Report on Leases

Department: <u>Transformation & Shared Services</u>

Secretary: <u>Amy Fecher</u>

The purpose of this report is an analysis of handling the lease process with each Department and to assist in the formulation of a report to the Governor on how to achieve greater efficiencies attributed to statewide lease costs and space utilization as it relates to this topic. An analysis of Leases should consider all relevant factors with an all-inclusive approach in developing plans.

ACTION PLAN FOR PROJECT 1:

1. *Project Title*

   TSS DBA to Offer Training on Leasing Best Practices and Advise Departments When Requested

   1.1. *Brief description of project, goal, and action plan.*

   By following TSS DBA's leasing best practices, Departments will be better equipped to reduce lease costs and further minimize the state's footprint through the consolidation of office space where applicable as well as provide consulting services to other Departments at no charge to ensure leasing best practices are intact and in compliance with State law.

   Action Plan:
   - Offer training to Departments on leasing best practices.
   - Create an AASIS report to show physical year appropriation and commitment expenditures.
   - Assess and evaluate opportunities to instill leasing best practices to include alignment of 4 C's to reduce footprint and costs.
   - Identify risk associated with not following current TSS DBA Real Estate leasing guidelines per Ark. Code Ann. § 22-2-114 and GASB 87.
   - TSS working with DFA OIS to implement a standard process to record leasing information using the existing AASIS system. This will provide a uniform basis for reporting for leasing processes and will enable appropriate financial accounting that is required for the State to comply with Government Accounting Standards Board (GASB) Statement 87.

   Benefits:
   - Opportunity to reduce lease cost.
   - Enhanced online tutorial leasing standards and guidelines will be available to all departments.
   - Continued training and education as laws and requirements change.
   - Reduce state's overall footprint through space consolidation where feasible.
   - Opportunities for streamlining lease processes to reduce risk.

   1.2. *Identify any additional resources required for the implementation and success of this plan.*

   - Existing state resources would be used for this project.

   1.3. *Are there any anticipated costs associated with the plan? Does your current budget have sufficient funds to cover all anticipated costs?*

   - No additional costs anticipated.

1.4. How will you measure the success and results of your plan? Include forecasts of cost savings, efficiencies achieved, etc.

- Current lease cost compared to future lease use.
- Reduction in lease costs due to better utilization and reduction of office space, resulting in less square feet used.
- Reduction in office equipment and furniture costs.
- Reduction in utility costs.

1.5. What is the implementation timeline and key action steps for this plan? How will you track progress?

- Summer – Fall 2019: Four C's rolled out and management is on board. Meetings are currently taking place between TSS DBA and departments' leadership teams.
- Winter 2019 – Spring 2020: Implement plan to reduce state footprint, current cost versus proposed cost, forecast reflects when leases will terminate, and location(s) for opportunity for potential office space(s) to consolidate. Project plan would reflect departments that utilize other lease sources outside of TSS DBA Real Estate.
- Winter 2020: Work with TSS OPM to set up training on different delivery methods, such as web-based, and reference tutorials to departments on leasing best practices.
- Spring 2021: Offer training on leasing best practices in coordination with TSS OPM.

1.6. Identify any obstacles to the implementation and success of this plan.

- Buy-in from other departments.

ACTION PLAN FOR PROJECT 2:

2. Project Title

Utilize Existing AASIS Electronic Repository for Storage of All Active and Inactive Real Estate Leases

2.1. Brief description of project, goal, and action plan.

Currently, active leases are stored in the TSS DBA file room and terminated leases are stored in the basement. Electronic storage of leases would assist with better management of leases including safeguarding and continuity of business operations in the event of a disaster.

Action Plan:
- Utilize existing AASIS module as the central repository for all active real estate leases.
- Historical documents related to expired leases, or those not currently defined in AASIS, can be scanned into Application Extender, an existing enterprise level document imaging system supported by DFA.
- Training will be needed to familiarize TSS DBA staff with the electronic storage process and to become authorized AASIS users. Document scanning hardware may be needed.

