**Department of Government Operations FY 2024 Rate Committee Meeting – PENDING – Approval for the Rate Committee**

**Thursday, September 15, 2022**

**Taylorsville State Office Building – Tuachan Room and Virtual locations**

**Committee Members:**  Commissioner Jaceson Maughan – Chair, Ty Howard, Duncan Evans, Nate Winters, Gary Harter - Virtual, Greg Paras – Virtual & Kristy Rigby – Not present

**Attendees:** Jaime Rasmussen, Darin Dennis, Mike Kelley, Rob Muir, Jerry Allred, Marissa Klebenow, Dan Harmuth, Dana Gauthier, Joe Murray, Chris Hughes, Jim Russell, Andy Marr, Brian Nelson, Phil Bates, Stephanie Weteling, Annie Cook, Leno Franco, Alan Fuller, John Barrand, Greg Hargis, Janica Gines, Mark Yechick, Cory Weeks, Windy Apayrath, Jake Hennessy, Jenney Rees, Marilee Richins

**Committee Business**

Chair Maughan called the meeting to order and explained that due to the changes to the meeting we were not able to notify the public of the hybrid format of the meeting, so we will be going through all of the presentations today and voting at the next meeting being held on Thursday, September 22, 2022.

Chair Maughan asked for a motion to approve the September 16, 2021 FY23 Rate Committee meeting minutes. Nate Winter motioned to approve the September 16, 2021 FY 23 Rate Committee meeting minutes, Duncan Evans seconded the motion and the committee approved the minutes.

**Presentation by the Department of Government Operations ISF Divisions**

Chair Maughan turned the time over to Jake Hennessy, Department of Government Operations Finance Director. Jake then turned the time over to Jenney Rees, Department of Government Operations, Executive Director. Director Rees thanked the Committee for taking the time to participate in this important meeting. Director Rees also explained that the Department has hired an independent entity, Moss Adams, to conduct an internal service fund (ISF) audit of all of the Department’s ISF Divisions. They will be making recommendations that will guide and direct how we will look at rates in the future. Director Rees said that she will keep the Committee informed of this information. Jake also thanked the Committee for their time and flexibility in the hybrid format of the meeting.

**Open and Public Meetings Act Training**

Mike Kelley provided the annual required OPMA training.

**ISF Division Presentations**

Jake Hennessy explained a slight change in the order of the agenda. He discussed the rate setting process mentioning that we want to be fair and equitable, use zero based cost accounting, our projected consumption recovers no more and no less than the actual cost and try to find the lowest practical cost for all agencies. Our divisions go through many activities to set rates including: annualizing expenses per service, dividing by consumption and calculating the rate. There are currently challenges that all agencies are facing like recruiting and retention, supply chain issues, inflation, security threats and legacy and technical debt.

**Division of Risk Management** – Brian Nelson, Director, provided an overview of the Risk Management program and their statutory requirements. Brian turned the time over to Darin Dennis, Assistant Director of Finance for the Division to go over their programs. The liability program has had a 13.8% increase due to claims and excess premiums that we’ve paid. As of 2022 our retained earnings in this area is moving towards the positive. The property program we’ve experienced significant losses and anticipate increases in this area. We will be working with the Legislature on this issue. The auto physical damage program has also had an increase in damages and the cost of replacement is more, so we’re asking for a 39% increase in this program. The enterprise learning management system is a software program used to help train drivers. We have an administrator for this program and are not changing anything with this program but who gets billed for the program. The aviation program is a pass through. The Division passes these costs onto the entities and agencies that use the program. The cyber liability program, we would like to make this a pass through, there would be no increase for state agencies. However, there would be an increase for Higher Education. There is an error on the slide, in 2024 there is a 7 missing in the dollar figure.

