

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 05/11)

Fiscal Year 2012-2013	BCP No. 1	Org. Code 0860	Department State Board of Equalization	Priority No. 1
Program All Programs		Element All Elements	Component N/A	

Proposal Title
HEADQUARTERS FACILITY CONSOLIDATION

Proposal Summary

The Board of Equalization (BOE) requests \$500,000 in funding (\$287,000 General Fund, \$77,000 Special Funds and \$136,000 Reimbursements) to reimburse the Department of General Services for any reasonable costs or expenses to lease a facility, relocating the BOE's Headquarters and annex facilities to a consolidated location.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Budget Officer	Date	Chief, Financial Management	Date
Deputy Director, Administration	Date	Executive Director	Date

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Technology Agency

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature
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State Board of Equalization

Fiscal Year 2012-13

BOARD OF EQUALIZATION – HEADQUARTERS FACILITY CONSOLIDATION

A. Proposal Summary

The Board of Equalization (BOE) requests \$500,000 in funding (\$287,000 General Fund, \$77,000 Special Funds and \$136,000 Reimbursements) to reimburse the Department of General Services (DGS) for any reasonable costs or expenses to lease a facility, relocating the BOE's Headquarters and annex facilities to a consolidated location.

B. Background/History

The BOE Headquarters building is located at 450 N Street. Construction of the building began in 1991 and was completed in January 1993. It is a twenty-four story office facility which includes a four level parking structure, ground floor cafeteria, and a children's daycare center. It is owned by the State of California, and maintained and managed by DGS. The BOE moved its headquarters operations into the building in February 1993 and currently rents from DGS.

At the time that the BOE relocated to the Headquarters building, the facility was an adequate space for the number of employees and also held a growth factor. However, due to programmatic expansion, the BOE has outgrown this space. The Headquarters' facility was designed to house 2,200 employees, whereas the BOE's business needs require space for approximately 2,900 authorized positions. As a result, the BOE has been forced to relocate one-fourth of the headquarters operations to four separate annex locations throughout the greater Sacramento area.

Insufficient to meet the BOE's business needs

Prior to May 2010, approximately 2,900 of the BOE positions were assigned to the Headquarters location at 450 N Street; which was built to hold a maximum of 2,200 employees. The overcrowding is due largely to growth in the staffing level to address legislative mandates for revenue collection and enforcement efforts. As a result, the BOE has been forced to move approximately one-fourth of the Headquarters operations to annex locations, disjointing staff and disrupting business functions. In order to be an efficient and effective organization, a consolidated workforce will enable the BOE to create new efficiencies while also accommodating long-term growth.

To address overcrowding issues, the BOE temporarily relocated approximately 700 employees and over one million taxpayer records to four annex locations, two in West Sacramento, one in Natomas, and one in downtown Sacramento.

The table below identifies the BOE programs and their annex locations as of April 27, 2011:

BOE HQ Programs	Positions	Relocation Date	Annex
Motor Carrier/IFTA*	54	May 2010 (Permanent)	1030 Riverside W. Sacramento
BOE HQ Programs	Positions	Relocation Date	Annex
Legal Department Board Proceedings External Affairs-Web and Media Design	327	July 2010	621 Capitol Sacramento
Taxpayer Records	28	August 2008	3600 Industrial Blvd. W. Sacramento
Tax Collection Programs External Affairs – Call Center Admin. Department - Training	315	December 2010	160 Promenade Sacramento
Main HQ Operations	2,134	-	450 N Street Sacramento
TOTAL	2,804		

*This BOE program will not be relocating to the new Headquarters consolidated location.

The addition of the annex facilities has provided room to house approximately 700 employees that will not fit in the Headquarters building, but even these facilities are at maximum capacity and leave no room for growth. Based on growth trends determined by the BOE that assume modest growth of 56 positions per year over the next three years, there will be inadequate space for any new positions. If additional tax or fee programs are mandated, approximately 12 months would be needed to locate facilities to house the new staff and would further delay program implementation. Given the critical revenue generating work performed by the BOE, it needs a facility that can house all Headquarters staff, with reasonable room for growth – similar to the Franchise Tax Board's (FTB) campus.

