

Property Management Business Plan 2008

Submitted by Tony Mancuso, Property Management Director
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Public Safety Building
Opening November, 2007



Northland Office Building
Exterior envelope repair finished in October, 2007

Executive Summary

In March, 1996, the St. Louis County Board approved the creation of the Property Management Department to oversee the daily operations, maintenance, space planning, security, energy conservation, and capital improvement program for the County's facilities.

St. Louis County has over 150 buildings spanning a geographic area of over 7,000 square miles (larger than Connecticut, Rhode Island, Hawaii, and Delaware). The size, age, condition, and function of the County's facilities vary from Public Works vehicle shops, to historic Courthouses; from 5,000 square feet to 180,000 square feet; and ages from 1909 to present.



It is well documented energy costs will experience accelerated increase in the next 5 years, and may exponentially increase over the next 2 decades.

St. Louis County is also uniquely distinguishable in that it is historically the coldest area in the continental United States, with the annual heating degree days average being over 10,000. As a comparison, the Minneapolis and St. Paul area averages under 6,000 heating degree days annually.

Saint Louis County is making great strides in increasing efficiency, and lowering energy use and greenhouse gas emissions through conservation and the use of renewable resources. These changes in county government's energy use saves resident's tax dollars while making the area a healthier place to live, work, and raise families. The changes the County has made also reduce maintenance and repair costs.



The pollution from just one office building is significant - the Duluth courthouse electrical use alone generates 3,066 pounds of CO₂ at the point of use, not including the transmission efficiency loss. That does not include heating, and only part of the cooling. Add dozens of large County facilities, and saving 30% on electricity use - this really adds up. The cost savings for the Duluth courthouse alone are \$10,577 annually.

The Property Management Department will continue its efforts to provide safe, secure, clean comfortable, well maintained, and efficient facility operations while reducing the County's carbon footprint for a healthier environment.

Section 1.
Who are we?

MISSION & PROGRAMS

The mission of the Property Management department is to manage and operate the County’s capital assets by developing and maintaining cost conscious, sustainable, quality facilities and environments.

The vision of Property Management is a safe working environment for county employees and cost-effective staffing structure that is based on space requirements and will be agile to adjust to changing needs. The department will gradually shift additional responsibilities to other departments where they best fit and focus on core services.

To accomplish this mission, Property Management carries out a diverse set of programs through its operating budget. The operating budget includes salaries, intra-county rent, utilities, facility maintenance & janitorial for county-owned buildings (listed below) as well as costs for parking services and administering County fee land and lease management.

It is important to mention that the State Court system is housed in the three courthouses, occupying 69,370 square feet. Presently, this is an unrecoverable expense to St. Louis County worth an estimated \$1,314,000.

Specifically, the Property Management operating budget includes the following programs:

| Operating Programs | % of Budget |
|-----------------------------|-------------|
| Building Maintenance | 100 |
| Depot | 3 |
| Duluth Courthouse | 32 |
| Government Service Center | 18 |
| Hibbing Courthouse | 11 |
| Northland Office Building | 6 |
| Old Jail | 0 |
| Virginia Courthouse | 9 |
| Jail | 12 |
| Parking Ramp | 2 |
| Emergency Operations Center | 0 |
| Hibbing Annex | 3 |
| 911 Building | 4 |
| Virginia Annex | 1 |
| County Fee Land | 0 |

In addition to the annual operating budget, Property Management administers the County’s “400” funds which constitute the capital budget items including major capital repairs, energy conservation projects, security, ADA upgrades, remodeling, building code upgrades, space need changes and property acquisition related expenses.



