ANNUAL REPORT TO THE GOVERNOR

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STATE PROPERTIES REVIEW BOARD
FY July 1, 2010 – June 30, 2011

STATE PROPERTIES REVIEW BOARD

ANNUAL REPORT – FY 2010-2011

Executive Summary

The State Properties Review Board was established in 1975 as a watchdog agency charged with reviewing State agency real estate contracts and public works contracts with consulting architects and engineers. The Board's oversight has been cost effective and a deterrent to the abuse of State contracting practices.

As a result of Board requirements to modify or cancel proposed contracts, over **$80,000,000** in savings to the State have been realized since 1975. In Fiscal Year 2011 the Board realized savings to the State in the amount of **$785,752.16.** During Fiscal Year 2011, the Board approved 294 agency and quasi-public agency proposals. The average review time was approximately 18.5 calendar days per proposal.

The most significant action affecting the Board over this past year was the implementation of *Public Act* 11-51 which dissolved the Department of Public Works and split the functions of the agency between the Department of Administrative Services ("DAS") and the newly created Department of Construction Services ("DCS"). The Board recognizes this Public Act as a positive for the State and its ability re-establish similar working functions under the umbrella of DAS thus creating more efficiency in State government.

During this past fiscal year, the State Properties Review Board successfully participated with the Office of Policy and Management ("OPM") and the Department of Administrative Services (formerly DPW Leasing) in a Lean transformation review of the State's leasing process. The goal for this process was to transform the institutional culture for State agencies so that the leasing process is more efficient, both in terms of time and money spent. Upon completion of this process, it is estimated that the processing time for a standard lease can be reduced by over 30% with the efficiencies developed during this review.

More recently, the Board's staff, DAS and OPM has been actively engaged in two initiatives to further streamline the process and more effectively operate between agencies. The first initiative is the development of a bi-weekly working group to discuss the status of projects, submittals and reviews. This should allow for the reduction of administrative returns, delays to due to processing errors and the submittal of additional information at an earlier point in the review process. The second initiative is the development of a secured Sharepoint Software site utilized by OPM, DAS and SPRB. The development of this site will allow these agencies to electronically share and discuss files during each agency's respective review role and as such eliminate and reduce the amount of paper copies, transmittals and document revisions generated during the approval process.

Respectfully submitted,

STATE PROPERTIES REVIEW BOARD
Edwin S. Greenberg, Chairman
September 28, 2011

INTRODUCTION

The Connecticut General Statutes, Section 4b-2(a) requires the Commissioner of Administrative Services[1] to submit a report each year to the State Properties Review Board which is to include "all pertinent data on the Agency's operations concerning realty acquisitions, the projected needs of the State and recommendations for statutory changes which may be appropriate."

The Statute also requires the Board to transmit the Department of Administrative Services ("DAS") report with recommendations, comments, conclusions and other pertinent information to the Governor and members of the Joint Standing Committees on Appropriations and Finance of the General Assembly on or before October 1st of each year.

Part I herein contains the Board's comments on the DAS Annual Report for Fiscal Year 2011. Part II is a summary of the Board's own activities during the past fiscal year and recommendations for the future. In accordance with the Governor's "Executive Directive #3" the Board will transmit this report to the Governor and Committees in its electronic version and publish on the website www.ct.gov/sprb.

PART I. THE DEPARTMENT OF ADMINISTRATIVE SERVICES REPORT, FY 2010-2011

The Board has reviewed the *Annual Report to the State Properties Review Board for Fiscal Year 2011* ("Report") and considers it to be a comprehensive representation of the year's activities at the Department of Administrative Services. The Report generally meets the requirements of Section 4b-2(a). It is historical in perspective, and except for a reference to DAS's role in implementing the State Facility Plan, the Report contains limited content regarding the projected realty or facility needs of the State. The Report does provide an overall statement that DAS is currently *"assessing the State's realty statutes and processes that were transferred to the Agency on July 1, 2011. At this point DAS is not prepared to recommend any specific statutory changes that may be appropriate."* The Board agrees with the statements provided by DAS and looks forward to working with the agency as these initiatives are developed.

