
309	ER020	HVAC INSTALL & REPAIR TECH	3	43,273	505	43,778	4,916	3,349	359	4,476	517	849	480	58,724
309	ER029	HVAC INSTALL & REPAIR TECH	3	46,114	538	46,652	5,239	3,569	383	11,688	550	905	0	68,986
309	ER036	ELECTRONIC TECH SR	4	41,369	483	41,852	4,700	3,202	343	4,476	494	812	480	56,358
309	ER038	ELECTRONIC TECH SR	4	48,126	561	48,687	5,468	3,725	399	7,968	575	945	480	68,246
309	ER042	HVAC INSTALL & REPAIR TECH	3	40,282	470	40,752	4,576	3,118	334	11,688	481	791	480	62,220
309	ER049	HVAC INSTALL & REPAIR TECH	3	34,872	407	35,279	3,962	2,699	289	4,476	416	684	0	47,805
309	ER050	HVAC INSTALL & REPAIR TECH	3	36,267	423	36,690	4,120	2,807	301	11,688	433	712	0	56,751
309	ER053	HVAC INSTALL & REPAIR SUPER	4	44,256	516	44,772	5,028	3,425	367	4,476	528	869	0	59,465
309	ER058	HVAC INSTALL & REPAIR TECH	3	45,065	526	45,591	5,120	3,488	374	7,968	538	884	480	64,443
309	ER068	HVAC INSTALL & REPAIR TECH	3	38,711	452	39,163	4,398	2,996	321	7,968	462	760	0	56,068
309	ER069	HVAC INSTALL & REPAIR SR TECH	4	44,500	519	45,019	5,056	3,444	369	11,688	531	873	240	67,221
309	ER073	HVAC INSTALL & REPAIR SUPER	4	46,114	538	46,652	5,239	3,569	383	11,688	550	905	0	68,986
309	ER076	HVAC INSTALL & REPAIR SR TECH	4	42,281	493	42,774	4,804	3,272	351	4,476	505	830	180	57,191
309	ER077	HVAC INSTALL & REPAIR TECH	3	38,938	454	39,392	4,424	3,014	323	4,476	465	764	0	52,858
309	ER083	HVAC INSTALL & REPAIR TECH	3	42,098	491	42,589	4,783	3,258	349	4,476	503	826	0	56,784
309	ER085	HVAC INSTALL & REPAIR TECH	3	44,656	521	45,177	5,073	3,456	370	7,968	533	876	480	63,934
309	ER087	HVAC INSTALL & REPAIR TECH	3	45,390	530	45,920	5,157	3,513	377	11,688	542	891	480	68,566
309	ER120	HVAC INSTALL & REPAIR SR TECH	4	46,396	541	46,937	5,271	3,591	385	4,476	554	911	480	62,604
309	EF124	HVAC INSTALL & REPAIR SR TECH	4	48,208	562	48,770	5,477	3,731	400	4,476	575	946	480	64,856
309	ER132	HVAC INSTALL & REPAIR TECH	3	40,177	469	40,646	4,585	3,109	333	4,476	480	789	480	54,877
309	ER144	HVAC INSTALL & REPAIR TECH	3	40,289	470	40,759	4,577	3,118	334	11,688	481	791	480	62,228
309	ER146	HVAC INSTALL & REPAIR TECH	3	38,524	449	38,973	4,377	2,981	320	7,968	460	756	0	55,835
309	ER147	HVAC INSTALL & REPAIR TECH	3	38,017	444	38,461	4,319	2,942	315	4,476	454	746	0	51,713
309	ER149	HVAC INSTALL & REPAIR SUPER	4	44,254	516	44,770	5,028	3,425	367	4,476	528	869	0	59,463
309	ER151	HVAC INSTALL & REPAIR TECH	2	28,543	333	28,876	3,243	2,209	237	7,968	341	560	0	43,434
309	ER158	HVAC INSTALL & REPAIR SR TECH	4	43,240	504	43,744	4,913	3,346	359	7,968	516	849	0	61,695
309	ER159	HVAC INSTALL & REPAIR TECH	3	33,797	394	34,191	3,840	2,616	280	4,476	403	663	480	48,950
309	ER160	HVAC INSTALL & REPAIR TECH	3	41,449	484	41,933	4,709	3,208	344	7,968	495	813	480	59,950
309	ER161	HVAC INSTALL & REPAIR TECH	3	33,611	392	34,003	3,819	2,601	279	11,688	401	660	480	53,931
309	ER169	HVAC INSTALL & REPAIR TECH	3	38,838	453	39,291	4,412	3,006	322	4,476	464	762	0	52,733
309	ER170	HVAC INSTALL & REPAIR TECH	3	38,838	453	39,291	4,412	3,006	322	7,968	464	762	0	56,225
TOTAL						1,472,205	165,329	112,624	12,072	259,980	17,372	28,561	8,100	2,076,242
AVERAGE						42,063	4,724	3,218	345	7,428	496	816	231	59,321
HOURLY RATE						24.43	2.74	1.87	0.20	4.31	0.29	0.47	0.13	34.45

