Report
to
The LEGISLATIVE FINANCE COMMITTEE

General Services Department
Space Utilization and Impact on Capital Planning
September 26, 2012

Report #12-09

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David Abbey
Director

September 26, 2012

Mr. Ed Burckle, Secretary
General Services Department
John F. Simms Building
715 Alta Vista Street
Santa Fe, NM 87505

Dear Secretary Burckle:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the evaluation, *Space Utilization and Impact on Capital Planning* for the General Services Department. The program evaluation team assessed cost effectiveness of space utilization and administration, assessed the square footage per FTE compared with space standards, and reviewed opportunities for aligning our leased space needs with our work force.

The report will be presented to the Committee on September 26, 2012. An exit conference was conducted with the General Services Department on September 17, 2012, to discuss the contents of the report. The Committee would like a plan to address the recommendations in this report within 30 days from the date of the hearing.

I believe this report addresses issues the Committee asked us to review and hope New Mexico's space utilization and planning benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely,

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Luciano "Lucky" Varela, Vice-Chairman, Legislative Finance Committee
Representative Henry "Kiki" Saavedra, Legislative Finance Committee
Mr. Keith Gardner, Chief of Staff, Office of the Governor

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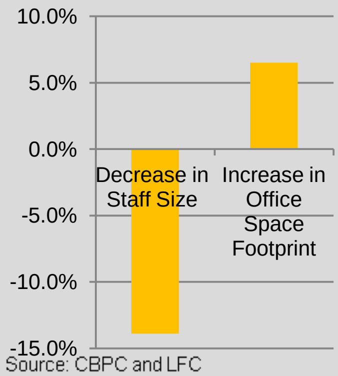
FTE and Office Footprint 2008 to 2011



Source: CBPC and LFC

The PCD will use $236 thousand to hire architects to produce as-built drawings, and to accurately measure gross and useable square footage.

Top Agencies for Leased Space

Department	Percent of Total Square Feet
Human Services Department	28.7%
Children, Youth and Families Department	19.8%
Taxation and Revenue Department	7.7%
Department of Health	6.0%
Remainder of State	37.8%
Total	**100.0%**

Source: PCD

The state of New Mexico spends over $47 million annually to lease office space for state agencies. While the number of state employees has decreased by nearly 14 percent over the past four years, the state has increased the overall office footprint by 6.5 percent. Increases in state-owned buildings have outpaced decreases in leased office space. To better align the state's uses and needs, more should be done to improve statewide planning, compliance with space standards, and office consolidation.

The Property Control Act created the Property Control Division (PCD) within the General Services Department (GSD). The PCD is responsible for oversight of all state leases except for the State Land Office. The PCD also oversees the use and occupancy for all state-owned buildings, although 17 government entities are excluded from this oversight.

The Capitol Buildings Planning Commission (CBPC) was created in 1997 to plan for the long-range facilities needs of state government and is required to report annually to the Legislature with an update on the facilities master plan. The initial master plan for Santa Fe was completed in 2000.

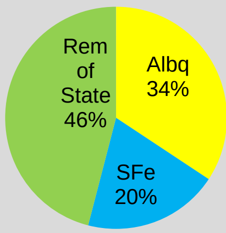
The CBPC master plan identified the Health and Human Services Building (HSB) as a key property to be built as soon as possible. The HSB would achieve cost savings in the long term by drastically reducing the lease expense of three of the four state agencies with the greatest leased square footage. The plan would consolidate the Human Services Department (HSD), the Children Youth and Families Department (CYFD), and the Department of Health (DOH) into one campus, resulting in a single location to provide health-related services to citizens. The site is yet to be selected and the uncertainty requires many current leases to be extended.

The CBPC has supported legislation in 2011 and 2012 that would require five-year facilities master plans by executive agencies, prioritized by need, in accordance with space and energy efficiency standards. The legislation included $2.3 million to conduct a facilities assessment of the state's buildings and $1 million to create the five-year facilities master plan. While the legislation was twice vetoed, *Executive Order 2012-023* called for similar planning but without the funding.

Recent and increased efforts within the executive branch to reduce the state's office footprint have shown success. In the past year alone, the PCD has reported $1.3 million in annual savings from lease reductions. The PCD has accomplished this through cooperation with state agencies, negotiating terms with landlords, and terminating leases when they expire.

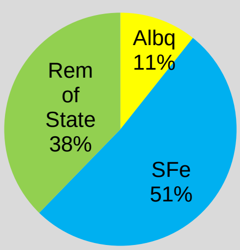
This evaluation offers continued strategies to reduce facility costs to New Mexico's taxpayers, including consolidating oversight under the PCD, improving facility data matched with staffing levels, and developing performance measures to achieve efficiencies.

State-Leased Offices by Location 2012



Source: GSD

State-Owned Offices by Location 2012



Source: GSD

Uncertainty with the Health and Human Services Building has required the HSD to extend the lease terms at multiple Santa Fe properties.

KEY FINDINGS

<u>Continued effort is needed to maximize the use of state office space and save taxpayer dollars.</u> The increase in space used has not tracked with the space needed. Although progress is being made, on average, some agencies continue to occupy more space per employee than necessary. The GSD standard for each employee is 225 square feet to 250 square feet, consistent with the federal standard of 230 square feet.

The PCD oversees almost 5.4 million square feet of state-owned and leased office space used by executive agencies. PCD oversight is limited to about half of the state office inventory, or 2.8 million square feet of state-owned space and 2.5 million square feet of leased space. Of the leased space, about 54 percent is located in Santa Fe and Albuquerque. Las Cruces, Roswell, and Los Lunas account for another 14 percent.

The state lacks tools to effectively manage the use of office space, including basic data such as where individual employees work. The state struggles to collect and input accurate building information, especially as it changes over time. The state has many databases that track this information and very limited as-built drawings for accurate square feet measurements. The GSD development of a statewide inventory is on-going, and has become increasingly more accurate as data sources and inter-agency cooperation has improved.

The state implemented steps to improve long-term facility planning, though additional measures would have benefits, such as reducing fragmented executive agency oversight. The CBPC promoted facilities planning legislation for the past two sessions. While the bill was twice vetoed by the governor, *Executive Order 2012-023* requires all state agencies to submit five-year facilities master plans to the Department of Finance and Administration by July 1st of each year. The GSD will prescribe the form and content of the plans and require agencies to include lease planning as a component. This planning will advance the CBPC goal of producing a consolidated plan for the entire state.

The CBPC's long-term facility plan identifies the need to build more state buildings and reduce the number of leases. This was to be accomplished as soon as possible to realize efficiencies and because of the considerable lead time to design, construct, and relocate agencies.

One key project known as the Health and Human Services Building would achieve significant savings to the state by relocating staff from leased space to the South Capitol Campus, where numerous health-related agencies could be consolidated. The plan would provide south capitol office space for the DOH, the HSD, the CYFD, and the Aging and Long-Term Services Department (ALTSD).

2011 GSD survey of 82 state-owned buildings identified the average square foot per full-time equivalent (FTE) was 448, almost twice the state standard.

Previous projects highlight the need for effective follow through and better planning on the part of agencies. The Toney Anaya Building was originally designed and constructed for the Office of State Engineer (OSE) but instead was occupied by the Regulation and Licensing Department (RLD) and the ALTSD. The design included water-themes in the spacious lobby, a sweeping staircase, a cafeteria, and an underground parking garage. While the building was intended to bring the OSE into one building, the OSE continues to occupy four separate buildings in Santa Fe, including the leased Manhattan Street office building that costs approximately $402 thousand annually. The reason for OSE declining use of the building is unknown but the change likely increased the expense. Given the adequate parking in the above-ground lots, the underground parking lot provides questionable value at a high cost.

Agencies hold surplus space with the expectation to fill vacancies, but incur lease and operating costs for the empty space.

Little incentive exists for agencies to efficiently use buildings, resulting in spending on vacant and underused space and excess square footage per employee. One of the state-owned buildings identified with available vacant space is the Concha Ortiz y Pino building. The first floor of the building was vacated by the American Recovery and Reinvestment Act (ARRA) Office approximately 14 months ago. A March 11, 2011 letter from the OSE to the GSD indicated the OSE's intent to terminate an existing $402 thousand per year lease at the Manhattan building. While the OSE intended to consolidate 20 to 30 staff into the vacant first floor at Concha Ortiz y Pino building, after 14 months, the Concha Ortiz y Pino space remains vacant and the Manhattan lease is still current.

Budgetary incentive for space efficiency was provided by prior legislation but never implemented.

Building use fees would create a budgetary incentive for efficient use of space. The GSD secretary is required to establish a schedule of building use fees for state agencies occupying space in state-owned buildings as established by the Property Control Act, Section 15-3B-19 NMSA 1978. This legislation, sponsored by the LFC, passed in 1996 and amended in 2001, intended for the Public Buildings Repair Fund to be used for operating expenses for the PCD and the necessary repair, renovation and purchase of physical plant equipment of public buildings under the jurisdiction of the division.