DAS Report, Section I: State's Realty Activity

In Parts A – D of Section I, DAS reports on State owned land, buildings, and leasing activity. In Section I Part A & B DAS reported that State-owned building floor area remained constant at a total of 59,666,692 gross square feet in 3,780 structures. The largest category of building space remains the floor area attributable to education, including the University of Connecticut and the Connecticut State University System, the Community Technical Colleges and the Community Technical High School System, with a total of 31,165,931 gross square feet.

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[1] ***Although the agency reorganizations and consolidations affecting DPW and DAS did not take effect until July 1, 2011 for the purposes of clarity, this report will refer to DAS with respect to real estate and leasing functions, and the new Department of Construction Services ("DCS") with respect to construction projects and architect and engineer contracts.***

State Realty Activity as Reported by DAS

Activity	FY 2010	FY 2011	%Change
State Owned Property (Acres)	254,308	257,875	1.40%
State Owned Building Floor Area (SF)	59,666,692	59,666,692	0.00%
Property Leased to State (SF)	2,704,233*	2,641,153	-2.33%
Property Leased to State, Annual Cost	$43,980,965**	$44,719,567	1.68%
Leases, Annual Cost in $/SF	$16.26	$16.93	4.12%

*This number has been revised effective FY2010 to eliminate the sf utilized by the Department of Labor as identified in the State Facilities Plan.
** This number has been revised effective FY2010 to eliminate the lease costs incurred by the Department of Labor identified in the State Facilities Plan.

The table above summarizes DAS Leasing activity; consistent with the Board's records and as provided above, the square feet of property leased by the State declined 2.33%, while the average annual overall cost of space increased 1.68% over the past fiscal year.

This section of the Report also discussed sixteen (16) Board approved leases, of which thirteen (13) are described as office leases for 313,705 net usable square feet (nusf) at an average rate of $15.08/nusf, and three (3) are described as parking only leases. The Board's own statistical records are in general agreement with this, showing positive action on 13 office space lease submittals and 3 parking approvals in addition to four (4) suspended leases and two (2) leases returned without Board approval.

In Section I Part C DAS reports that the Board approved the acquisition of three (3) properties and the subsequent sale of five (5) properties. The Board's own statistical records are in general agreement with this detailing property acquisition activity for purchase of fire training schools in two communities and approval of one purchase option for the community college system. The Board approved the sale of five (5) properties which had been deemed surplus by the State and disposed pursuant to CGS 4b-21.

Section I Part D details lease activity of State-owned facilities DAS reports eight (8) leases approved by the State Properties Review Board for the use of second parties. The Board's own statistical records are in general agreement with this information.

State Owned Land: DAS reported an increase in land owned by the State of 3,567 acres, primarily due to DEP land acquisitions. The comparison between the last two fiscal years appears below.

State Owned Land

Custodial Agency	Acres, 2011	Acres, 2010	Acres, Change
Environmental Protection	235,345	231,369	3,976
Higher Education Facilities	5,746	5,732	14
Transportation	5,342	5,342	0
Corrections	3,021	3,021	0
Military	2,509	2,509	0
Mental Health & Addiction	1,105	1,105	0
Dept. of Developmental Services	1,899	1,899	0
All Other State Agencies	2,908	3,331	(-423)
Total	**257,875**	**254,308**	**3,567**

DAS indicates that the information provided in the Report on acreage of State owned land is obtained from the Office of the State Comptroller.

In Parts E – H of Section I, DAS reported on behalf of the former Department of Public Works now the Department of Construction Services ("DCS"); construction contracts awarded, construction projects completed, and contracts issued to architectural and engineering design professionals.