The capital budget is decided upon based on anticipated projects that need to be accomplished; ADA improvements required in the county's settlement with the Department of Justice and otherwise are based on an allocation based on square footage occupied by the buildings in each location. As is clear on the table below, capital funds are programmed based on geographic area.

| Capital Programs | % of Budget |
|--------------------------------|-------------|
| County Buildings | |
| JPS/911 | 3 |
| Duluth (includes Dept. Admin.) | 13 |
| EOC | 1 |
| Government Service Center | 10 |
| Hibbing | 5 |
| Duluth Motorplex | 1 |
| Hibbing Annex | 1 |
| Parking | 3 |
| Virginia | 5 |
| Old Jail | 0 |
| Northland Office Building | 6 |
| Depot | 3 |
| Chris Jensen | 6 |
| Virginia Annex | 13 |
| Other Buildings* | |
| Camp Eshquaguma | 1 |
| Proctor | 1 |
| Security | 6 |
| Energy | 10 |
| ADA | 13 |

* Other Buildings are those which are not used by county employees but are still owned by the county.

Finance Plan

Property Management's budget is a combination of rent charges collected from all county departments and non-county tenants, grants, rebates, bond funds, and general levy funds.

Rent Revenue

Beginning in 2006, Property Management, with the assistance of County Administration implemented a rent system, where by county departments are charged a portion of rent for the office and storage space they occupy. This system of charging departments for space fits into Administration's larger plan for clearly identifying costs and services delivered between departments in the county, at the recommendation of the State Auditor.

This rent plan has proven successful already as it allows Property Management to collect its entire budget from other departments (which signify that it is supported by the property tax levy in those departments which are levy supported, and by other funds, when rent is being paid by an Internal Service or Enterprise Fund).

The rent allows Property Management to collect more than necessary to meet current operating obligations and allows the department to save funds for unplanned but necessary building improvements and repairs. Rent is

currently charged and collected based on 110% of the cost of the space, allowing approximately 10% of that cost to be saved for such projects.

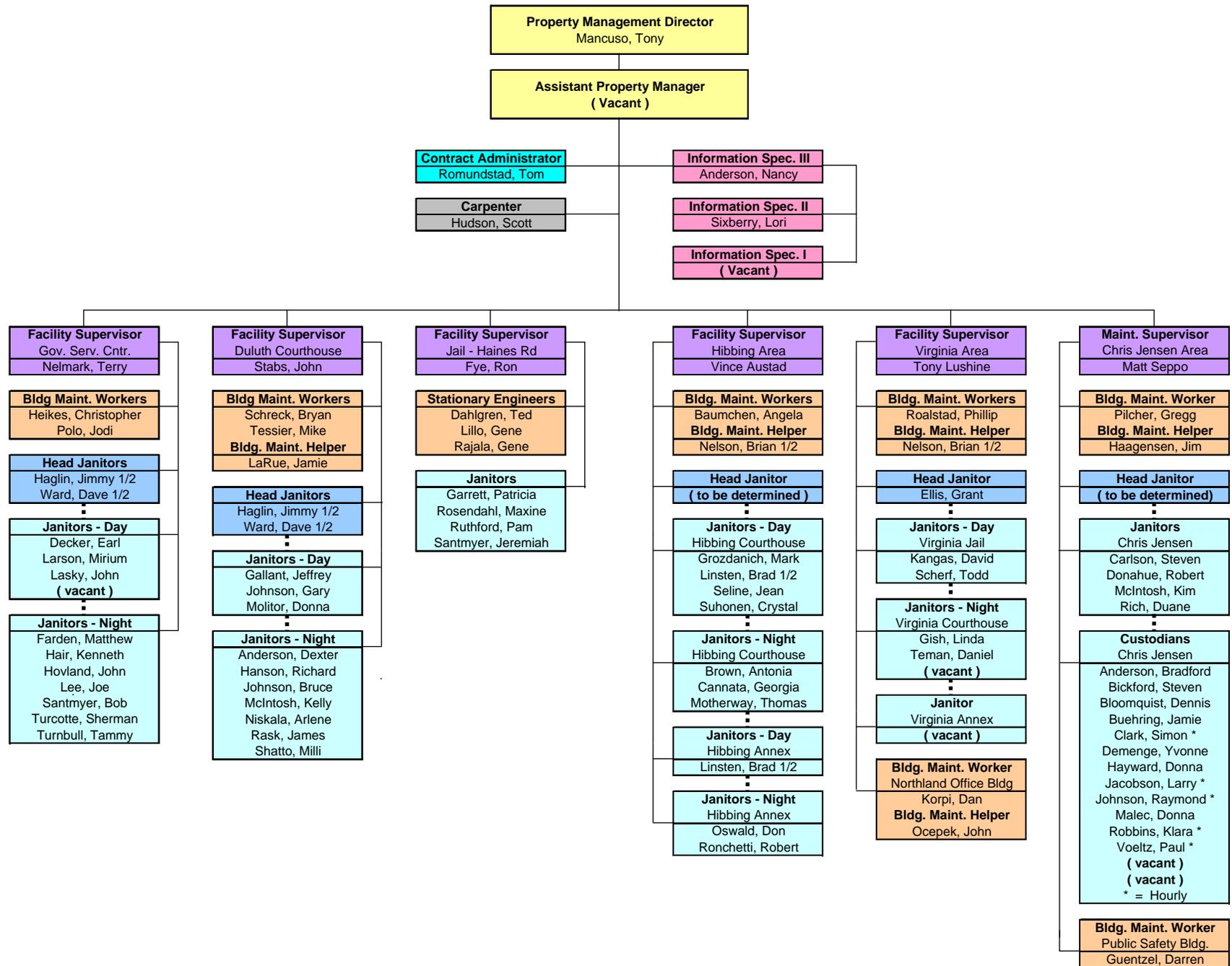
Since the rent charging program has been instated, Property Management has been able to catch up on deferred maintenance at the Virginia Northland Office Building, Hibbing Courthouse, Chris Jensen and the Depot. The Northland Office Building exterior is presently being completely upgraded and repaired. The Hibbing Courthouse ventilation and security projects are completed and new projects are in the planning stages. At Chris Jensen this directly impacts the quality of life of the residents served by the county's nursing home facility as property management has improved the entry, signage, air conditioning system and parking lot. In addition, the funds were used for ADA upgrades at the Depot, county-wide energy upgrades (electrical, HVAC, water conservation improvements) and several renewable energy pilot projects have been initiated.