PERSONAL SERVICE CALCULATIONS CON'T

PLUMBERS

COST CODE	POS. #	CLASSIFICATION	PAY BAND	SALARY	ADJ FOR 1.17% MID YR INC	RATES										TOTAL
						L1123 FY08 Cost	L1111 VRS	L1112/13 FICA	L1114 GROUP LIF	L1115 MEDICAL	L1116 RET HLTH	L1117 L T DISAB	L1138 DEF COMP			
309	ER021	PLUMBER / STEAM-FITTER SUPV	4	44,599	520	45,119	5,067	3,452	370	11,688	532	875	0	67,104		
309	ER022	PLUMBER / STEAM-FITTER LEAD	3	42,240	493	42,733	4,799	3,269	350	0	504	829	480	52,964		
309	ER023	PLUMBER / STEAM-FITTER	3	39,810	464	40,274	4,523	3,081	330	4,476	475	781	0	53,941		
309	ER037	PLUMBER / STEAM-FITTER	3	38,749	452	39,201	4,402	2,999	321	11,688	463	761	0	59,835		
309	ER074	PLUMBER / STEAM-FITTER	3	39,042	455	39,497	4,436	3,022	324	4,476	466	766	0	52,987		
309	ER104	PLUMBER / STEAM-FITTER	3	37,972	443	38,415	4,314	2,939	315	11,688	453	745	0	58,869		
309	ER125	PLUMBER / STEAM-FITTER	3	38,360	448	38,808	4,358	2,969	318	7,968	458	753	240	55,871		
309	ER126	PLUMBER / STEAM-FITTER	3	30,255	353	30,608	3,437	2,342	251	4,476	361	594	0	42,069		
309	ER129	PLUMBER / STEAM-FITTER	3	35,933	419	36,352	4,082	2,781	296	7,968	429	705	240	52,856		
309	ER140	PLUMBER / STEAM-FITTER	3	34,015	397	34,412	3,864	2,633	282	4,476	406	668	480	47,221		
309	ER141	PLUMBER / STEAM-FITTER	3	38,590	450	39,040	4,384	2,987	320	11,688	461	757	0	59,637		
309	ER155	PLUMBER / STEAM-FITTER	3	34,024	397	34,421	3,865	2,633	282	4,476	406	668	240	46,992		
309	ER171	PLUMBER / STEAM-FITTER	3	32,545	380	32,925	3,697	2,519	270	11,688	389	639	360	52,486		
TOTAL						491,806	55,230	37,623	4,033	96,756	5,803	9,541	2,040	702,832		
AVERAGE						37,831	4,248	2,894	310	7,443	446	734	157	54,064		
HOURLY RATE						21.97	2.47	1.68	0.18	4.32	0.26	0.43	0.09	31.40		

GROUNDS WORKERS

412	EG004	GROUNDS SUPV	3	47,060	549	47,609	5,346	3,642	390	4,476	562	924	0	62,949
412	EG006	GROUNDS WORKER SR	1	30,902	361	31,263	3,511	2,392	256	4,476	369	606	0	42,873
412	EG010	GROUNDS WORKER SR	1	30,128	351	30,479	3,423	2,332	250	11,688	360	591	0	49,123
412	EG012	GROUNDS WORKER SR	1	29,440	343	29,783	3,345	2,278	244	4,476	351	578	0	41,056
412	EG020	GROUNDS WORKER SR	1	22,868	267	23,135	2,596	1,770	190	4,476	273	449	0	32,890
412	EG008	GROUNDS WORKER SR	1	24,994	292	25,286	2,840	1,934	207	4,476	298	491	0	35,532
412	EG011	GROUNDS WORKER SR	1	24,994	292	25,286	2,840	1,934	207	4,476	298	491	0	35,532
412	EG023	GROUNDS WORKER SR	1	24,994	292	25,286	2,840	1,934	207	4,476	298	491	0	35,532
TOTAL						238,126	26,742	18,217	1,953	43,020	2,810	4,620	0	335,486
AVERAGE						29,766	3,343	2,277	244	5,378	351	577	0	41,936
HOURLY RATE						17.29	1.94	1.32	0.14	3.12	0.20	0.34	0.00	24.35