In Part E titled *"Public Works Construction Starts"* twenty (20) construction contracts totaling approximately $28.3–Million dollars were identified. Twelve of the twenty contracts were awarded under the provisions of Section 4b-91 of the Connecticut General Statutes. DCS also identified two (2) "Construction Manager at Risk" contracts with total contract values of approximately $226,596 and $125,000 respectively. These contracts were issued for pre-construction services related the WCSU Fine and Performing Arts Center and the CCSU New Academic Building Project.

In Part F titled "Special Project Activity" DCS identified 295 projects with a total contract value of approximately $43.6-Million dollars. These projects were considered to be small construction projects or "emergency projects" as defined by 4b-52(c) of the Connecticut General Statutes.

In Part G titled "Public Works Projects Completed" DCS closed 18 construction projects completed at a total cost of $181,807,367. Of this amount 8% or $13,468,184 is due to the expenses from 1,304 change orders. The Board continues to recommend that change orders be itemized by category and cost to indicate if the change orders are the result of field conditions, changes in scope resulting from State agency requests, or design errors/omissions.

The table summarizes construction contracting and claims settlement activity.

Activity	FY 2010	FY 2011	%Change
Construction Contracts Awarded			
"Informal" (less than $500,000)	9	8	-11.10%
Value	$1,824,106	$1,592,440	-12.70%
"Formal" Contracts	16	12	-25.00%
Value	$44,975,900	$26,723,021	-40.58%
Design Build/CMR with GMP	3	2	-33.33%
Value	$209,128,776	$351,596	-99.83%
Total Awarded	28	22	-21.43%
Total Value, Contracts Awarded	$255,928,782	$28,667,057	-88.80%
Special Projects Activity			
# Projects Undertaken	250	295	18.00%
Value	$26,943,630	$43,676,393	62.10%
Construction Projects Completed			
# Completed	32	18	-43.75%
Original Value	$127,216,150	$168,339,182	32.33%
Value of Change Orders	$12,798,536	$13,468,184	5.23%
Completed Value	$140,014,686	$181,807,367	29.85%
Cost Increase of Change Orders	10.06%	8.00%	-20.47%
# of Change Orders Issued	1,076	1,304	21.19%
Consultant Contract Activity			
# Approved by SPRB	152	72	-52.63%

Value	$59,141,377	$27,152,362	-54.09%
Claims Settlement			
# of Claims Settled	1	0	-100.00%
Claim Amount	$14,103771	N/A	N/A
Settlement Amount	$3,775,768	N/A	N/A
Reduction	$10,328,003	N/A	N/A
%Reduction	-73.23%	N/A	N/A

DAS Report, Section II: Projecting the Realty Needs of the State

Rather than project future realty needs, Section II refers to the Office of Policy and Management process for developing the State Facility Plan which receives Board review on or before February 15th of each odd-numbered year. The next Plan is scheduled to be presented by OPM to the Board for approval in February 2013.

During FY 2011 the State Bond Commission allocated $80,903,905 for DCS planning and construction activities. For future projects, the General Assembly approved over $207-Million in capital budget authorizations that could result in projects administered by DCS.

DAS Report, Section III: DCS Set-Aside Contractor Participation

Section III of the Report confirms that DCS consulting, construction and procurement contracting programs realized the required statutory goals for the set-aside requirements of Section 40a-60g of the Connecticut General Statutes for small business contractors, minority contractors, and women owned business enterprises.

PART II: STATE PROPERTIES REVIEW BOARD REPORT FISCAL YEAR 2010 - 2011

SPRB Board Members

The Board consists of six members, appointed on a bi-partisan basis for overlapping four-year terms: three are appointed jointly by the Speaker of the House and the President Pro Tempore of the Senate, and three are appointed jointly by the Minority Leaders of the House and Senate. At the beginning of the fiscal year, the five members were:

Edwin S. Greenberg, Chairman
Bennett Millstein, Vice Chairman
Bruce Josephy, Secretary
Mark A. Norman
Pasquale A. Pepe

In March 2011 **John P. Valengavich** of New Britain joined the Board as the sixth member.