Property Management staff have been working with Planning and Development staff to compete for grant funding for the maintenance of some of St. Louis County's historic buildings (for example, funds for Camp Eshquaguma, the Duluth Motor Pool, and the Historic Union Depot have been received at this time).

Bonding Funds

In addition, Property Management administers funds for all the projects listed in the Capital Improvement Program (CIP) budget.

Grants



External Factors

Property Management is responsible for ensuring that St. Louis County buildings are up to date and meet life safety codes, and more recently, are equipped with the necessary security measures. Again, these two areas change frequently and sometimes without notice, requiring the flexibility of the department to focus staff on prioritizing the most urgent projects first.

The Property Management department is also impacted by legislative changes. For example, the 2007 legislative session has yielded a small but important gain in the method of sale for “non-conforming” County fee land. This will allow the sale of small parcels of land County-wide that would not be feasible, which returns land to the tax rolls and allows for improvement and development. With the new legislation, the process is much more straightforward and the department has the ability to more quickly offer land parcels. This is advantageous for the county, as these land parcels represent small amounts of revenue, increased taxable land ownership and reduced liability for the county. Legislative changes also can impact facility functions not only in building code related mandates, but also in legislation that dictates how other County departments operate within our facilities. For example: data privacy rules requires remodeling and reconfiguration of work stations, public waiting areas, and offices.

The department is continually working to achieve the most cost-effective balance of contracted services and county employee responsibilities. In 2007 some contracted cleaning services were discontinued and county staff were hired in their place. The net result is a higher cost to the department and a higher cost to taxpayers. The department continues to investigate the right balance and will continue to contract some ancillary services.

The Property Management budget includes operational expenses, including energy costs. As energy costs escalate, the department must find a way to pay for these out of their budget, and as the budget is allocated out to department based on space occupied, this cost is passed on to county departments and in most cases the property tax levy. It is increasingly difficult to estimate energy prices which can leave the department in a precarious financial state by the end of the budget year.

Internal Factors

The Property Management department, by nature, has to respond quickly to many key stakeholders. For example, changes in other county department program and space needs often require prompt action and require staff time and often costly remodels.