The BOE is responsible for the administration and collection of taxes and fees that provide approximately 35.6 percent of annual revenue for state government; while also administering essential funding for counties, cities, and special districts. In fiscal year 2009/10, the BOE collected revenues totaling \$50.7 billion. Operating a Headquarters function from five locations creates inefficiencies that ultimately cost the state thereby affecting its net revenue stream. Operating the BOE's Headquarters from five locations has increased operational costs to support additional infrastructures, information technology, and telecommunications. Operating out of five separate locations creates a working environment that is untenable and results in unrecovered costs that are not quantifiable.

The BOE must consolidate into a sustainable designed facility scalable for growth where a culture of service will prosper. A more effective organization will emerge, similar to the FTB campus, dedicated to serving all Californians by consolidating operations in a low to mid-rise facility. The BOE will be better served in a facility that meets sustainable design principles,

provides a working environment that is among the best in the state, and promotes recruitment and retention of revenue collection staff for California.

The Sacramento region's current real estate market conditions provide for some favorable opportunities for planning future state office development. The existing real estate market is soft: the housing market has surplus inventory with a mortgage lending crisis and the commercial office market is relatively flat with employment figures falling. This unique combination of a slow real estate market and the availability of viable redevelopment areas creates a strategic opportunity for the state to potentially lease before future transit-oriented, mixed-use centers become too costly or unavailable.

C. State Level Considerations

BOE collects taxes and fees that provide approximately 35.6 percent of the annual revenue for state government and essential funding for counties, cities, and special districts. The BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs, which, in fiscal year 2009-10, produced \$50.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management.

The DGS has been authorized to develop 1.4 million square feet of office space, pursuant to Government Code (GC) Section 8169.6, known as the West End Office Complex. When the BOE vacates the 450 N Street building, approximately 640,000 square feet of existing state office space will become available for use by the DGS in lieu of constructing a new building.

D. Justification

Approval of the requested funding will provide employees with a functional work environment in order to operate more efficiently and effectively in meeting the BOE's core business-activities of collecting the state's revenues. Consolidation of the 450 N Street building and annex locations will allow the BOE to generate and process revenue more efficiently, protect the health and safety of employees, eliminate inefficiencies associated with managing operations across multiple annex locations, and accommodate future short-term and long-term growth. This will ensure the BOE's ability to meet future directives by the Legislature to generate much needed revenue for the state.

E. Outcomes and Accountability

This proposal will enable the BOE to collaborate with DGS to prepare the Program Data Sheets to facilitate a Facility Design package and to identify a Headquarters' site that is scalable for growth and meets the BOE's immediate and long-term business needs. The Headquarters employees will be consolidated to a location that meets the business needs of the BOE. Securing business operations allows the BOE to efficiently and effectively collect and generate revenue.

The Deputy Director of Administration will maintain control and oversight of the site search.

F. Analysis of All Feasible Alternatives

Alternative #1: The BOE will work with DGS to lease a facility, relocating the BOE's Headquarters and annex facilities to a consolidated location.

Collaborate with DGS to prepare the Program Data Sheets to facilitate a Facility Design Package with which to solicit proposals, conduct site searches, and negotiate favorable long lease terms with responsive parties to provide the BOE a suitable facility in order to conduct its statutory and business requirements. The BOE will pay DGS for \$500,000 through an interdepartmental agreement based on DGS's price book to prepare a Facility Design Package. This Budget Change Proposal provides for sufficient funding to conduct these initial activities.

Pros:

- Allows the BOE to locate needed facilities to meet our business needs to more effectively serve our taxpayers.
- Supports the BOE's mission of revenue generation and processing.
- Supports BOE's Strategic and Business Plans.
- Conforms with GC 14669 (a) allowing DGS to lease a facility for the BOE which is compatible for the BOE's business needs.
- Plans for adequate space and reasonable program growth.
- Provides solutions to minimize staff disruptions, lost productivity, and revenue loss.
- Plans for the seamless transition of the 700 +/- employees from their temporary location into the new Headquarters facility at the end of the firm term of their lease.

Cons:

- Requires a budget augmentation.

Alternative #2: Internal redirection of Operating Expenses and Equipment.

Redirect internal operating expenses and equipment funds.

Pros:

- Eliminates budget augmentation.

Cons:

- Reduces planned support for revenue generating activity.
- Would inhibit the BOE from moving forward with Strategic and Business plans to consolidate the Headquarters facility.