Despite challenges, the PCD has reduced costs and the amount of state-leased space, but further efforts are needed. In the past year alone, the cost for leases has decreased approximately $1.2 million at an estimated total savings of $8.9 million over the life of 28 leases. In the short term, the Department of Transportation, the HSD, and the Public Education Departments saved the most in leased costs. The Gaming Control Board, the Public Defender Department, and the HSD achieved the greatest long-term savings.

Consolidation Saving by Agency October 2011 - August 2012
(in thousands)

Agency	Annual Savings	Total Savings Over Term of Lease
Gaming Control Board	$152	$2,413
Public Defender Department	$124	$2,184
Human Services Department	$211	$1,188
Department of Workforce Solutions	$76	$811
Children, Youth and Families Department	$34	$673
Public Education Department	$210	$484
Department of Vocational Rehabilitation	$254	$416
Higher Education Department	$45	$339
Department of Corrections	$11	$163
Environment Department	$19	$120
PERA	$7	$41
NM Educators Retirement Board	$4	$36
Aging and Long-Term Services Department	$16	$34
Attorney General Office	$4	$29
Martin Luther King Jr. Commission	$10	$10
Board of Examiners for Architects	$4	$8
Department of Health	$3	$6
Totals	**$1,184**	**$8,954**

Source: GSD PCD

KEY RECOMMENDATIONS

The General Services Department (GSD) should

- Collaborate with SHARE representatives and the Capitol Buildings Planning Commission (CBPC) to identify each FTE with a unique county, city, campus and building code within the SHARE and ARC databases;
- Implement the Property Control Act, Section 15-3B-19 NMSA 1978, which requires the GSD secretary to establish a schedule of building use fees for state agencies occupying space in state-owned buildings;
- Require any amendments or modifications to office space to coincide with facility plans and approved by GSD; and
- Develop meaningful performance measures to better manage efficient use of space.

The Legislature should

- Consider removing the exceptions from the Property Control Act Section 15-3B-2(E) NMSA 1978 to allow GSD to oversee all state-owned buildings; and
- Include utility expense and the Building Maintenance Division to the Property Control Act Section 15-3B-19 NMSA 1978 and increase or remove the expense ceiling.

Excluding colleges and universities, the state of New Mexico occupies more than 20 million gross square feet of space. This space includes a broad variety of facility types including prisons, hospitals, legislative buildings, and courthouses. The space is both owned and leased, with the executive branch occupying the majority of space. The judicial and legislative branches each occupy 4 percent, of the total office space.

The Property Control Act, Section 15-3B NMSA 1978, establishes that state properties are administered by the Property Control Division (PCD) within the General Services Department (GSD). Agencies excluded from the GSD jurisdiction include the:

- Department of Military Affairs
- Department of Cultural Affairs
- State Fair Commission (Expo NM)
- Department of Game and Fish
- Department of Transportation
- Commissioner of Public Lands
- State Parks Division of Energy, Minerals and Natural Resources Department
- Spaceport Authority
- Border Authority
- Miner’s Hospital
- State Institutions of Higher Learning
- New Mexico School for the Deaf
- New Mexico School for the Visually Handicapped
- Cumbres and Toltec Railroad Commission
- New Mexico Military Institute
- Judicial Branch
- Legislative Branch

The Capitol Building Planning Commission (CBPC) was created in 1997 by Section 15-10-1 and Section 15-10-2 NMSA 1978. The CBPC was created to plan for the long-range facility needs of state government in the greater metropolitan areas of Las Cruces, Santa Fe, and Albuquerque and then, conduct a review of properties throughout the state for the development of an overall master plan.

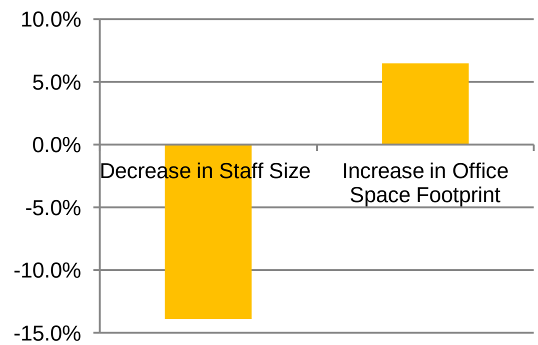
Consistent with the CBPC and the GSD strategic plans, the amount of leased space has decreased, while state-owned space increased. However, during the same timeframe, the state reduced staff size by almost 14 percent and the overall space footprint increased by 6.5 percent. This finding includes the caveat that the availability of more complete data over time, may have affected this increase.

Table 1. Space Occupied by State of New Mexico
(in thousands)

	2011 Gross Square Feet (GSF)	Percent of 2011 Total GSF	Change in GSF Since 2008
Owned	14,211	33.2%	9.7%
Leased	4,073	9.5%	-6.2%
Total	**20,078**	**46.9%**	**6.5%**

*excludes colleges and universities Source: CBPC June 2011

Chart 1. FTE and Office Footprint 2008 to 2011



Source: CBPC and LFC

Because multiple databases exist to track the many government buildings for all state agencies, the data presented in this evaluation only represents the 5.4 million square feet of office buildings owned and leased under the GSD PCD jurisdiction. These buildings represent almost half the total state office inventory.

To determine the efficient use of space for state offices located in Santa Fe, the LFC selected 18 buildings for site visits. These buildings were selected based on vacancy rates by location, lease expense, and perceived use.

Table 2. Selected Buildings for LFC Site Visits

Agency	Building
Department of Game and Fish	Game and Fish Santa Fe Campus
Taxation & Revenue Department	Montoya
Human Services Department	Pollon
Human Services Department	ARC Plaza
Human Services Department	Plaza San Miguel
Human Services Department	Plaza la Prensa
Economic Development	Montoya
Department of Cultural Affairs	Halpin
Department of Cultural Affairs	Udall
Department of Cultural Affairs	Center for New Mexico Archaeology
Department of Transportation	General Office Campus
Office of State Engineer	Manhattan
Aging and Long-Term Services Dept.	Anaya
Regulation and Licensing Department	Anaya
Public Education Department	Federal
Higher Education Department	Galisteo
State Personnel	Willy Ortiz
General Services Department	T187 GSD

Source: LFC

CONTINUED EFFORT IS NEEDED TO MAXIMIZE THE USE OF STATE OFFICE SPACE AND SAVE TAXPAYER DOLLARS

The General Services Department (GSD) oversees almost 5.4 million square feet of state-owned and leased office space used by executive agencies. The GSD oversight is limited to about half of the state office inventory, or 2.8 million square feet of state-owned space and 2.5 million square feet of leased space.

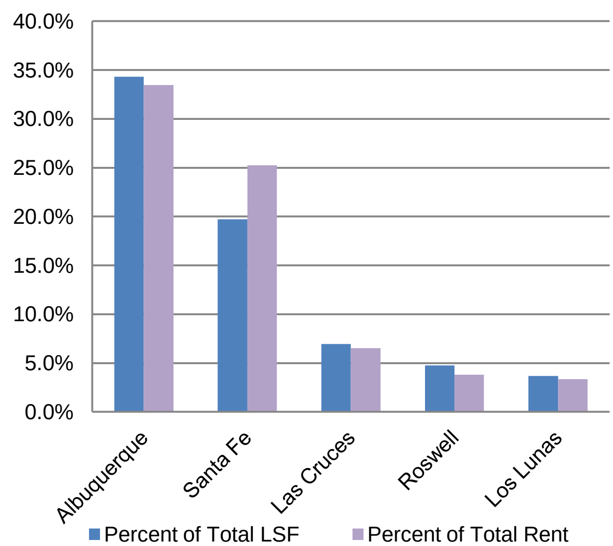
Table 3. GSD Office Space State Footprint

	Square Feet	Percent
Owned	2,852.3	53%
Leased	2,530.8	47%
Total	**5,383.1**	**100%**

Source: GSD

Of the leased space, about 54 percent is located in Santa Fe and Albuquerque. Las Cruces, Roswell, and Los Lunas account for another 14 percent.

Chart 2. GSD Leased Square Footage (LSF) Top Five Cities 2012



Source; GSD

Both the Legislature and Executive have sought to align the state's use of space with new employment levels of state workers. The Legislative Finance Committee (LFC) reported a survey conducted in 2011 by the GSD Property Control Division (PCD) that shows the average office building provided 448 square feet per staff, almost two times the standard 250 square feet of office space required by regular staff (**Appendices D and E**). This includes hallway circulation and common areas.

As identified in the GSD FY13 strategic plan, one of the key objectives for the department is to reduce the cost of leased facilities. With an annual lease expense of $47 million, the GSD has the potential to save a considerable amount by terminating existing or expiring leases and consolidating staff and services into state-owned space. During the past four years, the CBPC reported nearly 6.2 percent in lease reductions. In the past year alone, the GSD reported lease savings of $1.2 million and is pursuing more consolidations in FY13.

The recent *Executive Order 2012-23* directed all state agencies to develop five-year facility master plans to include space, energy, and maintenance planning. The executive order requires state agencies to submit their master plans consistent with the CBPC master planning principles. In May 2012, an all-agency meeting was conducted by the PCD, with the message to reduce the amount of space occupied, in both leased and state-owned offices. Agencies were asked to determine how space could be consolidated and to meet with PCD to discuss strategies.