Chair Maughan asked if there were any questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Division of Technology Services** – Alan Fuller, Director, gave an overview of DTS and the current challenges facing the division. Annie Cook, Finance Manager, discussed the benchmark analysis that was done in 2021. Annie mentioned that DTS has provided rebates to state agencies, and covered the compensation increases by increasing rates. This is not sustainable. Along with looking at rates process improvement another significant project is the new human capitol management and payroll system. There is a typo with the retained earnings slide and it should be $1.5m instead of the number listed. The current rate change recommendations are the application developer rate which will be moving from 8 tiers to 4 tiers to simplify the rate and billing for agencies. During FY 21 and 22, we were charging for public cloud rate at cost plus 25%, we will now be billing for actual costs. The communication and phone support will be decreasing. The computer support services will be increasing. Network services will have no change. Security Services have been hit hard and we are in a maintenance for many products where there have been increases. We want to change the model going from the number of servers to the number of devices. In the security assessment rate, we have increased the bandings to reduce the impact on agencies. For database services we will be slowing the decrease with Oracle and SQL and charging for actual costs. For hosting services, we want to clarify this and make billing simpler and have a team working on this. Print Services rates will be going down. Miscellaneous services include an application development platform rate. This is an area where we have technical debt and would like to buy versus build. For those agencies that would need to build we would like to focus on three areas: Service Now, Microsoft Power App and Salesforce. DTS would like to charge a rate of $15 per person per month per application. Nate Winters, Deputy Director, Department of Health and Human Services, asked about their applications and the cost. It’s $15 per user per application and if you’re using a multiple apps then you will be charged for each one. Alan Fuller said that agencies should standardize and it would cut costs. Duncan Evans, Managing Director, Governor’s Office of Planning and Budget, asked about the licensing is this just for DTS users or will everyone be paying more for this. This is specifically for new applications developed in these platforms. Duncan said we’re paying more for using the platform, what would the cost be depending upon the type of license.

Greg Paras, Deputy Director, Department of Workforce Services said they are moving to new development. Is there a per user licensing introductory period, i.e. a discounted rate that after a certain period of time will then balloon? Or will there be an enterprise rate or on-going rate? We shouldn’t see balloon type increases and we want to work with the vendors so that costs are very clear. If this type of application development takes off then DTS might be able to negotiate with vendors for better pricing.

**ACTION:** DTS will provide costs by user type of software including legacy, new, and renewals, specifically SalesForce and ServiceNow. How will existing applications move to this model and what would the ongoing costs be (use cases).

Ty Howard, Deputy Director, Department of Environmental Quality, asked about the security assessment and the impact. It appears that most of the agencies carrying the burden of this increase are the smaller agencies. Will the alternative options DTS is looking in to make it more equitable for agencies? Annie Cook they were looking at cost per device costs and the impact would have gone up for the larger agencies and smaller agencies would be a bit lower. This information was provided to agency finance directors who did not want to absorb these costs into the security rate.

**ACTION:** DTS will provide an agency by agency cost by device for the Security Assessment rate.

Duncan Evans asked that we looked at ways to bundle more rates. Is this something that could be done with the security support, network, email and desktop rates? Why are we keeping them separate vs bundling? Where do we go from here and what can we bundle? Alan Fuller said that we’ve looked at this in many ways. We are close to having a proposal that would bundle these rates but won’t be doing it this year. We want to go through the ISF audit with Moss Adams to see what their thoughts are on this. Nate Winters made a comment about the process in general, anytime that rates are increased so DHHS has to cut contracts and it does have an impact on the customers they serve. This is for all rates not just DTS.

Chair Maughan asked if there were further questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Division of Human Resource Management** – John Barrand, Director, provided an overview of the division. There is a 5% increase in the HR Services rate, 3% increase in Payroll, no change to Core HR. Retained earnings are going down and they are working on the new pay for performance program. Nate Winters asked about increases for LinkedIn, Indeed, etc. for employment recruiting. John Barrand said that agencies are spending more on these types of recruiting tools (centralize the contracts, decentralize the service) we’re still waiting Moss Adams results to discuss. DHRM would like to have an Agile team to work on specific issues with agencies, i.e. Department of Corrections hiring for the new prison. Ty Howard said that it’s a big move to increase costs for agencies that don’t pay fees and provide service where it’s needed, thank you for doing that. Duncan Evans mentioned that most agencies all got their money back on DHRM services, do agencies know that this available and do you know it’s out there, how can we help. How do we keep things going and how do we build up our bench for specific areas, this is the next step in stretching our value and working together? John explained decentralizing and centralizing. Gary Harter said that DHRM are great to help them and ERIC is a great system. Recruiting is getting better and that’s because of the field teams. Chair Maughan said that they work closely with their field teams and seeing great candidates. Keeping teams with the agencies is really working. John B said that the agency leaders need to make the decisions that affect them.