PERSONAL SERVICE CALCULATIONS CONT

CARPENTERS

COST CODE	POS. #	CLASSIFICATION	PAY BAND	ADJ FOR	1.17% MID YR INC	L1123 FY08 Cost	L1111 VRS	L1112/13 FICA	L1114 GROUP LIF	L1115 MEDICAL	L1116 RET HLTH LT	L1117 DISAB	L1138 DEF COMP	TOTAL	
															(RATES)
309	ER024	CARPENTER SUPV	4		39,798	464	40,262	4,521	3,080	330	4,476	475	781	0	53,926
309	ER044	CARPENTER	3		40,543	473	41,016	4,606	3,138	336	7,968	484	796	0	58,344
309	ER072	CARPENTER SENIOR	3		47,969	560	48,529	5,450	3,712	398	7,968	573	941	480	68,051
309	ER075	CARPENTER	3		39,675	463	40,138	4,507	3,071	329	0	474	779	480	49,777
309	EF122	CARPENTER SENIOR	3		34,611	404	35,015	3,932	2,679	287	0	413	679	0	43,005
309	ER153	CARPENTER SENIOR	3		45,127	526	45,653	5,127	3,492	374	11,688	539	886	240	68,000
309	ER167	CARPENTER	3		33,853	395	34,248	3,846	2,820	281	0	404	664	0	42,063
309	ER168	CARPENTER	3		39,491	461	39,952	4,487	3,056	328	4,476	471	775	0	53,545
TOTAL							324,813	36,476	24,848	2,663	36,576	3,833	6,301	1,200	436,711
AVERAGE							40,602	4,560	3,106	333	4,572	479	788	150	54,589
HOURLY RATE							23.58	2.65	1.80	0.19	2.66	0.28	0.46	0.09	31.70

PROJECT MANAGEMENT

COST CODE	POS. #	CLASSIFICATION	PAY BAND	ADJ FOR	1.17% MID YR INC	L1123 FY08 Cost	L1111 VRS	L1112/13 FICA	L1114 GROUP LIF	L1115 MEDICAL	L1116 RET HLTH LT	L1117 DISAB	L1138 DEF COMP	TOTAL	
															(RATES)
415	ET004	ARCHITECTURAL CONSULTANT	5		63,718	743	64,461	7,239	4,931	529	11,688	761	1,251	0	90,859
415	ET005	ARCHITECTURAL CONSULTANT	5		62,498	729	63,227	7,100	4,837	518	4,476	746	1,227	0	82,132
415	ET006	ARCHITECTURAL CONSULTANT	5		81,762	954	82,716	9,289	6,328	678	7,968	976	1,605	480	110,040
415	ET019	ARCHITECTURAL CONSULTANT	5		66,952	781	67,733	7,606	5,182	555	11,688	799	1,314	480	95,356
TOTAL							278,138	31,235	21,278	2,281	35,820	3,282	5,396	960	378,388
AVERAGE							69,534	7,809	5,319	570	8,955	821	1,349	240	94,597
HOURLY RATE							40.38	4.53	3.09	0.33	5.20	0.48	0.78	0.14	54.93



COMMONWEALTH of VIRGINIA

Philip A. Leone
Director

Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

(804) 786-1258

June 4, 2008

MEMORANDUM

TO: Philip A. Leone

FROM: Robert B. Rotz, Senior Division Chief ^{RBR}

SUBJECT: DGS's Submission of an Implementation Plan and Rate Requests for the Division of Real Estate Services

On May 21, 2008, the Department of General Services (DGS) submitted a plan for implementing an internal service fund that would be sufficient to finance the costs of its Division of Real Estate Services (DRES). Item 79 of House Bill 30 (reenrolled) of the 2008 General Assembly provides that "this appropriation includes an internal service fund to support a program of Real Estate Services" at DGS, and notes that the fund may include "rent payments or fees to be paid by state agencies and institutions for their occupancy of facilities... including but not necessarily limited to, leases of nonstate owned office space..." The item notes that surcharge rates would be approved by JLARC. DGS's implementation plan contains a proposal for the fees that would be charged to leasing agencies.

