



State of California
Board of Equalization
Process Improvements Study

PRELIMINARY FINAL REPORT
December 18, 2015



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Board of Equalization Process Improvements Study

Note: This Process Improvements Study Final Report is currently labeled DRAFT pending review comments from the Board of Equalization.

PRELIMINARY FINAL REPORT

December 18, 2015

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State of California
Board of Equalization
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TABLE OF CONTENTS

Credits

1. EXECUTIVE SUMMARY

1. Overview
2. Executive Summary – Process Improvements and Facilities

2. BOARD OF EQUALIZATION CONTEXT

1. Guiding Principles for this Study
2. BOE Organizational Structure
3. Current Facility Locations
4. Space Types and Needs

3. RESPONSES TO STATE AUDITOR REPORT 2014-108

1. Supporting Rationale for Facilities Options
2. Process Improvements
3. Staff Growth Projections
4. Productivity and Revenue Collection Metrics
5. DGS Analysis: Options for 450 N Street Facility

4. FACILITIES OPTIONS

1. Projected Space Needs
2. Opportunities with a New Campus
3. Facilities Scenarios
4. Future Departmental Adjacencies
5. Future Facilities Diagrams

5. APPENDIX

1. Previous Reports re: 450 N Street
2. Existing BOE Facilities

CREDITS

This report summarizes the findings from the Board of Equalization Process Improvements Study. This study was a collective effort of representatives from the Board of Equalization and the Consultant team, with the Department of General Services providing assistance. Key contributors included:

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EXECUTIVE SUMMARY

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1 EXECUTIVE SUMMARY

OVERVIEW

- Consolidating the Board of Equalization's (BOE) headquarters facilities has been a pressing need for over ten years. This study supports consolidation as the best facilities option for the BOE. Relocation to a facility where the BOE could consolidate its Headquarters operations would improve the BOE's ability to:
 - Realize its strategic vision.
 - Support growth driven by new programs.
 - Accommodate organizational changes.
 - Implement operational changes, e.g.: the continuing transition to a more paperless operation.
- The BOE's Headquarters operations are currently fragmented in five buildings. BOE's growth will expand this fragmentation as additional Annex facilities are leased. The cost of increasing the BOE's fragmentation includes:
 - Leasing additional "Annex" facilities to accommodate continued growth.
 - The lack of communication created by separate facilities.
 - The inefficiency of travel between multiple facilities for staff and materials.
- The intent of this report is to provide responses to State Auditor Report 2014-108, including the evaluation of facilities options that would better support the BOE's programs.
- The focus of this study is Process Improvements in Revenue Generation and how that extends to facilities strategies.
- Broader issues of BOE operations were identified during the preparation of this report:
 - The implications of continuing to fragment the BOE's operations across multiple sites (will require additional "Annex" facilities with continued growth)
 - The forecast advances in BOE's use of technology, particularly scanning, to improve operations
 - The value of collocating all of BOE's operations on one consolidated campus, similar to the Franchise Tax Board.
 - The advantages of freeing 450 N Street for other tenants that fit its architecture better.

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1 EXECUTIVE SUMMARY

The State of California’s Board of Equalization (BOE) has occupied the 450 N Street building in downtown Sacramento as their headquarters since 1993, as the sole occupant. The BOE has recognized for some time that other facilities could support their headquarters needs better than a downtown office tower. The BOE’s preferred facility strategy is a new campus where the BOE could consolidate all headquarters operations and staff on one site, in a series of interconnected buildings. Several factors have contributed to the BOE’s request for a new consolidated facility:

1. The defective conditions in the 450 N Street facility, and the health concerns, costs, inefficiencies and business continuity risks they pose,
2. On-going space shortages at 450 N Street, resulting in the BOE’s expansion into four additional disconnected “annex” office locations in Sacramento and West Sacramento due to continuous BOE staff growth, and
3. A headquarters building configuration at 450 N Street (a downtown office tower) that constrains the BOE’s operations reducing the BOE’s ability to collect and allocate revenue efficiently.

HISTORY OF BOE FACILITY STUDIES

The State of California’s Department of General Services (DGS) manages and leases the 450 N Street building to the BOE. The BOE also occupies four additional leased facilities in the Sacramento area for headquarters operations. In 2010, the BOE commissioned an analysis of the net fiscal impact to the state if the BOE remained in or vacated the headquarters building at 450 N Street. That analysis concluded that a new facility for BOE headquarters would be the best option if the BOE could demonstrate that a consolidation would increase its efficiency.

The authors of the 2010 study recommended that the BOE initiate an analysis of the extent to which it could enhance efficiency and better serve its mission by consolidating operations into one location. Due to fiscal concerns, the BOE did not initiate this analysis.

Numerous studies and reports have been prepared for the 450 N Street building from 1997 to 2014, addressing infrastructure conditions and recommendations, space use and capacities. The Appendix of this report lists and summarizes the key previous reports.

The Board of Equalization formalized their request for a new consolidated campus in a 2013 report titled “Relocation and Consolidation Preliminary Study, Board of Equalization, amended August 15, 2013.” The California State Auditor’s Office, while agreeing with the general assessment that the BOE would operate more efficiently in a low-rise campus that accommodates all BOE employees, issued a report titled “State Board of Equalization, Report 2014-108”, dated September 2014. Their report outlined five key actions steps for the Board of Equalization and the Department of General Services (DGS) regarding the BOE’s facilities.

CURRENT PROCESS IMPROVEMENTS STUDY

In response to the State Auditor’s comments and to build on previous reports, the State of California retained HGA Architects and Engineers, Inc. in June 2015 to conduct this Process Improvements Study of the Board of Equalization’s Revenue Generation processes, and recommend facility configurations that would best support the BOE’s operations. This Process Improvements Study responds to the State Auditor’s concerns related to the BOE’s processes and facilities.

Early in 2015, the Department of General Services retained HGA Architects and Engineers to provide architectural and engineering services for the Improvement Project at the 450 N Street facility, and at the BOE’s request, included the scope of this Process Improvements Study within the overall services provided by HGA.



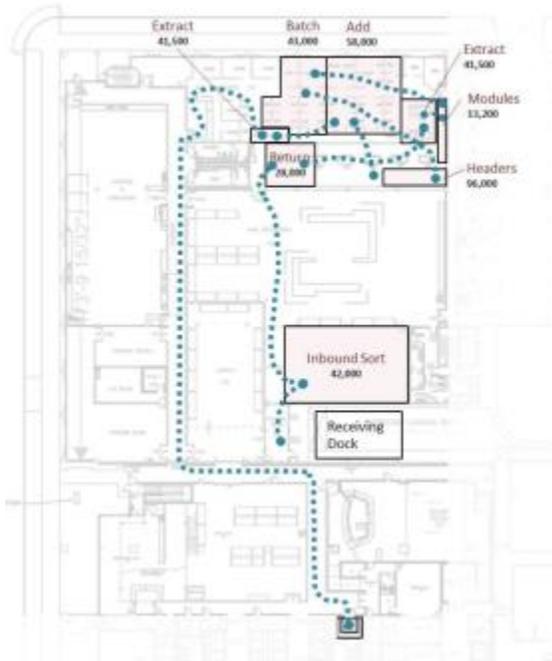
1 EXECUTIVE SUMMARY

KEY DISCOVERIES – UNDERSTANDING THE BOARD OF EQUALIZATION

In the process of conducting this study, we discovered several key facts that shaped our recommendations:

- **SCOPE:** The entire Board of Equalization comprises over 4,800 authorized positions (full-time staff) across the State of California. The focus of this study is the approximately 3,000 staff that are engaged in the BOE’s Headquarters operations in Sacramento and West Sacramento.
- **E-PAYMENTS:** 97% of the total revenue generated by the BOE is processed and paid electronically. Electronic filing is the norm for large corporations paying Sales and Use Taxes.
- **MANUAL FILING:** The remaining 3% of the BOE’s revenue is collected using manual paper-based processes. These manual processes will remain for the foreseeable future – they are currently the fastest and least expensive way to implement new taxes, and many taxpayers do not have access to, or a preference for, computers. Paper-based manual processes are common for the payment of Special Taxes and Fees.

- **INEFFICIENCIES:** The non-electronic, manual, paper-based and check-and-cash-based processes in revenue collection are labor intensive. This magnifies the inefficiencies created by the need to manually move paper forms and payments in a vertically-oriented building such as 450 N Street.
- 501 of the BOE’s current staff (17.6%) are dedicated to the collection of Special Taxes & Fees, which implement most new taxes mandated by the State Legislature. Special Taxes and Fees account for 18% of the BOE’s total revenue, yielding an efficiency of \$22 M of revenue per employee, based on FY 2013-14 revenues. This is due to the labor intensive nature of the paper-based process used to collect these taxes.
- In contrast, 800 of the BOE’s staff (28.0%) are dedicated to the collection of Sales and Use Taxes, accounting for 80% of the BOE’s total revenue, yielding an efficiency of \$61 M of revenue per employee, based on FY 2013-14 revenues. This higher rate of revenue generation is due to the efficient electronic filing and payment systems used by large corporations.
- **GROWTH IN TAX TYPES:** The number of new taxes and associated Tax Activity Types (TAT’s) continues to increase. Old taxes are seldom retired. As a result, the total number of taxes that the BOE is collecting continually increases. Most new taxes become the responsibility of the Special Taxes & Fees Department, which accounts for approximately 18% of the BOE’s total annual revenue. Special Taxes & Fees are collected using both electronic and paper-based systems.
- **GROWTH IN TAX TYPES = GROWTH IN ALL BOE DEPARTMENTS:** The implementation of new taxes drives growth across all facets of the BOE’s Headquarters operations – Administration, Legal, Technology and the Tax Business Units.
- **HIGH QUALITY OPERATION:** Despite facility condition issues and physical constraints, the BOE staff involved in Revenue Generation and Allocation are very dedicated to the quality of their work.
- **COST OF MAINTAINING BOE PROGRAMS:** Even though the cost of maintaining the 450 N Street *building* is constant regardless of the tenant, the cost of the BOE maintaining their *programs* in the 450 N Street facility is high when compared to a new campus due to the constraints created by the building’s configuration.



Sample flow diagram for manual tax return processes in the existing 450 N Street facility – people and paper.

1 EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS FROM STATE AUDITOR REPORT 2014-108

In September 2014, the State Auditor issued a response to previous BOE and DGS studies of the 450 N Street building including the DGS August 2013 study titled "BOE Relocation and Consolidation Study". The State Auditor's response included the following five recommendations. This report responds to the four recommendations related to the BOE's operations as outlined in Chapter 3. Since work is currently underway by the DGS regarding the fifth item related to the future of the 450 N Street facility, the DGS will address Item 5 separate from this report.

1. To more clearly demonstrate its case for a new facility, BOE should ensure that it has a **supportable rationale for the assumptions** underlying its analysis of the **costs and benefits of moving** to a new consolidated facility.
2. To more clearly demonstrate its case for a new facility, BOE should **continue its plans to conduct a study to identify inefficiencies in its current spatial configuration and how its operations could improve with a new consolidated facility**.
3. To more clearly demonstrate its case for a new facility, BOE should **incorporate staffing growth into its analysis of costs and benefits**, using projections based on long-term historical data.
4. To ensure that it can accurately estimate any shifts in worker productivity and state revenue, BOE should **strengthen its current methodology by analyzing the productivity and revenue collection of its employees** and by monitoring those metrics at least semi-annually. Additionally, BOE should support its methodology with documentation.
5. To ensure that resources are spent wisely, **General Services** should seek the funding and approval needed to **analyze whether keeping or selling the BOE building would be in the State's best financial interest**. As part of that analysis, General Services should conduct, or contract for, **appraisals** to assess the value of the building with and without the repairs to determine whether making the repairs is in the best interest of the state. If continued ownership of the building appears to be prudent, General Services should evaluate **potential productive uses for the building** should BOE move to a new facility. General Services should report the results of its analysis to the Legislature no later than September 2015.

KEY STATISTICS -- BOE HEADQUARTERS

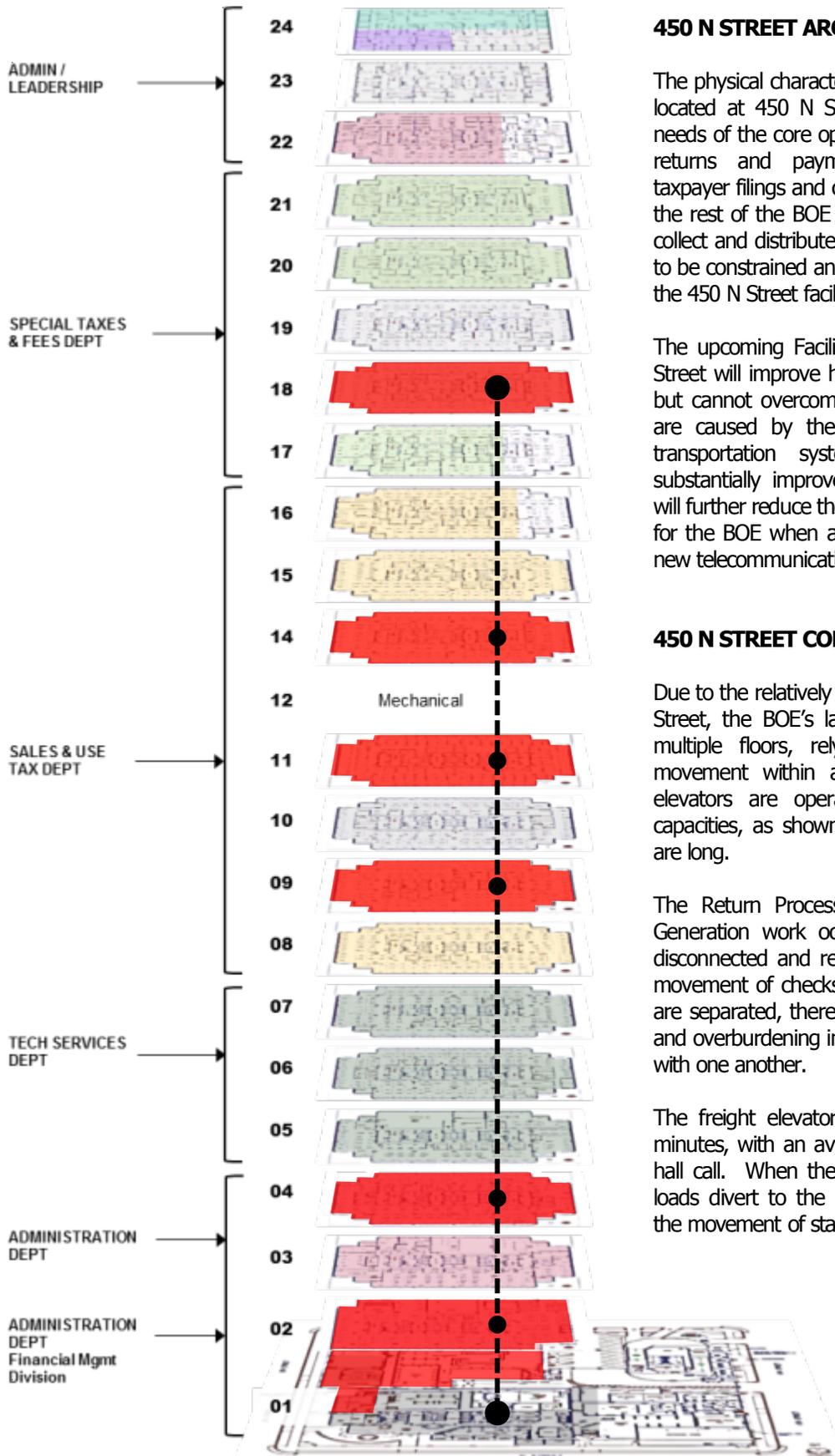
2015 (Existing)

- 2,852 Headquarters employees.
- 800,000 Gross Square Feet occupied.
- Five separate facilities.
- 97% e-filing; 3% paper-based filing.

2025 (Projected)

- 3,800 Headquarters seats.
- 975,000 Gross Square Feet.
- One interconnected consolidated campus.
- Single or multi-phased campus construction and staff relocations.
- 97% e-filing; 3% paper-based filing.
- The percentage of paper-based processing is expected to remain the same as revenues increase. Because most new taxes are paper-based, this will result in a net increase in the *volume* of paper-based processing.

1 EXECUTIVE SUMMARY



450 N STREET ARCHITECTURAL LIMITATIONS

The physical characteristics of the downtown office tower, located at 450 N Street, are not well aligned with the needs of the core operations of the BOE including sorting returns and payments, depositing funds, verifying taxpayer filings and communicating with taxpayers. Since the rest of the BOE staff rely on these core processes to collect and distribute state revenue, the BOE will continue to be constrained and inefficient as long as they remain in the 450 N Street facility.

The upcoming Facilities Improvement Project for 450 N Street will improve health and safety issues in the facility but cannot overcome the inefficiencies for the BOE that are caused by the building configuration and vertical transportation system, neither of which can be substantially improved upon. The Improvement Project will further reduce the capacity and usability of the building for the BOE when additional floor space is consumed by new telecommunications support rooms.

450 N STREET CONFIGURATION

Due to the relatively small size of the floor plates at 450 N Street, the BOE's large departments are spread across multiple floors, relying on the elevators for staff movement within and between floors. Because the elevators are operating at the upper limit of their capacities, as shown in previous studies, the wait times are long.

The Return Processing staff at the core of Revenue Generation work occupy the floors indicated in red – disconnected and relying on a single freight elevator for movement of checks, paper returns and mail. Since they are separated, there is no opportunity to eliminate waste and overburdening in their work by being in visual contact with one another.

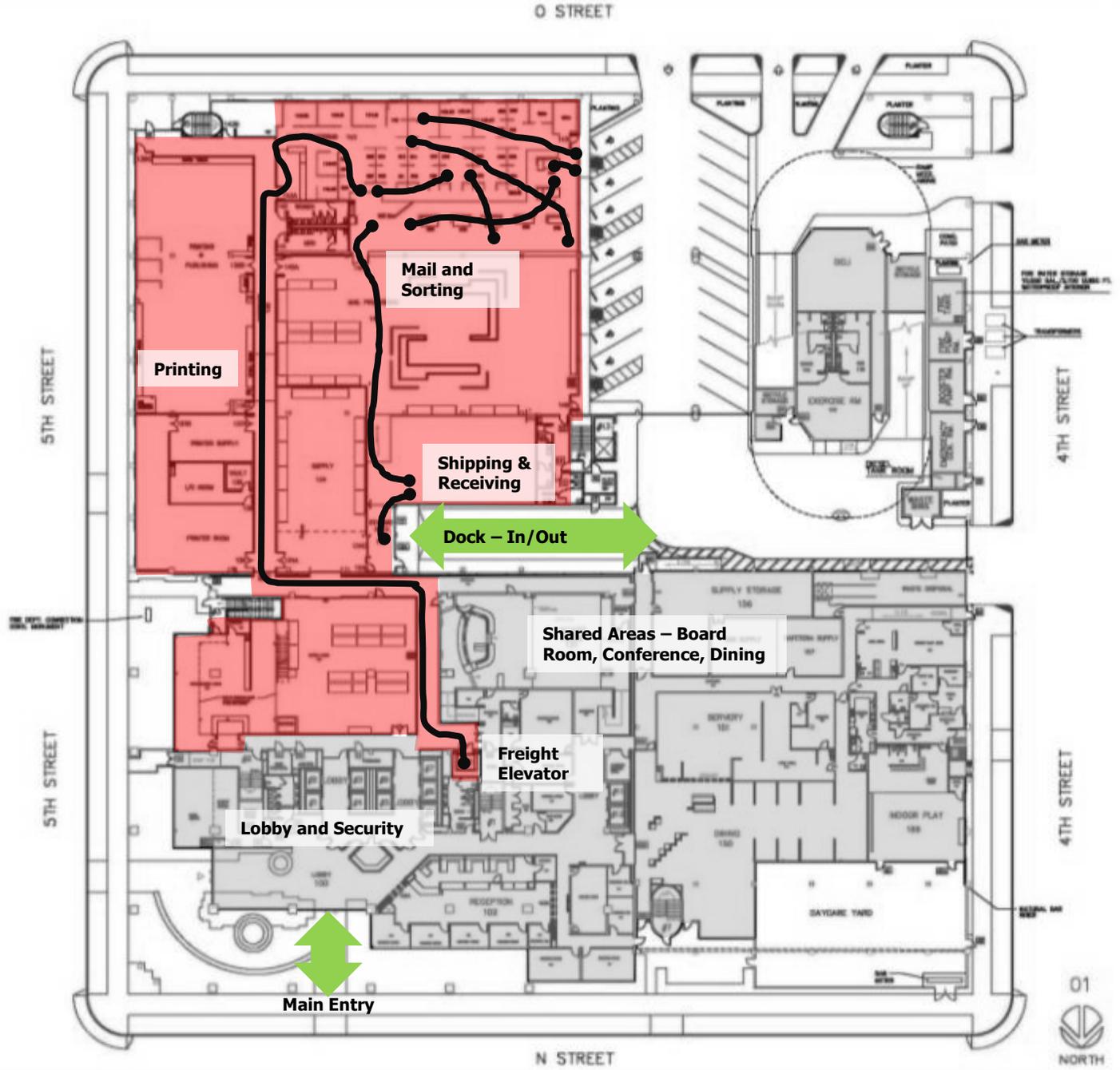
The freight elevator has wait times of two to fifteen minutes, with an average wait of four minutes for every hall call. When the freight elevator is out-of-service, its loads divert to the passenger elevators; further slowing the movement of staff to their floors.

1 EXECUTIVE SUMMARY

450 N STREET ARCHITECTURAL LIMITATIONS

The ground floor of 450 N Street houses equipment-heavy functions such as the Receiving and Shipping Dock, the Mail and Sorting operations, Printing operations and Materials Storage. The flow of paper-based tax forms and payments that are being received, sorted and batched is shown by the irregular black lines. Many additional work flows occur on this floor but are not shown here including on-lining tax processes, multiple print operations, internal mail, inter-site deliveries, receipt and storage of supplies, and receiving.

After being sorted and prepped on the ground floor, all checks and all types of tax forms, schedules and payment vouchers are transported to second floor for Data Entry and Cashiering. Materials requiring further analysis and interface with the taxpayer are transported at various stages between Floors 1, 2, 4, 9, 11, 14 and 18, then eventually back down to Floor 1 to be shipped to the off-site Industrial Boulevard facility for scanning and archiving.



