Dept of Government Operations
Rate Committee Business Meeting
August 14, 2025
TSOB – Bonneville Conference Room
1:00-3:00

Rate Committee Attendees: Greg Paras, Nate Winters, Duncan Evans, Melanie Henderson, Devin Cook, Tenielle Humphries, Jeff Mottishaw – Absent

Meeting Attendees: Sarah Preece, Alan Fuller, Marvin Dodge, Jake Hennessy, Stephanie Martin, Brandie Frandsen, Marilee Richins, David Dyches, Ivan Djambo, Paul Korth, Mark Yeschick, Amanda Hensley, Paul Tonks, Wen Zhai, Marie Loosle, John Barrand, Brandon Andersen, Marissa Cook, Jeff Hymas, Cory Weeks

Welcome & Review of Meeting Protocol - Jake Hennessy welcomed new and returning committee members and emphasized the goal of streamlining formalities to focus on rates in September. He then turned the time over to Paul Tonks, GovOps AG representative, for Open and Public Meetings training.

OPTMA Training – Paul Tonks provided the required OPMA training, explaining its requirements for public bodies, meetings, and proper notice and agenda protocols.

Selection of a New Chair – Jake Hennessy mentioned that we do need to nominate a new chair and asked for nominations. Tenielle Humphries nominated Nate Winters as the new chair of the GovOps Rate Committee. All remaining Committee members approved the nomination.

Approval of Minutes (June 12, 2025) – Chair Winters asked for a motion to approve the last Rate Committee meeting's minutes. Greg Paras motioned to approve the minutes, Tenielle Humphries seconded the motion, and the motion was approved.

GovOps Executive Director Overview - Marvin Dodge, Executive Director of the Department of Government Operations (GovOps), gave an overview of GovOps, explaining that most Internal Service Funds (ISFs) in the state belong to GovOps and clarified that GovOps serves state agencies and government entities.

Director Dodge addressed common frustrations and misunderstandings regarding GovOps and ISF rates, acknowledging that GovOps can sometimes become a scapegoat for high costs. He stressed GovOps' commitment to transparency and fiscal responsibility, noting efforts to scrutinize costs and ensure a good return on investment for agencies.

Director Dodge explained that ISFs operate under federal requirements that limit retained earnings to 45 or 60 days of working capital. He indicated that rates are sometimes intentionally lowered to reduce retained earnings when they exceed federal guidelines, and then subsequently raised to cover costs once retained earnings are within the acceptable range

ISF Discussion, Upcoming Rate Committee Meetings and Information - Jake Hennessy, GovOps Chief Finance Officer, emphasized the need for greater transparency and trust with agencies regarding ISF rates. He outlined that an ISF is a government accounting fund designed to track and recover the full costs of services provided by one government department to another, without generating a profit, and at the lowest practical cost. Jake Hennessy reiterated the challenge from Chief Pierpont to be more efficient and fiscally responsible, mentioning that GovOps implements a 2%, 5%, and 10% budget reduction process before increasing rates.

Jake also clarified the four important roles in the ISF committee process: the rate committee, the ISF agencies, the Governor's Office of Planning and Budget (GOPB) and Legislative Fiscal Analyst (LFA) analysts, and the legislature. He stated that the committee is responsible for recommending rates to GOPB and LFA, while ISF divisions analyze costs and negotiate with service providers. He also explained that mandatory cost increases, such as those from vendors, must be outlined when proposing rate adjustments.

Jake reviewed the ISF timeline for the Committee beginning in April and through January to March of the following year ending with Legislative approval. He also mentioned the challenge of providing information to all of the state agencies prior to the Rate Committee meeting scheduled for September.

GovOps will be holding open forums or "town hall" style meetings in the last week of August to allow agencies to ask questions about the proposed rates and their impacts. Jake mentioned that these sessions would be recorded and made available to those unable to attend to ensure transparency. Jake also expressed willingness to meet more often if the committee desired, emphasizing transparency and openness in the process.

ISF Rate Discussion – Headcount vs FTE - Jake Hennessy initiated a discussion about the shift from FTE to headcount for HR rates, a change recommended by a third-party consultant to better align rates with services provided. Chair Winters highlighted the significant negative impact of the headcount model on programs with volunteer or temporary staff, especially those with federal funding, due to the full-year charge for minimal work. Jake suggested implementing a "headcount light" rate for HR and potentially DTS, which would exclude employees who worked less than 40 hours in the previous year.

