

Oversight of the Department of Technology, Management, & Budget's Spending, Costs, and Response Related to COVID-19

General Government Subcommittee

February 2, 2021

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Presentation Overview

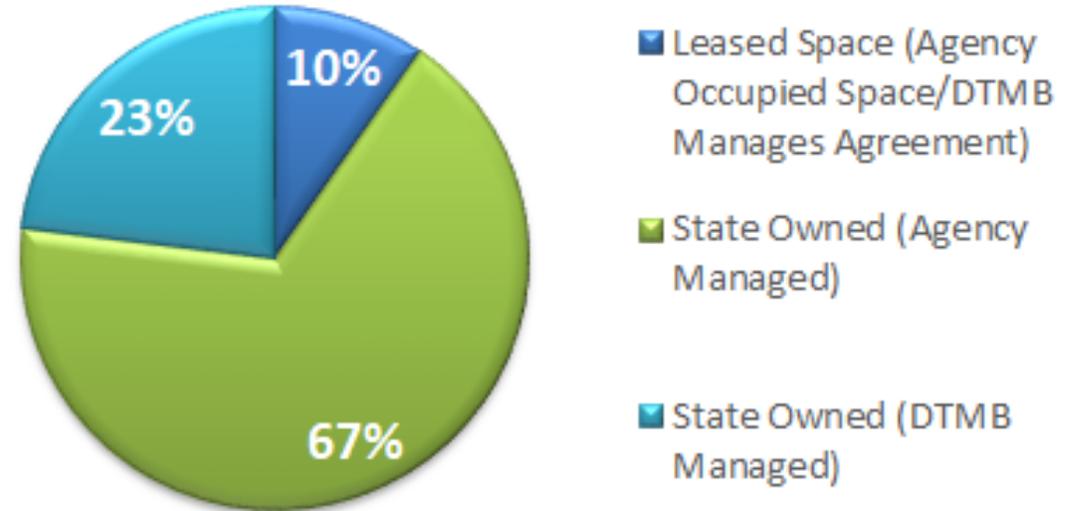
1. Overview of state owned and managed facilities
2. Determining building occupancy rates
3. Comparison of FY 2019 vs. FY 2020 building operations costs
4. Overview of standard leasing process
5. Overview of state's current leasing portfolio
6. State's fleet usage in FY 2019 vs. FY 2020

Facilities Overview

State of Michigan Managed Space

Management Unit	No. of Buildings	Square Footage
State Owned (DTMB Managed)	42	11,883,722
Leased Space (Agency Occupied Space/DTMB Manages Agreement)	468	4,991,759
State Owned (Agency Managed)	5,303	34,618,163

Percent of Square Footage by Management Unit



How do we calculate the rates?