First/Ground Floor

1 EXECUTIVE SUMMARY

CONCLUSIONS

After analyzing potential Process Improvements in the BOE's Revenue Generation operations and studying multiple Facility Scenarios, we confirm that:

1. **Opportunities have been identified in this study that can improve the efficiency and flexibility of the BOE's Revenue Generation operations.** The improvements identified can be applied to other BOE departments as well, e.g. the value of maximizing adjacencies between related functions and the ability to share peak workload. In addition, consolidating all BOE staff on a single campus would yield other benefits, some quantifiable (e.g. reduced travel time) and some qualitative (e.g. improved staff recruiting and retention).
2. **The Process Improvements identified in this study cannot be implemented effectively in the 450 N Street building** due to its configuration (including first floor elevation changes, location of structural walls, dock location, corridor locations, elevators, floor plates sizes and floor configurations) and limited opportunities for expansion.
3. **Improvements in the efficiency of the BOE's operations do not lead to staff reductions.** Instead, staff released from current responsibilities are retrained and reassigned to new responsibilities to improve the BOE's ability to generate revenue, e.g. increasing collections from delinquent taxpayers. Some reassigned staff can also be assigned to the collection of newly-enacted taxes.
4. **The BOE's headquarters staff count is projected to grow at an average of approximately 3% per year** for the next ten years based on historical growth since electronic filing and payments began (2006-2015). Historical staffing data prior to the implementation of e-filing (prior to 2006) is of limited relevance.
5. **The BOE's headquarters space needs in 2025 are projected to be approximately 995,000 gross square feet, based on growing to 3,700 authorized positions.** This represents a 30%+ increase over 2015 needs and is predicated on mandatory continued use of California's SAM standards, precluding space reductions due to smaller workstation sizes.
6. **Ongoing growth will force the BOE to lease additional annex facilities** over the next ten years, in the event a new campus is not constructed, further exacerbating the inefficiencies created by fragmented operations.
7. **The BOE can continue to operate in its current five facilities** in downtown Sacramento and West Sacramento **but not without sacrifices** in efficiency, employee morale and their ability to respond to new tax programs and future changes in organizational structure. As the BOE's revenue generation processes evolve, **the 450 N Street facility will continue to constrain the BOE's operations** because of its lack of flexibility, lack of ability to accommodate staff growth and negative affect on operating costs.
8. **The 450 N Street facility does not support the BOE's current and future operations as well as a consolidated campus** due to inefficiencies in Return Processing functionality and the fragmentation of staff within departments and across multiple locations.
9. The operations of any tenant in the 450 N Street building will be negatively affected by the upcoming **450 N Street Improvements Project** – including the safety protocols, inefficiencies and costs of temporary relocations created by remodeling an occupied facility.
10. **The DGS is in the process of identifying other viable long-term uses for the 450 N Street building** that are more compatible with the building's configuration than the BOE's headquarters functions. Moving smaller agencies or outside tenants into the 590,000 square foot 450 N Street building would be a better fit for this real estate asset.

1 EXECUTIVE SUMMARY

SUMMARY OF FUTURE BOE FACILITIES OPTIONS

Multiple facility options have been considered by the BOE in recent years. The options below have been analyzed in this study. The feasibility of these options varies due to multiple factors, including their ability to improve the BOE's delivery of programs, the funding required for construction and operations, the impact on downtown parking, and the effect on the BOE's employees.

These scenarios are based on a projected 2025 need to provide 3,800 seats for BOE employees and programs, housed in 995,000 gross square feet of facilities.

The facility scenarios are:

- 1. New Consolidated Campus – Non-Downtown Location:** A new low-to-mid rise campus, located outside downtown Sacramento, to support all BOE Headquarters operations. The Motor Carrier Unit would remain in its current location at 1030 Riverside Parkway; all other Annex leases would be terminated.
- 2. Consolidated Campus – Downtown Location:** Relocate to another property in downtown Sacramento. Similar to Option 1, the goal of this scenario is to consolidate all headquarters operations and terminate the Annex leases, except the 1030 Riverside Parkway property for the Motor Carrier Unit.
- 3. Remain in the 450 N Street building** and the five existing Annex facilities. This scenario could include several add-alternates:

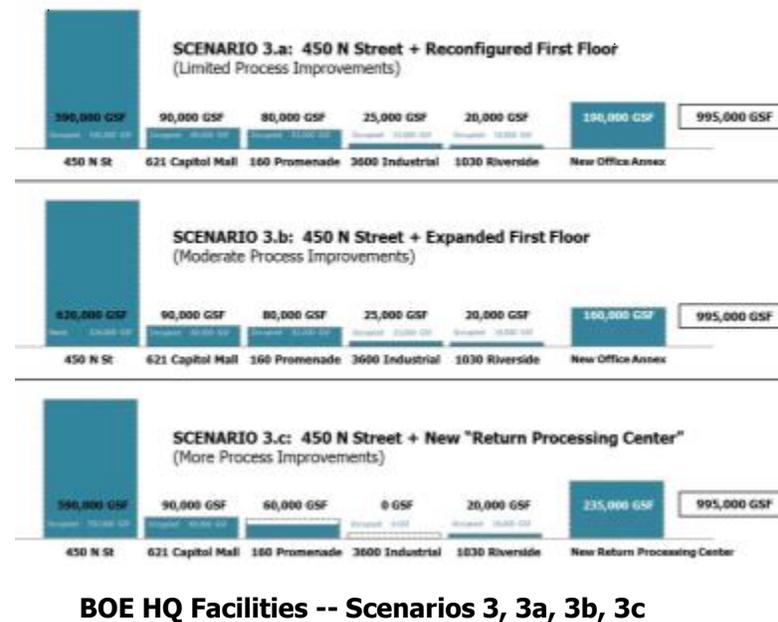
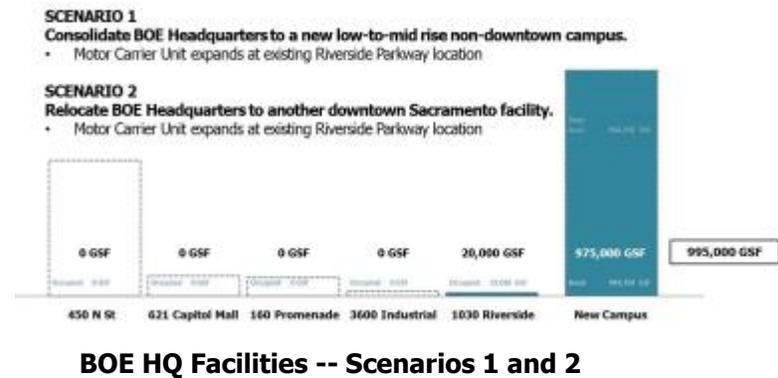
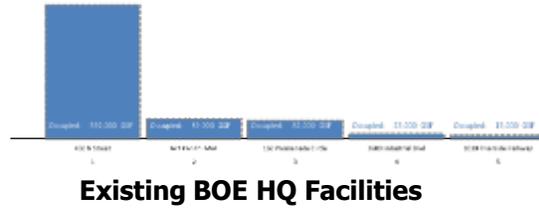
3a. Reconfigure Floor 1 of 450 N Street to implement select portions of the Process Improvements identified herein (limited opportunity due to the constraints of the existing building).

3b. Expand Floor 1 of 450 N Street by demolishing the existing parking structure and replacing it with a building addition to better accommodate Return Processing operations and Process Improvements. This would eliminate all parking from the 450 N Street site.

3c. Relocate Return Processing operations and staff to a separate facility of approximately 235,000 gross square feet for 800 staff (2025 projection). This would create vacant space in 450 N Street to accommodate some, but not all, of the functions located at Annex facilities or create "swing" space to facilitate the Improvements Project.

FACILITIES OPTIONS

(See Chapter 4 for additional information)



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RECOMMENDATIONS

1. Implement the Process Improvements identified in this study to improve the BOE's ability to collect and allocate state revenues.

- Opportunities to implement Process Improvements are limited in the 450 N Street facility due to the building architecture.
- Opportunities to implement process improvements could be greatly increased in a new campus setting.

2. Create a Return Processing Center to maximize the ability to implement Process Improvements.

If the BOE stays at 450 N Street, creation of an off-site Return Processing Center is recommended. If the BOE moves to a new campus, creation of a Return Processing Center, integrated with the rest of the campus, is still recommended as the best way to incorporate Process Improvements.

- **Increase proximity of staff** in Administration (Mail, Sorting, Cashiering, Data Entry), Return Analysis (Sales and Use Tax) and Return Processing (Special Taxes & Fees) to support cross-training, visual assessment of workflow volumes (peaks and valleys), and workload sharing. This is not feasible at 450 N Street due to the building configuration.
- **Provide an open, horizontally configured, visually-connected work environment for the Return Processing staff.** This is not feasible at 450 N Street due to the building configuration.

3. Consolidate and collocate all BOE Headquarters operations to a consolidated campus in the Sacramento area.

Of the multiple facility options considered in this study, the strategy of consolidating operations on a new campus is the most effective option for the BOE and represents the best overall value to the State of California. This is based on optimizing the following factors affecting the BOE's operations in order of their value to the State of California.

Consolidation of the BOE's Headquarters on a new campus could yield benefits for all of the BOE's headquarters operations, as well as Process Improvements in Returns Processing. (See Chapter 4 - "Facilities Options" for additional information).

PRIMARY BENEFITS OF BOE CONSOLIDATION ON A NEW CAMPUS

1. **Improves the State's ability to address facilities deficiencies**, by 1) Allowing the termination of five current BOE leases and avoiding additional leases as the BOE grows, and 2) Simplifying the renovation of other high-priority State office buildings by providing relocation space for their tenants at 450 N Street.
2. **Maximizes the BOE's ability to implement Process Improvements** in Return Processing operations and consolidate other operations.
3. **Improves collaboration and communication** among all staff due to collocation.
4. **Improves technology infrastructure** to support the digital future of the BOE as outlined in the BOE's Strategic Technology Plan available at: <http://www.boe.ca.gov/pdf/pub185-3-09.pdf>
5. **Reduces travel time** *within* and *between* facilities, improving operational efficiency.
6. **Improves flexibility**, including the BOE's ability to rearrange staff and relocate departments in response to new taxes and changes in the BOE's organizational structure. This results from updated infrastructure and technology systems and larger more flexible building floor plates.

SECONDARY BENEFITS OF BOE CONSOLIDATION ON A NEW CAMPUS

7. **Less sick time and improved employee wellness** as a result of new building construction, increased employee use of stairs, indoor environment quality (daylight, artificial lighting and thermal comfort) and a focus on sustainability overall.
8. **Improved amenities** including on-site food service, access to mass transit/light rail and parking access.
9. **Improved employee attraction and retention** enhancing the BOE's ability to retain current staff, replace departing/retiring staff and attract new staff as the BOE continues to grow.
10. **Reduced maintenance costs** improving the BOE's ability to control operational costs over time.

1 EXECUTIVE SUMMARY

REPORT EXCLUSIONS

This study and report are focused on Process Improvements in the Revenue Generation portion of the BOE's operations, and how facility configurations enhance or constrain these operations. The scope of study did not include:

- Recommendations for improvements to all of the BOE's work processes. The general process improvements identified in this report for the BOE's Revenue Generation functions can be broadly applied to improve the efficiency of other departments, but specific recommendations to this effect were not within the scope of this study.
- Financial analyses, lease cost analyses, construction cost estimates and cost-benefit analyses of the various facilities options. These analyses require information beyond the scope of this study; many of the costs are dependent on the larger context of State office facilities that includes:
 - Prioritizing specific real estate opportunities for BOE relocation.
 - Project delivery methods and funding strategies for a new BOE campus.
 - The timing and phasing of BOE relocations.
 - Positioning 450 N Street improvements within the context of the high-priority facilities repairs identified in the July 2015 "State Facility Long-Range Planning Study".
 - Determining the feasibility of the 450 N Street facility as "swing space" for other critical agency relocations to support the high-priority facilities repairs in the July 2015 "State Facility Long-Range Planning Study".
 - Understanding the BOE's relocation within the state's long term capital outlay plan for facilities.

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**BOARD OF EQUALIZATION
CONTEXT**

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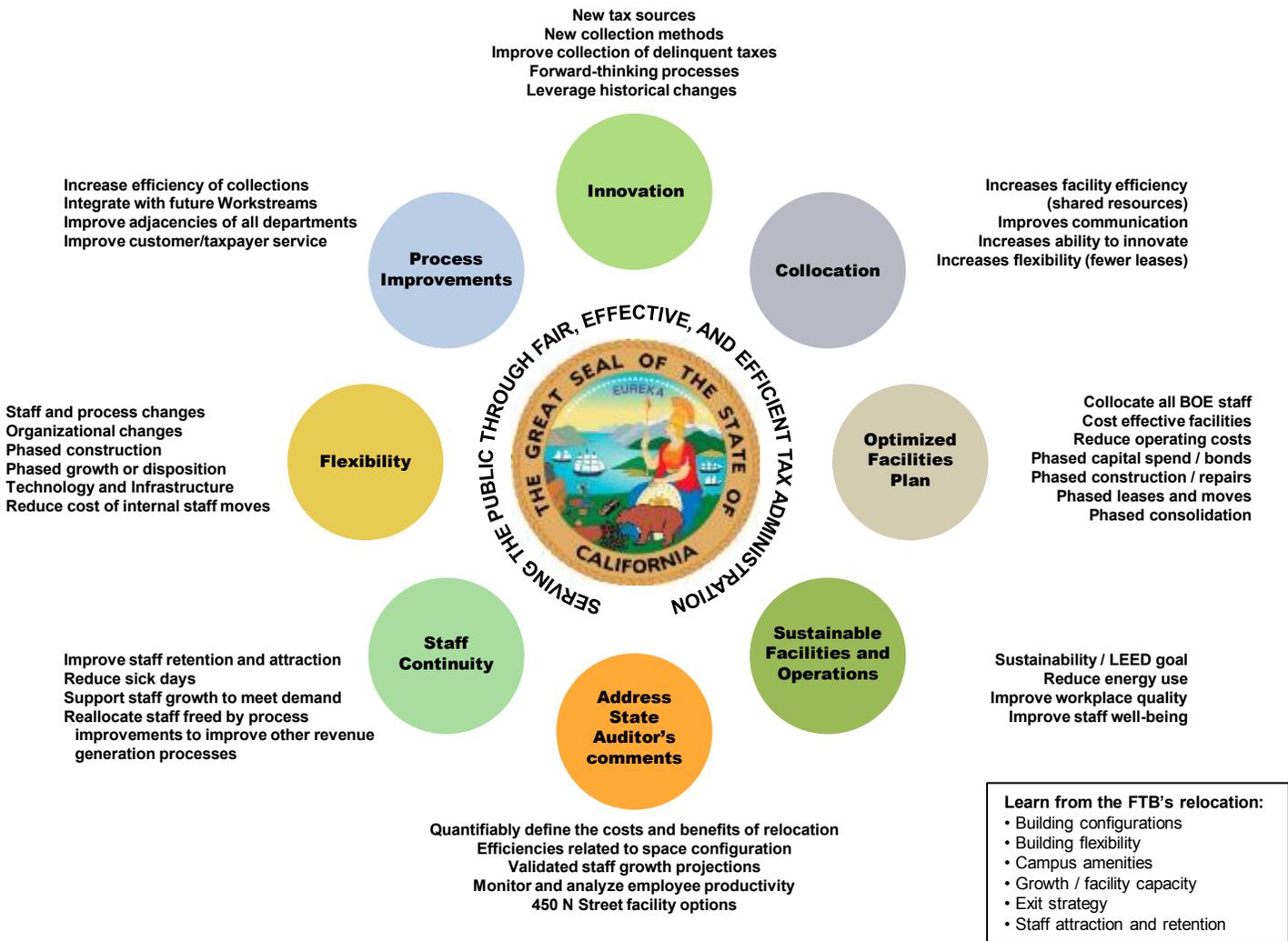
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2.1 BOE CONTEXT – GUIDING PRINCIPLES

2.1 GUIDING PRINCIPLES

Guiding Principles were established by the BOE and the consultant team, with assistance from the DGS, to guide the work of this Process Improvements Study as well as the resulting BOE Facilities Strategy. The Guiding Principles were also used to evaluate the strengths and weaknesses of the facilities scenarios considered in this study.

The Process Improvements Study and the resulting Facilities Options support the work of the BOE by focusing on the eight key principles shown below, in support of the BOE’s mission to “serve the public through fair, effective and efficient tax administration”.



Envisioning a Board of Equalization facility that is...
 Efficient . Flexible . Healthy . Sustainable . Collaborative . Forward-looking

2 2.2 BOE CONTEXT – ORGANIZATIONAL STRUCTURE

2.2 BOARD OF EQUALIZATION ORGANIZATIONAL STRUCTURE

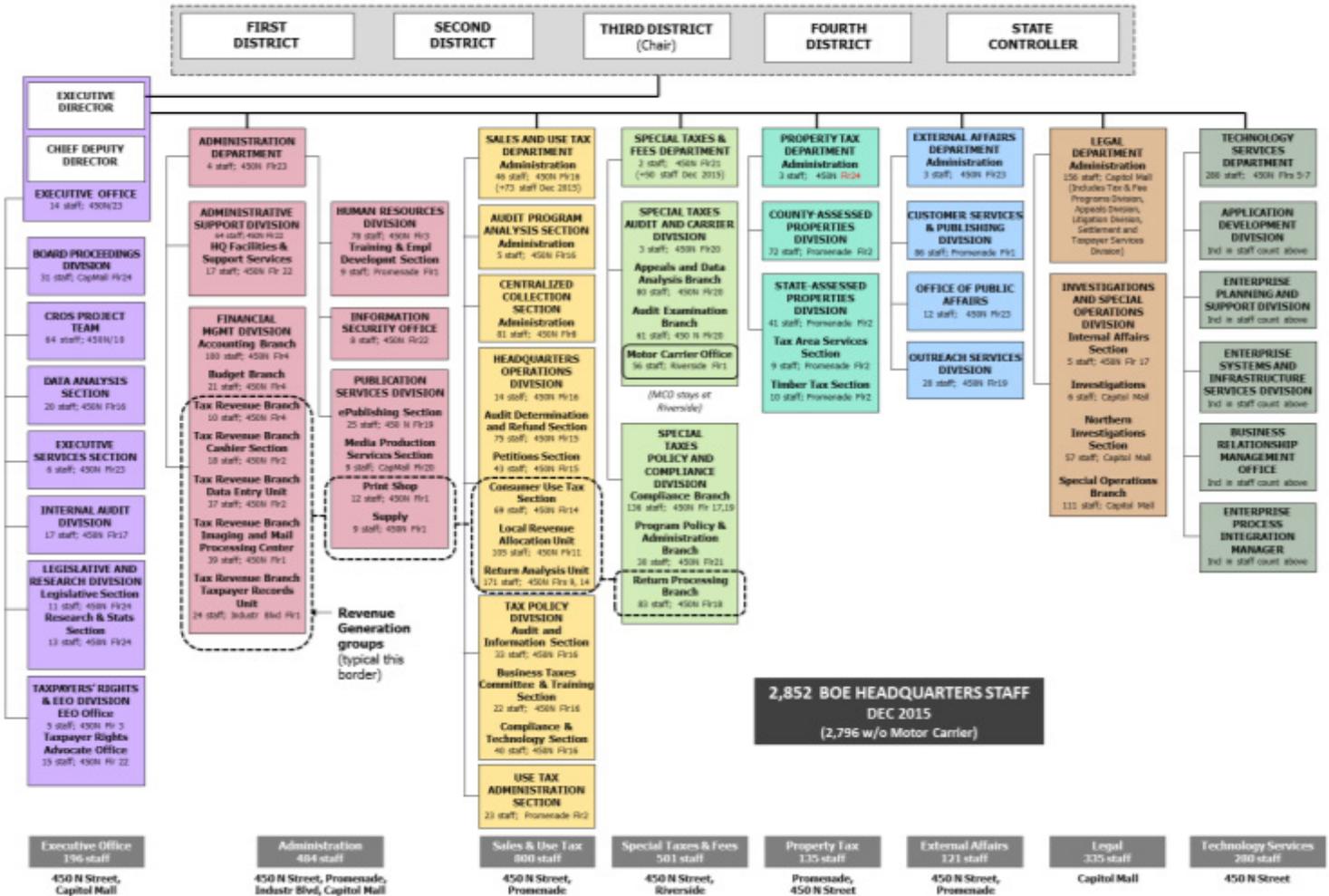
The Board of Equalization is organized around four state-wide districts. The BOE's Headquarters operations, which are the subject of this study, are organized into eight major departments:

- Executive Office
- Administration Department
- External Affairs Department
- Legal Department
- Property Tax Department
- Sales and Use Tax Department
- Special Taxes & Fees Department
- Technology Services Department

This organizational structure is a snapshot of the BOE as of December 2015; we expect organizational changes will continue over time in response to state tax programs, changing requirements, and the on-going need to improve and expand the BOE's services.

Due to its on-going growth, the BOE has been forced to divide its workforce into multiple facility locations over time with Legal, Board Proceedings, Property Taxes and portions of other groups no longer able to be physically collocated with the rest of the headquarters staff. This creates inefficiencies due to travel between offices, reduced face-to-face communication, and the reinforcement of "siloe" work processes. Although electronic communication is prevalent in current office operations, face-to-face interactions are the foundation of innovation and a strong workplace culture.