The state lacks tools to effectively manage the use of office space, including basic data such as where individual employees work. The state struggles to collect and input of accurate building information, especially as it changes over time. The state has many databases that track this information and very limited as-built drawings for accurate square feet measurements. The Department of Transportation (DOT) has perhaps the best example of as-built drawings identifying accurate square footage of each office and workstation, and also which staff occupies the desk. This is a best practice example, produced by the in-house staff of professional engineers at DOT. The GSD development of a statewide inventory is on-going, and has become increasingly more accurate as data sources and inter-agency cooperation has improved.

The GSD will use $236 thousand from the Capitol Buildings Repair Fund to hire architects to produce as-built drawings, and to accurately identify gross and useable square footage. The request for proposals is expected at the end of September 2012.

The PCD and Building Services Division use AiM (FacilitesMax) software, for work and asset management, condition assessment of buildings, contract administration, and property value information. The GSD also maintains the building inventory in excel spreadsheets. The Risk Management Division maintains a separate database and is responsible for tracking all state assets for insurance purposes and focuses on the insurable value of the property.

The CBPC has contracted with Architectural Research Consultants (ARC), Inc., to develop a publicly accessible, web-based application to provide accurate building inventory information. The application consolidates multiple inventory lists and allows for periodic updating of data such as square footage, condition of the building, and replacement costs. This application was available for review as of August 2012, with the final release subject to CBPC approval. As the application improves, capturing the full-time-equivalent (FTE) count for each building is planned. Staff from the GSD Risk Management Division and the SHARE Human Capital Management, have begun working to achieve a common campus and building number identifier that would support this effort. Once the state has a reliable and accurate means to identify building inventories, efficiencies can be measured and managed. Similar to the DOT example, the practice of accurately measuring current office configurations may result in the most effective first step in the management of office space. When completed, this application will be a very useful tool and will allow performance benchmarks to be created and measured.

Without data, PCD does not have performance measures and benchmarks to assess the efficient use of space. Professional building portfolio managers use industry benchmarks to identify where efficiencies exist and where improvement is needed. The most common benchmark uses gross feet divided by FTE count. The measurement of gross square feet is defined as the total square feet under the roof of buildings as measured to the outside of the walls. Areas such as covered walkways and loading docks are not included. The total FTE count should include only those staff employed or on contract within the building. This information would be used to compare all buildings, to calculate an average, and determine which outliers to target for improvement. An example is provided as **Appendix E**, using 2011 state agency information. As the data quality for buildings improves, other more specific measures can be introduced, such as the cost per square foot for each FTE.

<u>The state implemented steps to improve long-term facility planning, though additional measures would have benefits, such as reducing fragmented executive agency oversight.</u> The CBPC has been integral in promoting improved planning for state building use. Senate Bill 83 considered in 2012 and SB193 considered in 2011, was promoted by the CBPC for the past two sessions. While the bill was twice vetoed by the governor, *Executive Order 2012-023* requires all state agencies to submit five-year facilities master plans to the Department of Finance and Administration by July 1st of each year. The GSD will prescribe the form and content of the plans and require agencies to include lease planning as a component. This planning will advance the CBPC goal of producing a consolidated plan for the entire state.

The CBPC's long-term facility plan, identified the need to build more state buildings and reduce the number of leases. The recommendation to build more state-owned buildings was to be accomplished as soon as possible to realize efficiencies, ownership, and because of the considerable lead time to design, construct, and relocate agencies. The CBPC master plan identified two key projects that would achieve significant savings to the state by relocating staff from leased space and are pivotal in the sequence of events required to advance the plan. These two sites are known as the health and human services building (HSB) and the executive office building.

For the HSB, the 2005 Capitol Buildings Master Plan identified the benefits of relocating the Department of Transportation (DOT) from the South Capitol Campus, where numerous health-related agencies could be consolidated. The plan would provide South Capitol office space for the Department of Health, the Human Services Department, the Children, Youth and Families Department, and the Aging and Long-Term Services Department. The DOT, not under GSD jurisdiction, reconsidered relocating from the South Capitol Campus, which resulted in more site studies and the recommendation for additional campuses to support the HSB.

More certainty over plans for the executive office building and the health and human services building would aid in decisions over use of existing space. Section 15-3B-21 NMSA 1978 requires the PCD to enter into agreements for land acquisition, plan, design, construct, and furnish a new health and human services office building in Santa Fe County. The site is still undetermined and the completion date unknown. This uncertainty has required the HSD and GSD to extend the term of current leases in multiple Santa Fe properties.

The CBPC has included in their master plan an efficient method of funding capital projects. The proposed method would require New Mexico Finance Authority (NMFA) to issue revenue bonds and use the proceeds to purchase existing buildings or to fund the plan, design, and construction costs for new buildings. The GSD and other state agencies would enter into lease agreements with the NMFA, and the annual lease payments would be pledged by the NMFA to pay debt service for the bonds. After the bonds are repaid and the buildings are owned by NMFA, the buildings could be donated to the state.

Some executive agencies are not under PCD oversight, which results in a fragmented approach for the state to maximize taxpayer dollars, and poor facility planning and implementation. Some agencies that are not under GSD jurisdiction would benefit from GSD oversight, especially in the areas of design, construction and maintenance functions. Agencies such as the Department of Cultural Affairs (DCA) and the Department of Game and Fish (DGF), encountered challenges during the construction of new buildings. Even though they were assisted by the PCD during the construction of their new headquarters building, the DGF experienced challenges with heating and air-conditioning, water quality, capacity, and storage.

The Department of Cultural Affairs (DCA) manages some of the more unique but difficult properties within the state such as the 17th century Palace of the Governors. A recent acquisition is the historic Los Luceros property in Alcalde. The state purchased the 148 acre property for $2.5 million in 2008 and received approximately $1.75 million for capital improvements in ARRA funding since then, and no funds have been appropriated for operating or maintenance. The property, which includes 13 buildings and structures on site, continues to cost the state for maintenance and security, diverting funds from other DCA functions. The purpose of the facility is under review.

Also under the oversight of the DCA is the Center for New Mexico Archaeology. The $6.4 million building was built on 25 acres, west of Santa Fe, has modern storage and moveable shelving for the curation, classification and documentation of artifacts. The building experienced water connection delays during the construction process, first attempting well-water but ultimately connecting to the newly expanded Santa Fe County water system. While construction was completed approximately 22 months ago, these and other challenges have caused the building to remain unoccupied until recently.

The Udall building is a DCA administrative building for museums and state monuments. The Udall building has some of the largest executive offices observed during the site visits. There are three rooms that exceed the space standards for the staff the offices were designed to house as shown in the table below. Because the DCA is excluded from GSD jurisdiction, space standards do not apply under Section 15-3B-2(E) NMSA 1978.

Table 4. DCA Udall Building

Room #	Designed Use	Square Feet	GSD Space Standards
200	Secretary	273	100
205	Division Director	208	170
193	Division Director	300	170

Source: DCA and GSD

The ARC state inventory database includes the DCA properties of Los Luceros, Halpin, and Center for New Mexico Archaeology buildings, and the Department of Game and Fish buildings located on a 23 acre property near Richards Avenue in Santa Fe. That these non-standard properties were included in the new database, lends a degree of confidence in this new system for accuracy and completeness.

Previous projects highlight the need for effective follow through and better planning on the part of agencies. The Toney Anaya Building, designed in 2002, was originally designed and constructed for the Office of State Engineer (OSE) but instead, is occupied by the Regulation and Licensing Department (RLD) and the Aging and Long-Term Services Department (ALTSD). The design included water-themes in the spacious lobby, a sweeping staircase, a cafeteria, and an underground parking garage. The large atrium and many undersized workstations suggest that space standards were not consistently applied. While the building was intended to bring the OSE into one building, the OSE continues to occupy four separate buildings in Santa Fe, including the leased Manhattan Street office building that costs approximately $402 thousand annually. The reason for OSE declining use of the building is unknown but the change likely increased the expense. The space occupied by ALTSD includes workstations that do not meet the minimum space standards which are located in the space originally designed for the semicircular-shaped cafeteria on the first floor. Given the adequate parking in the above-ground lots, the underground parking lot provides questionable value at a high cost.

Anaya Building Lobby

Underground parking

Above-ground parking

The LFC's review of the HSD La Prensa lease identified $15 thousand in tenant improvements that should have been paid by the landlord, but were amortized into the term of the lease at 11 percent interest. The same lease incurred substantial tenant improvements to accommodate the cabinet secretary to move into the building, only to incur additional tenant improvements when the secretary moved out just 10 months later.

In a separate HSD La Prensa lease, located just across the parking lot, space was expanded by 20 percent, before the building was occupied. This happened because the GSD standard request for proposal includes a mandatory provision to provide 20 percent expansion space for the tenant.