DGS states that DRES is currently administering 210 agency leases from 14 agencies and plans to bring another 188 leases from 36 agencies under its lease administration process. In order to recover its costs, DGS is estimating that it needs to charge a fee of 3.25 percent for single agency leases and a fee of 5 percent for master leases. (The fee percentage represents the percentage of the lease payment that is made to the landlord). The fee percentage is higher for master leases because these leases are more complicated. DGS anticipates about \$2.1 million in DRES costs in each of the two years of the upcoming biennium and estimates that these fee percentages will yield about \$1.9 million per year in funds for DRES. When this amount is combined with \$78,000 in proposed one-time transaction fees and a \$200,000 broker commission rebate, the annual funding estimated by DGS is enough to cover costs with about \$100,000 per year in reserve.

Attached is a copy of a June 3, 2008 letter from DGS requesting JLARC approval consideration for its rate requests related to this internal service fund, and also a copy of the DGS implementation plan. In addition, DGS staff will be present at the June Commission meeting to respond to any questions which commission members may have about the internal service fund as proposed.

Attachment



COMMONWEALTH of VIRGINIA

Department of General Services

Richard F. Sliwoski, P.E.
Director

Joseph F. Damico
Deputy Director

Bobby Myers
Deputy Director

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission
General Assembly Building, Suite 1100
Richmond, VA 23219

June 3, 2008

202 North Ninth Street
Suite 209
Richmond, Virginia 23219-3402
Voice/TDD (804) 786-6152
FAX (804) 371-8305

Dear Mr. Leone:

The Department of General Services respectfully submits the attached Division of Real Estate Services internal service fund rate request to the Joint Legislative Audit and Review Commission for approval consideration.

The Division of Real Estate Services (DRES) was established in 2004 to consolidate activities associated with real estate transactions by state agencies and institutions. The 2005 Virginia Acts of Assembly – Chapter 951 authorized an internal service fund to support a program of Real Estate Services. During the 2008 session of the General Assembly, the DRES internal service fund language was amended to address costs associated with surplus property sales, establishing the internal service fund costs (inclusive of rent payments to Landlords), and DPB's authorization to transfer DRES General Funds (GF) to agencies that will pay DRES fees with agency GFs.

Specifically, DGS seeks the Joint Legislative Audit and Review Commission's approval of the following:

- Single Agency Leases: charge agencies a 3.25% fee for each single agency lease managed by DRES. Fee amount will equal 3.25% of the total lease expense. Details for FY09 agency charges provided in rate package.
- Master Leases: charge agencies a 5% fee for those leases where several agencies are occupying leased space under a single (master) lease agreement. Fee amount will equal 5% of an agency's portion of the total lease amount. Details for FY09 agency charges provided in rate package.
- Proposed "one-time" transaction fees for various other services, other than single and master transactions, offered by DRES. Such services include easements, interagency transfers, administering appraisals, and other conveyances. Details of "one-time" transaction fee schedule provided in rate package.

Sincerely,


Richard F. Sliwoski, P. E.

Department of General Services

Implementation Plan

Internal Service Fund to Finance the Division of Real Estate Services

May 21, 2008

May 21,
2008

Division of Real Estate Services Overview

The Division of Real Estate Services was established in 2004 to consolidate activities associated with real estate transactions by state agencies and institutions. The consolidation strategy was recommended by an independent contractor contracted to study the Commonwealth's management of its owned and leased real estate assets. The study was a recommendation of the Wilder Commission. The study found, among other things, that a more centralized approach to managing the Commonwealth's real estate assets (leased and owned) was needed in order to create a single base of knowledgeable, experienced real estate professionals to handle the Commonwealth's significant portfolio and to exploit cost saving opportunities such as co-location of agencies.