BOARD OF EQUALIZATION ORGANIZATION CHART



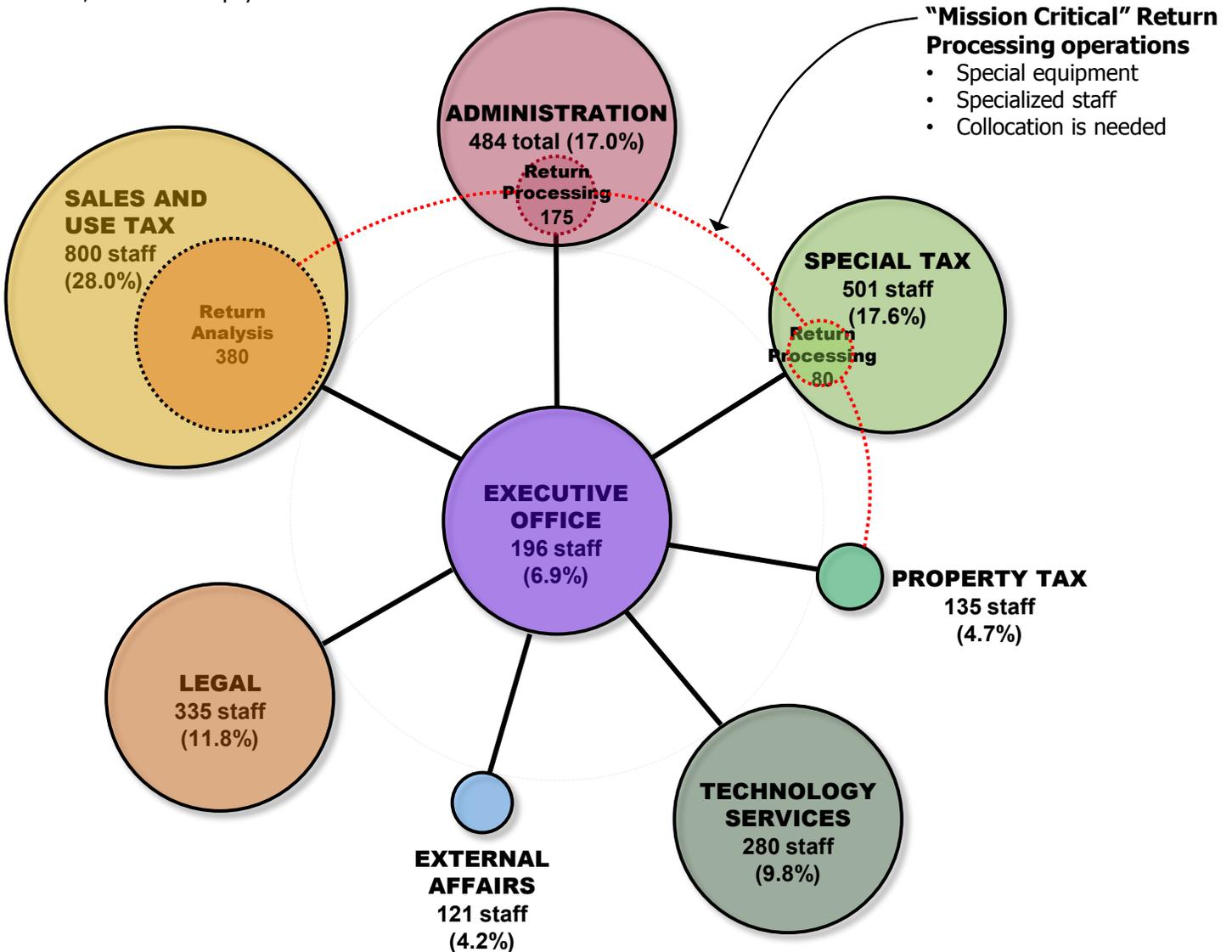
2.2 BOE CONTEXT – ORGANIZATIONAL STRUCTURE

2.2 BOARD OF EQUALIZATION ORGANIZATIONAL STRUCTURE

The BOE’s eight major departments vary in size as shown below. The “mission-critical” Revenue Generation processes are embedded in Administration, Sales and Use Tax and Special Taxes & Fees. The Return Analysis and Return Processing staff in these three departments work together very closely and would benefit from being located together instead of in separate locations in 450 N Street today.

The Revenue Generation processes that support all Departments (Mail, Sorting, Printing, Storage) are located on the first floor of the 450 N Street facility adjacent to the loading dock and utilizing the more open first floor architecture. Cashiering and Data Entry, whose work is directly connected to the operations on the first floor, are located on the secure second floor of 450 N Street, relying on a single freight elevator for transportation of the paper returns, vouchers and payments that drive their work.

The remainder of the departments in the 450 N Street facility are located on the smaller tower floors, roughly grouped on adjacent floors. Due to the vertical nature of the building architecture, the staff on the tower floors lack convenient connections within and between departments.



2 2.2 BOE CONTEXT – ORGANIZATIONAL STRUCTURE

2.2 EXISTING REVENUE GENERATION SYSTEM

The Board of Equalization (BOE) collects revenue through electronic returns, electronic payments, manual paper returns, manual paper vouchers and manual payments by check or cash in any combination. Disbursements to state and local government beneficiaries are made electronically.

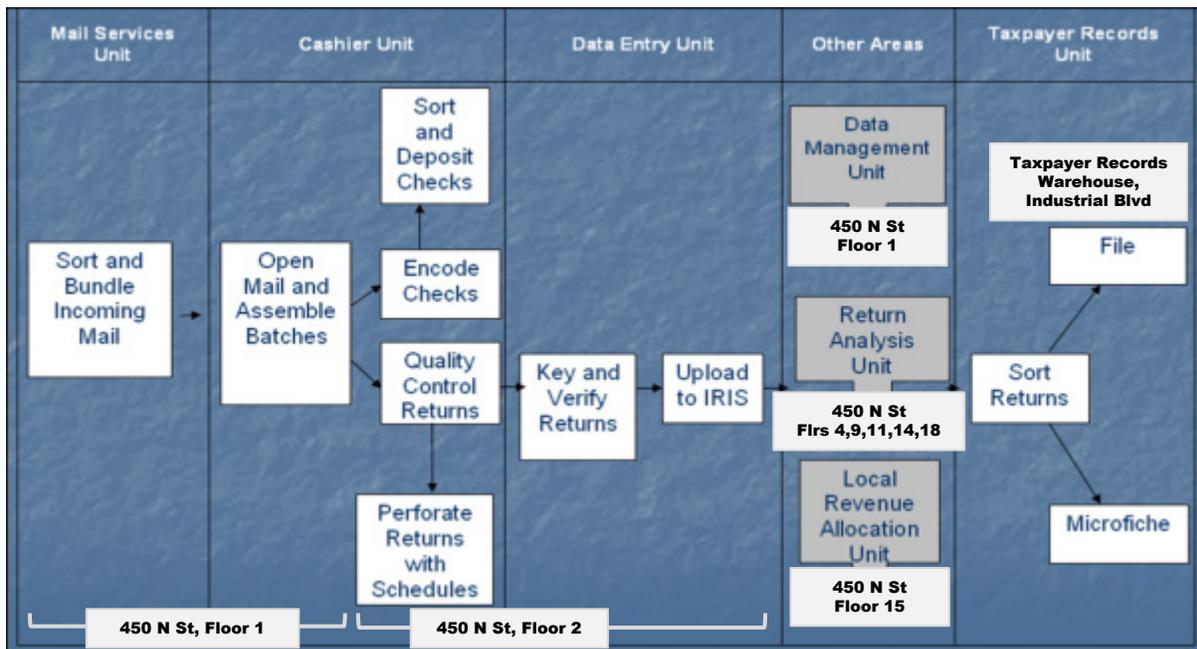
This Process Improvements Study focused on the Revenue Generation process which is primarily driven by the BOE’s Return Processing system.

Although 97% of the BOE’s revenue was collected through electronic filing and electronic payments in FY 2014/2015, the manual processing of returns and payments is mission-critical to the BOE’s operations and the State’s financial health. This is because it is through these manual processes that the collection of most new legislatively-mandated taxes are initiated and in many cases maintained.

Without these labor-intensive manual processes, with their rigorous quality assurance steps and checks-and-balances, a substantial portion of Special Taxes & Fees (and also Sales and Use Taxes and Property Taxes to some degree) would remain uncollected. The taxpayers’ trust in the State is built in part on the accuracy and responsiveness that this system and its employees provide.

Of the approximately 3,000 employees that provide the full range of the BOE’s headquarters services, approximately 22%, or 635 staff today, are directly involved these revenue generation processes, both manual and electronic.

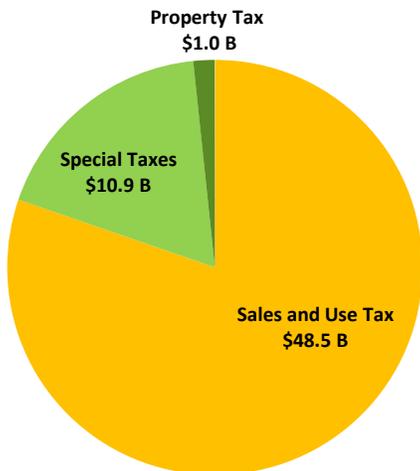
RETURN PROCESSING OVERVIEW



2.2 BOE CONTEXT – ORGANIZATIONAL STRUCTURE

2.2 THE RELATIONSHIP BETWEEN BOE ORGANIZATIONAL STRUCTURE AND REVENUE GENERATION

- **The Sales and Use Tax Department** generates approximately 80% of the revenue generated by the BOE. In addition, it has the highest percentage of electronic filings and payments from large corporations so it is very efficient in terms of revenue per employee.
- **The Special Taxes & Fees Department** generates approximately 18% of the revenue generated by the BOE. It has the highest percentage of paper returns and payments by check and cash. These manual, labor-intensive processes result in lower revenues per employee with more labor spent capturing each dollar of revenue. The paper-intensive processes are driven by new taxes mandated by the State Legislature; paper processes are required either to initiate the new taxes quickly or because the legislature did not approve funds to create the systems for electronic collection of these taxes. The creation of new taxes is expected to continue to grow into the foreseeable future with the responsibility for most of these new taxes falling to the Special Taxes & Fees Department. Special Taxes is also providing collection services for other State Agencies that are not equipped to collect that taxes that have been enacted, e.g. Fire Fees.
- **The Property Tax Department** generates approximately 2% of the revenue generated by the BOE. Its revenue is lower than the other departments partially due to the fact that County-Assessed property taxes are collected directly by the Counties, not through the BOE. As a result, improvements to the Property Tax Department’s processes will not have a significant impact on the BOE’s operations and are not addressed in this study.



- **635 staff, representing approximately 22% of the BOE’s headquarters employees, are the core of the BOE’s Revenue Generation processes.**
 - **A core team of approximately 175 BOE staff provide mission-critical services** that support the work of the three Revenue Generation Departments noted to the left. This core work is essential to the BOE – they are the staff that deposit payments, validate returns and balance the daily cash flow. The BOE’s Revenue Generation processes are fully dependent on these staff and the work they perform in Mail Processing, Cashiering, Data Entry, Printing and Taxpayer Records.
 - Approximately 460 additional staff in Return Analysis (Sales and Use Tax) and Return Processing (Special Taxes & Fees) are similarly mission-critical. They review returns that are not 100% “clean” to verify that the intentions of the taxpayer are reflected in the information that the BOE has processed.

QUICK FACTS – BOARD OF EQUALIZATION CURRENT OPERATIONS

- **Revenue by Department:** Based on the \$60.4 billion of revenue collected and allocated by the Board of Equalization in FY 2013-2014 and August 2015 employee counts:
 - **Sales and Use Tax**
 - **\$48.5 B**
 - **80%** of BOE revenue
 - **81%** items processed electronically
 - **800 staff** (28% of BOE staff) (2015)
 - **\$60.6M revenue/staff** average
 - **Special Taxes & Fees**
 - **\$10.9 B**
 - **18%** of BOE revenue
 - **25%** items processed electronically
 - **501 staff** (18% of BOE staff) (2015)
 - **\$21.8M revenue/staff** average
 - **Property Taxes**
 - **\$1.0 B. 2%** of BOE revenue.
 - **135 staff**
 - **\$7.4M revenue/staff** average

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2.3 BOE CONTEXT – CURRENT FACILITY LOCATIONS

2.3 EXISTING BOARD OF EQUALIZATION FACILITIES

The Board of Equalization currently occupies five key facilities in Sacramento as illustrated below plus four smaller facilities in Sacramento for District Offices, encompassing a total of 800,000 gross square feet for 2,852 authorized positions. The majority of headquarters office functions are housed in three facilities: 450 N Street, 621 Capitol Mall and 160 Promenade Circle.

In addition to the 2,100 headquarters employees housed at 450 N Street, on-going BOE growth has forced headquarters functions to overflow into four additional "annex" facilities over the past 15 years including 621 Capitol Mall (Legal Department and Board Proceedings Div), 160 Promenade Circle (Sales and Use Tax Department, Property Tax Department, Human Resources Division), 3600 Industrial Boulevard (Taxpayer Records) and 1030 Riverside Parkway (Motor Carrier Division). Of these facilities, 1030 Riverside Parkway is seen as a long-term location for the Motor Carrier Division, and 3600 Industrial Boulevard will be retained for storage while the Taxpayer Records staff at this location are relocated to be with the Headquarters staff.



2.3 BOE CONTEXT – CURRENT FACILITY LOCATIONS

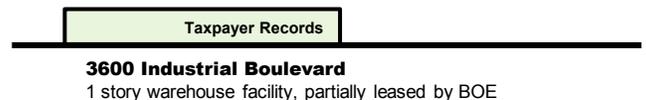
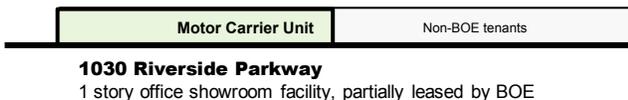
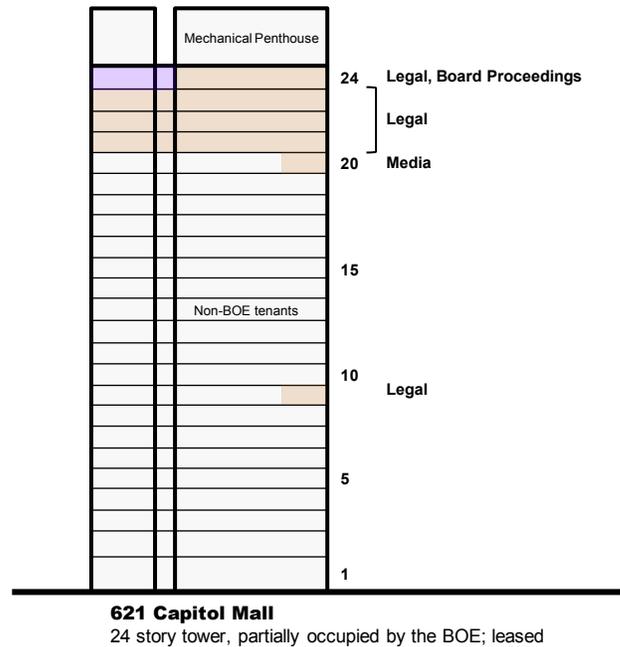
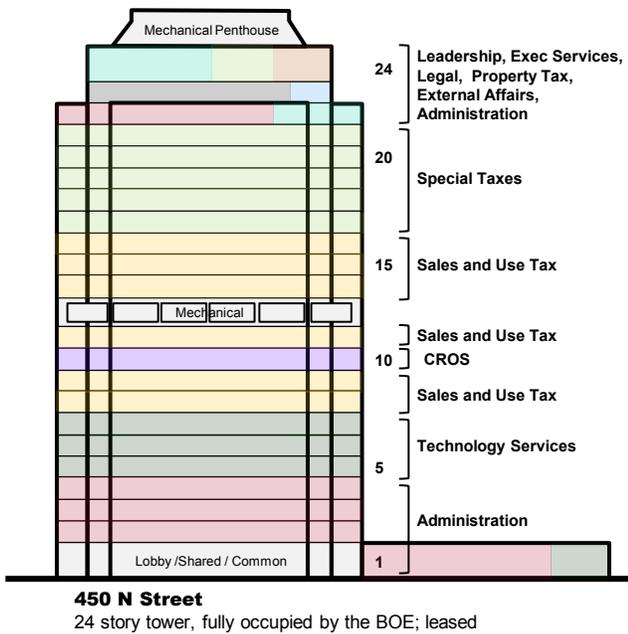
2.3 EXISTING BOARD OF EQUALIZATION FACILITY USE -- AT A GLANCE

The BOE Headquarters departments require approximately **2,900 seats today** to accommodate all authorized positions, permanent intermittent positions, student interns and temporary staff. Due to the on-going creation of new legislatively-mandated tax programs, the Board of Equalization expects to continue to grow. At this time, approximately 2,100 seats are provided at the 450 N Street facility, with approximately 800 additional seats located at four remote leased "Annex" facilities. Having staff located in five disconnected facilities is inefficient and increases the cost of BOE's operations as outlined in subsequent sections of this study.

Since most BOE departments are large (300 to 700 staff) and the floor plates in the 450 N Street building are relatively small, three to six office floors are required to

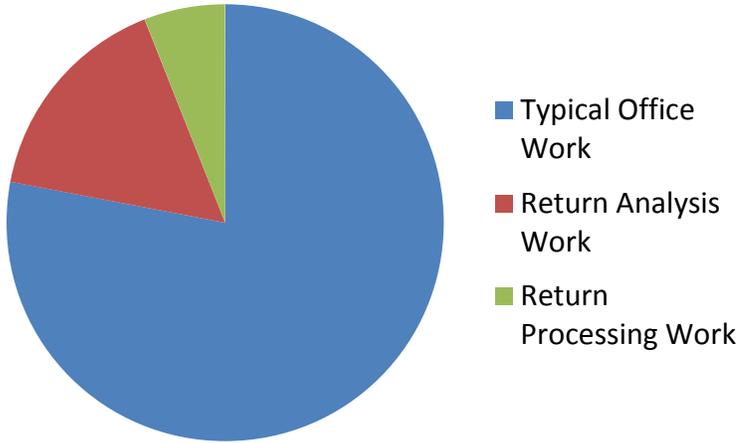
house each department. This coupled with the fact that the elevators are the only viable means of travelling from floor to floor, inhibits communication between employees within the same department as well as across departments. The elevators are currently operating at their limits which increases wait times and discourages travel between floors, decreasing the face-to-face communications that build trust and strengthen functional connections.

The remainder of the BOE's staff, approximately 1,900 positions, are located in District, Branch and Area offices across the state. The needs of these BOE employees are not addressed in this study since the scope of this study extends to BOE Headquarters operations only.



2.4 BOE CONTEXT – SPACE TYPES AND NEEDS

2.4 BOARD OF EQUALIZATION STAFF WORK TYPES



OFFICE STAFF

- **78% of the BOE’s existing headquarters employees (2,217 staff)**
- **“Typical” office space**, similar to “knowledge workers” in other agencies and companies.
- Constrained in 450 N Street facility
 - Large departments on relatively small office floors – three to six floors are required to house the BOE’s large Departments.
 - Large building core elements restrict communications on the office floors.
 - Slow elevators operating at the limits of their capacity increase employee waiting and travel time.

RETURN ANALYSIS STAFF

- **16% of the BOE’s existing headquarters employees (460 staff)**
- Includes **Return Analysis** (Sales and Use Tax Department) and **Return Processing** (Special Taxes & Fees Department) staff.
- **Typical office space**; but these employees are functionally reliant on and connected to the Administration Department’s Return Processing staff – physical adjacency is very important.

RETURN PROCESSING STAFF

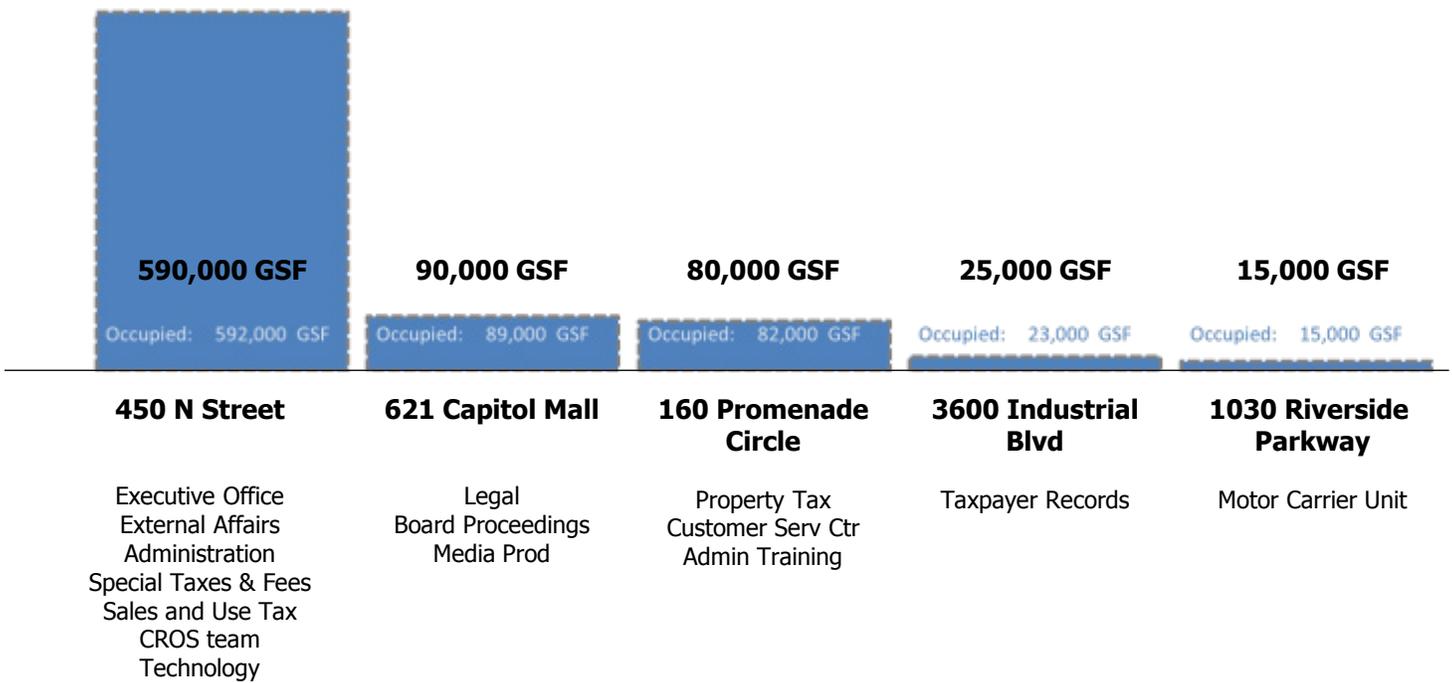
(Administration Dept -- Manual processing; limited e-file/e-pay)

- **6% of the BOE’s existing headquarters employees (175 staff)**
- **NOT typical office space**
 - Mail and printing equipment and supplies requires large open floor areas.
 - Enhanced building infrastructure (structural, mechanical, electrical, technology) is required to accommodate Return Processing equipment and process flow.
 - Constrained in the 450 N Street facility.

2 2.4 BOE CONTEXT – SPACE TYPES AND NEEDS

2.4 EXISTING BOE FACILITIES SUMMARY – DEC 2015

- **800,000 GSF in five facilities/locations**
- **3,300 Seats Available**
 - 2,852 Authorized Positions
 - 86 Seats Planned Vacancy (3%)
 - 358 Seats Remaining Vacancy (11%)
 - Vacancy is higher than necessary due to fragmented facilities, e.g.: If Legal needs to grow, they will grow at their 621 Capitol Mall location to keep their Department together instead of occupying space that is available in the 450 N Street building.
 - Vacancy could be managed to approximately 3% in a new facility, reducing overall space needs.