Statutory History

The State Properties Review Board was established by Public Act 75-425; most of the governing Statutes are in Chapters 59 and 238 of the Connecticut General Statutes. The Board was established as an independent agency that provides oversight for the Legislature of real estate transactions and related consultant contracts proposed by the Executive Branch.

The State budget passed on August 31, 2009 provided for an appropriation for the State Properties Review Board as a function of the Department of Administrative Services. Implementing legislation P.A. 09-7, effective October 5, 2009, completed the consolidation of the Board into the Department of Administrative Services. The Board retains its independent decision making authority.

SPRB Duties and Objectives

The Board is required by Statute to provide oversight of State real estate activities involving the acquisition, development and assignment or leasing of real estate for housing the personnel, offices or equipment of agencies of the State. The Board approves transactions that involve the lease or sale of surplus real estate by DAS, Transportation and other State agencies and approves the acquisitions of farms in fee simple and agricultural development rights proposed by Department of Agriculture. The Board also reviews and approves contracts with consultants for major capital projects prior to their employment by the Department of Construction Services.

The Department of Developmental Services has the authority to lease group homes of less than 2,500 gross square feet and submit these leases directly to the Board. Leases for office space needed by the Department of Labor are examined, and the Connecticut Marketing Authority also submits leases directly to the Board for land and wholesale/distribution space located at the Connecticut Regional Market in Hartford. The Board reviews realty transactions required by Special or Public Acts of the General Assembly. In FY 2011, seven different State agencies submitted real estate proposals and/or consultants' contracts for capital development projects to the Board.

The Board is also required to hear appeals by any aggrieved party concerning the amount of compensation paid by Transportation for the acquisition of outdoor advertising structures, and regulations have been adopted concerning procedures for hearing the appeals.

SPRB STATISTICAL SUMMARY, FISCAL YEAR 2011

Pursuant to Section 4-67m of the General Statutes, the Board's annual report for the fiscal year ending June 30, 2011 addresses the following four program measures:

- Number of agency proposals reviewed and processed;
- Average calendar days to process and review proposals;
- Savings to the State as a result of Board actions; and
- Statutory recommendations.

Tables I and II included at the end of this report cover the first three program performance measures; a summary of each table follows.

Number of Proposals Reviewed and Review Time

Table I, State Properties Review Board, Annual Statistics, Summary contains a statistical summary of 294 agency proposals reviewed by the Board in FY 2011. Average review time during the fiscal year is 18.5 calendar days per proposal, including weekends and holidays. The corresponding statistics for FY 2010 were 356 proposals with an average review time of 22 calendar days per contract.

Sections 4b-23(c) and (i) of the General Statutes require the Board to accept, reject or request the modification of leases submitted by DAS within 90 days of receipt and within 30 days if the proposal is a consultant contract made by DCS. The Board complied with applicable Statutes regarding review time in FY 2011.

Savings to the State as a Result of SPRB Actions

Table II, State Properties Review Board Savings Report shows that the Board realized savings to the State in the amount of ***$785,752.16*** in FY 2011. These savings are ***230%*** greater than the Board's total annual operating budget expenditures of ***$341,374.*** For FY 2010, savings were $89,276 or 28% of the total operating budget of $318,839.

Total savings achieved on behalf of the State over the 36 years that have elapsed since the Board's inception are over ***$80.3 Million*** which is greater than ***718%*** of the Board's cumulative operating budget that totals approximately ***$11.2 Million*** during the same period.

Average annual processing cost for the 18,221 proposals reviewed over 36 years is ***$614*** per contract in contrast to annual cash savings of ***$4,412*** per contract.

The Board's objective is to realize annual savings in excess of its annual operating budget whenever indicated and feasible. During the past five fiscal years, savings to the State exceed operating budget expenditures by over ***$7.5 Million***.

RECOMMENDATIONS

1. Property Leased to the State: Improving the Process

The State Properties Review Board continues to recommend improvements to the DAS process for leasing real estate. Currently, the Board's staff is actively participating within a Working Group that continues to discuss and apply a Lean process to improve the culture surrounding State leasing. The goal is to identify and alter barriers that make the current leasing process inefficient, and then collectively work to improve the process.