Within the department, Property Management is most impacted by staffing issues. For example, a significant number of supervisors are retiring in 2007 which has prompted the department to work, proactively, with the Civil Service Department to reclassify positions within the department and streamline reporting through building supervisors and an Assistant Property Manager. Although the entire reorganization isn't complete, it is progressing. Current Civil Service rules and processes have slowed the process and inhibited some ideal changes. Military Leave also impacts the department's workforce as does workers comp and employee injuries. Although in 2006 Property Management only had six (6) employees file for workers comp (8%), the cost of these settlements and the lost work time does impact the department.

The Department reorganization will provide budget control by maximizing staffing levels in appropriate job classifications. This will provide better operational oversight, shift the work force to industry standards, lower overall FTE count per facility, and the new job descriptions/duties will allow for significant maintenance operations and energy cost reductions. Some ancillary work will be provided by contracted service (major remodeling, major repair work, janitorial, security, lawn care, and snow removal).

In addition to workforce challenges, the department is experiencing a greater demand for their services. This leaves the department to make difficult decisions and prioritize responses. The department has also instituted an electronic work order system, utilizing department-

approved contacts in each county system. This has alleviated some of the problems. And, Property Management is working to better communicate its roles and responsibilities and to recommend service providers when county Property Management is not the appropriate service delivery mechanism (such as with moving office furniture or delivery office supplies). This will take a transition period but will allow property management staff to better focus on their core facility responsibilities.

Property Management will continue to work to lower their level of service to departments and keep to their core services. This will be achieved by lower staffing levels through attrition. These cost savings will not be enough to offset the continued escalation of health insurance and wage increases; additional cost savings measures will need to be pursued. The department budget is increasingly tight for these reasons and also because the county has continued to add new buildings to their responsibilities. In 2007, two new buildings will become operational, the Joint Public Safety Facility and the Virginia Annex. The department is still required to operate with the same budget level. This is causing a shortfall in the capital repair budget as there are more buildings to maintain but the budget is static.

Section 2.

What do we want to achieve?

How are we going to get there?

The vision of Property Management is a safe working environment for county employees and a cost-effective staffing structure that is based on space requirements and will be agile to adjust to changing needs. The department will gradually shift additional responsibilities to other departments where they best fit and focus on core services.

Key Initiatives

Property Management's Key Initiatives are directly tied to the Commissioner's Priority Areas. Specifically:

Strong County infrastructure

Ensure St. Louis County owned facilities are clean, safely operated and maintained efficiently for the public using the facilities and staff housed at the facilities.

Healthy, viable ecosystem

Reduce St. Louis County's carbon footprint. Implement renewable resources such as renewable energy and water conservation. Alternative building systems and methods, i.e. green roof. High efficiency lighting, HVAC, and cooling systems.

Efficient, effective government

Reorganization of department. Management of County fee lands and leases. Centralized services to the public.

The following represent key initiative for the 2008 budget year and beyond.

Reorganization

Property Management's reorganization model will allow the department to easily adjust in size depending on what the overall County space requirements dictate. We will be working with other departments and Administration to assume responsibility of all county facility operations and to transfer the responsibility of non-core services.

We will have appropriate staff levels and shift assignments resulting in a maximized FTE count while delivering a satisfactory level of core services, operational efficiency, purchases, and capital expenses.

This will require continued work to streamline the department and department leadership will work to assess and identify core services, staffing levels, and general departmental operational protocol. With the addition of an Assistant Property Manager / Energy Coordinator to share the operation, budgetary, project management, and other duties, the Department can finally assess and implement protocol, staffing assignments, staffing levels, core services, capital improvement planning/procedure/process, and keep abreast of the changing mandates, codes, and requirements of present and future operations.

Energy Conservation

The Assistant Property Manager / Energy Coordinator will be accurately monitoring energy use for facilities, equipment, and fleet services to lower the County's overall energy and fuel expenses. We will continue to be proactive and explore options for energy conservation, alternative energy, and renewable energy.

The Assistant Property Manager / Energy Coordinator will establish an inter-departmental energy committee to create policies, procedures, and protocols for energy issues.