<u>Little incentive exists for agencies to efficiently use buildings, resulting in spending on vacant and underused space and excess square footage per employee.</u> One of the state-owned buildings identified with available vacant space is the Concha Ortiz y Pino building. The first floor of the building was vacated by the American Recovery and Reinvestment Act (ARRA) Office approximately 14 months ago. A March 11, 2011 letter from the OSE to the GSD indicated the OSE's intent to terminate an existing $402 thousand lease at the Manhattan building. While the OSE intended to consolidate 20 to 30 staff into the vacant first floor at Concha Ortiz y Pino building, after 14 months, the Concha Ortiz y Pino space remains vacant and the Manhattan lease is still current.

The 2012 LFC evaluation of the DOH *Cost Effectiveness of Public Health Offices* identified that local governments are not providing its share of resources to support public health offices. The LFC reported the state is paying more than $270 thousand in lease costs for four public health facilities, although Section 24-4-2 NMSA 1978 requires counties to pay for leases and associated costs.

Within the Anaya Building, the RLD entered into a memorandum of understanding (MOU) with the Board of Licensure of the Professional Engineers and Professional Surveyors (BLPEPS) after the *Executive Order 2011-023* transferred staff from the Office Court to the Anaya Building. The MOU has no effective date, requiring the BLPEPS to pay $126,497 per year for staff support, copier and computer services. Not mentioned are utilities and office square foot usage. The BLPEPS may terminate the MOU, without cause, with 12 months written notice. The BLPEPS have occupied the Anaya building for more than a year and have not been billed by the RLD. While this is a good example of consolidation and should be encouraged, the PCD was not involved, which may have included a space assignment understanding, recognizing a commitment in square footage, in addition to the MOU which basically charges for labor, copier, and computer service.

Agencies hold surplus space with the expectation to fill vacancies, but incur lease and operating costs for the empty space. Consolidations in leased and owned buildings can not only reduce future lease costs, but also reduce operating expenses including custodial services, internet, and utilities. Office furniture and equipment such as computers and phones can also be reduced.

From the buildings selected for site visits, agencies were asked to self-report on vacancies and total office and workstation space. While data accuracies vary, in every example, the agencies are expecting to fill vacancies and occupy most or all of the reported 251 vacant workstations and offices. During the FY14 budget cycle, vacant positions will be reviewed to justify any new hires or staff reductions.

Table 5. Utilization Rates for Selected Buildings Leased and Owned

Agency	Building	Vacant Offices and Workstations	Total Offices and Workstations	Utilization Rate
Department of Game and Fish	599	37	135	72.6%
Human Services Department	Ark Plaza	6	189	96.8%
Human Services Department	Pollon	8	54	85.2%
Human Services Department	San Miguel	22	82	73.2%
Human Services Department	La Prensa	2	149	98.7%
Department of Transportation	General Office	8	395	98.0%
Economic Development Department	Montoya	11	50	78.0%
Motor Vehicle Division	Montoya	20	99	79.8%
Higher Education Department	Galisteo	14	58	75.9%
Public Education Department	Federal	18	63	71.4%
Office of State Engineer	Manhattan	10	42	76.2%
Aging and Long-Term Services Department	Toney Anaya	20	104	80.8%
Regulation and Licensing Department	Toney Anaya	26	173	85.0%
State Personnel Office	Willy Ortiz	17	58	70.7%
General Services Department	T187	6	43	86.0%
Department of Health	Colgate	26	167	84.4%
Total		**251**	**1861**	**86.5%**

Source: Agency Self-reported

Budgetary incentive for space efficiency was provided by prior legislation but never implemented. The GSD secretary is required to establish a schedule of building use fees for state agencies occupying space in state-owned buildings, as established by the Property Control Act, Section 15-3B NMSA 1978. This legislation, sponsored by the LFC, passed in 1996, and amended in 2001, intended for the Public Buildings Repair Fund to be used for operating expenses for the PCD and necessary repair, renovation and purchase of physical plant equipment of public buildings under the jurisdiction of the division. The law capped the use fees to not to exceed $10 million annually. This law has never been implemented.

The use fee would support the operating expenses included in the PCD operating budget. Any projected repair, renovation and purchase of physical plant equipment, could be estimated and added to the user fee if desired. The FY12 operating expenses for PCD are $3.3 million which supports 30 FTE and includes $1.1 million for property insurance expense for buildings.

Table 6. Property Control Division
(in thousands)

Category	FY12 Op Bud
Personal Services & Employee Benefits	$1,904.8
Contractual Services	$89.6
Other	$1,254.4
Other Financing Uses	$49.0
Total	**$3,297.8**

Source: LFC

The $3.3 million operating budget for PCD is far below the $10 million limit to implement the building use fee section of the Property Control Act. Because the general fund amount of the building use fees would be included in the budget request by pertinent state agencies, the PCD would decrease its general fund budget request, accordingly. The PCD would increase the other state fund request to accept the transfer of budget at the beginning of the fiscal year. There are no additional funds needed to implement the Act.

While this law may link the benefits of building use to building expense and provide budgetary incentive for efficiencies, it does not promote the efficient use of utilities which are provided by the Building Services Division (BSD) of GSD. As long as the BSD pays for the utility expense from agencies, there is no link between the benefit and the cost. Currently there is no incentive or consequence for agencies' utility use.

Despite challenges, the PCD has reduced costs and the amount of state leased space, but further efforts are needed. In the past year alone, the cost for leases has decreased approximately $1.2 million at an estimated total savings of $8.9 million over the life of 28 leases. In the short term, the Department of Transportation, Human Services Department (HSD), and the Public Education Departments saved the most in leased costs. The Gaming Control Board, the Public Defender Department, and the HSD achieved the greatest long-term savings.

Table 7. Consolidation Savings by Agency
October 2011 - August 2012
(in thousands)

Agency	Square Feet Occupied	Annual Savings	Total Savings Over Term of Lease
Gaming Control Board	24.8	$152	$2,413
Public Defender Department	15.8	$124	$2,184
Human Services Department	32.6	$211	$1,188
Department of Workforce Solutions	15.6	$76	$811
Children, Youth and Families Department	27.6	$34	$673
Public Education Department	9.8	$210	$484
Department of Vocational Rehabilitation	29.2	$254	$416
Higher Education Department	2.3	$45	$339
Department of Corrections	5.4	$11	$163
Environment Department	2.9	$19	$120
Public Employees Retirement Association	1.7	$7	$41
NM Educators Retirement Board	3.9	$4	$36
Aging and Long-Term Services Department	2.3	$16	$34
Attorney General Office	2.0	$4	$29
Martin Luther King Jr. Commission	1.4	$10	$10
Board of Examiners for Architects	1.8	$4	$8
Department of Health	0.2	$3	$6
Totals	**179.2**	**$1,184**	**$8,954**

Source: GSD PCD

While used in only a few circumstances, the standard GSD lease agreement includes a provision for early termination of leases and is allowed under the following three scenarios:

- Lack of funding;
- Employees or functions are eliminated or transferred (lease termination requires an executive order or Legislative statute); or
- The state builds a new building or acquires an existing building.

This early termination provision has been used three times in FY11:

- Public Employee Retirement Board lease at 505 Marquette, Albuquerque, due to lack of funding from the Legislature;
- Professional Engineers and Professional Land Surveyors Board lease at Office Court in Santa Fe, due to *Executive Order 2011-023* which transferred offices, staff and functions, to the Toney Anaya Building Regulation and Licensing Department; and
- Public Education Department lease at Central New Mexico Community College in Albuquerque, due to lack of funding from the Legislature.

Numerous other consolidation plans are in process. The Department of Transportation consolidated 48 staff from a leased space in Santa Fe and is not renewing the $270 thousand annual lease. Other consolidations in process include the Department of Health and the Taxation and Revenue Department.

Recommendations

The GSD should

- Collaborate with SHARE representatives and the CBPC to identify each FTE with a unique county, city, campus and building code within the SHARE and ARC databases;
- Implement the Property Control Act, Section 15-3B-19 NMSA 1978, which requires the GSD secretary to establish a schedule of building use fees for state agencies occupying space in state-owned buildings;
- Include utility expense to the building use fee schedule required by Property Control Act Section 15-3B-19 NMSA 1978 to create incentives for utility use efficiencies;
- Require any amendments or modifications to office space to coincide with facility plans approved by GSD;
- Remove the standard 20 percent expansion requirement for all office lease RFP’s; and
- Develop meaningful performance measures to better manage efficient use of space.

The Legislature should

- Consider removing the exceptions from the Property Control Act Section 15-3B-2(E) NMSA 1978 to allow GSD to oversee all state-owned buildings with commensurate budget and staff; and
- Include utility expense and the Building Maintenance Division to the Property Control Act Section 15-3B-19 NMSA 1978 as well as increase or remove the expense ceiling.

Susana Martinez
GOVERNOR

Edwynn L. Burckle
Cabinet Secretary
General Services Department

Charles S. Gara
Director
Property Control Division

STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT

PROPERTY CONTROL DIVISION
(505) 827-2141

ADMINISTRATIVE SERVICES DIVISION

BUILDING SERVICES DIVISION
(505) 476-2349

TRANSPORTATION SERVICES DEPARTMENT
(505) 476-1902

PURCHASING DIVISION
(505) 827-0472

RISK MANAGEMENT DIVISION
(505) 827-0442

September 24, 2012

Mr. David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, New Mexico 87501

Dear Mr. Abbey:

Please accept this letter as the General Services Department (GSD) response to the report to Legislative Finance Committee on the evaluation of the space utilization of state owned and leased buildings for all state agencies. We greatly appreciate the professional manner in which the evaluation was conducted by your staff. Mr. Jeff Canney was very thorough in his work and took the time to understand the intricacies of the Property Control Division (PCD) and the challenges faced by PCD.