2.4 BOE CONTEXT – SPACE TYPES AND NEEDS

2.4 EXISTING SPACE USE AND SEATING CAPACITIES

Reconciled Building Area and Seat Count Calculations – HGA and DGS										
	Workstations per initial HGA count	Adjusted to match DGS "Clicker Count" for 450 N St	Printer Stations (assumed)	Available Workstations	Available Offices	Available Seats Total	BOMA GSF (HGA gals)	GSF/ Seat	USF	
450 N Street										
PH	0	0			0	0	0		0	
24	28	20	1	19	36	55	18,360	334	9,184	
23	29	35	1	34	16	50	18,360	367	11,805	
22	91	90	2	88	22	110	25,375	231	19,998	
21	122	121	3	118	4	122	25,375	208	18,418	
20	119	113	3	110	5	115	25,375	221	19,470	
19	125	135	3	132	1	133	25,375	191	18,440	
18	128	129	3	126	2	128	25,375	198	17,842	
17	126	124	3	121	4	125	25,375	203	18,632	
16	126	124	3	121	7	128	25,375	198	19,582	
15	167	152	4	148	0	148	25,375	171	20,580	
14	145	144	3	141	0	141	25,375	180	19,597	
12	0	0			0	0	0		0	
11	143	142	3	139	0	139	25,375	183	19,557	
10	154	124	3	121	3	124	25,375	205	18,645	
9	154	155	4	151	0	151	25,375	168	19,697	
8	154	151	4	147	3	150	25,375	169	20,425	
7	146	138	3	135	1	136	25,375	187	20,016	
6	130	128	3	125	6	131	25,375	194	18,257	
5	88	80	2	88	0	88	25,375	438	17,120	
4	126	117	3	114	3	117	25,375	217	18,738	
3	87	90	2	88	3	91	25,375	279	17,385	
2	102	97	2	95	0	95	24,726	260	18,882	
1	42	43	1	64	1	65	73,343	1,128	56,630	
(No Basement)			142 seats 2.4%	For Adjusted P DGS			591,519	215	438,833	
	2475	2432	59	2385	117	2512	592,000	212	440,000	
621 Capitol Mall										
24N	32		1	31	18	49	20,597	229	16,648	
24S	19		1	18	23	41	20,597	226	16,638	
23	41		1	40	51	91	20,597	196	16,124	
22	104		3	101	4	105	20,597	196	16,124	
21N	28		1	27	4	31	20,597	229	16,525	
21S	52		2	50	9	59	3,420	380	2,752	
20	10		1	9	0	9	3,021	235	2,433	
9	14		1	12,86	0	13	88,829		71,119	
	300	0	11	289	109	398	89,000		71,000	
160 Promenade Circle										
2W		84	2	82	1	83	40,773	286	17,661	
2E		131	3	128	8	136	40,773	361	17,710	
1W		106	3	103	1	104	40,773	361	16,997	
1E		10	1	9	0	9	81,546		59,883	
		331	9	322	10	332	82,000		60,000	
3600 Industrial Blvd										
1		56	2	54	0	54	22,730		21,771	
							22,730		21,771	
							23,000		22,000	
1030 Riverside Parkway										
1		55	2	73	1	74	11,780	159	10,874	
							15,000		14,000	
SUBTOTAL - DISTRICT OFFICE FACILITIES							0	25,000	23,000	
900 Riverside Parkway, 400 Capitol Mall, 500 Capitol Mall, 1201 K Street										
SF TOTALS										
All BOE Sacramento Area Facilities - July 2015							3,370	826,000	245	630,000
LESS "OTHER FACILITIES" - Board member offices, etc.								25,000		
ALL BOE HEADQUARTERS FACILITIES							3,370	801,000	238	(Dec 2015)
							SEATS avail	GSF avail		

2.4 BOE CONTEXT – SPACE TYPES AND NEEDS

2.4 EXISTING OCCUPANTS BY BUILDING

	Available Seats Total	BOMA GSF (HGA calcs)	GSF/ Seat	Occupants (Aug 2015)
450 N Street				
PH	0	0		Mechanical
24	55	16,350	334	EXEC SERVICES - Legislative and Research, Special Projects; LEGAL - Trace; PROP TAX - Dep Dir, Chiefs (State, County Assessed)
23	50	16,350	367	LEADERSHIP - Exec Dir, Chief Deputy Dir, Dep Dir's; STATE CONTROLLER; EXT AFFAIRS - Public Affairs
22	110	25,375	232	ADMIN DEPT -- Admin Support Div / Facilities Mgmt; Info Security; EXEC SERVICES - Taxpayers' Rights
21	122	25,375	208	SPECIAL TAXES -- Admin; Policy and Compliance
20	115	25,375	222	SPECIAL TAXES -- Audit
19	133	25,375	292	SPECIAL TAXES -- Audit Program Analysis, Collections; ADMIN - Publication Services; EXT AFFAIRS - Outreach Services
18	128	25,375	298	SPECIAL TAXES -- Return Processing, Registration and Licensing; Fire Fees
17	125	25,375	203	SPECIAL TAXES -- Return Processing, Registration and Licensing; LEGAL - Internal Affairs
16	128	25,375	298	SALES & USE TAX DEPT -- Field Operations, HQ Operations, Tax Policy; EXEC SERV - Data Analysis
15	148	25,375	272	SALES & USE TAX DEPT -- HQ Operations - Local Revenue Section
14	141	25,375	380	SALES & USE TAX DEPT - HQ Operations - Return Analysis Section, Consumer Use Tax Section
12	0	0		Mechanical
11	139	25,375	383	SALES & USE TAX DEPT -- HQ Operations - Local Revenue Section
10	124	25,375	205	CRO6 Project Team
9	151	25,375	268	SALES & USE TAX DEPT - HQ Operations - Return Analysis Section
8	150	25,375	269	SALES & USE TAX DEPT - HQ Operations - Centralized Collections Section
7	136	25,375	287	TECH SERV - Applic Developmt Div, Enterprise Systems & Infrastruc Services Div, Web Team (7)
6	131	25,375	294	TECH SERV - Applic Developmt Div, Enterprise Systems & Infrastruc Services Div, Enterprise Planning and Support Div
5	58	25,375	438	TECH SERV - Enterprise Systems & Infrastruc Services Div
4	117	25,375	227	ADMIN - Financial Mgmt Div
3	91	25,375	279	ADMIN - HR Div; EXEC SERVICES - EEO
2	95	24,726	260	ADMIN - Financial Mgmt Div (Cashiering, Data Entry)
1	65	73,343	1,128	ADMIN - Admin Support Div, Financial Mgmt Div (Mail and Sorting), Publication Services Div; TECH SERVICES - Print Room
	2,912	592,000	212	

621 Capitol Mall				
24N	49	20,597	229	BOARD PROCEEDINGS; LEGAL
24S	41			LEGAL
23	91	20,597	226	LEGAL
22	105	20,597	196	LEGAL
21N	31	20,597	229	LEGAL
21S	59			LEGAL
20	9	3,420	380	Media
9	13	3,021	235	LEGAL
	398	89,000		

160 Promenade Circle				
2W	83	40,773	386	SALES & USE TAX - Centralized Collections; PROPERTY TAX - Tax Area Services, State Assessed and County Assessed Property Div
2E	136			PROPERTY TAX
1W	104	40,773	361	EXTERNAL AFFAIRS - Customer Service Center, Taxpayer Info; HR - Admin Tmg
1E	9			HR - Admin Tmg
	392	82,000		

3600 Industrial Blvd				
1	54	22,730		Taxpayer Records Unit
		23,000		

1030 Riverside Parkway				
1	74	11,760		159 SPECIAL TAXES - Motor Carrier Division
		15,000		

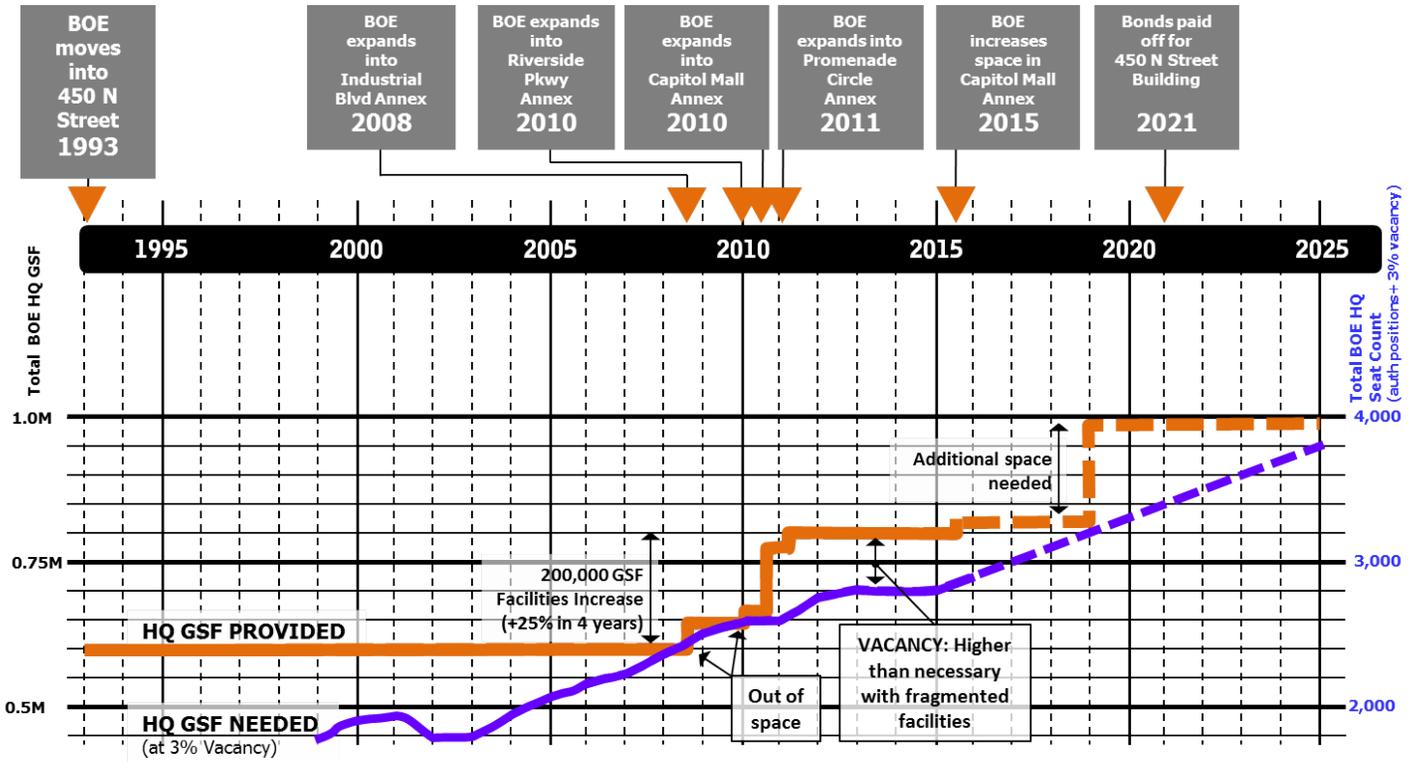
SUBTOTAL - DISTRICT OFFICE FACILITIES				
920 Riv	0	25,000		

SF TOTALS				
	3,870	826,000	245	
		GSF	GSF/Seat	
LESS "OTHER FACILITIES: 25,000				
	3,870	801,000	238	
	SEATS avail	GSF avail		

2.4 BOE CONTEXT – SPACE TYPES AND NEEDS

2.4 SPACE TRENDS AND NEEDS

As shown in this diagram of the BOE’s space needs, both historical and projected, the BOE’s facility needs have continued to increase over time. This study has not revealed any data that would indicate that this growth trend will subside in the next ten years.



Projection:

- Additional space is needed by Jan 2019. (sooner if BOE growth spikes before then, e.g.: Cannabis legislation)
- At 2025, vacant space will be down to approximately 50,000 GSF if space is added in 2019 as shown. Planning should be in progress in 2020 for additional space beyond the 995,000 GSF projected in this study.

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3
RESPONSES TO
STATE AUDITOR REPORT 2014-108

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3 RESPONSES TO STATE AUDITOR REPORT 2014-108

The State Auditor Report 2014-108 recommends that the Board of Equalization (BOE) provide additional information to support their request for a new low-to-mid-rise facility. Their recommendations are organized around five categories which will be responded to in the following order and outline.

3.0 AUDITOR'S REPORT OVERVIEW

3.1 PROVIDE **SUPPORTING RATIONALE** FOR ASSUMPTIONS

3.2 STUDY **INEFFICIENCIES IN CURRENT SPATIAL CONFIGURATION** AND **IMPROVEMENTS WITH CONSOLIDATION**

- 3.2.1 Improvement Levers
- 3.2.2 Disruptive Forces of Change
- 3.2.3 Scope of Investigation
- 3.2.4 TAT Processing Volume
- 3.2.5 Facility Impact on Material Flow
- 3.2.6 Process Flows and Events
- 3.2.7 Material Movement
- 3.2.8 Facility Impact on Staffing

3.3 INCORPORATE **STAFFING GROWTH** INTO ANALYSIS (**FORECASTING HEADCOUNT**)

- 3.3.1 Staffing Overview -- BOE History
- 3.3.2 Revenue Growth
- 3.3.3 Staffing Analysis

3.4 **PRODUCTIVITY**

3.5 **DGS: OPTIONS FOR 450 N STREET BUILDING**

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3.0 AUDITOR'S REPORT OVERVIEW

In 2013, the Board of Equalization formalized their request for a new consolidated campus in a report titled "Relocation and Consolidation Preliminary Study, Board of Equalization, amended August 15, 2013." The California State Auditor's Office, while agreeing with the general assessment that the BOE would operate more efficiently in a low-rise campus that accommodates all BOE employees, issued a report titled "State Board of Equalization, Report 2014-108", dated September 2014. Their report outlined five key actions steps for the Board of Equalization and the Department of General Services (DGS) regarding the BOE's facilities.

The State Auditor's summary of their recommendations regarding the BOE's 2013 Study are listed below. This chapter of the Process Improvements Study, coupled with the evaluation of the BOE's Facilities Options in Chapter 4, responds to the four State Auditor's recommendations related to the BOE's operations. Since work is currently underway by the DGS regarding the fifth item related to the future of the 450 N Street facility, the DGS will address Item 5 separate from this report.

CURRENT BOE OPINION

A new low-to-mid-rise consolidated campus would support the business of The Board of Equalization better than the five facilities the BOE currently occupies, due to:

- The efficiency of consolidated operations.
- Faster Return Processing operations.
- Less waste in staff travel and movement of material (mail and supplies) between facilities.
- Improved communication and collaboration -- within and between departments.
- Improved flexibility to support future changes.

This opinion is:

- **Consistent** with previous reports and recommendations.
- **Substantiated** with the analyses of Return Processing work streams, headcount growth and physical layouts outlined in this report.

Recommendations to Equalization, Board of	
Number	Recommendation
1	To more clearly demonstrate its case for a new facility, BOE should ensure that it has a supportable rationale for the assumptions underlying its analysis of the costs and benefits of moving to a new consolidated facility.
2	To more clearly demonstrate its case for a new facility, BOE should continue its plans to conduct a study to identify inefficiencies in its current spatial configuration and how its operations could improve with a new consolidated facility.
3	To more clearly demonstrate its case for a new facility, BOE should incorporate staffing growth into its analysis of costs and benefits , using projections based on long-term historical data.
4	To ensure that it can accurately estimate any shifts in worker productivity and state revenue, BOE should strengthen its current methodology by analyzing the productivity and revenue collection of its employees and by monitoring those metrics at least semiannually. Additionally, BOE should support its methodology with documentation.
Recommendations to General Services, Department of	
Number	Recommendation
5	To ensure that resources are spent wisely, General Services should seek the funding and approval needed to analyze whether keeping or selling the BOE building would be in the State's best financial interest. As part of that analysis, General Services should conduct, or contract for, appraisals to assess the value of the building with and without the repairs to determine whether making the repairs is in the best interest of the State. If continued ownership of the building appears to be prudent, General Services should evaluate potential productive uses for the building should BOE move to a new facility. General Services should report the results of its analysis to the Legislature no later than September 2015.

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3.1 PROVIDE SUPPORTING RATIONALE FOR ASSUMPTIONS

BOE should have a **supportable rationale for the assumptions** underlying its analysis of costs and benefits of moving to a new consolidated facility. This specific point has direct links to the four other main auditor points. This section, therefore, contains a high-level summary of the other auditor requests.

Section 3.2 BOE 5% Efficiency Improvement

Even though electronic filing and payments have increased, manual paper-based processes are still required for many taxes, especially newly-mandated taxes enacted by the Legislature. Opportunities exist to improve the efficiency of the BOE's paper-based revenue generations processes by 5%, but due to the limited number of staff relative to the total staffing counts within 450 N Street, the quantifiable savings are not substantial. See section 3.2.

Section 3.3 BOE 3% Growth Projection

After comparing the BOE's historical staff growth against the addition of tax/fee programs and manpower requirements, resulting technological development investments, impact on volume of physical receipt, movement and processing and reductions from online returns and payments, the 3% annual staff growth can be more quantitatively substantiated. A 3% year over year growth rate across the entire BOE structure is equivalent to a 30% staff increase over ten years from today in 2015 to 2025. See section 3.3.

Section 3.4 Productivity Measurement

For the last two years, return processing has a self-reporting productivity measurement system which tracks labor hours spent to specific workflow activity codes. This tracking system is used to generate Budget Change Proposals in response to new tax / fee legislation or changes in laws.

Section 3.5 Lease costs

The DGS is in the process of analyzing potential uses for 450 N Street and evaluating associated lease costs and savings.

3.2 STUDY INEFFICIENCIES IN CURRENT SPATIAL CONFIGURATION AND IMPROVEMENTS WITH CONSOLIDATION

3.2.1 IMPROVEMENT LEVERS

A variety of process improvements, dependent on the physical environment, are outlined in the following sections. Implementation of the potential improvements are not reasonable within the constraints of the 450 N Street facility in its current configuration.

Process inefficiency or waste in a transactional system is defined in three primary ways: unevenness, over-burdening and wasteful activity.

A. Wasteful Activity

Wasteful activity is defined in seven general categories: Waiting (people for work to do), Inventory (work to do waiting for people), Transportation (physical movement of material / information across work cells), Defects (Errors requiring rework), Motion (waste effort within work cell), Overproduction (producing ahead of demand), Processing (adding more to a product than is valued).

In the context of BOE Revenue Generation, the analysis quantifies the workload volume, process steps and the facility by measuring the annual waste associated with staff motion and material transportation as received materials move from Shared – Return Process on ground floor and second floors to Sales Tax Return Analysis and Special Tax Return Processing on floors located throughout the tower.

B. Unevenness

Workload variation creates obvious management issues in matching the workload demand with staffed resources. Although on average the staffing might meet demands, an uneven system suffers serious periods of over staffing and under staffing. Cross-training and having work that can float for extended periods of time without consequence are necessary mitigating strategies.

In the context of BOE Revenue Generation, unevenness is the greatest contributor to inefficiency. Tax and Fee collection schedules are periodic by quarter, calendar or fiscal timeframes. The first half of months following end of month reporting periods receive high volumes of inbound material. Some programs only collect revenue for a few quarters of the year. Given the elimination of most intermittent staff positions, Revenue Generation Department Managers must cover the peaks periods of demand to ensure timely revenue by over staffing relative to the annual average, placing work into queues (causing downstream rework), displacing personal time to low demand periods and borrowing and re-locating resources across departmental boundaries. In low periods, inbound mail quantities are less than 500 pieces per day. During peak periods, the inbound piece count is greater than 500,000. Given the goal of processing a received payment the same day, the program reporting periods are causing significant workload swings throughout Revenue Generation. Sales Tax - Return Analysis and Special Tax – Return Processing work peaks echo by weeks that of Shared – Return Processing.

C. Over-Burdening

Over-burdened systems may result from inattentiveness to upkeep of mission critical resources, but more often than not these system failures are a result of significant peak loads cause by variability in demand.

In the context of BOE Revenue Generation, preventative maintenance is scheduled during non-peak times. The human resources are the primary concern. In every step of the process, human resources are adding value in processing physical documents into an electronic medium or acting on electronic medium in reconciling any errors / issues with customer remittance. As staff become over-burdened during peaks, the opportunity for error increase.

3.2.2

DISRUPTIVE FORCES OF CHANGE

Current and future disruptive forces are constantly changing the way the BOE operates. These forces present new opportunities to streamline the BOE's operations, particularly Revenue Generation processes. **We do not anticipate that these changes will result in substantial reductions in projected staffing levels or space needs, but they will present opportunities to reallocate resources and retrain staff for new or expanded functions.** The disruptive forces that create change include:

A. New Taxes / Fee Programs

From the 2003 to 2015 there have been six new tax / fee programs. These recent tax / fee programs are collecting less tax / fee per customer. As new tax / fee programs are introduced, the technological ability to collect return information and fees electronically lags implementation by years (speed to market or the development cost of the technology).

B. New Technologies / Electronic Remittance

Since 2006, electronic remittance of returns, schedules and payments for mature tax / fee programs has peaked and plateaued. As technology removes the physical receipt of returns, schedules and payments, new tax and fee programs increase the amount of total system receipts, many of which are mailed in forms and payments.

C. Process Improvements

Process improvement opportunities within Revenue Generation are prevalent, many of which are directly attributable to the physical layout.

D. Future Work Streams 2, 3, 4

Over the next decade, technological advances in scanning hardware and software will dramatically change the function of Key Data Entry. Migration to 100% scanning/paperless operations will automate the bulk translation of tax / fee customer information received via mail into electronic medium. Emphasis will be on high volume, low complexity tax / fee programs.

3 RESPONSES TO STATE AUDITOR REPORT 2014-108

E. New Board Members

The Members of the Board are appointed positions running on specific platforms. Board members directly influence tax and fee program legislation, the budget change proposal process and customer outreach initiatives. Board members periodically move in and out of their positions, resulting in changes to strategies and tactics impacting Revenue Generation.

E. New Facilities

As the BOE grows, adjusting to the dynamics of the various disruptive forces, a facility that provides adaptive flexibility will have an increasingly positive impact on Revenue Generation staff performance.

3.2.3 SCOPE OF INVESTIGATION

The process inefficiencies due to the physical limitations of 450 N street are limited to the Revenue Generation departments including Shared/Admin Return Processing, Sales Tax Return Analysis, Special Tax Return Processing and Mail and Print Services. The scope of this study includes departments that receive, handle, transport and process physical documents.

These departments represent 30% of the headcount in the 450 N Street facility. Given the size of these departments relative to the whole, significant improvements in staff productivity in these departments will have limited impact on the overall productivity performance of the BOE.

Outbound Mail and Print Services are located on the first level of the facility. The print, mail and material storage areas are spread-out across the floor, crossing return processing operations. There is no expansion space for additional printing equipment to increase outbound production capacity.

Shared/Admin--Return Processing operations supporting both Sales Tax and Special Tax departments are located on the first and second floors. The two floor operation is problematic for transportation of in-process materials, cross-training / staffing sharing and management / supervision perspectives.

Sales Tax--Return Analysis is located on floors 9, 11 and 14. Sales Tax – Return Analysis represents 75% of annual revenue collections. The size of the department and small floor plates of 450 N introduce barriers to cross-training within the department. During peak quarterly collection months, Sales Tax Return Analysis sends 50+ people to the second floor to assist Return Processing and open inbound mail. Work in process during these periods stands idle.

Special Tax--Return Processing is located on floors 17 and 18. In stark contrast, Special Tax--Return Processing represents only 22% of the revenue collection, but 90% of individual tax / fee programs. The size of the floor plates relative to the staffing counts are not punitive to special tax as the program teams are much smaller and highly specific in program expertise. Unlike Sales Tax--Return Analysis, Special Tax--Return Processing does not share resources during peak times with Shared/Admin--Return Processing.