The long term budgetary benefit of the Assistant Property Manager / Energy Coordinator will affect all County departments. The management and efficient use of energy for facilities, equipment, and fleet vehicles involves all County budgets through lower costs in space use and vehicle expense.

Preventative Maintenance

In keeping with the Commissioner's Priority of Effective, Efficient Government, the Property Management department will begin to implement a county-wide preventative maintenance program to lower building operations and maintenance costs.

St. Louis County has never had a standardized preventative maintenance program. Sound preventative maintenance is documented to save on repair costs, energy/operation costs, and will extend the life cycle of equipment and infrastructure for facilities. The bonus prize is improved indoor air quality and improved working environment for staff.

This will require investigating and evaluating preventative maintenance programs and integrating these in the Capital Improvement Program for County facilities.

| Commissioner Priority Area (1-5) | Department Goal | Related Department Objective(s) | Tactics, Initiatives, Action Steps | Measures (KPIs or internal measures) |
|----------------------------------|--|--|--|---|
| Strong County Infrastructure | Ensure the provision of adequate facilities to meet current and future program needs through strategic facility development assistance to County departments and Administration. | Master Space Plan from 1998 to consolidate public services in centralized locations and to reduce County leases in non-County facilities. Maximize the efficient use of County space and improve public access to County services. | The Virginia Annex remodeling project design will be completed in November 2007, with construction planned for 2008. The Virginia Courthouse will be the next facility to have the space plan updated. | Lease Database (internal and external), and Master Space Plan for County owned buildings. |

| | | | | |
|--|---|--|---|--|
| Healthy, viable ecosystem | Conserve resources, extend facility life cycles, participate in renewable pilot programs, and work in partnership with other county departments to make St. Louis County green. | Improve building efficiency. Improve building longevity. Improve occupant comfort. Reduce utility usage. Reduce storm water run off. Reduce County's carbon footprint. | Received grant to install "green roof" on Duluth Motor Pool building; retrofit light fixtures with more efficient fixtures; remodeling includes energy efficient upgrades to qualify for rebates. New boilers will be installed at Chris Jensen that will reduce utility consumption \$79,000 annually. | Monthly utility bills. |
| Health & Well-Being of County Citizens | To ensure St. Louis County owned facilities are clean, safely operated, and maintained efficiently for the public using the facilities and staff housed at the facilities. | ADA Compliance. Meet United States Department of Justice requirements in the settlement agreement between the U.S.D.O.J. and St. Louis County - Project Civil Access. | Working on "Year Three" of the settlement agreement. | Meet 100% of the US Department of Justice "Project Civic Access" 3 year settlement agreement requirements in the specified time frame. |
| Effective, efficient government | Facilitate County fee land purchase, sale and easement activities. | Amend Minnesota Statute 373.01 to allow for the sale of non-conforming County land owned in fee to allow for limited participation sales to adjoining land owners. | The 2007 State of Minnesota legislative session saw the approval of non-conforming fee land sale language changes for State Statute 373.01 Subdivision 4. | Amend Minnesota Statute 373.01 by close of the 2007 legislative session. Will develop workplan for facilitating purchase, sale and easement activities. |
| | Carry out the Department's responsibilities with an appropriate level of quality in a cost effective manner. | Department Reorganization and Staffing Reallocation, Classification, and Assignment. | Working with Civil Service and County Administration to implement. | Department Organizational Chart - Department Staff Manifest |
| | | Organize, prioritize, and reduce facility related maintenance and work order requests to make best use of department staff time and improve building efficiency. | Monitor the procedures for the non-emergency work request system. Maintain reporting levels. | E-mail records and maintenance/work order request logs. |

Major Issues & Recommended Solutions

The department reorganization is underway but is a slow process, contingent on retirements, civil service processes and the ability of the department to hire for the necessary positions. For example, the County Board approved the job description and added the Energy Management Coordinator positions, however, even with two rounds of hiring, no qualified candidate has been hired. Recommended solutions will be for Property Management to continue to work closely with the Civil Service department to continue to reorganize and reclassify several key positions. The Assistant Property Manager position will be blended with the Energy Coordinator. This will result in a more agile department at no net increase in FTEs. This will also result in a leaner department, as positions will be changed and through attrition other jobs will be discontinued. It is recommended that the department continue to move in this direction, focusing on core services. County departments can expect to see less property management staff in their buildings during the day, unless specific maintenance projects require them, and general cleaning and maintenance will be taken care of during the evening hours when maintenance staff does not interrupt the office work day.

