

(Draft Waiting for Formal Approval)

# **Department of Administrative Services FY'18 Internal Service Fund Rate Review Committee Meeting**

September 13, 2016

8:30 a.m.

State Capitol Building, Room 445  
350 North State Street, Salt Lake City, UT 84114

## **Committee Members:**

Barry Conover – Committee Chair, Executive Director, Tax Commission  
LuAnn Adams – Executive Director, Commissioner of Agriculture & Food  
Becky Bradshaw – Comptroller, Department of Transportation  
Mark Brasher – Deputy Director, Department of Human Services  
Joseph Brown – Division Director, Department of Public Safety  
Matthew Lund – Budget and Policy Economist, Governor's Office of Management and Budget  
Sal Petilos – Executive Director, Department of Alcoholic Beverage Control

Note: An audio recording of the meeting can be found on the Public Notice Website.

## **I. Committee Business:**

- a. Welcome- Barry Conover. Committee Chair

Committee Chair Barry Conover welcomed everyone to the meeting.

- b. Approval of Minutes of September 6, 2016.

Mr. Conover asked for a motion to approve the minutes from the meeting held on September 6, 2016.

Commissioner LuAnn Adams made a motion to approve the minutes from the meeting on September 6, 2016. Sal Petilos seconded the motion. A vote was taken, and the motion passed unanimously.

## **II. Presentation by DAS Internal Service Funds**

Finance – Ken Hansen, DAS Interim Executive Director and John Reidhead, Division Director.

Ken Hansen, Interim Executive Director with the Department of Administrative Services, invited John Reidhead, Director of the Division of Finance, to talk about the Division of Finance's Internal Service Funds.

Mr. Reidhead explained that there are two Internal Service Funds within the Division of Finance. They are the Consolidated Budget and Accounting Group, and the Purchasing Card.

## Consolidated Budget and Accounting (CBA)

- CBA has been an ISF since 2013, most of its costs are in personnel.
- CBA provides accounting services mainly for DAS. It does some accounting for agencies that have connections with DAS, but most of the CBA's accounting is internal.
- CBA is not asking for any rate changes for FY18.

Mr. Hansen explained that the CBA was created under the direction of Ms. Kim Hood, the previous Executive Director. Prior to the creation of CBA, each of the Division's within DAS had its own accounting and budgeting staff. DAS brought these skilled people together in one group to do the accounting for the department, and it has been very successful. DAS appreciates Mr. Dave Williams and his group for the efforts they make.

- Mr. Reidhead explained the retained earnings. The CBA is 95% personnel costs, so when there is a compensation package provided by the Legislature, that will make the retained earnings go below the line.
- The CBA is on an every other year schedule to request a small adjustment to their rates. The retained earnings are well below 60 days.

## Purchasing Card

Mr. Reidhead continued with the Purchasing Card Program.

- The Purchasing Card Program provides a low cost, efficient way for agencies to make purchases.
- There was a slight increase of purchasing card usage.
- The rebate back to agencies increased because of the new contract through NASPO Value Point.
- Local Governments also participate in the program. Each receives a rebate based on its purchases.
- Before rebates are sent to state agencies, Finance pays the Federal Government its share.
- Finance is working to improve the timing of rebates.
- There was an over-rebate to agencies this year. There is a quarterly rebate, and the annual rebate. The annual rebate is on a calendar year basis. The quarterly rebate can be matched to a fiscal year basis. There was a mistake this year, and the annual rebate was over-allocated. Part of the rebate was for the prior year. Finance is working to provide rebates on an accrual basis, so that rebates will be consistent. Next year's rebate will likely decrease some, because of the over-rebate in FY16.

There is no rate in the Purchasing Card Program. Finance covers expenses for a Purchasing Card Coordinator, and cooperative contracting fees. Finance distributes the remainder out to the agency and governmental entity users after covering what is owed to the Federal Government. The actual rate is the rebate that is received for the Purchasing Card.

Mr. Conover asked for questions from the committee.

Mr. Sal Petilos asked what percent of the CBA's revenue is charged to other clients.

Mr. Williams, the CBA Director, said that less than 5% is charged to other agencies.

There were no other questions from the committee or public.

Mr. Conover asked for a motion for the Division of Finance rates.

Mr. Petilos made a motion to approve the CBA and Purchasing Card rates. Mr. Mark Brasher seconded the motion. A vote was taken, and passed unanimously.

### **III. Follow-up Presentation by DAS Internal Service Funds**

Facilities Construction and Management, Facilities Management – Ken Hansen, DAS Interim Executive Director, and Eric Tholen, Division Director.

Mr. Hansen explained at the last meeting there were questions about some of rates of the Division of Facilities Construction and Management (DFCM). Mr. Eric Tholen, DFCM Director, was invited to address the committee about any questions the committee raised in relation to the DFCM rates.

Mr. Tholen addressed questions the committee raised at its last meeting in regards to its administrative rates in the Garage rates. He explained there are six employees that fall in the administrative category. Mr. Bruce Whittington was one of the employees. He had been the interim director for DFCM at that period of time, and his costs were not included in the calculation of the administrative rates for FY 2017. His salary is now included in the calculation for the administrative rates, and that is the major part of the rate increase for FY 2018.

Mr. Petilos asked if there was a drop in the administrative garage rates for the prior fiscal year as well.

Mr. Tholen responded that last year was the first year these rates were approved, and Mr. Whittington was not included in those rates.

Mr. Petilos said that the garage rates are outside of the normal rates for which agencies are charged. He asked in what circumstance administrative rates would be charged for providing service to the agencies.

Mr. Whittington, Assistant Director Division of Facilities Construction and Management, said that administrative rates are not used for service to agencies. The rates are done for all groups within the facility. Typically, the only garage rates that get used are the craft rates for some agency who may need work outside the scope of the standard services.

Mr. Petilos asked if there is garage rate, and the administrative rate is barely used, are agencies being charged for that.

Mr. Whittington said that administrative rates are not rolled into the craft rate.

Mr. Brown asked if there are six employees funded by the administrative rate.

Mr. Whittington explained that six employees are included in the rate; this includes office staff, a state-wide supervisor, and a contracts person. However, these employees are not funded by the rate. The administrative rate is only there in case it needs to be used.

There were no other questions from the committee or the public.

Mr. Conover asked for a motion for the approval of the rates listed on page 37 in the binder for DFCM.

Commissioner Adams made a motion to approve the rates for the 15 programs with proposed rate adjustment increases of \$883,052, the thirteen new programs or scope changes totaling \$781,481, labor (garage) rate adjustments, and all other existing rates. Ms. Becky Bradshaw seconded the motion. A vote was taken and passed unanimously.

Mr. Hansen thanked members of the committee for their help and assistance, and for their questions. He hope they would continue to ask questions as issues come up. He also thanked the Consolidated Budget and Accounting staff, who worked on the presentation, and Mr. Jake Njord from the Executive Director's Office, who orchestrated the presentation and the binders. He also thanked Ms. Barbara Sutherland for preparing the minutes.

Mr. Conover complimented Ms. Hood, former DAS Executive Director, for her years of service. She created a good management team, and the agencies benefit from that. He thanked Mr. Hansen for his leadership as the Interim Executive Director. He also thanked the Committee.

There was a motion to adjourn. The meeting was adjourned at 8:51 a.m.