We concur with the finding that continued effort is needed to maximize the use of state office space used by executive agencies. For the last year and a half, PCD has encouraged state agencies to take a look at their space and consolidate in the space they occupy, both owned and leased. Consolidation can be accomplished by agencies moving offices from leased space into state owned space that the agency has freed up with the consolidation or into leased space that has sufficient capacity to accept additional personnel. On several occasions we have been able to negotiate with the landlords to reduce the square footage on the lease for space not needed by the agency.

As noted in the report, the average office building provided 448 square feet per staff, almost 1.8 times the standard 250 square feet as accepted by the industry. Office trends in the private sector indicate that the number of square feet per person is reducing due to several factors including office sharing and smaller space requirements due to changing technology. The type of space for the future will have more flexibility which translates into lower construction costs and lower tenant improvement costs. This applies to both state owned and leased space. The problem facing the state is that many of our buildings have hard wall construction therefore limiting flexibility and increasing costs if we progress to a more open office architecture.

PCD is in the process of issuing a Request for Proposals for professional services for architectural services to analyze several state owned office buildings in Santa Fe. The scope of work will include a space utilization study of the building, recommendations for consolidation within the building, including required modifications and as-built drawings of the space that PCD does not have on file.

We concur with the finding that without data, PCD does not have performance measures and benchmarks to assess the efficient use of space. Once we have as-built drawings for our state owned buildings and have the ability to determine the actual FTE count in those buildings then a meaningful measure can be made.

Long term facility planning of both state owned buildings and leased space is the heart of good facility management. Developing a five year master plan for state executive agencies is paramount in the allocation of future capital outlay dollars. A five year plan coupled with accurate facility condition assessment information will allow the state to spend their capital outlay dollars in the most beneficial manner.
We concur that more certainty over plans for the executive office building and the health and human services building would aid in decisions over use of existing space. In both cases, once those buildings are complete planning would have been completed and funds requested to renovate the PERA Building and the Bataan Memorial Building and backfill those building with agencies in leased space.

As noted in the report, PCD is not responsible for all state buildings. It is extremely important from a capital outlay perspective that all executive state owned buildings, and their condition indices, are accounted for in a single inventory. Unlike other agencies, PCD has only one mission: Ensure that the citizens of New Mexico receive the best value in design, construction, and management of State and Leased facilities.

We concur with the finding that previous major projects highlight the need for effective follow through and better planning on the part of agencies leases. Part of the problem is that administrations change. Plans made under previous administrations are often ignored by new administrations. Having a five-year master plan for both state owned and leased space will help alleviate this problem. Each incoming agency should be tasked with reviewing the five-year master plan for their agency and respond in writing to PCD as to any anticipated changes.

In the past, agencies have submitted requests to PCD after moves in state owned buildings have already occurred or modifications to leases have been fully negotiated with landlords. PCD has implemented a policy that PCD must be notified prior to any modification to a state building or negotiation with a landlord on any lease extension, modification or change. If the agency fails to notify PCD the change will not be approved.

We concur with the finding that little incentive exists for agencies to make efficient use of buildings whether owned or leased. In Santa Fe, agencies are not assessed rent or operating costs in state owned buildings. In cities other than Santa Fe, if a state agency occupies a building under PCD jurisdiction, the agency is responsible for operating and maintenance costs. In most cases, persons responsible for the buildings in those cities are agency program managers not building managers. Implementing the building use fee would serve as an incentive to state agencies to conserve space and monitor operating costs, especially if all operating costs are included in the fee.

PCD policy in the past has varied and the most recent policy requires potential landlords to break down their proposed rental rate into Base Rent and Operating Costs. Only Operating Costs has been allowed to increase on an annual basis up to a maximum of 3% per year. In the original proposal the Operating Costs are capped at a maximum of $10.00 per square foot. The vast majority of leases have Operating Costs of $10.00 per square foot. Most buildings operate at $2.00 to $3.00 less per square foot per year. PCD along with DFA and LFC should consider a Base Year calculation for Operating Costs. The landlord is responsible for all operating costs the first year and thereafter the agency would participate in a pro-rata share of the increase in the operating expenses the parties have agreed upon.

The report contains two recommendations for the Legislature. The first recommendation is to place all state-owned buildings under PCD jurisdiction. This action would require not only additional operating funds for the division but also a substantial increase in funds for repairs renovations and upgrades to all state owned buildings. Once again, requiring a five year master plan for all agencies is crucial to determining the capital outlay needs for all state owned buildings.

The second recommendation is to include utility expense and the Building Services Division to the Property Control Act Section 15-3B-19. All operating expenses of the building should be covered by a building use fee, if implemented. The operating budgets for PCD and BSD are combined into the Building Office Space Management and Maintenance (BOSMM). FY14 Budget Request equals $11,933.5. The budget number is flat to FY13 and includes only $71.0 in repairs and maintenance for Santa Fe buildings under PCD's jurisdiction. Increased funding for building repairs and maintenance is crucial. The $10 Million cap in the statute for the building use fee is not reasonable if utilities and BSD are added to the language of the statute. The cap should be removed if the building use fee is implemented.

The report contains seven recommendations for GSD. The first recommendation is to identify the location of each FTE by a unique county, city, campus, building code in conjunction with RMD, DoIT, DWS and DFA SHARE. This endeavor is on-going and as of yet a completion date has not been identified.

The second recommendation is to develop meaningful performance measures to better manage efficient use of space. To better manage efficient use of space requires as-built drawings of all buildings both state owned and leased. The project referenced in the report of conducting space utilization studies of some of the buildings in Santa Fe must be carried out with all state owned buildings. Additional funds would be required to complete this project. PCD now requires as-built drawings for every new lease as well as any lease amendment. As-built drawings coupled with location coding of employees will provide the necessary information for a meaningful performance measure of space utilization.

The third recommendation is implementation of the building use fee. If a Building Use Fee is implemented then all building expenses should be covered.

The fourth recommendation is to consider including utility expense to the building use fee. All Building Services Division should be included in a building use fee. If the entire BOSSM budget is covered by a building use fee then the removal or increase in the $10 Million cap is necessary.

The fifth recommendation to require any amendments or modifications to office space coincide with facility plans and GSD approvals is already being implemented as stated above.

The sixth recommendation is to remove the standard 20 percent expansion requirement for all office lease RFP's. The new RFP has removed the 20 percent expansion requirement and inserted language that the offered space may not exceed the requested space by more than 10%.
The seventh recommendation is to communicate to all agencies the space standards dated June 2000 such as posting on the website. The space standards can be found on the PCD web page under References and Forms. We will add the simple table that identifies basic office space types.

We appreciate the opportunity to respond to the LFC General Services Department Report #12-09 Space Utilization. We look forward to meeting with the committee to answer any questions or provide additional information.

Respectfully,

Charles S. Gara
Director
Property Control Division
September 24, 2012

Cc: Edwynn L. Burckle, Cabinet Secretary General Services Department

New Mexico DEPARTMENT OF TRANSPORTATION

September 21, 2012

Jeff Canney
Program Evaluator II
Legislative Finance Committee
325 Don Gaspar - Suite 101
Santa Fe, NM 87501

RE: LFC evaluation on Space Utilization and Impact on Capital Planning

Dear Mr. Canney:

Thank you for providing the Department of Transportation (DOT) an opportunity to respond to the draft LFC evaluation on Space Utilization and Impact on Capital Planning. As you have anticipated, this agency would be affected by the recommendation that the Legislative Finance Committee ”consider removing the exceptions from the Property Control Act Section 15-3B-2(E) NMSA 1978 for other executive agencies, including DOT, DCA, and other agencies identified on page 9, to allow GSD to oversee all state-owned buildings with commensurate budget and staff.” We appreciate your modification of the recommendation to change GSD oversight from all “state real property” to all “state-owned buildings.” However, the DOT recommends that no change be made in current law with respect to DOT,s management of its real property and buildings.

By way of background on all the DOT’s real property assets, the DOT owns, in fee simple or by easement, the state highway system consisting of over 10,000 miles of state highways along with various properties that the DOT holds for future use or disposal. This includes 981 miles of interstate corridors, 3,424 miles of US routes and 5,595 miles of state road. DOT also has approximately 265 non right of way parcels that are responsible for which total about 649 acres of land. The parcels range in size from .0068 of an acre to 63 acres in size. DOT also has 74 Airspace Agreements, 6 leases and 18 railroad licenses that it manages.
This management is performed by DOT’s Property Management Section, and all its activities are controlled by federal law and regulations to assure that the federal participation is obtained and protected. The federal regulations require compliance with manuals approved by the Federal Highway Administration which also provides federal guidance and oversight.