Executive Order 75(04) directed the establishment of an integrated real estate portfolio management system for agencies and institutions of the Executive Branch. The "management system" resulted in the establishment of the Division of Real Estate Services (DRES). Executive Order 75(04):

Directs the establishment of an integrated real estate portfolio management system for the agencies and institutions of the Executive Department, based on the following enterprise-wide goals:

- *Increase co-location and bargaining power*
- *Decrease total and per-person space allocations*
- *Reduce total costs*
- *Maintain agency security and operational needs*
- *Augment or maintain agency functional space and real property services*

In addition to working towards accomplishing EO75 goals, DRES provides expanded services that include:

- *Publication of guidelines for the conduct of transactions*
- *Identify and provide information on available properties.*
- *Strategic portfolio management*
- *Preparation and administration of the solicitation process to located available property*
- *Space programming/planning*
- *Financial modeling*
- *Negotiations*
- *Drafting of Legal Instruments*
- *Provide advice and assistance in delegated transactions (e.g., purchases, transfers, easements)*

- *Surplus real property disposal*
- *Real estate information systems*
- Leasing services provided by DRES include:
 - *Identification of requirements: term expiration, size or location change, co-location opportunities*
 - *Development of space programs, validation against standards, preparation of plans*
 - *Enforcement of a 205 usable square feet per person limit, based national averages and best practices.*
 - *Coordinate requirements among multiple agencies to develop co-location facilities.*
 - *Issue of solicitations and evaluation of responses*
 - *Negotiate lease terms*
 - *Create lease documentation*
 - *Coordinate tenant improvement construction*

To date, DRES has undertaken administration of 210 agency leases from 14 agencies. By August, 2008, DRES plans to bring another 188 leases from 36 agencies under its lease administration processes. Like real estate transactions, this component of real estate management deserves and will benefit from oversight by experienced and knowledgeable real estate professionals. DRES Lease Administration services include:

- *Establish lease payment schedule*
- *Verify payments for rent and operating expenses conform to lease terms*
- *Conduct audit of Landlords operating expenses as required*
- *Escalate issues of maintenance and operation that cannot be resolved locally*
- *Provide forecasts of future rent obligation to each agency*
- *Provide analysis of facility utilization efficiency*

DRES has also recently implemented an automated information real estate management system. The system is an Integrated Real Estate Management System (IREMS) which combines a database for portfolio management and reporting, and modules for lease administration, transaction management and space management. The system is web based and can be accessed by the client agencies and institutions. As agencies receive training they will be able to review their portfolio of state owned and leased facilities and generate reports on space utilization and cost. IREMS will be used by DRES in day to day management of transactions. Agencies will be able to monitor progress of transactions and participate in the review of candidate locations , The on-line database will eliminate the need for agencies to maintain separate real estate records. IREMS will become the one trusted source for all real estate data for the Commonwealth.



Establishment of an Internal Service Fund

The 2005 Virginia Acts of Assembly – Chapter 951 authorized an internal service fund to support a program of Real Estate Services, see provided language:

Item 77:

D.1. The Physical Plant Acquisition and Construction program includes an internal service fund to support a program of Real Estate Services. This internal service fund may include rent payment or fees to be paid by state agencies and institutions for their occupancy of facilities and for the agency's management of real property transactions, including, but not necessarily limited to, leases of non-state owned office space throughout the Commonwealth for use by such agencies and institutions. In implementing the program, the department may utilize brokerage services, portfolio management strategies, personnel policies, and compensation practices generally consistent with prevailing industry best practices. The Joint Legislative Audit and Review Commission shall review this program as provided in § 2.2-1101 of the Code.

During the 2008 session of the General Assembly, the DRES internal service fund language was amended to address costs associated with surplus property sales, establishing the internal service fund costs (inclusive of rent payments to Landlords), and DPB's authorization to transfer DRES General Funds (GF) to agencies that will pay DRES fees with agency GFs. 2008 budget language is provided:

Item 79 of House Bill 30 (reenrolled) of the 2008 General Assembly provides:

A. This appropriation includes an internal service fund to support a program of Real Estate Services. This internal service fund may include rent payments or fees to be paid by state agencies and institutions for their occupancy of facilities and for the agency's management of real property transactions, including, but not necessarily limited to, leases of nonstate owned office space throughout the Commonwealth for use by such agencies and institutions. Also included are funds to pay costs associated with the disposal of state owned real property and interests therein. The costs paid for each sale shall be returned to the fund upon sale of the property in an amount calculated at 115 percent of such costs. The estimated cost for this service area is \$59,200,000 the first

year and \$59,200,000 the second year. In implementing the program, the department may utilize brokerage services, portfolio management strategies, personnel policies, and compensation practices generally consistent with prevailing industry best practices.