Rather than iterating specific recommendations concerning the lease process in this report, the Board will again in FY2012 cooperate with the Lean Steering Committee to develop joint recommendations for process improvement.

The Board cannot over emphasize the necessity for process improvement. The lengthy process appears to prevent the State from realizing immediate savings that should be achieved during the current economic recession, when commercial rental rates are declining. Regarding expired lease agreements being held over from month to month, it would be cost effective to negotiate leases based on current market rental rates.

2. Review & Oversight of State Property Management Contracts

Once again the Board recommends that additional savings to the State might be realized by giving the Board authority to review property management contracts. Since 2005, the State has awarded contracts for the management of 27 facilities. These contracts have a total value of over $100-Million dollars. Pursuant to CGS 4b-3 the Board is comprised of individuals experienced in "architecture", "building construction" and "state facility management" as such the Board's role in evaluating and

reviewing these contracts can only enhance and ensure a more positive and efficient process and outcome for the State.

3. Reducing Leased Space & Purchasing State Office Space

Given that the value of commercial properties is in decline, and because the rentals to lease building space for the use of State agencies typically include the amortization of extraordinary improvements as additional rent, the discounted value of such rents may exceed the cost to finance the purchase of comparable space. The Board recommends that DAS and OPM continue to evaluate the feasibility of purchasing office properties to replace leased properties. Additionally, the Board recommends a comprehensive effort to identify under-utilized State owned space that can be used to decrease the need to lease properties.

4. Modify the Standard Lease Agreement

The goal of reducing the amount and cost of leased space can be assisted by making possible modifications to the Standard Lease Agreement ("SLA"). In consultation with the Attorney General and OPM, the Board recommends that DAS incorporate (1) a termination clause into the SLA that allows for lease termination if an agency's space needs decline due to lack of appropriation or programmatic change; (2) a right of first refusal to purchase leased space that allows sufficient time for OPM to complete a cost/benefit analysis and determine the means to finance the purchase; and (3) safeguard the state from paying for future tenant improvements that may not be required—currently the SLA mandates that certain tenant improvements be done at renewal and the cost of such improvements are typically built into the base rental rate for the initial term. Sometimes, the tenant improvements are either not needed by the client agency or not provided at renewal. This change will revise the SLA to allow for the funding of improvements on renewal through a "leased property improvement fund" and therefore allow DAS to prioritize the location and use of funds for tenant improvements at leased premises.

TABLE I

State Properties Review Board

Annual Statistics, Summary - F.Y. 2011

7/1/2010 to 6/30/2011

Category	Contract Type	Count	Agency Processing Days Prior to SPRB Average	SPRB Days to Review Average
Department of Public Works				
Consultant Contracts				
	"On-Call"	12	388.08	15.92
	Amendment/Commission Letter	9	160.44	16.67
	Commission Letter	26	127.54	15.31
	New	10	634.10	15.55
	Task Letter	15	101.33	15.40
	AE Total	**72**	**239.96**	**15.64**
Real Estate Contracts				
	Acquisition	1	575.00	7.00
	Assignment	1	33.00	15.00
	Conveyance of Property	2	64.00	19.50
	Deed	1	143.00	13.00
	Easement Agreement	1	282.00	8.00
	Lease	15	520.40	16.00
	Lease-out	4	219.00	19.75
	License Agreement	5	202.00	21.20
	Purchase and Sale Agreement	5	218.60	20.40
	Purchase Option Agreement	1	196.00	5.00
	Sublease	1	251.00	8.00
	RE Total	**37**	**334.95**	**16.81**
DPW Total / Averages:		**109**	**272.25**	**16.03**
Department of Transportation				
	Acquisition	1	776.00	25.00
	Admin Settlement	10	1,620.20	17.10
	Assignment	2	131.00	21.50
	Assignment of Easement	12	80.33	32.00
	Concession Agreement	1	10.00	9.00
	Conveyance of Property	17	128.76	22.82
	Deed	10	876.60	21.50
	Exchange	1	382.00	20.00
	Grant of Easement	1	395.00	24.00
	Lease	1	329.00	14.00
	Lease-Out	4	316.75	18.25
	License Agreement	2	352.50	29.50
	Release of Easement	1	129.00	10.00
	Sale	33	714.12	17.70
	Transfer	2	600.00	24.00
	Voucher	67	652.99	18.75
	RE Total	**165**	**583.53**	**20.14**