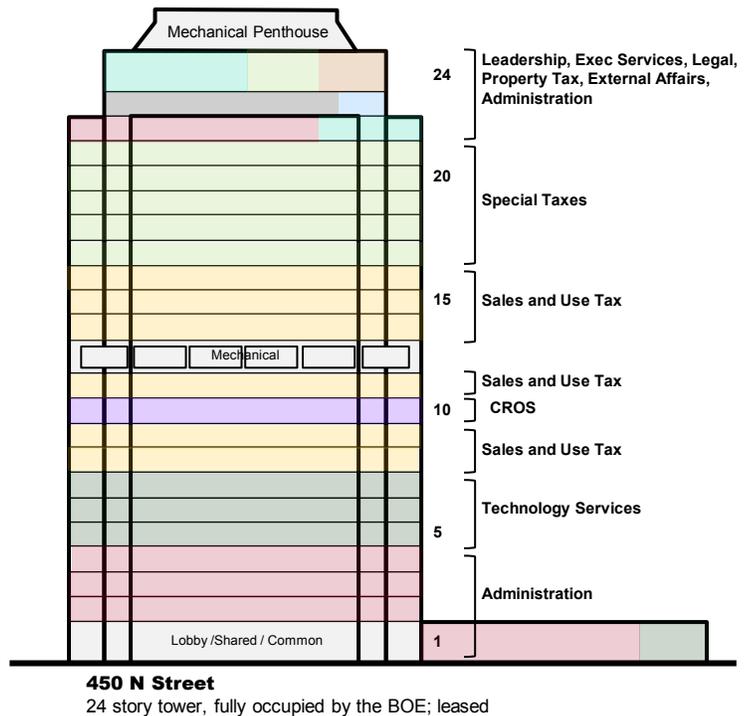


Figure 3.2.3.1: Color coded departments in existing 450 N Facility

**3.2.4
TAT PROCESSING VOLUME**

While total revenue collected is an indicator of BOE workload for Revenue Generation departments, it does not tell the whole story. Each tax program has a unique profile of collection processes, electronic collection platforms and customer preferences. Tracking this profile at the taxable activity type (TAT) provides insight into how material is received, handled, and processed into the system. Material handling is one way process improvement can be measured in facility terms.

TAT reports capture the daily amount of payments collected electronically or by physical receipt of mail. The annual roll-up of the TAT reports categorize the receipt of payments as electronic, batch or on-lined. Batch and on-lined refer to specific processing steps as the physical documents are receipted in the mail sorting area.

A summary of the total and relative revenue types is shown at right. Upon inspection, it is clear that the majority of payments collected are associated with the on-lining process, and that a vast majority of revenue is collected via on-line payment.

Since data at the TAT level has only been collected formally for the past two years, measuring the transition of TAT's from Batch or On-lined to Electronic processing over time was not attempted due to the limitation of available data.

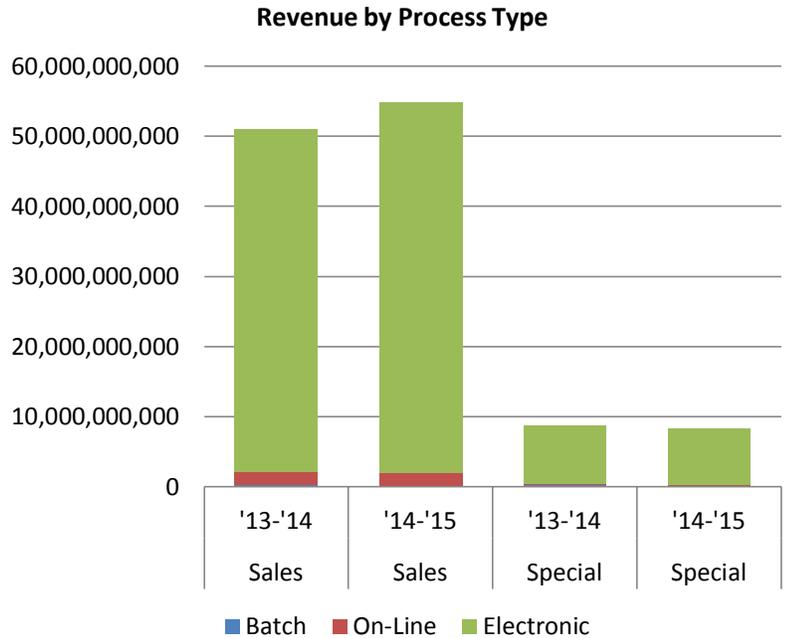


Figure 3.2.5.1: Absolute revenue of TATs by process type from 2013 to 2015

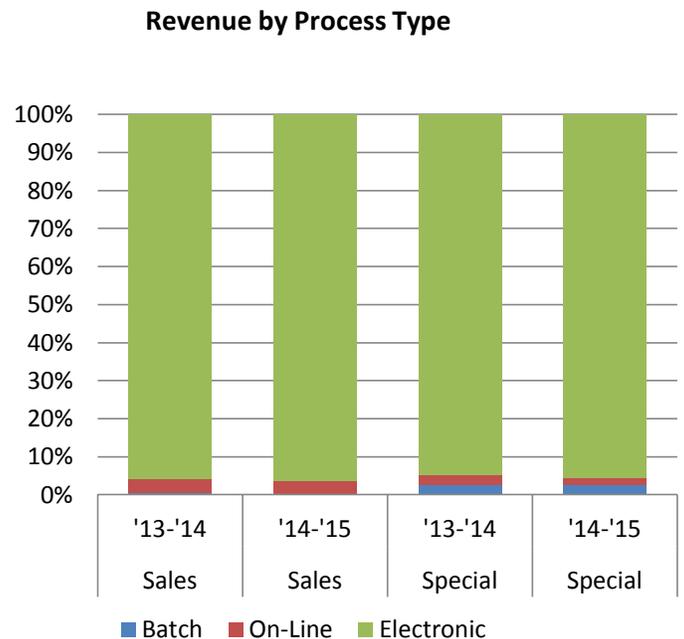


Figure 3.2.5.2: Relative revenue of TATs by process type from 2013 to 2015

3.2.5 FACILITY IMPACT ON MATERIAL FLOW

Determining the quantitative implications of the facility on the material flow of inbound receipts requires an understanding of:

- piece-work volume,
- the steps of the process,
 - points of collection (i.e. staging locations of multiples of piece-work),
 - transport devices (i.e. carrying capacity of a bin or cart),
 - transport paths, and
 - vertical circulation and transfer times (i.e. elevator).

In an effort to introduce the reader to the challenge at hand, the following section will touch briefly on each aspect of the revenue generating processes starting at the high level and delving deeper as needed.

Volume

According to the most recent data at the time of this writing the graphs at right total the number of payments received at 5.3 million in FY 2013-2014. Similarly, in FY 2014-2015, the total number of payments received was 4.8 million.

In terms of revenue, a total of \$59.7 billion was received for 2014. Of that total, 95% was received electronically--almost all of total revenue received by the BOE.

Understanding the magnitude of volume shines light on the magnitude of material flow reaching BOE's mail delivery dock annually and subsequently reveals the value of each respective type of item — be it Batch, On-line, or Electronic.

Note that most items and payments are handled by electronic systems, which means a majority of resources in revenue generating departments exist to manage a very small proportion of collected revenue.

With that said, when mail materials reaches the BOE dock, it follows a very specific process to extract documents and revenue. This is to ensure timely delivery of parcels to each relevant department in order to credit payer accounts and deposit payments as quickly as possible. A summary description of this process follows in the subsequent section.

Items by Process Type

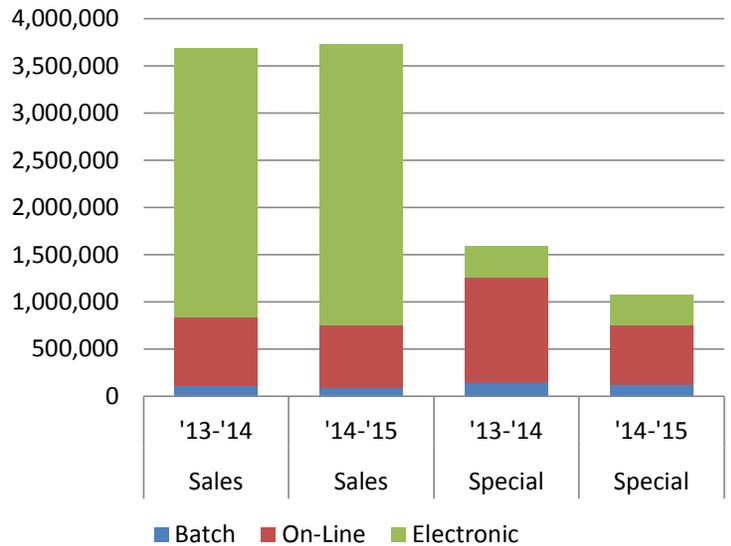


Figure 3.2.5.3: Absolute quantity of TATs by process type from 2013 to 2015

Items by Process Type

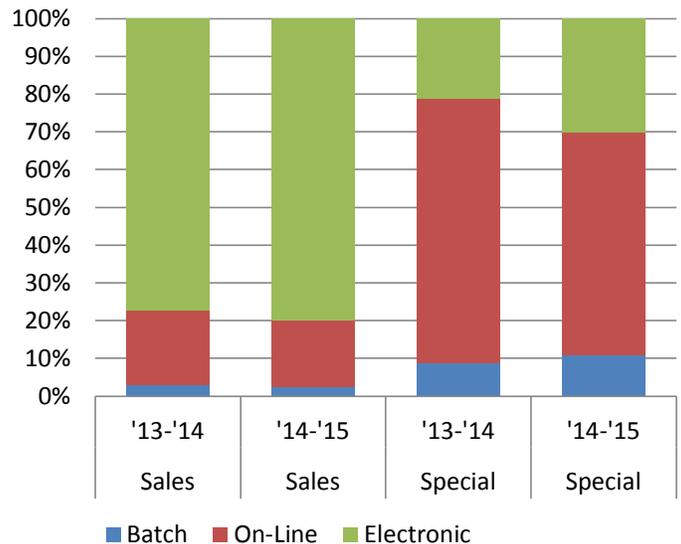


Figure 3.2.5.3: Relative quantity of TATs by process type from 2013 to 2015

3.2.6
PROCESS FLOWS AND EVENTS

Overall Process Flow

Customers submit return documentation and payments for programs in three combinations:

1. Electronic payment and mailed return with schedules,
2. Payment with check and mailed returned with schedules, and
3. Payment with check and mailed voucher.

A limited number of cash payments are also received.

The TAT report only measures items received in terms of individual payments. Received mail items may include multiple individual payments or returns with schedules without payments. Daily mail receipt reports will show the amount of mail received by process category. Between the two report types, a snapshot of the amount of received items can be attained.

For the purposes of calculating material movement, the analysis uses the TAT report as the basis for data. The TAT report collects information by process flow. The process steps will be simplified connecting physical locations to the basic steps for both Batched and On-lined work processes.

A simplified representation of the overall process and relevant departments is shown at right. The blocks read top to bottom and branch by row. The graphic is intended for a cursory understanding of the high-level flow as details of each step are detailed in the coming pages.

At the beginning, inbound items are delivered weekday mornings to Mail Sorting. On low volume days, sorting is performed manually. On high volume days, sorting is performed on the automated sorter (which only sorts, it does not open mail). Depending on the sorting category, items will be marked for *Batch* or *On-lining* processes. The opening of the mail is either performed manually or with the assistance of a mechanical extractor.

As the process progresses, the material follows either the Batched or On-lining flow paths until:

1. The checks are deposited,
2. Returns and documents are keyed,
3. Information is uploaded to IRIS, and
4. Accounts are credited.

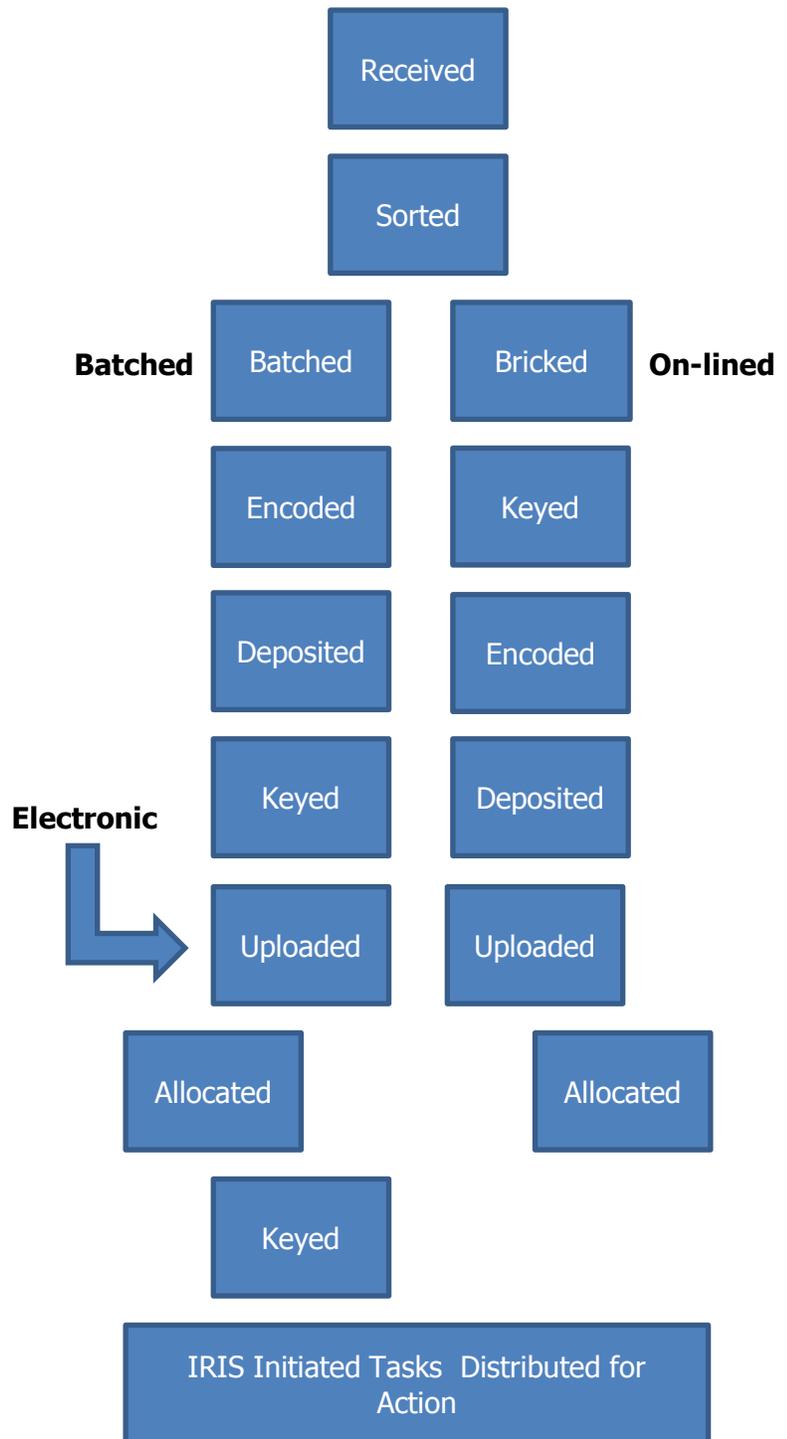


Figure 3.2.6.1: Conceptual overall flow diagram for shared revenue generating departments

Overall Detailed Flow

As shown in the event stream diagram below, there are specific paths that materials follow from receiving through to return analysis and finally taxpayer records.

By reading from top to bottom, one can follow the branching that occurs at each stage of mail processing depending on the type of material the mail comprises.

By understanding this diagram, one can understand the two primary forms of physical material within the return processing department—namely batch returns and on-lining materials.

This diagram is intended to show the details of both branches that occur from the receiving dock to process completion for revenue generating departments. Each color represents a different path flow and is marked at the path start. Please refer to the legend for details on how to read the symbols.

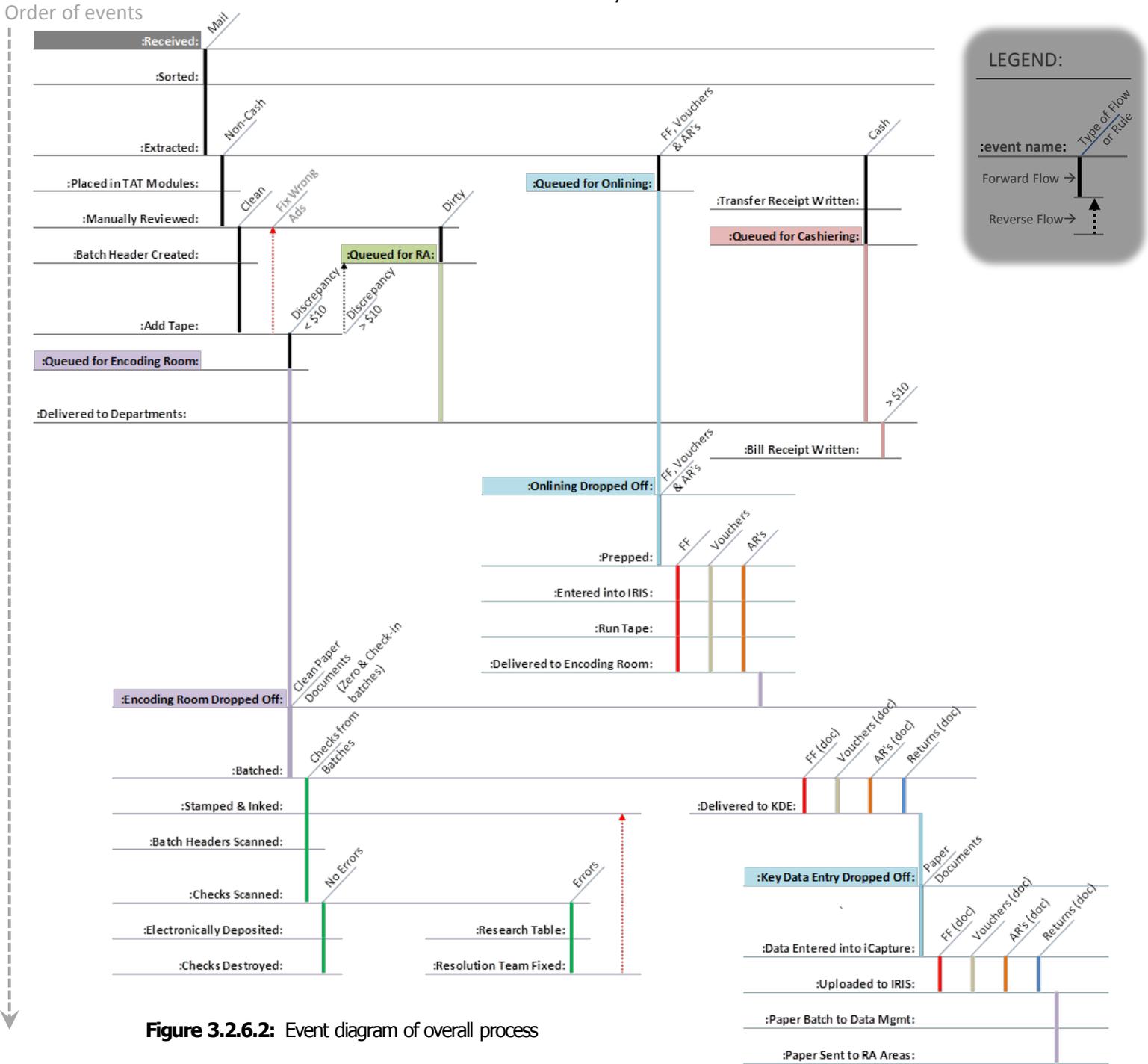


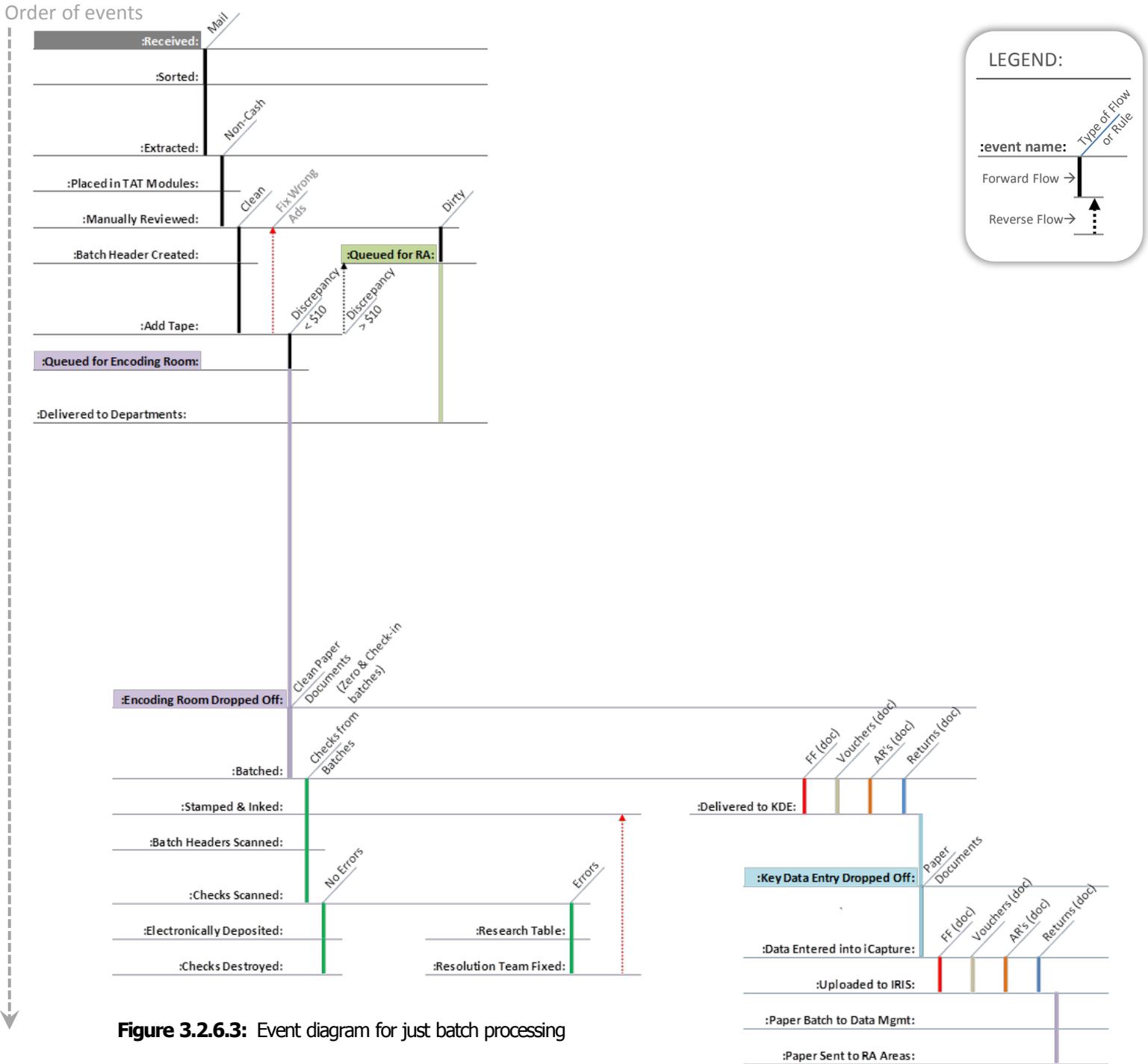
Figure 3.2.6.2: Event diagram of overall process

3 3 RESPONSES TO STATE AUDITOR REPORT 2014-108

Batch Definition

The batch flow diagram is a subset of that shown on the preceding page. Batch material comprises sales and use tax returns that are submitted in hardcopy to the BOE.