The DOT ownership of railroad right of way extends from Belen to Santa Fe and from Lamy to Santa Fe along with numerous adjacent properties. DOT’s Property Management Section and its Transit and Rail Section jointly manage these properties. The DOT is expending a substantial effort to adjust to this specialized undertaking.

Turning to the other properties which could be considered “state-owned buildings”, DOT owns the following facilities: 16 General Office Buildings, 6 District Office Complexes (which include multiple buildings in each complex), 84 Patrol yards, and 33 Construction Offices. This amounts to a total of 139 facilities and a grand total of 364 structures that includes 139 facilities mentioned above and all other structures such as storage containers, storage sheds, carports, district service centers, salt-domes and other structures within district complexes. The total square footage is approximately 1,752,479 square feet. Clearly, the DOT has a substantial interest in assuring that any changes in the existing property management be carefully and fully examined.

We suggest that the current law be reviewed to understand the apparent legislative intent in assuring that the DOT remain exempted from direct control of GSD and its Property Control Division (PCD). The existing exemption from PCD’s jurisdiction and control under the Property Control Act, NMSA 1978, §15-3B-2(E), originates from the New Mexico Constitution which created the State Highway Commission, now the State Transportation Commission (STC). The New Mexico Constitution grants to the STC “such power and …such duties as may be provided by law.” N.M. Const., art. V, § 14. Pursuant to this provision, the legislature has enacted a number of provisions delegating to the STC or DOT exclusive authority over the design, construction, maintenance and management of the state highway system and over all expenditures of the state road fund. See NMSA 1978, §67-3-12, §67-3-14, §67-3-16 and §67-3-26. STC has jurisdiction over its offices in the capitol which were to be provided under NMSA 1978, §67-3-9. The legislature has also empowered the DOT with authority to acquire real property by purchase or condemnation and to dispose of real property without supervision or control any other agency. See NMSA §67-3-12, §67-3-37, §67-3-71, §42-2-3, and §67-3-8.2. Further, the legislature has exempted the DOT from the restraints or controls pertaining to the selling, disposing and leasing of real property, all provided in NMSA 1978 §13-6-2, §13-6-2.1 and §13-6-3. The exemption from State Board of Finance and legislative approval has always been understood to be based upon the premise that the DOT has the authority and expertise to own and manage its properties in all regards. The Attorney General over the years has concurred in this premise. Please see 1969 Op. Att’y Gen. No. 69-144, which applies such authority to the acquisition and management by the DOT of buildings and maintenance facilities, including maintenance division headquarters. See also, 1952 Op. Att’y Gen. No. 5555 (Due to constitutional and statutory enactments the STC has certain powers that other agencies and departments do not possess).

For these reasons, DOT owns and currently controls DOT’s buildings, real estate, and other infrastructure with very few exceptions.

DOT believes its buildings, real estate, and other infrastructure should not fall under the jurisdiction of PCD for the following reasons:

a. Giving PCD jurisdiction over NMDOT buildings, real estate, and other infrastructure would necessitate revisions in New Mexico statutory law, case law, and attorney general opinions in place for generations.

b. Giving PCD jurisdiction over NMDOT buildings, real estate, and other infrastructure would be inconsistent with the New Mexico Constitution, which establishes this agency as a unique agency with broad authority over the conduct of its statutory duties.

c. While PCD may be well-equipped and have the staff to own, lease and operationally manage certain state office buildings housing state workers, it may not be so equipped to design, acquire, or manage specialized buildings or infrastructure required by DOT.

d. DOT requires specialized infrastructure to meet its needs and the needs of the public. Among the technical infrastructure that it is best able to construct and manage are: materials testing labs, intelligent highway systems, service centers, sign shops, signalization labs, rest areas, bridges, highways, maintenance headquarters, transit-oriented development, train stations, airports, runways, and highways. These undertaking may be an unnecessary burden on PCD staff and its capabilities.

Under the draft LFC evaluation, DOT's efforts in managing its General Office complex has been recognized for "perhaps the best example of as-built drawings identifying accurate square footage of each office and workstation, and also which staff occupies the desk. This is a best practice example, produced by the in-house staff of professional engineers at DOT." The General Office Complex is cited as having a 98% occupancy rate which leads almost all agencies. Additionally, the evaluation notes that the DOT has been a leader in saving the most in the area of leased space. These observations indicate that DOT is managing its assets effectively and cooperatively with PCD under the current law and relationship. Since there appears to be no management inadequacies, the DOT recommends against the elimination of its exemption from the control of GSD and PCD.

If there exists any need to adjust or refine the current management of DOT properties, DOT recommends that that the legislature consider legislation similar to Executive Order 2012-023 which requires all state agencies to submit five year facilities plans to GSD, each year. This executive order closely mirrored SB83 (2012) and SB193 (2011). This action plus DOT's continued cooperation with the Capitol Buildings Planning Commission (CBPC) on planning would seem sufficient in our opinion.

Thank you again for the opportunity to discuss the evaluation and naturally we are available to provide any further information or discussion to assist in this matter.

Sincerely,

Tom J. Church
Deputy Secretary
New Mexico Department of Transportation
505-231-4021

Department of Cultural Affairs

State of New Mexico

Susana Martinez
Governor

Veronica Gonzales
Cabinet Secretary

New Mexico History Museum/ Palace of the Governors

NM Museum of Art

Museum of International Folk Art

Museum of Indian Arts and Culture/ Lab of Anthropology

Museum of Natural History & Science

Museum of Space History

Farm & Ranch Heritage Museum

National Hispanic Cultural Center

New Mexico State Monuments

Office of Archaeological Studies

New Mexico State Library

New Mexico Arts

New Mexico Historic Preservation Division

Museum Resources

Administrative Services

September 20, 2012

Mr. David Abbey, Director
New Mexico Legislative Finance Committee
305 Don Gaspar
Santa Fe, New Mexico 87501

Dear Mr. Abbey:

The Department of Cultural Affairs (DCA) respectfully submits this letter in response to the recent "Space Utilization" report drafted by the Legislative Finance Committee (LFC) staff. In particular, DCA objects to the report's recommendation to place New Mexico's museums and monuments under the management and control of the General Services Department's Property Control Division (PCD) for the purposes of space utilization.

While DCA owns and manages 187 buildings, including eight state museums and eight historic monuments, the report examines only a few recently acquired or constructed properties, which had difficulties resulting from plans made during the former Administration as well as funding challenges resulting from the economic crisis of 2009. DCA's long history of caring for and managing the majority of its museums and monuments has been exemplary, especially given the unique requirements of these diverse properties, dating back to the acquisition of the 17th century Palace of the Governors in 1909.

DCA addresses the following four points in this letter:

(1) Existing PCD Authority
(2) Unique Property Issues for Museums and Monuments
(3) Risks Posed by the LFC Recommendations
(4) DCA Recommendation

(1) Existing PCD Authority

PCD currently has jurisdiction over significant space that DCA uses. PCD controls and manages DCA's offices in the Bataan Memorial Building---currently used for the Administrative Services Division, Historic Preservation Division, NM Arts Division, and Office of the Secretary---and the State Library building, which houses the State Library and State Archives. The recommendation for increased PCD control would primarily affect DCA's museums and monuments.

In addition, both statute and rule provide for Joint Powers Agreements between agencies for the purposes of construction or property management. *See* NMSA 1978, § 15-3B-4; Rule 15-3B-4 NMAC.

(2) Unique Property Issues for Museums and Monuments

The mission of the Department of Cultural Affairs is to preserve, foster and interpret New Mexico's diverse cultural heritage and expression for present and future generations, enhancing the quality of life and economic well being of the state. Caring for our facilities and collections is of utmost importance in meeting our mission, which requires that DCA maintain its oversight authority for facilities management.

Also, museums and monuments partner with the private sector for additional non-state financial support, for both operating and capital expenses. The museums' private foundations generate donations and contributions from small and large donors; in addition, they pursue funds from the federal government. The New Mexico History Museum, for example, opened with $16 million in funding from the state, $15 million from the federal government, and almost $7 million from the private sector. The Foundation and Regents' dedication to the project helped to raise the funds from all three sources of funding. Another example of a successful public-private capital campaign partnership is the renovation of Milner Plaza on Museum Hill (originally a parking lot). The beautifully landscaped plaza was funded through a $1 million private donation, matched by the state, and serves to unite the two museums on Museum Hill, providing resting space for visitors and a museum café. The plaza serves as the site of numerous weddings in Santa Fe and other private events, generating rental income for the museums, which is essential earned revenue for the museums' base operating budget.

All of the state museums rely on earned income in addition to their base general fund for their operating budgets. A primary source of earned revenues is through rentals for business events, social events and weddings. This highlights the need for DCA to have flexibility in managing its properties, whereas the LFC proposal would give Property Control Division control over museum rentals.

(3) Risks Posed by the LFC Recommendation

DCA has concerns with the LFC recommendation as it relates specifically to the following:

- *Decreased private sector financial support.* The private sector will be less supportive of entering into joint ventures with PCD than with DCA because DCA has the expertise that the private sector supports. DCA's mission includes protecting collections and historic properties. DCA administration of state funds with regard to the unique needs of the state's museums and monuments reassures the private sector, enhancing the capacity to leverage private funds.

