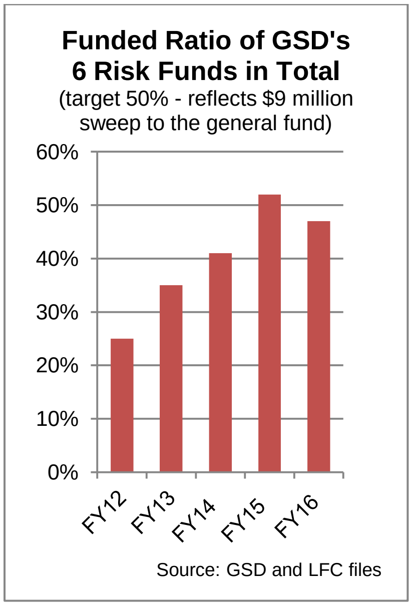
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
General Services Department
Third Quarter, Fiscal Year 2016

General Services Department



GSD's mission is to achieve the highest level of government efficiency through consolidation of resources. Consequently, how GSD manages risk and group health insurance, state facilities and procurement, and other agency support functions such as vehicles, printing and surplus property disposal, has direct consequences on the funding available for high priority programs and projects serving New Mexicans.

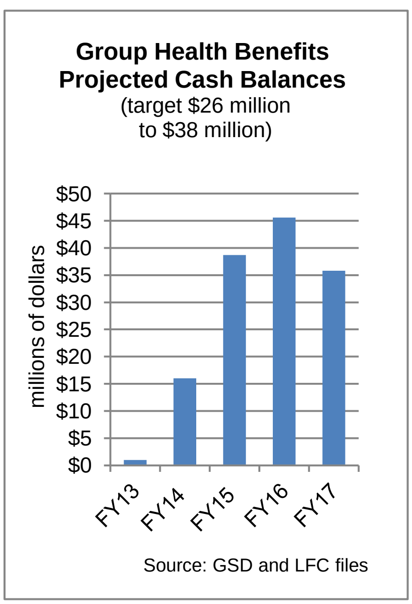
Risk Management

The program has had stronger revenue collections the past few years from agency risk assessments established to improve the solvency of the risk funds. The measure (below) for the time to resolve a claim does not accurately portray claim processing effectiveness or reflect lower settlement costs. However, the program is closing more claims than it opens although the average cost to settle a claim has been increasing. Large losses continue to be attributed to incidents at public health and safety agencies and employer and employee workplace conflicts, which often include a costly secondary complaint under the state's whistleblower statute.

Projected losses paid in FY16 are $63 million in total, $14 million more than the five-year average; however, in line with this year's actuarial projections.

Risk Management		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: $106,181.0	FTE: 58						
1	Projected financial position of the workers' compensation, property and casualty funds	37%	50%	64%	61%	58%	G
2	Average time to resolve a claim, in days	New	30	351	438	408	R
3	Claims paid from the unemployment insurance fund	$5.9M	$5.8M	$1.5M	$2.8M	$1.1M	G
Program Rating		Y					Y

For FY18, Risk Management could consider additional measures related to: 1) agencies with high frequency claims in compliance with loss control recommendations, 2) agencies passing loss control audits, and for the risk funds, 3) average cost of claims as compared with five-year averages or other programs.



Group Health Benefits

Medical costs on a per-member basis are relatively flat. However, over the past three years, the Legislature has funded employer premium increases of 28 percent to replace the use of fund balances during the recession years. For some employees, the higher premiums were imposed without a corresponding pay increase which resulted in lower take-home pay and, perhaps, delays in seeking care. Despite higher premiums, agency employers still pay a larger portion of the premium for single and family coverage, on average, and their employees a smaller portion of the total cost of care when compared to plans on the health insurance exchange.

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Group Health Benefits		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: $323,622.0	FTE: 0						
4	State group prescriptions filled with generic drugs	84%	82%	84%	83%	87%	G
5	State employees purchasing state medical insurance	95%	92%	97%	85%	85%	Y
6	Per member per month healthcare costs	$366	≤ $347	$333	$343	$329	G
Program Rating		G					G

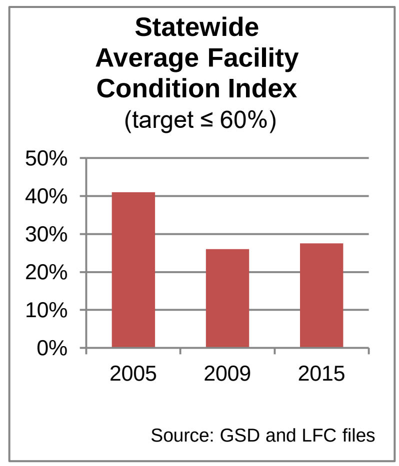
For FY18, the Group Health Benefits Program could consider additional measures related to large cost drivers such as diabetes management and emergency room use.