In simple terms, the mail is received, sorted, extracted and divided into TATs for further processing. Depending on the types of errors, discrepancies and form of payment, the flow branches to various areas such as return analysis and encoding. However, all material is intended to make its way to key data entry for uploading into IRIS where it can be processed and responded to accordingly by each tax specialization department.

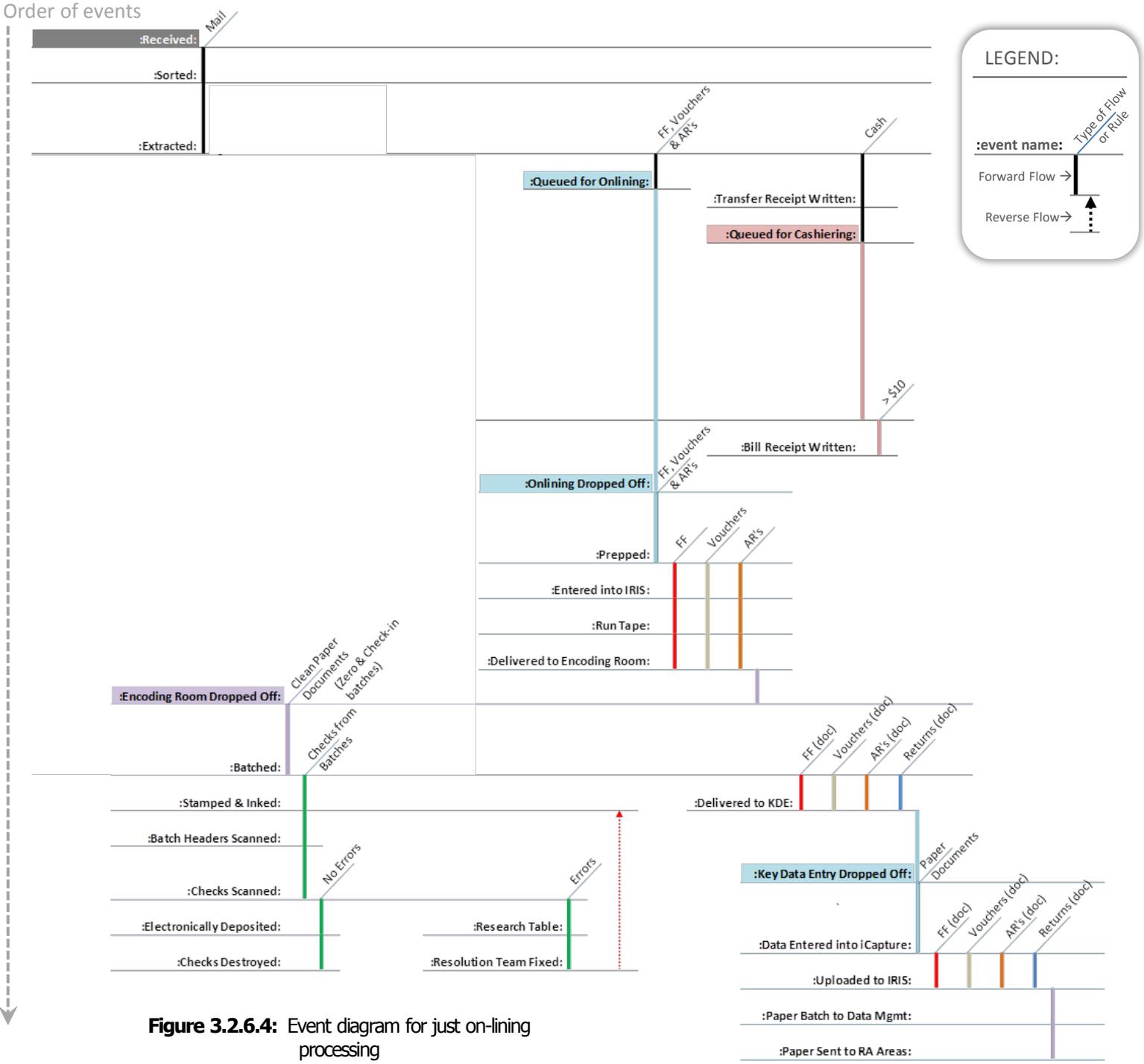


On-lining Definition

On-lining material comprises documents that are classified as an accounts receivable, a fire fee, or a voucher. They are material which due to sheer volume and a timeliness component, require a different flow path.

Specifically, this flow path is intended to credit account holders with the state to reflect their true balance. This approach minimizes the risk of falsely mailing paid accounts that are connected to the BOE's automatic mailing system.

In the following section, further details regarding each of the flow paths for *batch* and *on-lining* are described in physical space at the existing facility. One can refer back to the event stream diagrams to understand the process flow connections.



3.2.7 MATERIAL MOVEMENT

In this section, the revenue generating processes are made tangible through the use of time, distance and floor plans. The tables represent the data associated with time—both in elevator and horizontal transport—and the distance for each path traveled is highlighted in the diagrams at right.

TAT Batch Processing Material Movement

Batching processing work flow begins on the first floor where the mail is sorted, extracted, batched and staged for transport to second floor. On second floor, batch documents are encoded before cycling through Key Data Entry. Paper document materials will eventually return to first floor for distribution to the programs on upper levels, eventually finding their way to off-site scanning services for Sales Tax, or on-site scanning services for Special Tax.

Table 3.2.7.1: Travel distance and time data by detailed event for batch material movement

Dist.	From	To	UoM	Elev.	Time
41	Loading Dock	Sorting Room	1000	0	1
111	Sorting Room	Hand Sort / Tray Stage	1000	0	4
61	Hand Sort / Tray Stage	Extractor	500	0	4
10	Extractor	Module Staging	500	0	1
56	Module Staging	Batch Processing	20	0	99
57	Batch Processing	Batch Header	20	0	101
10	Batch Header	Add Staging	20	0	18
42	Add Staging	Add Tape	20	0	75
42	Add Tape	Batch Complete Table	20	0	75
35	Batch Complete Table	Transport Cart	20	0	62
364	Transport Cart	Freight Elevator	20	0	647
0	Freight Elevator	2nd Floor	250	1	71
81	2nd Floor	Encoding Stage	250	0	12
24	Encoding Stage	Encoding Machine	20	0	43
0	Encoding Machine	Encoding Tape	20	0	0
33	Encoding Tape	Creation of Batch Header	20	0	59
15	Creation of Batch Header	Scanning	20	0	27
15	Scanning	Batch Staging	20	0	27
41	Batch Staging	Check Vault	20	0	73
144	Batch Staging	KDE Batch Sorting	20	0	256
45	KDE Batch Sorting	KDE Batch Queue	20	0	80
69	KDE Batch Queue	KDE 1st Pass Forms	20	0	123
69	KDE 1st Pass Forms	KDE Batch Queue	20	0	123
120	KDE Batch Queue	Freight Elevator	200	0	21
0	Freight Elevator	1st Floor	200	1	89
85	1st Floor	TSD	200	0	15
85	TSD	Freight Elevator	200	0	15
0	Freight Elevator	Program Floor	200	1	89
100	Program Floor	RA Verification	200	0	18
100	RA Verification	Freight Elevator	200	0	18
0	Freight Elevator	1st Floor	200	1	89
500	1st Floor	Mail Messaging	200	0	89
250	Mail Messaging	KDE Batch Queue	200	0	44
100	KDE Batch Queue	KDE 1st Pass Schedule	20	0	178
100	KDE 1st Pass Schedule	Batch Queue	20	0	178
100	Batch Queue	KDE 2nd Pass Schedule	20	0	178
100	KDE 2nd Pass Schedule	Batch Queue	20	0	178
150	Batch Queue	Freight Elevator	20	0	267
0	Freight Elevator	1st Floor	200	1	89
500	1st Floor	Mail Messaging	200	0	89
250	Mail Messaging	Loading Dock	200	0	44
	Loading Dock	TRU			12 min 1-way (6 miles)

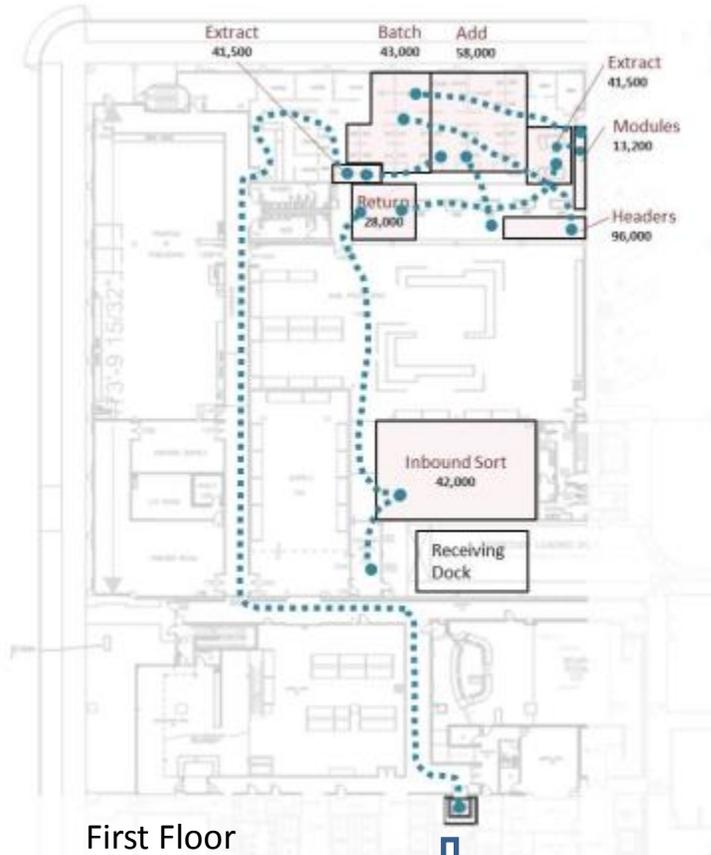


Figure 3.2.7.1: First floor movement diagram for batch material

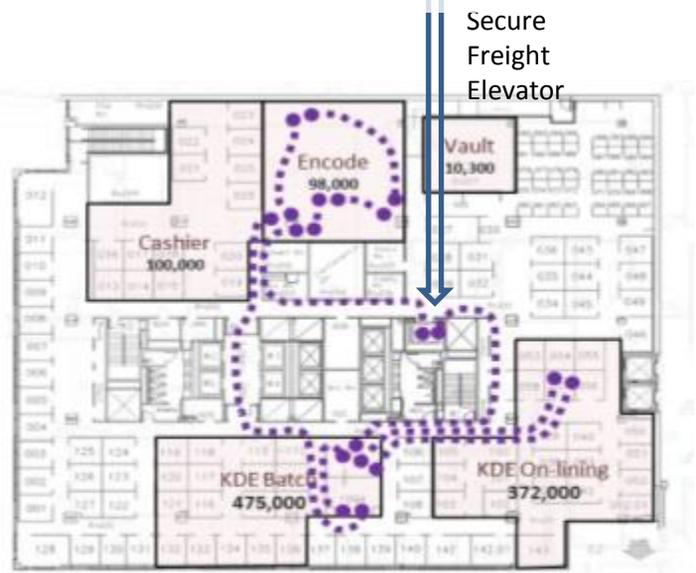


Figure 3.2.7.2: Second floor movement diagram for batch material

TAT On-lining Material Movement

On-lining processing work flow begins on the first floor where the mail is sorted, extracted, bricked and staged for transport to second floor. On second floor on-lining documents are cycled through Key Data Entry before encoding. Most paper documents are now shredded after encoding / scanning is complete.

Table 3.2.7.2: Travel distance and time data by detailed event for on-lining material movement

Dist.	From	To	UoM	Elev.	Time
41	Loading Dock	Sorting Room	1,000	0	7
111	Sorting Room	Hand Sort / Tray Staging	1,000	0	20
61	Hand Sort / Tray Staging	Extractor	500	0	22
10	Extractor	Brick Making	500	0	4
72	Brick Making	Transport Cart	500	0	26
364	Transport Cart	Freight Elevator	500	0	133
0	Freight Elevator	2nd Floor	1,000	1	91
81	2nd Floor	Encoding Stage	1,000	0	15
184	Encoding Stage	On-Line Stage	1,000	0	34
40	On-Line Stage	KDE On-Line	100	0	73
177	KDE On-Line	Encoding Stage	100	0	322 *1
24	Encoding Stage	Encoding	100	0	44
0	Encoding	Run Tape	100	0	0 *2
33	Run Tape	Scanning Batch Header	100	0	60 *3
15	Scanning Batch Header	Scanning	100	0	27 *4
15	Scanning	Encoding Stage	100	0	27
41	Encoding Stage	Check Vault	1,000	0	7
Notes					
*1 Pull direct from KDE on-lining desks					
*2 KDE did an add tape when on-lined					
*3 Manual batch check quantity and batch total					
*4 Scanning checks the number of checks and after it OCR's then it returns a subtotal, and returns an out of balance					

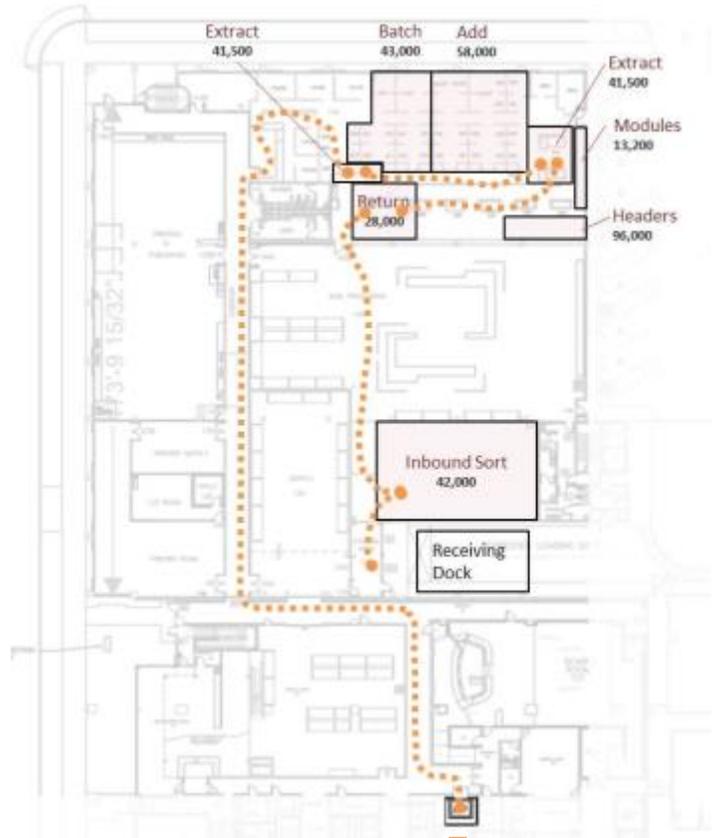


Figure 3.2.7.3: First floor movement diagram for on-lining material



Figure 3.2.7.4: Second floor movement diagram for on-lining material

3 **3** RESPONSES TO STATE AUDITOR REPORT 2014-108

Summary Analysis

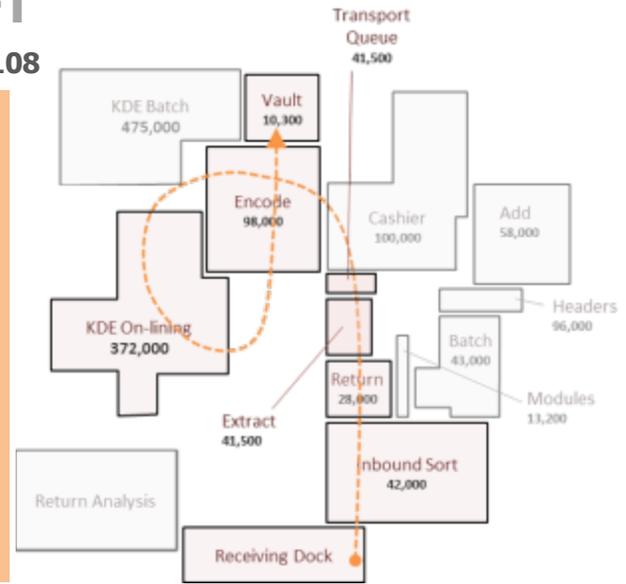
By idealizing the process in diagram, it is possible to understand how to optimize revenue generating departments both in time and space.

A summary is based on all received items taking the primary process route. There are 40 Batch Processing 40 location points. There are 20 On-lining Processing location points.

The model calculations are based on average daily throughput and do not penalize high or low volume days for inefficiency. Material transportation related to Shared/Admin – Return Processing represents 3 to 4 FTE’s annually.

Idealized workflow layouts and on a single floor could reduce by transportation related waste by 60%. The overall distance of Batch and On-lining materials drops from 6,500 annual miles to 2,600. Dependence on the Freight Elevator decreases from 517 annual ride hours to 207.

Ideal On-lining Flow



Ideal Batch Processing Flow

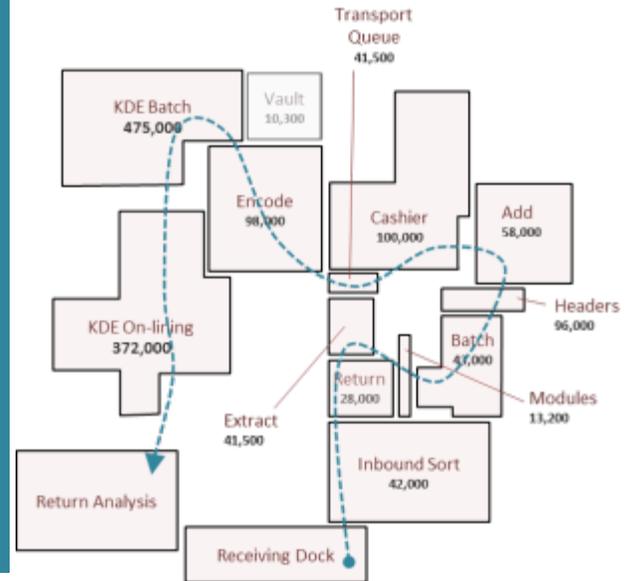


Figure 3.2.7.5: Conceptual idealized material flow movement for both batch and on-lining

Table 3.2.7.3: Summary calculations for batch material movement

Batch Processing				
Speed	125 Feet Per Minute			90,770 Piece Per Transport FTE
Elevator	4 Minutes			2.9 FTE
Checks	226,538			6,107 Paid Hours
Check to Piece Ratio	85%			60% Direct to Paid
Total	266,515			3,664 Direct Hours
Daily Inbound	1,066	213 Items Per Cart		
Trays Per Day	2.1			
Number of Process Points	41			

Table 3.2.7.4: Summary calculations for on-lining material movement

On-Lining Processing				
Speed	125 Feet Per Minute			1,867,518 Piece Per Transport FTE
Elevator	4 Minutes			0.7 FTE
Checks	1,352,773			1,522 Paid Hours
Check to Piece Ratio	99%			60% Direct to Paid
Total	1,366,437			913 Direct Hours
Daily Inbound	5,466	1,093	Items Per Cart	
Trays Per Day	10.9			

3.2.8 FACILITY IMPACT ON STAFFING

Workload Variability

Given the variability caused by the various tax / fee program collection schedules, Revenue Generation managers continually balance timeliness of work with available resources. From a productivity perspective, managers mitigate peaks and valleys with several strategies:

- Managers over-staff permanent positions above average levels to better meet peak demands. Productivity analysis shows, however, this is not true because Shared – Return Processing is operating at 16 FTE’s under what is the calculated productivity requirement to keep up with average workload demands.
- Managers place lower priority work on hold and perform inbound processing work during peak periods.
- If possible, personal time off requests are taken during non-peak periods.
- Staff from other departments put work into queues and assist with inbound processing performing low level tasks (opening mail) during peaks.

The workload variability is significant across Revenue Generation departments and impacts each of them differently. The lowest month of Revenue collection is March 2014 with just over \$4 Billion collected compared to the highest month of June 2015 with just over \$6 Billion collected. From a workload productivity perspective, the variability for the maximum month is 1.5 times the minimum and just over 1.2 times the monthly average.

Shared/Admin--Return Processing variability is most closely tied to inbound item quantity, excluding electronic collections. Sales Tax--Return Analysis variation is most closely tied with Sales Tax items including electronic collections, however, the workload queue may lag actual receipt and processing by weeks. Likewise, Special Tax – Return Processing variation is most closely tied to Special Tax items including electronic collections. The Special Tax work queue also lags receipt and processing by weeks.