B. The Director, Department of Planning and Budget, is authorized to transfer general fund appropriations from this Item to agencies paying the Department of General Services' real estate service charges from general fund appropriations based on real estate surcharge rates approved by the Joint Legislative Audit and Review Commission.



Program Funding

Funding will come from a combination of fees:

- Single Agency Leases – Simplest to set up and administer. Some opportunity for economies. Fee 3.25% of lease payments to Landlord. Estimated total fees: \$1,565,677
- Master Leases – Several agencies occupying discrete spaces under a single lease. Most complex to negotiate and administer requiring more DRES staff time, but results in greatest economic benefit. Fee 5% of lease payments to Landlord. Estimated total fees: \$364,617

Agency	Single Agency Lease - Annual Expense	3.25%	Master Lease - Annual Expense	5%	FEE TOTALS
123 - DMA	376,511.76	12,236.63		-	12,236.63
127 - DEM	487,587.24	15,846.59		-	15,846.59
136 - VITA	-	-		-	-
137 -VITA	-	-		-	-
141 - ATG	164,863.44	5,358.06		-	5,358.06
154 - DMV	5,773,973.64	187,654.14			187,654.14
156 - VSP	1,281,853.68	41,660.24	43,341.84	2,167.09	43,827.34
161 - TAX	2,613,830.28	84,949.48	57,600.00	2,880.00	87,829.48
163 - VDA		-	145,782.84	7,289.14	7,289.14

Agency	Single Agency Lease - Annual Expense	3.25%	Master Lease - Annual Expense	5%	FEE TOTALS
165 - DHCD	784,227.96	25,487.41	21,141.00	1,057.05	26,544.46
175 - VOPA		-	16,855.80	842.79	842.79
181 - DOLI	296,685.96	9,642.29	116,180.28	5,809.01	15,451.31
182 - VEC	3,539,677.48	115,039.52	151,101.72	7,555.09	122,594.60
191 - WCC		-	86,941.44	4,347.07	4,347.07
194 - DGS	650,681.52	21,147.15			21,147.15
199 - DCR	205,739.64	6,686.54	96,099.00	4,804.95	11,491.49
201 - DOE		-	5,602.80	280.14	280.14
214 - LU	228,808.32	7,436.27			7,436.27
222 - DPOR		-	702,920.40	35,146.02	35,146.02
223 -DHP		-	1,103,385.24	55,169.26	55,169.26
226 - BOA		-	42,411.96	2,120.60	2,120.60
232 - DMBE	-	-	96,993.00	4,849.65	4,849.65
236 - VCU VISTA		-	234,958.20	11,747.91	11,747.91
247 - GMU		-	9,254.28	462.71	462.71
262 - DRS	2,234,043.96	72,606.43	1,895,907.48	94,795.37	167,401.80
282 - PVCC		-	9,389.52	469.48	469.48
301 - VDACS	111,480.60	3,623.12		-	3,623.12
310 - VEDP	-	-		-	-
325 - DBA	303,752.16	9,871.95		-	9,871.95
402 - MRC	301,528.87	9,799.69		-	9,799.69
403 - DGIF	375,112.92	12,191.17		-	12,191.17
405 - VRC	27,241.08	885.34		-	885.34
409 - DMME	84,469.92	2,745.27		-	2,745.27
411 - DOF	56,911.92	1,849.64		-	1,849.64
423 - DHR	295,972.35	9,619.10		-	9,619.10
425 - JYF	-	-		-	-