State Properties Review Board
Annual Statistics, Summary - F.Y. 2011
7/1/2010 to 6/30/2011

Category	Contract Type	Count	Agency Processing Days Prior to SPRB Average	SPRB Days to Review Average
Department of Environmental Protection				
	Conveyance of Property	1	161.00	26.00
	Grant of Easement	1	188.00	21.00
	RE Total / Averages	**2**	**174.50**	**23.50**
Department of Agriculture				
	Lease-Out	3	553.00	19.00
	Purchase of Development Rights	10	642.40	22.40
	RE Total / Averages	**13**	**638.50**	**21.62**
Department of Administrative Services				
	Lease-Out	3	81.00	8.33
Department of Economic & Community				
	License Agreement	1	47.00	7.00
Department of Labor				
	Lease	1	197.00	29.00
Grand Total / Averages:		**294**	**458.74**	**18.57**

TABLE II

STATE PROPERTIES REVIEW BOARD
SAVINGS REPORT

Calculable Savings to the State as a Result of the Board's Actions (from 1/1/77) compared with Budgets Expended to Date:

FISCAL YEAR	SAVINGS	SAVINGS AS A % OF BUDGET	BUDGET EXPENDED
1975-1976	No Records Kept		$ 48,183.00
1976-1977	$ **274,862.61**	322%	85,333.00
1977-1978	**1,271,948.94**	987%	128,930.00
1978-1979	**282,083.22**	215%	131,269.00
1979-1980	**1,865,227.18**	1245%	149,820.00
1980-1981	**1,379,432.96**	828%	166,664.00
1981-1982	**5,765,518.06**	3506%	164,461.00
1982-1983	**291,858.96**	156%	187,329.00
1983-1984	**528,025.57**	267%	197,919.00
1984-1985	**933,614.09**	442%	211,242.00
1985-1986	**3,887,739.68**	1587%	244,932.00
1986-1987	**2,112,558.76**	714%	295,753.00
1987-1988	**178,003.12**	57%	313,768.00
1988-1989	**1,251,410.00**	420%	297,926.00
1989-1990	**2,310,078.00**	731%	315,801.00
1990-1991	**1,018,197.99**	384%	265,320.00
1991-1992	**4,010,157.28**	1540%	260,436.00
1992-1993	**2,305,368.00**	749%	307,926.00
1993-1994	**10,428,139.07**	2989%	348,893.00
1994-1995	**2,150,337.56**	665%	323,592.00
1995-1996	**1,412,446.50**	412%	342,995.00
1996-1997	**736,347.54**	206%	357,559.00
1997-1998	**1,224,877.00**	319%	384,379.00
1998-1999	**981,993.28**	223%	441,332.00
1999-2000	**1,619,238.50**	336%	481,484.00
2000-2001	**3,143,291.93**	640%	491,416.00
2001-2002	**1,617,272.00**	312%	518,968.00
2002-2003	**14,675,146.84**	3342%	439,088.00
2003-2004	**797,391.40**	204%	391,169.00
2004-2005	**1,236,714.80**	284%	435,571.00
2005-2006	**914,362.34**	210%	435,025.00
2006-2007	**909,525.52**	203%	447,402.00
2007-2008	**794,968.20**	173%	458,480.00
2008-2009	**7,211,075.00**	1557%	463,073.00
2009-2010	**89,276.00**	28%	318,839.00
2010-2011	**785,752.16**	230%	341,374.00
TOTAL	**$ 80,394,240.06**	**718%**	**$ 11,193,651.00**