Monthly Revenue Collection Variation

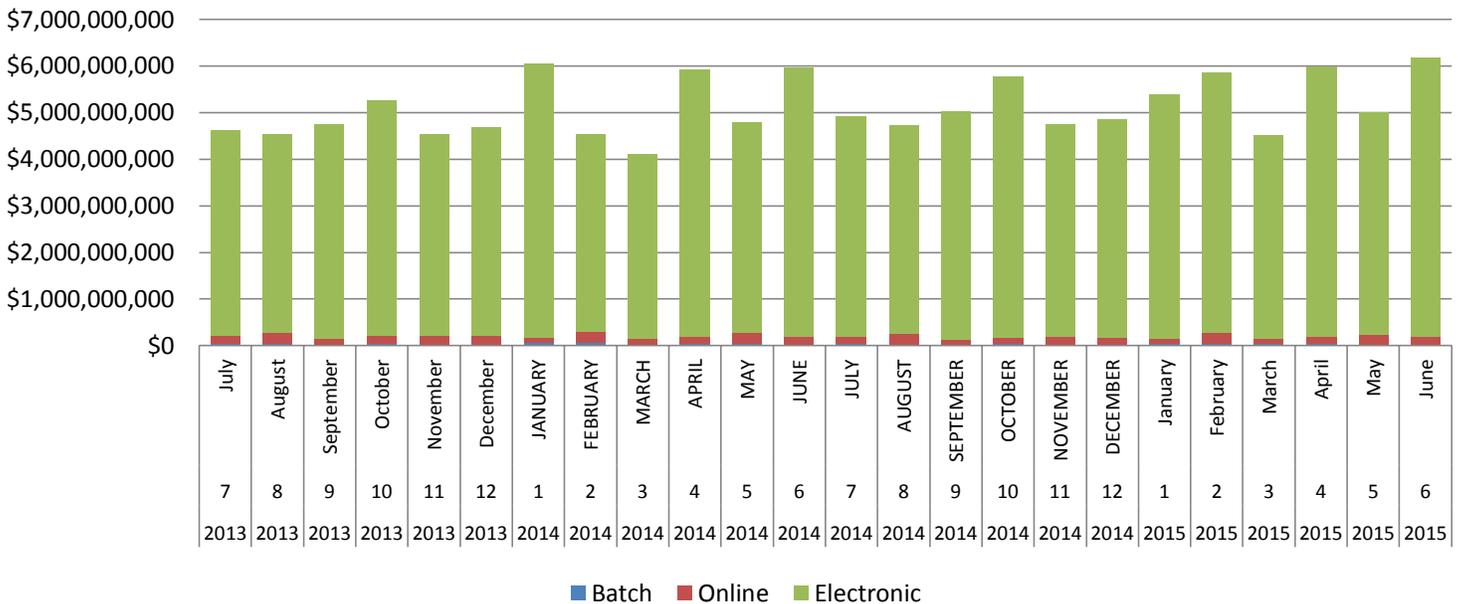


Figure 3.2.8.1: Monthly revenue totals from Jul 2013 to Jun 2015 according to TAT reports

Workload Variability: Shared - Return Processing

Shared/Admin-Return Processing has 175 FTE's. The department in the current facility is located on floors one and two. The lowest month of items received is September 2014, with just over 50,000 items processed compared to the highest month of May of 2014, with over 280,000 items received. From a workload productivity perspective, the variability for the maximum month is 4.7 times the minimum and just over 1.6 times the monthly average. Shared/Admin-Return Processing is more susceptible to workload variation as a small subset of mail-dependent high volume programs have uneven collection schedules.

For some staffing positions the roles are similar enough to leverage cross-training. This increases the ability of management to match staff capacity with workload demand within the department. The consolidation of operations to one floor would greatly increase the ability of management to do more with less. Key Data Entry staff could flow to cashier functions. Cashiering staff now located on two floors could flow between batch and brick processing encoding functions. Cashiering located on first floor could flow into Key Data Entry.

Monthly Received Items Collection Variation

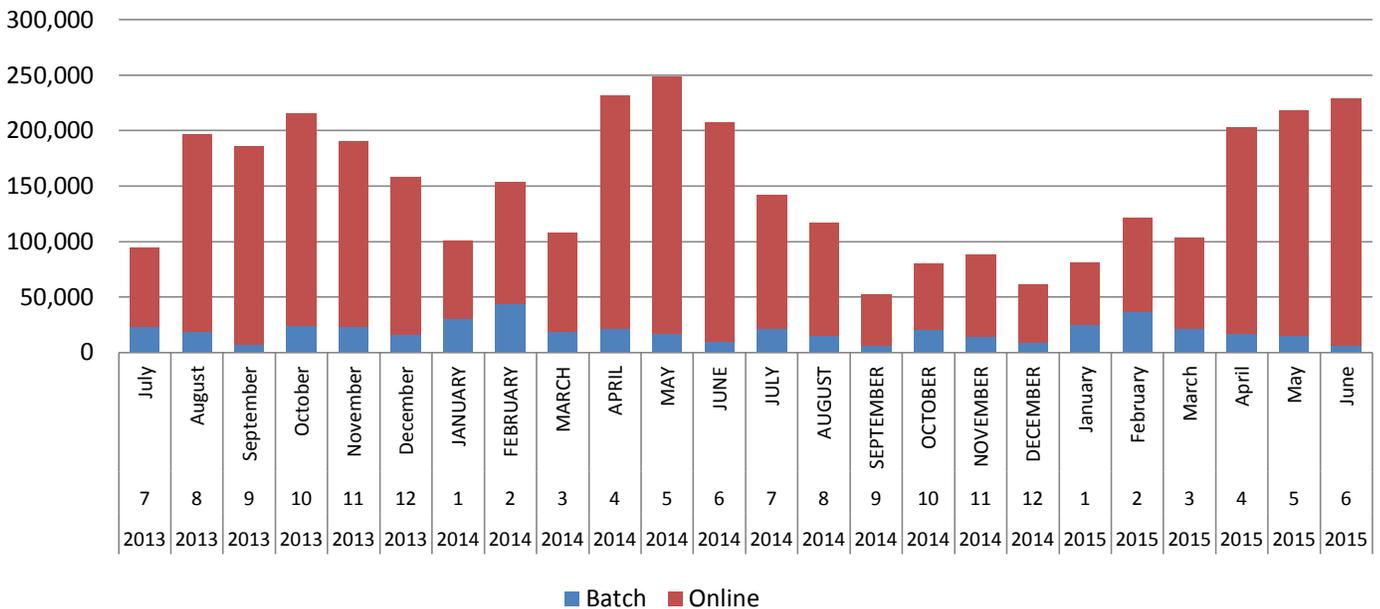


Figure 3.2.8.2: Monthly item quantity totals from Jul 2013 to Jun 2015 according to TAT reports for Shared – Return Processing

Workload Variability: Sales Tax – Return Analysis

Sales Tax–Return Analysis has 380 FTE’s. The department in the current facility is located on floors 9 and 14. The lowest month of items received is September 2013, with under 220,000 items processed compared to the highest month of May of 2014, with almost 425,000 items received. Only a small portion of items collected error out to this unit for reconciliation. The true workload demand lags the receipt of the items in terms of weeks. From a workload productivity perspective, the variability for the maximum month is 1.9 times the minimum and just over 1.4 times the monthly average.

Sales Tax–Return Analysis has six different teams oriented around the specifics of the main tax programs. This allows some cross-training opportunities to occur within teams, but infrequently across teams, as the physical facility splits the department onto two distinct floor locations with some teams on floors 14 and others on 9.

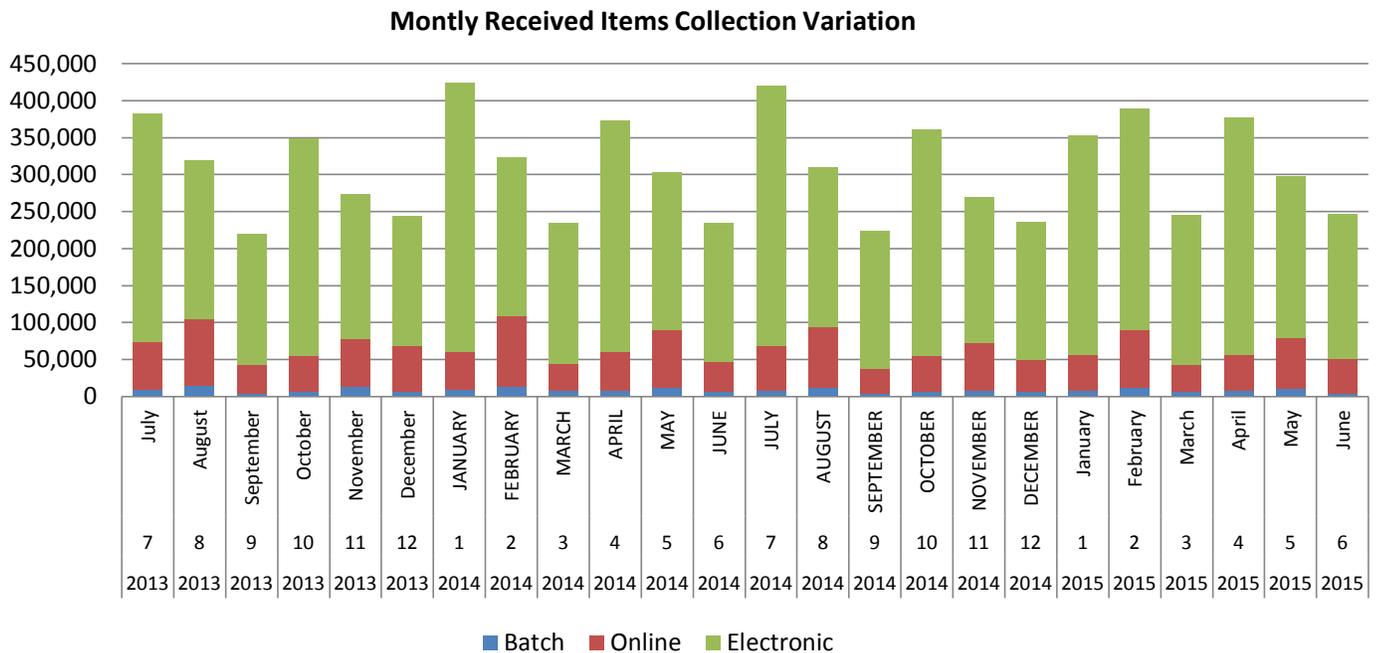


Figure 3.2.8.3: Monthly item quantity totals from Jul 2013 to Jun 2015 according to TAT reports for Sales Tax – Return Analysis

3 **3** RESPONSES TO STATE AUDITOR REPORT 2014-108

Workload Variability: Special Tax – Return Processing

Special Tax–Return Processing has 80 FTE’s. The department in the current facility is located floors 17 and 18. The lowest month of items received is December 2013, with under 30,000 items processed compared to the highest month of June of 2015, with over 220,000 items received. Only a small portion of items collected error out to this unit for reconciliation. The true workload demand lags the receipt of the items in terms of weeks. From a workload productivity perspective, the variability for the maximum month is 7.9 times the minimum and just over 2.0 times the monthly average.

Special Tax–Return Processing has 76 TAT programs. Teams are highly specific to the requirements of each program. Teams are small given the high number of programs. This is a barrier to cross-training opportunities as the expertise / work tasks on programs is very specific.

Monthly Received Items Collection Variation

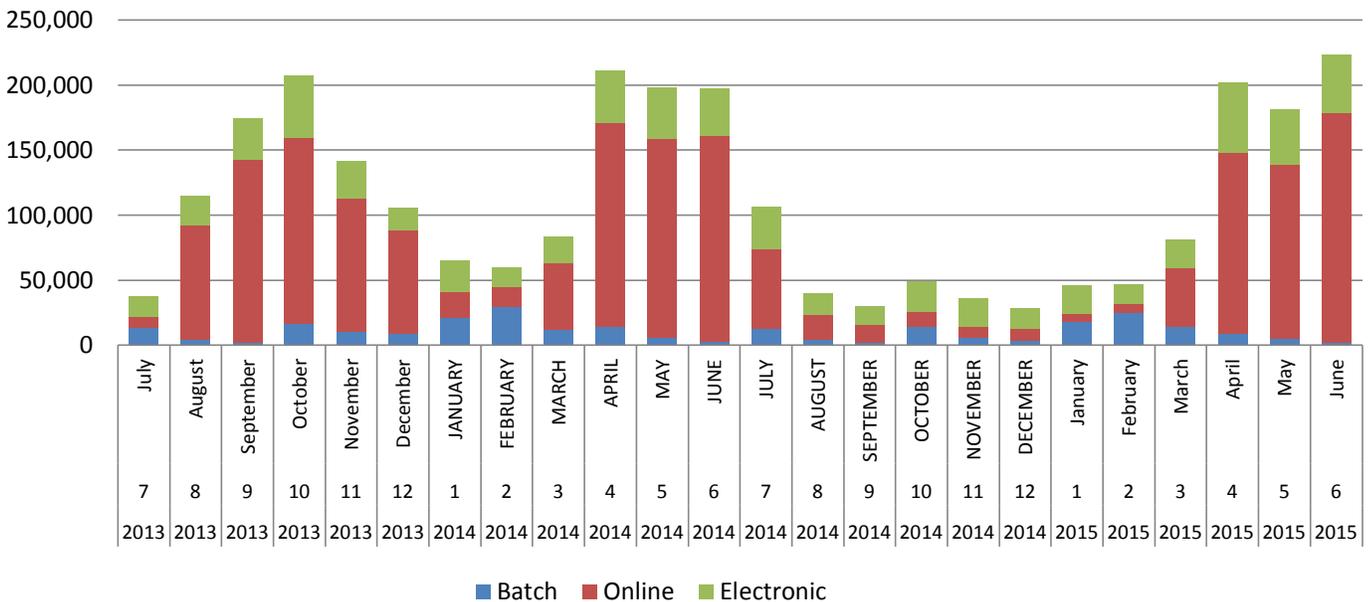


Figure 3.2.8.4: Monthly item quantity totals from Jul 2013 to Jun 2015 according to TAT reports for Special Tax – Return Processing

Order of Magnitude Potential of Revenue Generation Cross Departmental Sharing

During peak times Sales Tax–Return Analysis sends up to 50 people down to second floor to help Shared–Return Processing perform low complexity, high-volume tasks (i.e. manually opening Sales Tax related mail). To a degree each of the three Revenue Generation major departments can find low complexity, high volume tasks and shift resources across departmental boundaries during periods of low demand, increasing overall productivity of Revenue Generation.

In the current state, these three silo functions are spread out over five different floors. If these functions could be located in a more consolidated environment, from a management perspective the opportunity to develop work sharing/cross-training is enhanced. Compared to the improvement savings in reducing waste associated with the physical movement of materials the potential for workforce sharing is considerable.

When the curves for each of the departments are stacked based on an equivalent item per department FTE, and a more holistic perspective is taken to workload management, the variability for the maximum month is 3.9 times the minimum and just over 1.6 times the monthly average.

The analysis is admittedly more qualitative and suggestive. Special Taxes–Return Processing is skewing the results as they process almost 30,000 collected items per FTE while Shared–Return Processing and Sales Tax–Return Analysis process around 20,000 items per FTE. Only a portion of items actually reach both Sales and Special Taxes, while only the Batch and On-lining items received by Shared–Return Processing are included in the equivalency calculations. Time lag between processing by Shared–Return Processing and erroring out to Sales Tax–Return Analysis and Special Tax–Return process in not factored in.

Taking each department in isolation, the maximum workload per month is 7% greater when compared to stacking the workload of the departments. If this productivity gain could be realized across each of these departments the opportunity is 45 FTE’s worth of improvement that can be applied to the current understaffing conditions and future workload growth associated with tax / fee program expansion.

**Workload Variation In Shared Condition
(Equivalent Work = Items Per Department Staff)**

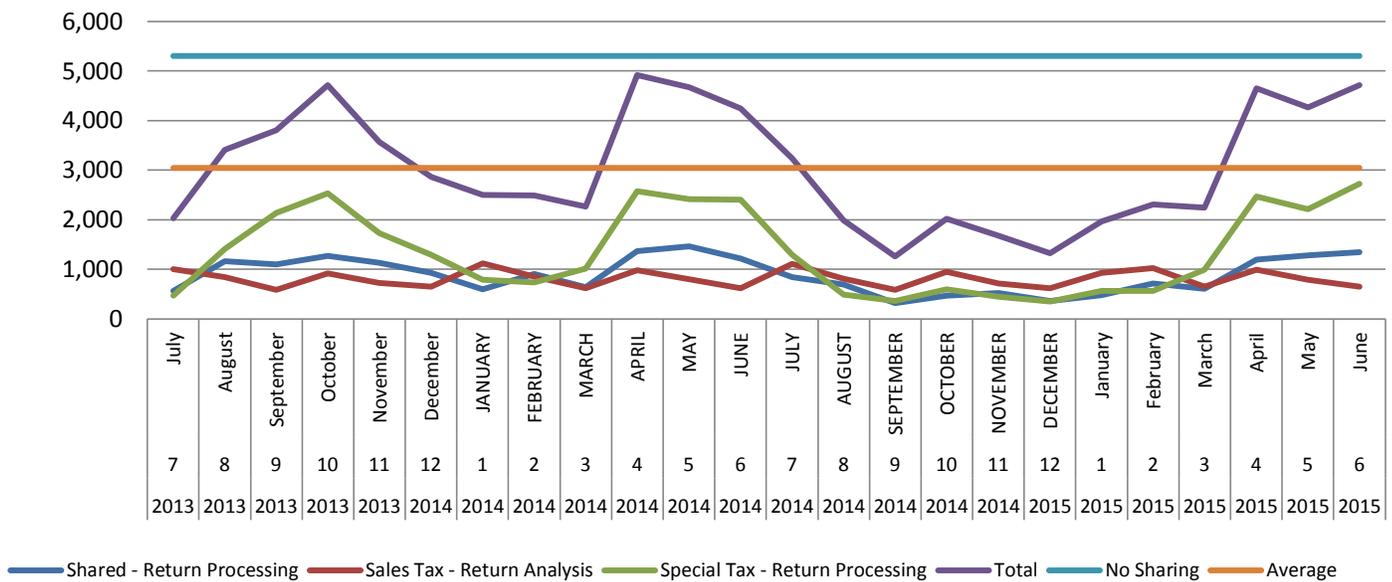


Figure 3.2.8.5: Monthly items per department staff from Jul 2013 to Jun 2015 according to TAT reports

Mail and Print Services

Mail and print services occupy several locations on the first floor. The department provides the inter and intra-building mail delivery, printing services and related outbound mail printing and processing. The locations are oriented around sorting and delivery of inbound correspondence, printing technology and outbound printed material processing. Small teams operate at these locations processing inbound correspondence and outbound work orders. For outbound printing processing, raw material stores are distributed in proximity to each of the services.

Inbound Mail / Mail Messaging

Inbound mail is sorted and routed into batch and on-lining processing streams, return mail / program streams and specific departmental correspondence streams. Mail messaging is responsible for the distribution and collection of departmental mail within 450 N Street and scheduled courier transportation to other BOE Annex facilities.

48% of inbound mail is program related and flows through batch and on-lining processes. 30% of inbound mail is returned mail. Almost 75% of this mail is distributed back to the associated tax program for follow-up and re-processing. The balance is overall BOE operations-specific correspondence.

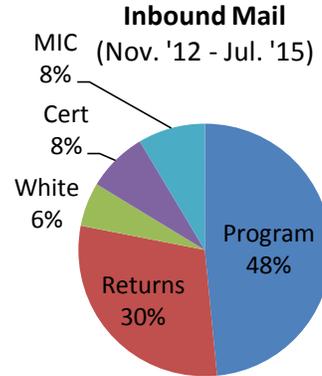


Figure 3.2.8.7: Inbound mail type apportionment relative to total

On a daily basis the inbound mail is extremely variable. The average day is just over 8,500 items. During peak days, the maximum inbound exceeds 50,000 items. The inbound system during peaks must prioritize processing monetary items over non-monetary items. Even so, the process will queue monetary inbound items for days during these peaks.

The small sample trend line (data available for only 33 months) suggests a decline in total inbound receipts. Fire fees, however, are 53% of overall program volume. This new tax program was implemented in 2013. This highlights the impact of new tax programs on inbound mail and Shared-Return processing program resource requirements.

Inbound Mail Piece Count - All Inbound

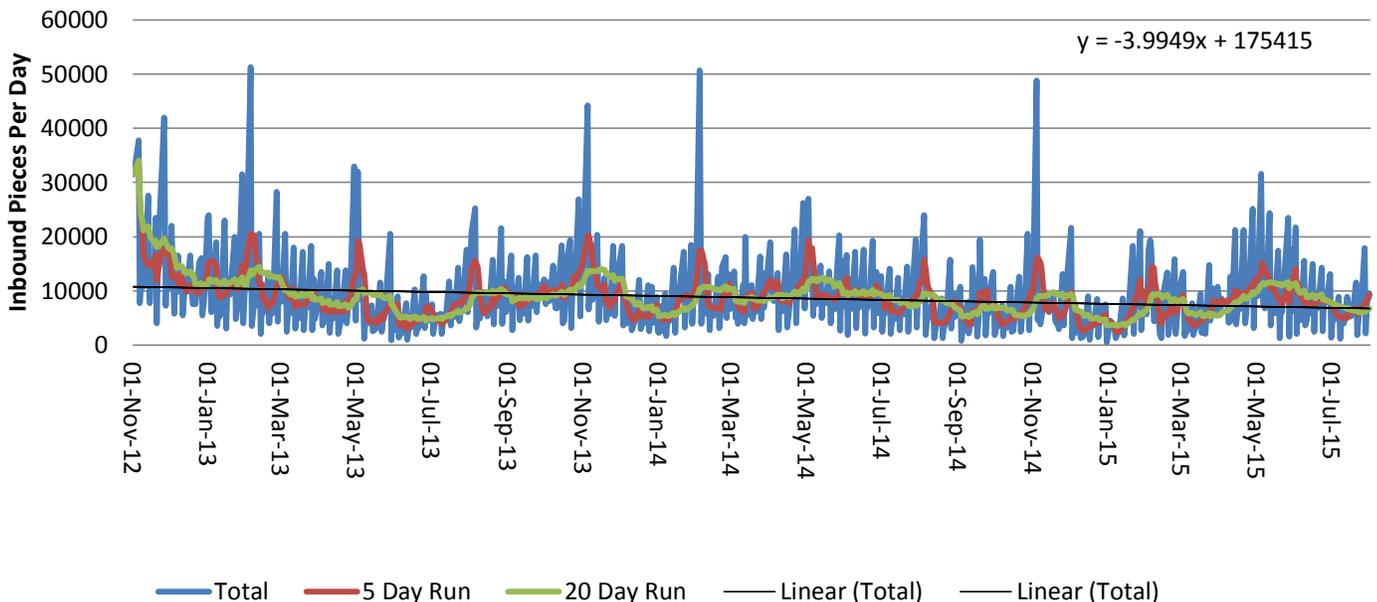


Figure 3.2.8.6: Monthly items per department staff from Jul 2013 to Jun 2015 according to TAT reports

Outbound Mail and Print Services

Unlike the slight reduction in inbound items evidenced in Shared-Return Processing, workload in Mail and Print Services has over doubled in volume over the last five years. This outcome is due to an increase in number of tax programs and resulting notifications and outreach communication activities supporting tax/fee programs driven by board members.

Printing technology has helped mitigate the increased workload demands through productivity improvements. The 450 N Street facility, however, is an impediment in two ways:

1. Additional printing equipment will be required as volume increases above current levels and the printing locations are located in isolated locations, and
2. The isolation limits level loading of workload with cross-trained staff within printing / outbound mail processing.

If the benefit of increased productivity through physical co-location is realized then applied to mail and print services, a similar 5% productivity gain is possible. This would result in increased productivity to be carried on to future Mail and Print Service growth.

Correspondingly, the amount of space dedicated to these functions in both print and outbound mail processing is expected to grow. Given mitigating strategies of expanding hours of operation and consolidating material stores, a modest 3% growth rate for staff and space is expected. Therefore, it is justifiable to expect a high rate of outbound print and mail correspondence given the growth experienced over the past five years.