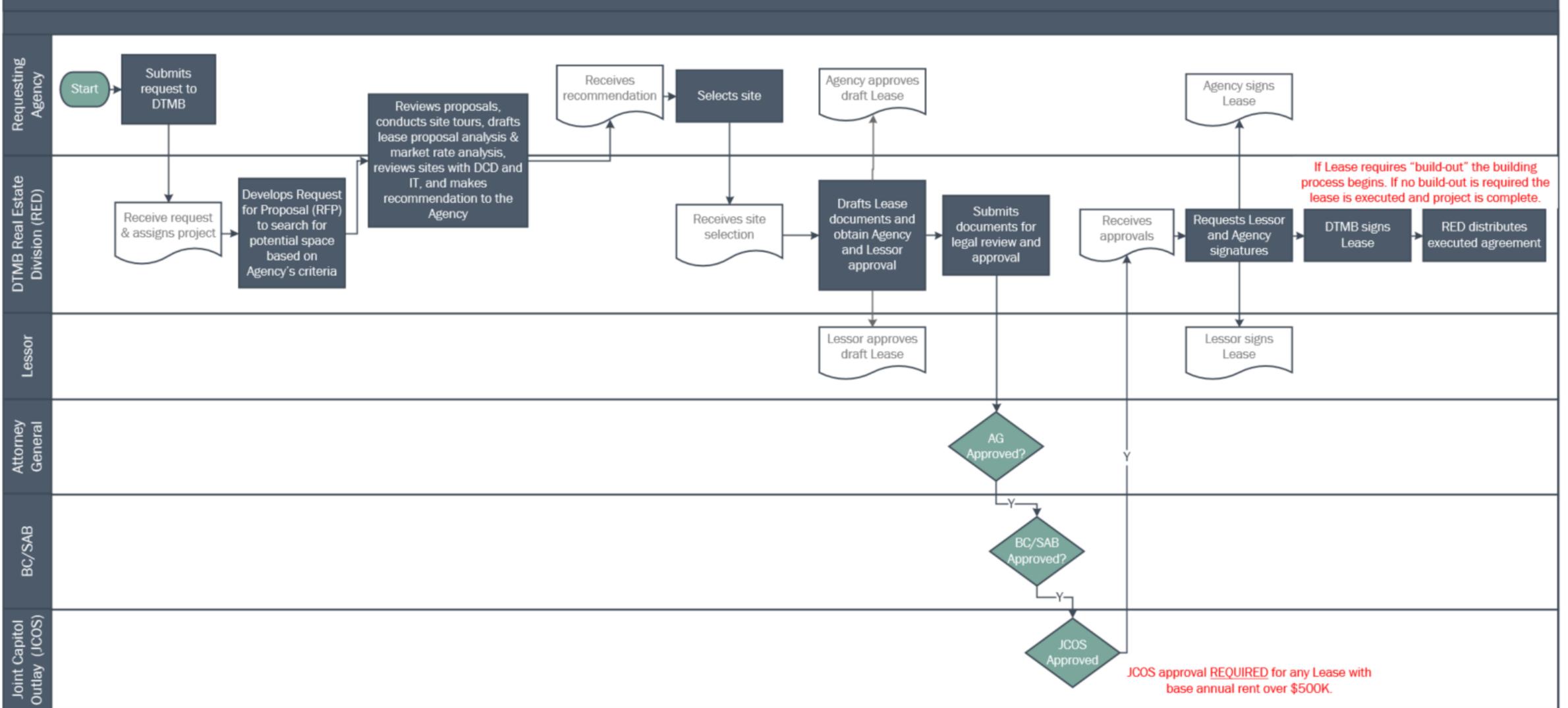
- DTMB uses a cost allocation methodology to calculate the per square foot charge for building occupancy
 - Allocable costs include facility maintenance, utilities, operations, and depreciation
 - The State Budget Office determines the allowable level of funding relative to previous years funding which is divided by the rentable square feet to calculate the rates per building
 - Funding for building occupancy is appropriated
- * We do not determine occupancy rates for non-DTMB owned and operated buildings

DTMB Owned and Managed Buildings

Service Category	Percent (%) Change	Dollar Equivalence
Utility Usage	Decreased by 7%	\$1.4 million
Janitorial - Routine	Decreased by 0.6%	\$37,000
Elevator Maintenance	Decreased 24%	\$94,000
Recycling Costs	Decreased 42%	\$58,000
Maintenance/Repair	Decreased 82%	\$360,000
Rubbish Removal	Decreased 25%	\$42,000
Facilities Contracted Services	Decreased 8%	\$25,000
Procurement Card Purchases	Decreased 27%	\$870,000
Supplies/Materials Purchases	Decreased 21%	\$356,000
Delivery/Freight	Decreased 69%	\$14,000
COVID Supplies/Materials	N/A – New Cost	\$230,000
COVID Positive Cleaning Events	N/A – New Cost	\$246,000
Enhanced COVID Janitorial	N/A – New Cost	\$573,000
Parking Revenue	Decreased 9%	\$410,000

Leasing – standard process

LSE-006: New Lease/Relocation Process Overview



Leasing – portfolio management

	No. of Agreements	Square Footage	Total Base Annual Rent	Total Cost with Tenant Responsibilities
Lease	372	4,328,134	\$ 67,708,397.88	\$ 78,380,264.05
Rental Agreement	75	227,369	\$ 3,853,504.08	\$ 4,047,387.40
Sub-Lease	21	436,255	\$ 7,983,034.32	\$ 8,601,862.85
Grand Total	468	4,991,759	\$ 79,544,936.28	\$ 91,029,514.30