Total Capital Outlay Appropriations for Statewide Repairs (2012 - 2016)	
2016	$2,000,000
2015	$0
2014	$4,500,000
2013	$500,000
2012	$5,000,000

Source: LFC files

Facilities Management

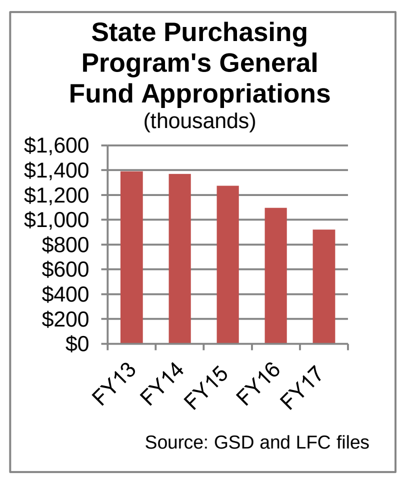
The program completed facility condition assessments that will be used by agencies to prioritize capital project requests. For GSD, the average facility condition index (FCI) for its 29 largest buildings was 21 percent, which outperforms the industry standard of 60 percent, and suggests the program has done a good job maintaining facilities with limited resources. However, the average cost per square foot for leased space continues to climb in spite of space per FTE that exceeds space standards. This is largely due to escalation clauses in some older leases. For FY17, the program added a measure for new office leases and office lease renewals that meet space use standards that excludes FTE for state facilities.



Source: GSD and LFC files

Facilities Management		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: $13,151.1	FTE: 140.5						
7	Capital projects on schedule and within approved budget	90.0%	94.0%	97.8%	98.7%	98.0%	G
8	Average cost per square foot for leased space	$17.01	$16.00	$17.38	$17.42	N/A	Y
	Total rentable square foot per FTE (privately-owned space)	420	215	425			N/A
	Total gross square foot per FTE (state-owned space)	381	215	381			N/A
9	Time major equipment operational	99.2%	95.0%	99.7%	99.7%	99.7%	G
Program Rating		Y					G

For FY18, Facilities Management Program could consider additional measures related to 1) keeping state-owned buildings in shape with facility condition indexing and monitoring owner's care of leased space, 2) maintenance costs compared to industry, and 3) agency occupants in compliance with space standards.



Source: GSD and LFC files

State Purchasing

A new measure to ensure agencies comply with procurement regulations resulted in consultations with the Department of Transportation, Environment Department and Department of Health. The goal is to reduce violations – such as misuse of price agreements, emergency and sole source procurement methods often the result of inadequate experience, skills or knowledge. The measure for vendor compliance refers to the portion of sales a vendor returns to the state, pursuant to a price agreement. In prior years, this was collected on an honor system. Since then, the program has stepped-up collections and reduced its reliance on the general fund.

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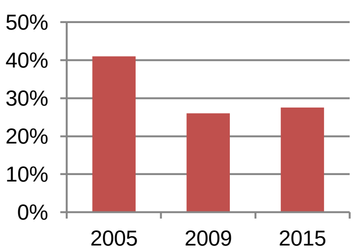
State Purchasing		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: $2,346.6	FTE: 27						
10	Agency visits for compliance with procurement regulations	0	9	0	3	3	G
11	Vendor post award fee compliance, in millions	$2,005	$2,065	$439	$368	Q3 available in Q4	Y
12	Number of requests-for-proposals	45	47	14	20	26	G
Program Rating		Y					G

Statewide Average Facility Condition Index
(target ≤ 60%)



Source: GSD and LFC files

Transportation Services

Because older vehicles are more costly to maintain and operate, the program strives to replace 20 percent of the vehicle fleet each year. However, despite every vehicle being in use for at least a portion of the day available, half of all vehicles may not be accumulating the mileage necessary to justify their expense. The program is encouraging agencies to return long-term leased vehicles in favor of short-term vehicles, which saves the agency money in the long run. This year, the program is installing GPS units in vehicles with monthly monitoring fees built into vehicle leasing rates. This is expected to reduce fuel and maintenance costs by promoting better driving behavior, which has had a direct impact on vehicle operation costs.

Transportation Services		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: $11,580.9	FTE: 35						
13	Fleet vehicles beyond 5 years	47%	≤ 30%	41%	50%	48%	Y
14	Vehicles that accumulate at least one thousand miles per month	32%	≥ 37%	31%	46%	43%	Y
15	Vehicle operation costs per mile, as compared to industry average	New	New		Annual		N/A
Program Rating		Y					Y

State Printing Services

As of the third quarter, revenues exceeded the prior year with a short legislative session by $27 thousand with 4 fewer employees. By fiscal-year-end, the program expects to outperform the industry standard of $160 thousand generated per employee, which reflects how efficiently similar companies are utilizing employees. This year, the program is offering a new digitalization of records service that will increase revenue and decrease expenses related to storing records.

State Printing Services		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: $1,485.0	FTE: 14						
16	Growth in revenue (cumulative, in millions)	$1,314	$1,400	$171	$278	$1,166	Y
17	Print job error costs, as compared to total sales	New	≤ 2.0%	0.27%	0.31%	0.06%	G
18	Days to provide a customer quote	New	2.0	3.0	1.3	2.0	G
Program Rating		Y					G

KEY ISSUES

GSD has improved on several measures including the financial health of the risk funds, stabilizing group medical insurance costs, and maintaining facilities and systems. Challenges stem from agencies with poor hiring practices or inadequate oversight resulting in costly conflicts to mitigate; agencies being allowed to make their own procurement decisions instead of more centralized control; and agencies in state facilities with little incentive to meet space standards.

IMPROVEMENT PLANS

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	Yes