- *Museums' purposes diluted.*
  - o PCD could make decisions about placing other executive agencies in museum facilities based on PCD criteria, such as "space efficiency", rather than museum mission.
  - o While PCD guidelines regarding property-use are adequate for administrative purposes, PCD guidelines have no relation to museum purposes, such as exhibition needs, collections needs, historical site interpretation, etc.
- *Collections and Historic Properties at risk.* DCA keeps care of collections and preservation of historic buildings at top of its capital outlay priorities.
- *Decreased earned revenues for DCA operating budget.* The museum directors and their governing boards make their own determinations as to appropriate property rentals and property use for mission-related events and for earned income.

(4) DCA Recommendation

DCA maintains that current statutory authority for facility ownership is critical to the agency's mission. However, DCA recognizes and supports the need for more consistent facility practices, policies, and procedures across state government and has been working toward a formalized Agreement with PCD to provide our agency technical assistance in procurement issues related to facility management and construction.

The executive has asked DCA and PCD to work together to develop a plan focused on ensuring efficient and responsible facilities management and administrative space usage. This Agreement could be a model and applied and/or tailored to other agencies and would provide continuity across state government whenever possible. Specifically for DCA, this potential Agreement would recognize and maintain the important authority of the agency to address specific needs of the state's museums and historic sites.

Thank you for your consideration and for the opportunity to submit this response.

Respectfully,

Veronica N. Gonzales
Cabinet Secretary

APPENDIX A: Evaluation Objectives, Scope and Methodology

Evaluation Objectives.

- Review the cost effectiveness of space utilization and administration.
- Assess the square footage per FTE compared with space standards.
- Review opportunities for aligning our leased space needs with our work force.

Scope and Methodology.

- Reviewed statutes, agency policies and space standards.
- Reviewed space assignment understandings (SAU).
- Conducted site visits of selected state-owned and leased office space in Santa Fe to determine efficient use of space and compliance with policies, procedures and standards.
- Survey agencies to assess the square footage per FTE compared to space standards.
- Indentify best practices and benchmarks.
- Reviewed leases recently terminated to demonstrate down-sizing.

Evaluation Team.
Jeff Canney, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conference. The contents of this report were discussed with the General Services Department on September 17, 2012. A report draft was provided on September 14, 2012 for comment. The contents of the report were discussed with the General Services Department during the exit conference on September 17, 2012.

Report Distribution. This report is intended for the information of the Office of the Governor; General Services Department; Office of the State Auditor; and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Charles Sallee
Deputy Director for Program Evaluation

Square Footage and Cost for Office Leases by Agency

Ranking	Department	Total Leasable Square Feet	Percent of Total LSF	Annual Base Rent	Percent of Total Rent	Average Cost psf
1	Human Services Department	726,088	28.7%	$15,726,060	33.3%	$21.66
2	Children , Youth and Families Department	500,535	19.8%	$8,899,343	18.8%	$17.78
3	Taxation and Revenue Department	195,166	7.7%	$3,302,801	7.0%	$16.92
4	Department of Heath	152,538	6.0%	$2,406,144	5.1%	$15.77
5	Vocational Rehabilitation	144,682	5.7%	$2,662,922	5.6%	$18.41
6	Public Defender Department	130,292	5.1%	$2,048,997	4.3%	$15.73
7	Environment Department	119,820	4.7%	$2,155,824	4.6%	$17.99
8	Corrections Department	105,158	4.2%	$1,961,571	4.1%	$18.65
9	Office of State Engineer	66,959	2.6%	$1,090,372	2.3%	$16.28
10	Attorney General Office	30,388	1.2%	$515,294	1.1%	$16.96
11	Department of Workforce Solutions	28,018	1.1%	$415,307	0.9%	$14.82
12	Department of Transportation	27,734	1.1%	$487,448	1.0%	$17.58
13	Aging and Long-Term Services	27,479	1.1%	$499,893	1.1%	$18.19
14	Gaming Control Board	24,829	1.0%	$597,574	1.3%	$24.07
15	Department of Public Safety	23,695	0.9%	$341,034	0.7%	$14.39
16	Department of Game and Fish	21,823	0.9%	$372,125	0.8%	$17.05
17	Public Education Department	18,855	0.7%	$349,932	0.7%	$18.56
18	Regulation and Licensing Department	18,148	0.7%	$378,379	0.8%	$20.85
19	Higher Education Department	14,601	0.6%	$309,537	0.7%	$21.20
20	Workers Compensation Administration	13,717	0.5%	$208,886	0.4%	$15.23
21	State Investment Council	12,912	0.5%	$274,827	0.6%	$21.28
22	Public School Facilities Authority	12,322	0.5%	$364,447	0.8%	$29.58
23	State Commission of Public Records	11,870	0.5%	$80,716	0.2%	$6.80
24	State Treasurer	11,228	0.4%	$216,364	0.5%	$19.27
25	Commission for the Blind	10,360	0.4%	$211,124	0.4%	$20.38
26	Office of State Auditor	9,362	0.4%	$195,682	0.4%	$20.90
27	New Mexico Retiree Health Care Authority	9,015	0.4%	$141,797	0.3%	$15.73

Ranking	Department	Total Leasable Square Feet	Percent of Total LSF	Annual Base Rent	Percent of Total Rent	Average Cost psf
28	Commission for the Deaf and Hard of Hearing	7,088	0.3%	$105,315	0.2%	$14.86
29	Crime Victims Reparation Commission	6,738	0.3%	$86,514	0.2%	$12.84
30	Board of Nursing	6,541	0.3%	$122,055	0.3%	$18.66
31	Developmental Disabilities Planning Council	6,377	0.3%	$135,498	0.3%	$21.25
32	New Mexico Livestock Board	5,803	0.2%	$83,054	0.2%	$14.31
33	Medical Examiners Board	5,301	0.2%	$126,355	0.3%	$23.84
34	Educational Retirement Board	3,885	0.2%	$62,160	0.1%	$16.00
35	Office of African American Affairs	3,100	0.1%	$60,868	0.1%	$19.63
36	Energy, Minerals, and Natural Resources Department	2,760	0.1%	$48,000	0.1%	$17.39
37	Department of Information Technology	2,508	0.1%	$38,498	0.1%	$15.35
38	Architect Examiners Board	1,761	0.1%	$33,135	0.1%	$18.82
39	Public Employees Retirement Association	1,739	0.1%	$31,737	0.1%	$18.25
40	Martin Luther King Jr. Commission	1,722	0.1%	$25,108	0.1%	$14.58
41	Department of Veterans' Services	1,606	0.1%	$16,971	0.0%	$10.57
42	Department of Cultural Affairs	1,600	0.1%	$6,753	0.0%	$4.22
43	Natural Resource Trustee	1,595	0.1%	$31,070	0.1%	$19.48
44	Labor Relations Board	1,232	0.0%	$25,256	0.1%	$20.50
45	Economic Development Department	1,069	0.0%	$7,232	0.0%	$6.77
46	Department of Homeland Security	487	0.0%	$6,360	0.0%	$13.06
47	General Services Department	322	0.0%	$5,131	0.0%	$15.94
Grand Total and Average		**2,530,828**	**100.0%**	**$47,271,470**	**100.0%**	**$18.68**

Source: GSD PCD 6/22/12

APPENDIX C: GSD Space Standards 2008

Estimated Space Standard by Position

Title/Position	Estimated Square Footage
Receptionist	80
Secretary/Regular Staff	100
Regular Staff with Extra Needs	120
Bureau Chief	150
Deputy Director	150
Director/Lawyer	170
Cabinet Secretary/Lawyer	220
Conference Room	15 sq. feet per person
Break Room 30 People	200
Staff Bathroom	90

Please estimate 225 to 250 Leasable Square Feet (LSF) per person if not sure what is needed when looking for space.

Please remember; these standards are for the position and not the employee currently in that position.