Chair Maughan asked if there were further questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Division of Facilities and Construction Management** – Andy Marr, Associate Director, gave an overview of the increasing drivers for their division including service contract impacts, scope increases, compensation for staff retention and training and utilities. Andy then went over the individual increases for facility management. Ty Howard asked about consolidating state office space due to remote/telework. There is a push for agencies to get out of leased space, DFCM isn’t involved directly with that part of the program. The Taylorsville State Office Building (TSOB) is our test ground for that. The Division has been asked for new types of support, i.e. event set-up and take-down audio-visual support and the new TSOB data center. Duncan Evans mentioned most rates are to get all of these funded, there are compensation needs. The State Development center is an example, there could be no funding for staff if the agency is getting funds for landscaping. Would we be able to discuss this with agencies and other leaders? Is there wiggle room to phase some of these things in. Andy said we have to look at ways to do more with what we have which is a challenge. If we can shape and adapt to serve agencies then we want to do that within scope. We don’t want to ask for rate increases unless we have to. For USDC this is not a rate increase it’s funding they have and it will be included. Nate Winters said that some of this is one-time costs, for equipment, could we see those items. Andy said that once a purchase is made then we might be able to adjust the rate but we can explore as we consolidate and look at common things within regions. Greg Paras asked about one-time costs on the project list there were a lot of projects for flipping the strip/xeriscaping. If some programs are healthy in retained earnings and that could be an option. HB121 funding requests could be an option for funding. Nate Winters asked about DHHS has asked for looking at consolidation, looking at lease spaces. Some of these spaces will need improvements and is there funding for this? Jim Russell, Director, said that they are hoping to be able to go to IGG for a funding mechanism for improvements on space to accommodate these requests. Nate Winters said some of this is one-time costs that could free up funding. Jim Russell said that we need to be able to capture savings in these areas.

**ACTION:** DFCM will provide one-time costs vs compensation.

Chair Maughan asked if there were further questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Division of Fleet Operations** – Cory Weeks, Director, gave an overview of the division. The Division is only asking for changes to motor pool rates. Shared motor pools are being used more. Cory went over the requested rate changes. He then explained that they want to simplify their rate structure. Gary Harter said thank you for the great work from the Fleet team.

Chair Maughan asked if there were further questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Division of Purchasing & General Services** – Windy Apayrath, Director, provided an overview of the division. Gary Harter asked as we continue to work at home and more things are online how does this affect your division. Overall telework has been taken into consideration, i.e. state mail. Now that there is a hybrid model we are trying to be more strategic and more efficient. The Division is also looking at copiers as well and this is being included in the future forecasts. Chair Maughan asked about surplus property as offices are closing. The Labor Commission has a mountain of surplus furniture that is difficult to get rid of. Windy said that we do have a useful life policy that we have to look at. The State is great a using everything to the end of life. We are looking at this, working more with agencies and trying to be more proactive in this area.

Chair Maughan asked if there were further questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Division of Finance** – Janica Gines, Director, provided an overview of the division. We are recovering from the travel dip prior to the pandemic and currently there are no changes to the travel agency rate. The purchasing card program is generally funded by the rebate program. We sent out the rebate to political subdivisions. Purchasing cards are being used more and the average spend is increasing. A request for proposal was done for a travel and expense reporting system, this was awarded to SAP Concur. The Division is working to finalize the contract and they estimate a 6-month implementation. This implementation will take a lot of agency input. This will be rolled out in phases, hopefully around April 2023. We continue to streamline and simplify the policies, some of this is on hold due to the new system. Ty Howard asked about the inconsistency with air travel, is there an increase on staff with this. Janica said travelers are supposed to work with the travel agent on rebooking trips that are delayed or canceled. We need to do a better job with staff on this item. There have been no conversations about increasing rates from our travel agent.

Chair Maughan asked if there were further questions from the Committee, there were none. He asked if there were questions from the public, there were none.

**Further Committee Business**

Chair Maughan said we will hold next week’s meeting virtually, we will concur with the AG’s office to ensure this is possible.

**Meeting Adjournment**

Nate Winters motioned to adjourn the meeting, Duncan Evans seconded the motion and the group approved.