



PAT McCRORY
Governor

NICHOLAS J. TENNYSON
Secretary

December 30, 2015

TO: Joint Legislative Transportation Oversight Committee
Fiscal Research Division

FROM: Nicholas J. Tennyson
Secretary

SUBJECT: Progress Report – Session Law 2013-245/House Bill 785 (Section 2)

In accordance with Session Law 2013-245/House Bill 785, Section 4:

The Department of Transportation shall submit a written report of their progress to the Joint Legislative Transportation Oversight Committee, the Fiscal Research Division and the Office of the Governor no later than December 31, 2015.

Said report is attached.



December 30, 2015

MEMORANDUM

To: The Joint Legislative Commission of Governmental Operations
The Joint Legislative Transportation Oversight Committee

From: Mr. Michael L. Holder, P.E.
Chief Engineer, Division of Highways

RE: Progress Report – Session Law 2013-245/House Bill 785 (Section 2)

Summary

The General Assembly authorized the Department of Transportation (the Department or NCDOT) to study a statewide pilot program for contract services cost savings for the 2013-2014 budget cycle. The Department was directed to study methods to reduce its existing facilities maintenance, repair, operation, and service costs by ten percent by implementing cost-effective and streamlined procurement strategies as recommended by the act. Contracts awarded under this study would not be subjected to the requirements of Article 3 or Article 8 of Chapter 143 of the General Statutes. The ten percent reduction provided for in the bill was to be based upon the fund appropriated to the Department in the Appropriations Act of 2013.

On January 16, 2015, the Department issued the RFP for Facilities Management Contract Services. A team comprised of NCDOT staff evaluated the proposals based on the criteria listed in the RFP. Each of the vendors that submitted proposals was invited to present before a technical review committee on April 6, 2015. JLL was invited to engage in preliminary negotiations for facilities contracted maintenance services.

A baseline of approximately \$250,000 was calculated for the entire pilot, which would net ~\$25,000 savings. That amount, JLL informed the Department, was too small to enable it to assemble/dedicate resources by which it could add value.

Department Responses to HB 785 Section 2

In the Department's March 31, 2014 Response, two potential opportunities to reduce contracted service costs across the portfolio were identified and grouped into two categories: Group #1 – conformed to the directive to reduce facilities maintenance costs and Group #2 – opportunities that supplemented the facilities maintenance cost savings parameters outlined in the bill.

The directive of the Department was to study methods to reduce its existing facilities maintenance, repair, operation, and service costs by ten percent (10%) for the 2013-2014 budget cycle based upon the funds appropriated to the Department in the Appropriations Act of 2013. The total allocation for facilities maintenance for budget cycle 2013-2014 was \$604,103.00. A 10% reduction would be \$60,410.30.



The Department was charged to investigate and study, among other things, whether cost reductions could be achieved by efforts to (1) procure services through integrated facility service contracts to maintain, repair, or operate all facilities under the Department's control and (2) consolidate facility service contracts to award a single contract, where feasible, for similar or identical services at separate and distinct facilities.

In December 2014, the Department pursued the procurement of services through integrated facility service contracts to maintain and repair its facilities. The pilot study was developed to represent a subset of facilities within the Division of Highways in rural, urban, and suburban settings. On January 16, 2015, the Department issued a Request for Proposal (RFP) for Facilities Management Contract Services. The RFP was structured such that respondents had a choice in their responses: The responses to the RFP could include any combination of the five divisions included in the pilot.

Division Name	Division 2	Division 3	Division 7	Division 9	Division 11
Counties	Beaufort Pamlico Carteret Jones Craven Pitt Greene Lenoir	Onslow Duplin Sampson Pender New Hanover Brunswick	Caswell Orange Alamance Guilford Rockingham	Stokes Forsyth Davie Davidson Rowan	Surry Yadkin Wilkes Alleghany Ashe Watauga Caldwell Avery
Facility Portfolio	309,312 SF 133 buildings	285,579 SF 113 buildings	258,165 SF 130 buildings	292,769 SF 103 buildings	344,461 SF 145 building

A mandatory pre-proposal meeting was hosted by the Department with 24 attendees representing approximately 11 firms. Several addenda were issued to address questions raised at the meeting and during the Q&A period, and to extend the due date for the proposals. Proposals were received and opened on March 20, 2015. The three firms that submitted proposals on time were invited to present to the Department on April 6, 2015. From the three firms, the Department selected JLL to advance to the next phase in the selection process – negotiations.

Preliminary negotiations were held on August 12, 2015. The primary goal of the first meeting was to determine the scope of the services within the pilot and calculate the baseline operation expenditures from which to calculate the potential cost savings. Discussions surrounded the pilot study's building portfolio, levels of service, response times, assumption of existing contracted services, services provided by other agencies (Department of Public Safety), etc.

JLL informed the Department that it appeared that a baseline of approximately \$250,000 could be calculated for the entire pilot, which would net ~\$25,000 savings. That amount, however, was too small for JLL to assemble/dedicate resources by which it could add value.

Next Steps

Another meeting was held with JLL on December 15, 2015 to ascertain what changes in the pilot study would yield a project attractive for JLL's participation. Additional data were requested by the Chief Engineer to determine if the pilot study, as advertised, would serve as a sufficient statistical sampling of sites to evaluate the efficacy in savings and service delivery for contracted facilities

maintenance services. During the meeting, the JLL Representative stated that in order for the project to add significant value and yield cost savings, the project sample would have to include NCDOT's facilities in Raleigh, all field office locations, combination Highway Patrol/DMV facilities, and all rest areas and welcome centers. The inclusion of such a vast sample is well outside the scope of the required pilot and will necessitate an issuance of a new Request for Proposal to move forward. After analysis of the aforementioned data, the Chief Engineer will determine the viability of such a large contract and a subsequent path forward.