Agency	Single Agency Lease - Annual Expense	3.25%	Master Lease - Annual Expense	5%	FEE TOTALS
440 - DEQ	3,817,323.72	124,063.02		-	124,063.02
501 - VDOT	3,990,336.00	129,685.92	25,333.80	1,266.69	130,952.61
505 - DRPT	251,998.43	8,189.95		-	8,189.95
506 - MVDB	72,977.16	2,371.76		-	2,371.76
601 - VDH	2,040,693.96	66,322.55	243,745.08	12,187.25	78,509.81
602 - DMAS	1,529,150.88	49,697.40		-	49,697.40
701 - DOC	8,114,262.72	263,713.54		-	263,713.54
702 - DBVI	43,560.00	1,415.70	139,603.68	6,980.18	8,395.88
711 - VCE	-	-		-	-
720 - DMHMR&SAS	-	-		-	-
750 - DCE	7,875.00	255.94		-	255.94
751 - VDDHH	-	-	94,767.24	4,738.36	4,738.36
762 - DRVD	19,380.12	629.85		-	629.85
765 - DSS	6,205,000.32	201,662.51	1,147,949.40	57,397.47	259,059.98
777 - DJJ	714,229.74	23,212.47	36,549.96	1,827.50	25,039.96
848 - IDC			- 82,852.80	4,142.64	4,142.64
912 - DVS	72,726.96	2,363.63	50,596.80	2,529.84	4,893.47
937 - SVHEC	556,020.00	18,070.65		-	18,070.65
938 - NCU	91,383.60	2,969.97			2,969.97
960 - DFP	289,440.00	9,406.80		-	9,406.80
962 - DERC	91,307.52	2,967.49		-	2,967.49
963 - VLO	72,044.28	2,341.44		-	2,341.44
T J PLANNING DIST			- 69,069.00	3,453.45	3,453.45
DCG			- 20,783.40	1,039.17	1,039.17
778- DFS	-	-	545,220.00	27,261.00	27,261.00
Total	48,174,665.11	1,565,676.62	7,292,337.96	364,616.90	1,930,293.51

- Brokerage Commission Sharing – These are funds shared between DRES and its contractor broker from commissions paid by private Landlords to the contractor. Commission share is based on a percentage of total commissions earned by the contractor. Estimate commission share: \$200,000
- Proposed One-time Transaction Fees – these are fees paid by agencies to DRES for various real estate one-time transactions.

TRANSACTIONS	Est.Number FY09	Avg. Hours	Fee	Est Income FY09
Easements (benefit of COV)	20	8	\$200	\$4,000
Acquisition (purchase, gift, devise)	30	40	\$1,000	\$30,000
Expense Lease (not admin by DRES)	60	20	\$250	\$15,000
Residential Income Lease	5	15	\$200	\$1,000
Interagency Transfer	5	8	\$200	\$1,000
Temp Transfer	5	16	\$200	\$1,000
Administer Appraisal Process	50	6	\$200	\$10,000
Conservation Easements (CO only)	10	2	\$100	\$1,000
Income Lease (commercial) (1% of value, \$1000 minimum)	5	40	\$1,000	\$5,000
Other Conveyances	5		\$1,000	\$5,000
Easement (benefit others)	5	20	\$1,000	\$5,000
Sales	115% of costs as provided by law.			
Total	200			\$78,000

DRES Budget 2009 & 2010

- Estimated Cost of Services (\$2,109,566)
(\$1.7M employee costs, \$0.4M facilities, IT etc.)
- Broker Commission Rebate (EST) \$ 200,000
- Internal Service Funds (EST)
 - Single Agency Leases @ 3.25% \$ 1,565,677
 - Master Leases @ 5% \$ 364,617
 - Transaction Fees \$ 78,000

IV

Implementation

The information in this report and our intentions to begin charging fees has been communicated to agencies. The Department of General Services (DGS) hosted an agency roundtable meeting on March 26, 2008, to review DRES funding options and for DGS to address agency questions regarding the proposed internal service fund model.

In April 2008, agencies were surveyed by DRES requesting information, including current agency lease payment information, to enable DRES to develop its internal service fund rates. On April 30, 2008, DRES held another agency roundtable meeting. The DGS director opened the meeting addressing the internal service model DRES would be implementing and that rates would take the form of a percentage up charge on agency lease payments.

On May 16, 2008, DRES sent its May 2008 newsletter to agency real estate contacts announcing that DRES would be presenting its rate package to the Joint Legislative Audit and Review Commission for consideration at the Commission's June 2008 meeting.

Provided JLARC approves the submitted internal service fund rates, DRES will publish the rates on its web-site and include the rate information in its next newsletter. In addition, DRES will discuss rates at its next roundtable meeting.

DRES will IAT agencies on a monthly basis or on other payment terms as agreed to between DRES and an agency.