Alternative #3: Postpone Architectural Revolving Fund projects.

Redirect internal funds and postpone planned projects until additional funding is obtained.

Pros:

- Eliminates a need for budget augmentation.

Cons:

- Disrupts and delays implementation of BOE's three-year facility master plan.
- Aging facilities would continue to deteriorate without needed repairs.
- Does not address inadequate space for current operations.

Alternative #4: Continue the BOE's Headquarters operations from five separate locations.

Continue to operate the functions of the HQ Facility from five different locations resulting in untold revenue lost through inefficiencies by not working cohesively in a consolidated location.

Pros:

- Does not require a budget augmentation.
- Allows DGS to work on other facility related projects.

Cons:

- Inhibits the BOE's ability to strategically plan for its mission of revenue generation and processing.
- Does not allow planning for adequate space for reasonable program growth.
- A lack of long-term space planning provides challenges to the state and to the BOE's ability to work efficiently and effectively.
- Headquarters business operations would remain disjointed due to the decentralization of the BOE's Headquarters' employees in five separate locations as a result of capacity limitations.

G. Implementation Plan

Upon approval of Alternative #1, the BOE will collaborate with DGS to conduct planning and site searches to implement this proposal beginning July 1, 2012. For the Headquarters relocation, a multi-year phased approach will be used for site selection (2013), construction (2013–2015), and moving all 2,900+/- employees from the BOE's Headquarters and annex facilities to a consolidated location which should be completed near the end of 2015.

H. Supplemental Information (Space/Facility/Equipment Needs)

None Facility/Capital Costs Equipment Contracts Other

Consulting and Professional Services will be necessary, as the BOE will initiate an interdepartmental agreement with DGS to prepare a Facility Design Package. The BOE will pay DGS \$500,000 for these services, based on DGS's price book.

I. Recommendation

Alternative #1 is recommended. Approve a budget augmentation of \$500,000 in FY 2012-13 to fund a Facility Design Package for the relocation of the BOE's Headquarters.

Fiscal Summary
(Dollars in thousands)

BCP No. 1	Proposal Title HEADQUARTERS FACILITY CONSOLIDATION			Program All Programs		
Personal Services	Positions			Dollars		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages ¹	0.0	0.0	0.0			
Salary Savings	-0.0	-0.0	-0.0			
Net Total Salaries and Wages	0.0	0.0	0.0			
Total Staff Benefits ²						
Salary Savings						
Net Total Staff Benefits						
Distributed Administration						
Total Personal Services	0.0	0.0	0.0			
Operating Expenses and Equipment						
General Expense						
Distributed Administration						
Printing						
Communications						
Postage						
Travel-In State						
Travel-Out of State						
Training						
Facilities Operations						
Utilities						
Consulting & Professional Services: Interdepartmental ³					\$500	
Consulting & Professional Services: External ³						
Data Center Services						
Information Technology						
Equipment ³						
Other/Special Items of Expense: ⁴						
Total Operating Expenses and Equipment					\$500	
Total State Operations Expenditures					\$500	
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund	0860	001	0001		287	
Special Funds ⁵					78	
Federal Funds						
Other Funds (Specify)						
Reimbursements	0860	001	0995		136	
Total Local Assistance Expenditures					500	
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds ⁵						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
Grand Total, State Operations and Local Assistance						

¹ Itemize positions by classification on the Personal Services Detail worksheet.

² Provide benefit detail on the Personal Services Detail worksheet.

³ Provide list on the Supplemental Information worksheet.

⁴ Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

⁵ Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.

Supplemental Information
(Dollars in thousands)

BCP No. 1	Proposal Title HEADQUARTERS FACILITY CONSOLIDATION
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Equipment	CY	BY	BY +1
Standard Complement			
Total			

Consulting & Professional Services			
Interdepartmental contract with DGS to prepare a Facility Design Package.			500
Total			500

Facility/Capital Costs			
Total			

One-Time/Limited-Term Costs Yes No

Description	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
	0.0		0.0		0.0	

Full-Year Cost Adjustment Yes No

Provide the incremental change in dollars and positions by fiscal year.

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0		0.0		0.0	

Future Savings Yes No

Specify fiscal year and estimated savings, including any decrease in positions.

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0		0.0		0.0	