This will require continued partnership with County Administration and the ability to focus on core services and discontinue non-building operational duties that our staff may have performed in the past. This results in

more careful planning on the part of other county departments, less occupational hazards and risks to county property management employees, and more of the property management employees' time being focused on their core services.

As is documented in the matrix above, the immediate action plan for the county fee land was successful in making legislative changes in 2007. The Property Management department is happy to report that those changes were successful and the department now has the ability to offer the small parcels to adjacent property owners (limited participation sales) thus streamlining the selling and purchasing process.

However, an issue will continue to be staffing in the Property Management department. As County Fee Land is not a core service of the department, limited staff currently employed do not see this service as a priority and very little land sales are accomplished.

Pending the departmental reorganization and the addition of staff members in the Department Head's office, there may be additional time and staff to continue the goal of selling these lands, increasing the amount of land on the tax rolls and decreasing the county's liability. However, as the department refines its mission and core services, County Fee Land activities need to be shared by other County department having mandated jurisdiction and responsibilities for various aspects of fee land

activities. (Auditor, Attorney, Recorder, and Administration)

Another major issue is all-county space planning and the increasing storage requirements. Property Management has developed a master space plan that includes long-term plans for all county departments. In the future, it will be necessary that any changes requested to offices be considered in light of the master space plan, and could result in minor inconveniences in order to save money and time in the long run. In the long run, the master space plan will accommodate all employees and offices in the best manner. The master space plan will also limit county departments to county owned buildings, eventually, saving the county (and taxpayer) money and centralizing county services in fewer offices and locations. This requires patience, cooperation and long-term vision on the part of all departments.

Storage requirements and needs will continue to increase in future years, and cold-storage will be at a premium. Changes at the Laundry have allowed departments with significant storage requirements to move some backlogged storage to that location. As the Old Jail is vacated and eventually taken down, the storage space used there will need to be merged with the Laundry storage or other storage facilities. Property Management has been assessing storage needs throughout 2007 to better understand security levels, accessibility issues, and so forth, and develop a long-range storage plan that will meet and anticipate evolving county storage needs.

Technology is key in the reduction of physical storage space needs for the future.

Section 3.

What resources are we going to use?

Finance Plan

The Property Management budget did not increase for the 2008 budget year. As discussed previously, the Property Management operating budget is made up of user fees, in the form of "rent" charged and allocated based on space usage to other county departments. Although the rent rate is set at 110% of the cost of the space, per square foot, 100% of that is spent covering the staff and materials costs of routine cleaning and maintenance on those offices/buildings. Only 10% is set aside for larger construction or maintenance projects. This exact financial model will not be sustainable in the future, as personnel costs will continue to increase and the entire increase in the property management budget will have to be passed on to other county departments, in many cases, raising the property tax levy.

Other possibilities will be to work to build the "400" or capital funds and better plan for the larger projects and renovations, so that those projects can be spaced out and budgeted for in advance.

As County buildings age, there is an increased demand for upgrades and fixes, and the entire cost of these also cannot be passed on to other county departments.

At some point, the County Board will have to consider increasing the allotment of property tax dollars to fund these non-routine maintenance and construction projects.

Additional funding will be required to begin to work on preventative maintenance in county buildings, something that is increasingly important considering the age of the county's buildings. Building maintenance and repairs are really investments to control future costs – especially in older buildings.

Workforce Plan

Succession Planning

The county workforce, in Property Management and throughout departments, is aging. As the department experiences increased turnover in the next 10 years, there will be opportunities for reorganizing the department and staff responsibilities to better meet the core services of the department, but there will also be great losses in many excellent and loyal employees that will retire. Many of these employees have spent the majority of their working lives with the county and are experts on county buildings. Some of this knowledge will be difficult to replace and it is critical that the department be able to set up mentor relationships, matching new

employees with more senior employees during their first years on the job to pass on this knowledge.