Jake explained that while a "headcount light" model would benefit some agencies, it could increase overall costs for larger agencies because excluding employees would reduce the denominator in rate calculations, thereby raising the per-employee rate. Alan Fuller discussed challenges with DTS's device rate, which is based on an inventory of devices, often leading to disputes and friction due to difficulties in accurately managing inventory. Jake discussed the challenges of the current device rate for billing DTS (Division of Technology Services) fixed costs, noting it requires month-to-month inventory calculations and leads to disputes when retired devices reappear on the network. He emphasized the need to move to a headcount rate to avoid these issues, as the current device-based billing creates customer frustration and audit problems for agencies. Jake proposed shifting DTS fixed costs to a headcount rate, like what HR uses, but clarified that using email addresses for headcount previously led to "bad behavior" like multiple people sharing one account. He highlighted that foundational services like network, cybersecurity, and IT help desk are fixed costs that need to be spread equitably. Jake explained that a headcount rate offers strong predictability for agencies, allowing them to know their annual rate and choose billing frequency (annually or monthly). He also noted that this rate provides a mathematical calculation that agencies can easily audit and verify. There are also problems with device-based billing, citing instances where agencies cleaned up devices, leading to budget cuts, only for those devices to reappear on the network and require

continued support, causing billing disputes. Jake acknowledged that while device count is a good proxy for network bandwidth and cybersecurity usage, it complicates tracking and billing.

Excluding Specific Groups from Headcount - Jake presented a proposal to exclude specific groups of employees, such as dental consultants, EMS/AMTs, and medical doctors, from the headcount calculation based on a 40-hour threshold. He indicated that 27 such groups or staff positions would be excluded from current calculations. Jake and Marie Loosle, DHRM Finance Director, discussed that the headcount pull for billing captures individuals with hours worked during the year, meaning seasonal staff or those who worked no hours would not be included in the original headcount. They also clarified that the proposal excludes individuals working 40 hours or less within that timeframe and board members. suggested separating the headcount calculations, proposing one "headcount light" group for HCM and Vantage (HR) and another for DTS. Jake noted that a single headcount definition for the entire department became problematic because DTS supports contractors who are not onboarded as state staff, unlike HR.

Jake expressed that an FTE (Full-Time Equivalent) type rate, capped at one to avoid penalizing agencies for overtime, would be fairer to agencies, especially those with high turnover or seasonal employees. He suggested this would result in fractional charges for part-time or short-term employees rather than full-cost billing, making it more equitable. Duncan Evans recommended moving to an FTE capped rate and improving billing transparency by providing a dashboard that details exactly how HR bills are calculated, including who was included. Jake Hennessy acknowledged this desire, noting that the agency is working towards a single bill concept where agencies can review all their charges, like a BI dashboard.

Jake stated that the agency aims to be flexible with billing frequency, offering monthly or quarterly options to agencies for HR services, even though some programs are currently billed annually. He emphasized that the goal is to serve agencies and avoid financial hardship, including the ability to expand billing to multiple appropriations. Greg Paras highlighted that federal funding unpredictability makes it difficult to absorb unanticipated costs, emphasizing the need for greater stability and predictability in billing. They noted that relying on a fixed annual rate for a department that may lose employees due to federal fund cuts would disproportionately penalize them.

The Committee discussed monthly or quarterly billing as a solution to address federal funding unpredictability and employee turnover, with some advocating for more frequent adjustments to ensure accuracy. Jake acknowledged that while frequent billing could be more accurate, it creates more work for finance teams and complicates legislative appropriations that require annual predictions. He also mentioned that the agency is trying to isolate fixed and variable costs within their rates to give agencies more control over potential savings when reducing devices or staff. This approach aims to differentiate between essential infrastructure costs and service-dependent charges, allowing for better cost recovery and transparency. Nate Winters discussed the difficulty of tracking devices and maintaining an accurate inventory, suggesting that while controlling utilization would help manage costs, the necessary infrastructure is currently lacking. Jake expressed concern that shifting to a headcount rate might lead to some agencies subsidizing others, particularly if they have many devices but fewer employees, underscoring the complexity of finding a fair billing model.

Action: For the September rate committee meeting, they will present two main headcount options for HR and Vantage rates: one excluding employees working no hours or less than 40 hours annually ("headcount light"), and another based on actual FTE capped at one. He also discussed the idea of tiering charges for part-time employees but noted the difficulty in drawing a clear line for such exceptions across all agencies.

Facilities Rate Discussion - Jake introduced a discussion on facilities rates, currently calculated by cost per square foot, which often leads to discrepancies between agreements and bills. He proposed a change to a fixed rate per square foot per building type (e.g., office, lab, warehouse) to improve transparency and predictability for agencies.

Mail Rate Discussion - Jake presented a proposal to change the mail delivery rate from a distance and time-based calculation to a flat rate per stop. He explained that while this would flatten costs, agencies closer to the delivery hub would pay more than their current rate, while those farther away would pay less. Tenielle Humphries the problem the proposed flat mail rate aims to solve and expressed concern that agencies have already factored current varying rates into their budgets. They emphasized the importance of understanding the rationale behind such changes, especially if it upsets established budgeting practices.

Chair Winters then motioned for the meeting to adjourn.