APPENDIX D: GSD Space Survey 2011

		Agencies occupying state-owned space			FTE
Agency	City	Highest scoring FTE per USF	FTE	*USF	per USF
AGO	Santa Fe	408 Galiteo - Villagra/Paul Bardacke AG Complex	88	57,190	650
CD	Los Lunas	1000 Main Street - Los Lunas Campus	23	49,632	2158
CD	Farmington	101 West Animas- Harriett Sammons Building	14	6,655	475
CPRA	Santa Fe	1209 Camino Carlos Rey, Records & Archives Bldg	31	68,776	2219
CYFD	Santa Fe	1120 Paseo De Peralta (PERA Bldg)	132	82,060	622
CFB	Alamogordo	408 North White Sands Blvd., Commisison for the Blind	15	15,961	1064
CFB	Albuquerque	2200 Yale Boulevard SE, Commission for the Blind	50	24,275	486
DCA	Santa Fe	1209 Camino Carlos Rey,Records & Archives Bldg	38	87,711	2308
DFA	Santa Fe	407 Galisteo - Bataan Memorial Bldg	140	48,706	348
DIA	Santa Fe	1220 S, St. Francis Drive, Wendell Chino Bldg	9	6,540	727
DoIT	Santa Fe	715 Alta Vista Street, Simms Building	164	68,090	415
DPS	Alamogordo	411 Tenth Street, Murray Morgan Bldg	18	11,347	630
DPS	Farmington	1025 West Navajo	15	6,098	407
DPS	Clovis	812 W. Sixth Street - Bruce King Complex	26	12,035	463
DPS	Santa Fe	2500 Cerrillos Road, Fleming Building	22.5	16,284	724
DPS	Los Lunas	1000 Main Street - Los Lunas Campus Burroughs Hall	18	8,453	470
DWS	Santa Fe	301 West De Vargas -Workforce Development Center	20	9,590	480
DWS	Albuquerque	501 Mountain Road	36	24,714	687
DWS	Farmington	600 West Arrington	10	3,570	357
EDD	Santa Fe	1100 St. Francis Drive, Joseph M. Montoya Building	39	30,796	790
EMNRD	Hobbs	1625 French Drive, Oil Conservation Dist. Office	12	7,500	625
EMNRD	Aztec	1000 Rio Brazos, Oil Conservation Field Office	10	4,072	407
ENMRD	Santa Fe	1220 S, St. Francis Drive, Wendell Chino Bldg	182	64,328	353
GSD BSD	Santa Fe	2542 Cerrillos Road, T-187	33	13,209	400
GSD SPD	Santa Fe	1100 St. Francis Drive, Joseph M. Montoya Building	25	11,063	443
GSD ASD	Santa Fe	1100 St. Francis Drive, Joseph M. Montoya Building	19	11,384	599
HSD	Belen	100 Fifth Street - Fred Luna Jr Bldg	12	7,244	604
HSD	Hobbs	2120 N. Alto, Hobbs - James M. Murray Bldg.	34	18,551	546
OSE	Santa Fe	130 South Capital - Concha Ortiz y Pino Bldg	46	31,843	692
OSE	Santa Fe	407 Galisteo - Bataan Memorial Bldg	54	29,971	555
PCD	Santa Fe	1100 St. Francis Drive, Joseph M. Montoya Building	24	8,016	334
PED	Santa Fe	300 Don Gaspar - Jerry Apodaca Education Building	120	57,478	479
RLD	Santa Fe	2250 Cerrillos Road - Toney Anaya Building	133	88,338	664
SPO	Santa Fe	2600 Cerrillos Road, Willie Ortiz Building	46	43,511	946
TRD	Santa Fe	1200 S. St. Francis Drive, Manuel Lujan Sr. (1974)	194	74,651	385

Data provided by GSD PCD

State Space Standards

Offices: 250 SF/FTE

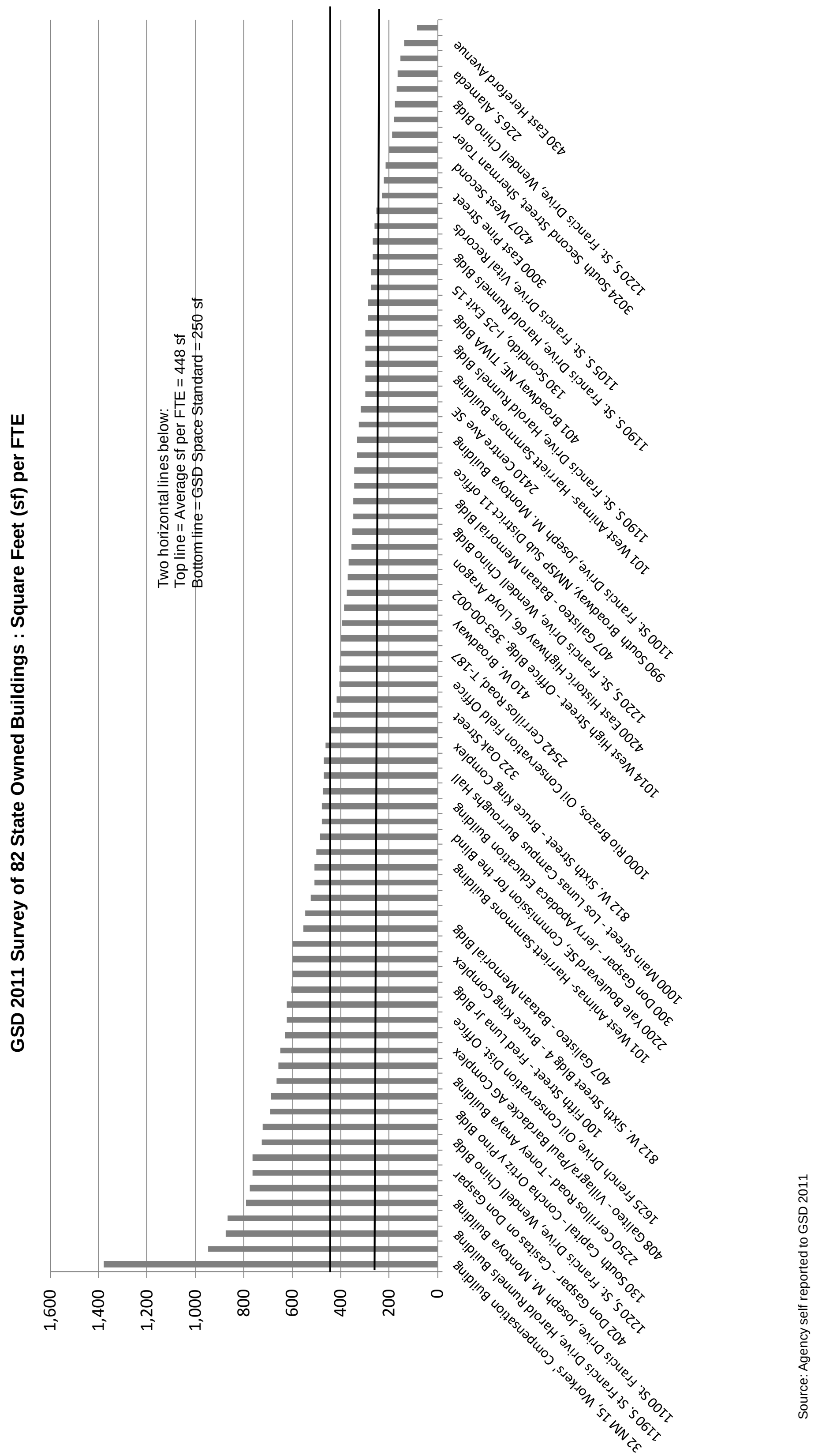
Open work stations: 100 SF/FTE

State Space Surveys

Average for agencies occupying state owned space : 523 SF/FTE

Average for agencies leasing space in private buildings: 401 SF/FTE

*USF - Usable square feet excludes common areas



GSD 2011 Survey of 82 State Owned Buildings : Square Feet (sf) per FTE
Two horizontal lines below:
Top line = Average sf per FTE = 448 sf
Bottom line = GSD Space Standard = 250 sf
1,600
1,400
1,200
1,000
800
600
400
200
0
430 East Hereford Avenue
226 S. Alameda
1220 S. St. Francis Drive, Wendell Chino Bldg
3024 South Second Street, Sherman Toler
4207 West Second
3000 East Pine Street
1105 S. St. Francis Drive, Vital Records
1190 S. St. Francis Drive, Harold Runnels Bldg
130 Scondido, I-25 Exit 15
401 Broadway NE, TIWA Bldg
1190 S. St. Francis Drive, Harold Runnels Bldg
101 West Animas- Harriett Sammons Building
2410 Centre Ave SE
1100 St. Francis Drive, Joseph M. Montoya Building
990 South Broadway, NMSP Sub District 11 office
407 Galisteo - Bataan Memorial Bldg
1220 S. St. Francis Drive, Wendell Chino Bldg
4200 East Historic Highway 66, Lloyd Aragon
1014 West High Street - Office Bldg. 363-00-002
410 W. Broadway
2542 Cerrillos Road, T-187
1000 Rio Brazos, Oil Conservation Field Office
322 Oak Street
812 W. Sixth Street - Bruce King Complex
1000 Main Street - Los Lunas Campus Burroughs Hall
300 Don Gaspar - Jerry Apodaca Education Building
2200 Yale Boulevard SE, Commission for the Blind
101 West Animas- Harriett Sammons Building
407 Galisteo - Bataan Memorial Bldg
812 W. Sixth Street Bldg 4 - Bruce King Complex
100 Fifth Street - Fred Luna Jr Bldg
1625 French Drive, Oil Conservation Dist. Office
408 Galiteo - Villagra/Paul Bardacke AG Complex
2250 Cerrillos Road - Toney Anaya Building
130 South Capital - Concha Ortiz y Pino Bldg
1220 S. St. Francis Drive, Wendell Chino Bldg
402 Don Gaspar - Casitas on Don Gaspar
1100 St. Francis Drive, Joseph M. Montoya Building
1190 S. St Francis Drive, Harold Runnels Building
32 NM 15, Workers' Compensation Building
Source: Agency self reported to GSD 2011