Predicting Future Staff Needs

In order to work with the Civil Service department proactively in the area of workforce planning, Property Management has already begun to analyze the demand for specific positions in the future.

Demand Forecast :

The most critical competencies essential to accomplish critical work requirements for the department are:

- Project management
- Building construction and operation
- Staff management
- Energy conservation knowledge
- Business administration

To address the critical work requirements of the department, an Assistant Property Manager / Energy Coordinator is necessary to assist with department operations, staff management, budget preparation, and energy conservation efforts. Additional office staff will be required as our departmental duties increase and required reporting increases.

Supply Projection:

Current workforce allocation totals 69 in the following key areas:

Administration: 2 FTE's (1 vacant)

Key Competencies: Education and experience in business administration, staff management, project management, building construction and operation, building code, energy conservation, and real estate.

Administrative Support: 4 FTE's (1 vacant)

Key Competencies: Education and experience in lease management, energy conservation, real estate, Purchasing rules, customer service, computer software, and accounting.

Supervisory: 6 FTE's

Key Competencies: Education and experience in managing staff, computer software, and building operation management.

Maintenance: 15 FTE's

Key Competencies: Education and experience in building maintenance and repair, computer software, carpentry, MSDS, and safety procedures.

Janitorial: 42 FTE's (5 vacant)

Key Competencies: Education and experience in equipment use, chemical safety, MSDS, hazardous clean-up and safety procedures.

Gap Analysis:

There is an adequate supply of personnel in this area to fill most job descriptions in the department. However, history has shown that County wages are insufficient to attract professional level personnel.

The department will require fewer janitors if additional facilities do not come on line, if we adhere to performing only "core services", or if some services are contracted out.

Strategy Development:

Property Management will continue to work with the Civil Service Department to complete the department reorganization, fill critical positions, update existing job classifications, and develop strategies to ensure the availability of these needed skills and abilities in the future.

Technology Plan

Property Management does not foresee any major changes in computers, phones or systems assistance from MIS. Building operational / control and security software and equipment is esoteric. This software and equipment is building and system specific and vendors do not share – we have tried!

When the department moves locations and when additional staff are added in the main office, matching of phone lines and computers will be necessary. Property

Management anticipates needing the same programs and same types of computers.

Property Management has been developing a work order system, separate from MIS and is currently testing this system. However, Property Management has discussed this with MIS and will also consider testing the MIS Project Tracking software instead or in conjunction with the intranet request form to better track maintenance staff completing the projects and to improve communication to other departments.

Purchasing Plan

Property Management is working with the Purchasing department to better plan ahead for major construction projects so that supplies can be confirmed and delivered when needed.

Property Management building supervisors, once they are in these positions (with the department reorganization) will be responsible for working with Purchasing to plan ahead for routine purchases – such as paper towels and cleaning supplies – so that the Purchasing department can purchase in bulk and better negotiate low prices.

An ongoing issue in Property Management has been spending on Procurement cards by building maintenance staff, as capital projects are not then billed separately than operating projects and this makes budget reconciliation difficult.

Space Plan

In terms of the space plan for the offices of Property Management's management team itself, renovations to the ground floor office suite in the Duluth Courthouse are expected to be completed in January 2008. Property Management offices are currently fit into an inadequate space with poor lighting, poor air circulation, poor heating and cooling systems and is too small for the current staff. This space will be much too small when a few additional staff members require office space.

The future office location will facilitate better contact with property management on-site staff and will have more space for departmental and other meetings, which currently have to be hosted throughout the county.

The space will be at no net cost to the county, as the space is, in accordance to the master space plan, in a county-owned building. And, the current space occupied by property management, in the mezzanine level, will require few changes to be outfitted as "satellite" offices for all county staff that work in other offices or northern locations and require work space in Duluth occasionally. These work spaces won't be assigned to specific county employees, but will instead be available to all qualifying employees, as needed. This will also make one additional conference room available for all County departments use.