2.2. Identify any additional resources required for the implementation and success of this plan.

- Existing state resources would be used for this project.

2.3. Are there any anticipated costs associated with the plan? Does your current budget have sufficient funds to cover all anticipated costs?

- The total cost for scanning hardware is less than $1,000. Yes.

2.4. How will you measure the success and results of your plan? Include forecasts of cost savings, efficiencies achieved, etc.

- Streamlined processes leading to increased staff efficiency.

2.5. What is the implementation timeline and key action steps for this plan? How will you track progress?

- Fall 2019: Establish AASIS as the central repository for all active real estate leases.
- Winter 2019: TSS DBA to create business process with AASIS and DIS system set up. Training to familiarize TSS DBA staff with the electronic storage process.
- Spring 2020: Scan historical documents using DFA's Document Extender.
- Summer 2020 – 2022: Period of Redundancy - retain current storage while implementing AASIS as the central repository for a period of two years to ensure AASIS can satisfy the needs of the Division for ease of access and capacity for supporting lease documentation.

2.6. Identify any obstacles to the implementation and success of this plan.

- None at this time.

ACTION PLAN FOR PROJECT 3:

3. *Project Title*

Explore the Potential for Energy Savings Opportunities for State Owned Buildings

3.1. Brief description of project, goal, and action plan.

TSS DBA has worked diligently to reduce and sustain energy usage with 13 state-owned buildings. TSS DBA has performed many energy efficiency upgrades or retrofits pursuant to the Division Strategic Energy Plan (StEP) implemented in 2009. As of the Summer of 2019, TSS DBA reduced total KBTU consumption by **43%** over that 11-year stretch**.**

Action Plan:
- Compile and present the TSS DBA StEP to the Department Secretary and Governor and encourage the continuation of requiring all Departments to develop and implement StEP for all leased and owned facilities.
- TSS DBA will extend and expand energy efficiencies with energy management to align with the 4C's.
- TSS DBA will consult with other Departments to share experiences and "Wins" related to energy efficiency projects and their performance.
- Encourage Departments to take advantage of the existing Sustainable Building Energy Revolving Loan Fund program to fund identified energy projects for state owned facilities.
- Direct Departments to consult with the Energy Office at the Department of Energy & Environment for procurement programs available for energy projects.
- TSS DBA will assess and apply energy management efficiencies to the newly purchased Commerce building.
- TSS DBA to develop a Phase II for the 4 C's to focus on energy cost reduction in the workplace.
- TSS DBA will continue to explore other potential energy opportunities with state owned buildings.

3.2. Identify any additional resources required for the implementation and success of this plan.

- None at this time.

3.3. Are there any anticipated costs associated with the plan? Does your current budget have sufficient funds to cover all anticipated costs?

- No additional costs anticipated.

3.4. How will you measure the success and results of your plan? Include forecasts of cost savings, efficiencies achieved, etc.

- Regarding the Commerce Building, strive for a 10% energy cost reduction within 24 months of a baseline being established in FY21.

3.5. ***What is the implementation timeline and key action steps for this plan? How will you track progress?***

- TSS DBA has begun assessment of the Commerce Building where applicable energy management protocol will be implemented.

3.6. ***Identify any obstacles to the implementation and success of this plan***.

- None at this time.

Additional thoughts/comments:

All divisions of TSS are currently in state owned facilities. Our plan is to co-locate all six divisions in the Rockefeller Building. An estimate timeline for relocation is as follows:

- Employee Benefits Division – Already in Rockefeller Building
- Division of Building Authority – Already in Rockefeller Building
- Secretary's Office/Business Operations Unit – October 2019
- Office of Personnel Management – Spring/Summer 2020
- Office of State Procurement – Spring/Summer 2020
- Division of Information Systems – (TBD) To occur after Mac Data Center is decommissioned