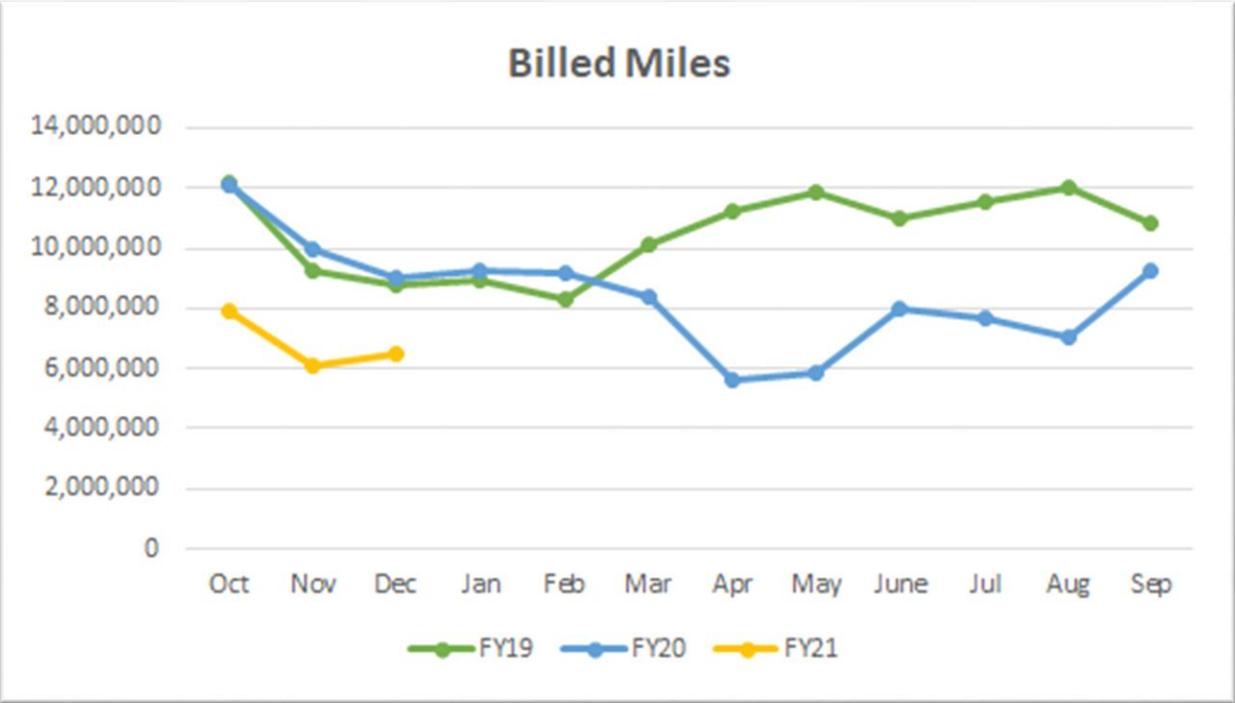
* Note: **22** of the **468** current leases are temporary COVID testing sites

Year	No. of Leases	Square Footage	Total Annual Base Rent
2010	547	7,848,091	\$107,959,529.00
2015	479	5,515,247	\$84,146,617.00
2021	468	4,991,759	\$79,531,860.60
Difference from 2010	(79)	(2,856,332)	(\$28,427,668.40)

Fleet Overview

- Fleet management services are provided to all state departments and some colleges and universities
- At the end of FY 2020, the fleet had **8,788** on road vehicles
 - **207** leased to five colleges and universities
 - **302** DTMB managed motor pools
 - **8,279** agency assigned vehicles
- Fleet usage trends reflect impact of working remotely

FY 2019 vs. FY 2020: billed miles



	On Road Vehicles	Miles Traveled		Fuel in Gallons	
FY 2019	8,760	128,389,574		7,237,319	
FY 2020	8,788	101,358,845	21% decrease	6,311,272	13% decrease

- Agencies are billed a per vehicle lease rate and a per mile fee
 - Per vehicle costs include lease and insurance costs
 - Per mile rate covers maintenance, fuel, accidents, and VTS administration
- Mileage revenue is below annual projections - when the miles driven does not meet projections, a loss is incurred
 - FY 2020 mileage was **21%** less than projected, resulting in a loss of revenue of approximately \$1.7 million
 - FY 2021 first quarter data indicate this trend continuing, with the number of actual miles driven an average of **37%** below projections

2021: A Holding Pattern

- Many agencies are in a “wait and see” mode
- Agencies who perform field work have not indicated that they will decrease their fleets
 - Some are adding more specialty vehicles as they transition to a more active role with response to the pandemic
- **Motor Pool**
 - Removal of 20 or more additional vehicles from motor pool service is under review

QUESTIONS?

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