Monthly Outbound Mail Variation

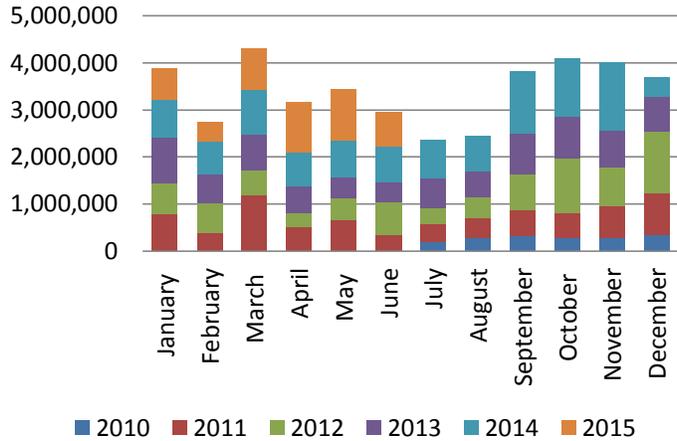


Figure 3.2.8.9: Total monthly outbound mail variation stacking by year

Scanning Services

Scanning services convert paper documents into electronic media. For Sales Taxes-Return Analysis, this function resides at 3600 Industrial Blvd. For Special Taxes-Return Processing, scanning is collocated with other Special Tax functions on the floor.

The operation at 3600 Industrial Blvd has 24 FTE's. The bulk of the workload is scanning of back files associated with Auditing. The warehouse at this location at the current staffing levels has years of scanning backlog of auditing reports. On a daily basis, to support the scanning requirement of Sale Taxes-Return Analysis, the workload is one to four mail bins.

The scanning operations of Special Taxes-Return Processing is nearly as small. The scanning systems are currently migrating to the same *Documentum* system used by Sales Taxes-Return Analysis. When the migration to the to same scanning software is complete, consolidation of the Special Tax-Return Processing scanning operations to the Taxpayer Records Unit may occur.

Although not significant in FTE savings relative to other opportunities between Sales Taxes-Return Analysis and Special Taxes-Return processing, it does highlight one of the many opportunities where a consolidated facility would enable the departments to think more holistically about work functions and productivity improvement across departmental boundaries.

Fiscal Year Metered Outbound Mail

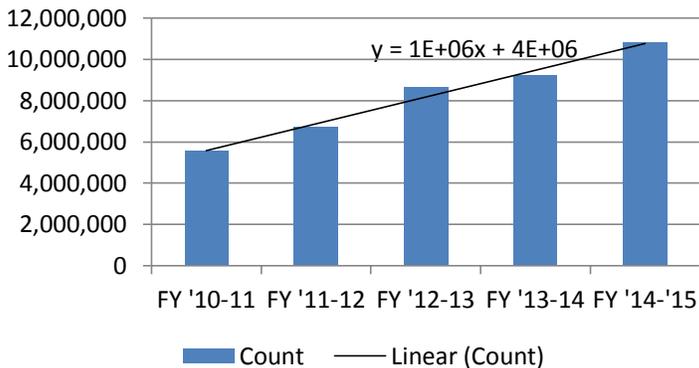


Figure 3.2.8.8: Total fiscal year metered counts per year

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3 RESPONSES TO STATE AUDITOR REPORT 2014-108

3.3 FORECASTING HEADCOUNT

3.3.1 STAFFING OVERVIEW -- BOE History

Historical Headcount

To more clearly demonstrate its case for a new facility, BOE should incorporate staffing growth into its analysis of costs and benefits, using projections based on long-term historical data.

To project future headcount across the entirety of BOE requires a historical look back at the relationships between sources creating demand, disruptive forces and the correlating human resource capacity.

The Auditor’s report highlighted the difference between a 20-year look back and the BOE’s report of a 10-year look back. The difference in annual growth factors is 2% per year. Over ten years the compounded difference is 24%. The key question to be addressed remains - will the next ten years of BOE operations follow more closely the demands of last ten years or the last twenty?

The scope of process improvement in Section 3.2 limited the analysis to the Revenue Generation departments, only 22% of the overall BOE headcount, therefore the data used in addressing this Auditor recommendation will be based on Budget Change Proposal history linked with total revenue collected.

From 2003 through 2014, revenue has increased from \$42 Million to \$65 Million. At a macro level, the overall revenue generated per employee from 2005 through 2014 averages \$12.6 Billion.

Some of the disruptive forces that have been at play in the last ten years are:

- Economic Recession
- On-line forms
- Electronic filing
- Electronic payments
- New high-volume/low fee per customer programs
- Greater outreach communication
- Greater investment in compliance

Taking these forces into account is crucial for making an accurate estimate on the degree of headcount growth, and they were not present 20 years ago.

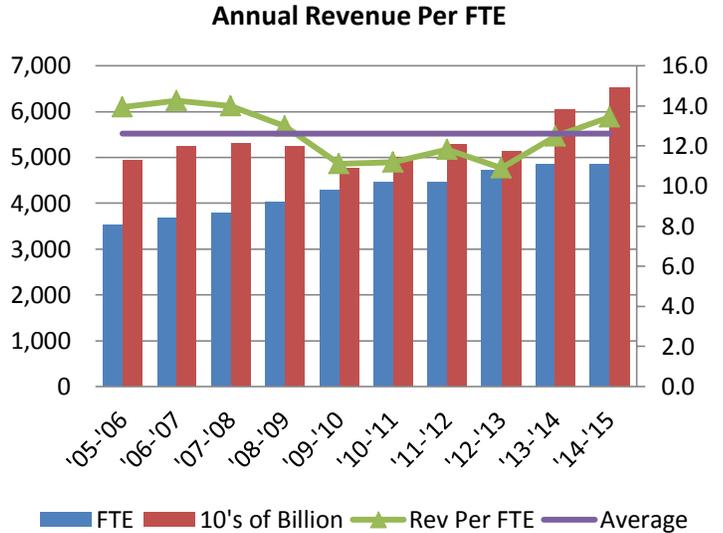


Figure 3.3.1.1: Total monthly outbound mail variation stacking by year

3.3.2 REVENUE GROWTH

12 Years of Annual Reports

Information extracted from the annual reports dating back to 2003 show an overall revenue collection growth of 50%. The total revenue collected in this timeframe follows the state of the economy. Due to changes in technology, customer preferences and resulting workflow initiatives, revenue is not a perfect indicator of workload for Revenue Generation departments but can be used as a fundamental workload predictor for the entirety of the BOE.

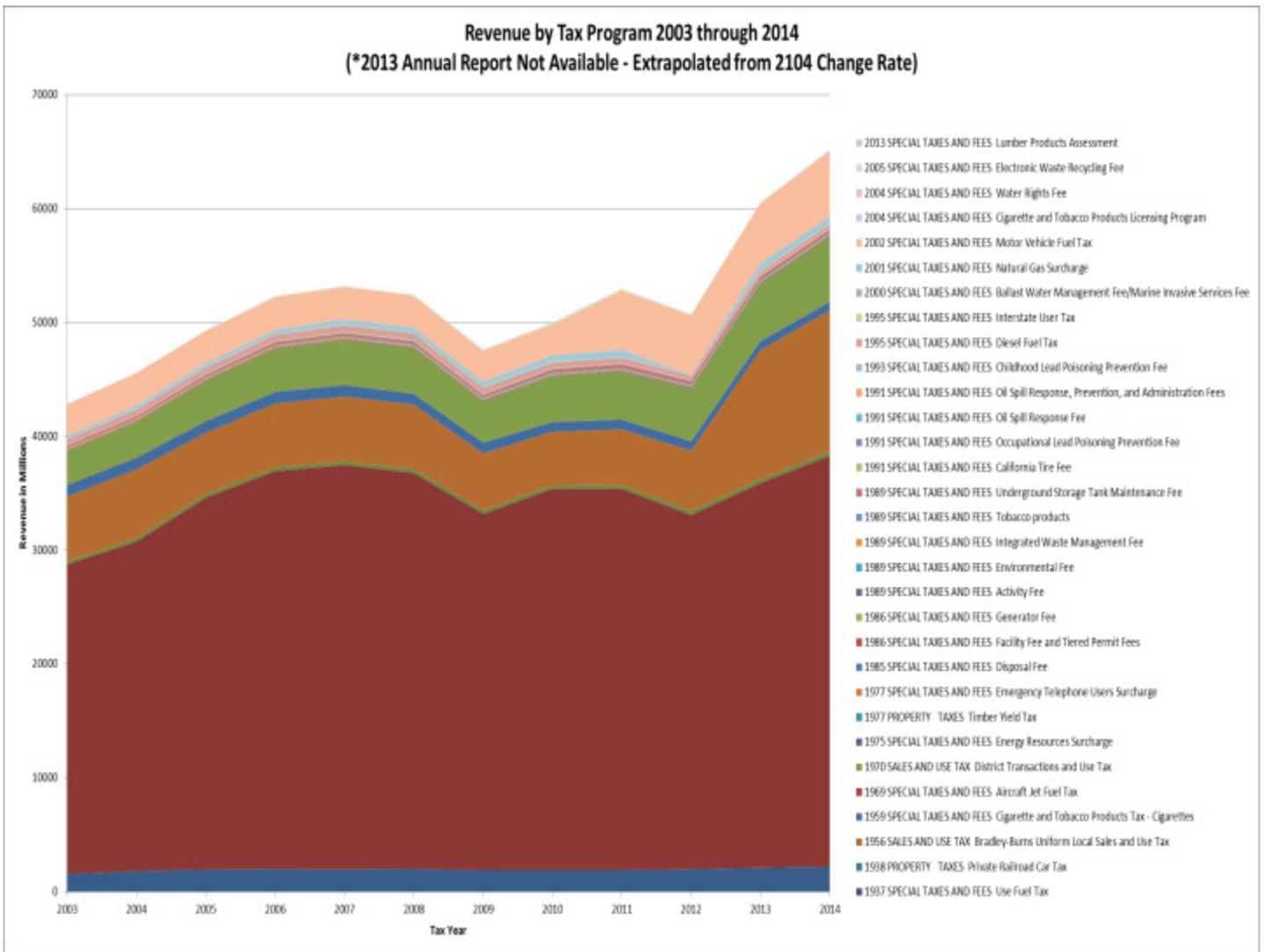


Figure 3.3.2.1: Revenue by tax program from 2003 to 2014 according to annual reports

Sales and Property Taxes

The graph below illustrates the amount of revenue generated by the Sales Tax department. Although the origination of the most recent sales program dates back to 1977, there are annual changes to these tax/fee programs. Overall, the amount of revenue generated per program dwarfs that of Special Taxes.

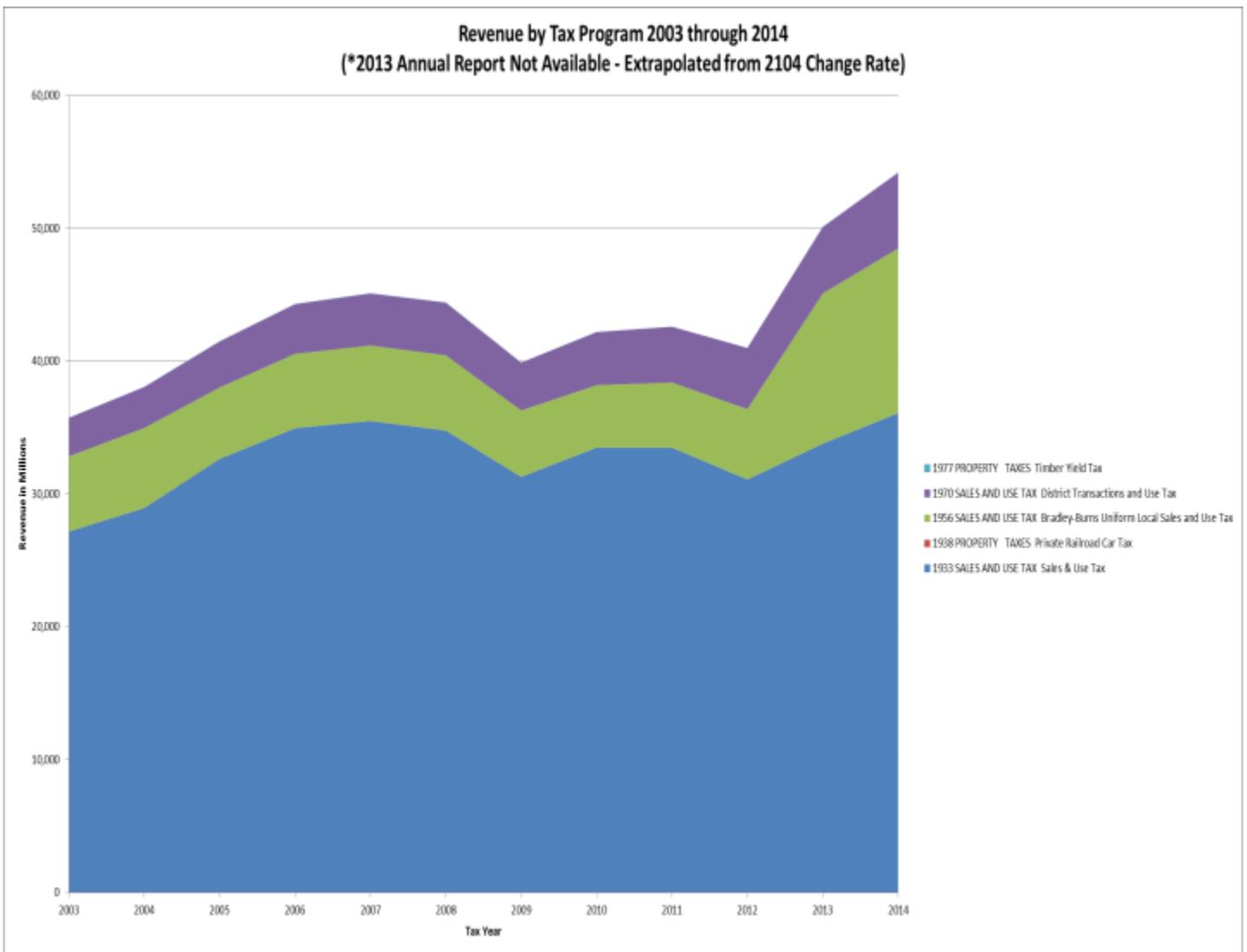


Figure 3.3.2.2: Revenue from Sales, Use, and Property Tax from 2003 to 2014 according to annual reports

Special Taxes

Special tax and fee programs, although a fraction in total revenue and significantly lower in revenue per program than Sales tax, are significantly higher in quantity. This is reinforced by the revenue collected per staff comparison.

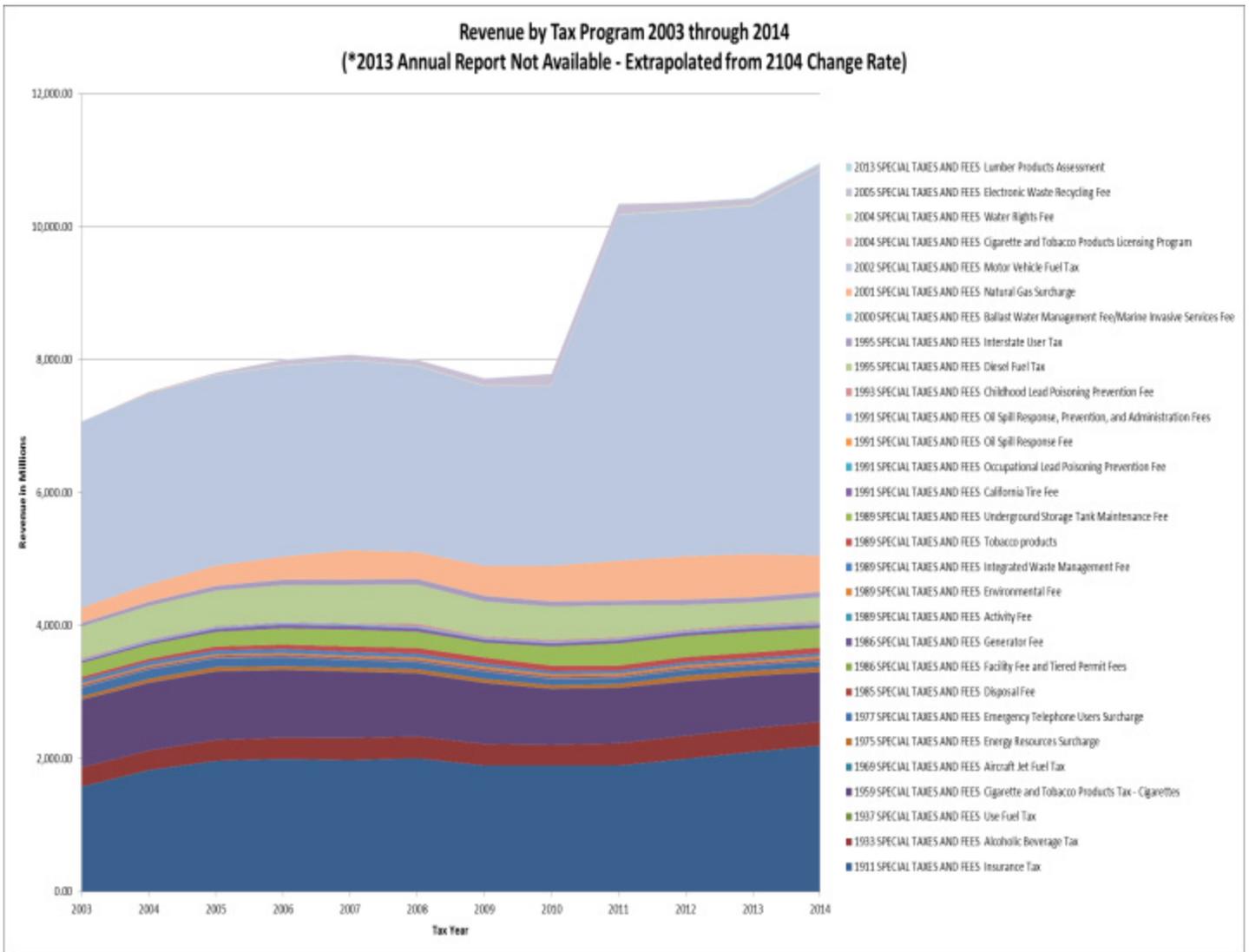


Figure 3.3.2.3: Revenue from Special Tax from 2003 to 2014 according to annual reports

3 RESPONSES TO STATE AUDITOR REPORT 2014-108

Program Acceleration

The number of tax and fee programs is accelerating as tax programs are seldom retired. The graph suggests that the infusion of new programs is cyclical. In better economic conditions new programs are initiated. In leaner economic conditions few new programs become implemented. As BOE approaches the next decade, the chart suggests a surge in new tax / fee programs. This will likely result in a need for additional resources given recent Budget Change Proposal history.

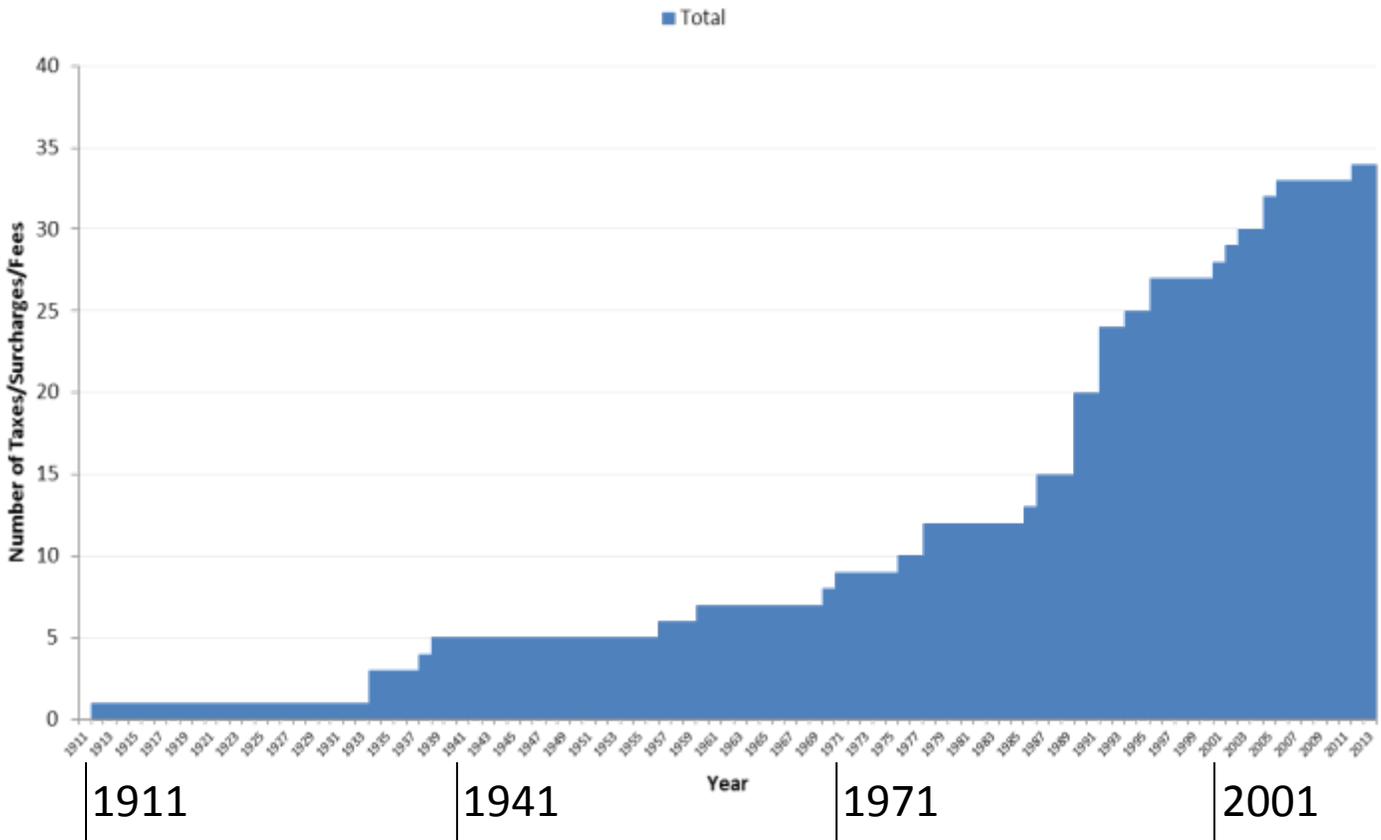


Figure 3.3.2.4: Cumulative quantity of tax programs from beginning of BOE history

3.3.3 STAFFING ANALYSIS

Budget Change Proposals

Any changes to staffing headcount is approved through the Budget Change Proposal process. Data available back to 2008 categorizes the headcount authorization into Program Legislation and BOE initiatives. Program Legislation headcount represents staff to implement new changes to programs and can be further categorized into Sales Tax and Special Tax groups. BOE initiatives are headcount responses to a wide range of evolving business needs.

From 2008 through 2015, a total of 1,310 positions were authorized. Of that 80% fall into the BOE initiative category. From a BCP count perspective, 60% of the BCP's are BOE proposal, leading to an average position add per BCP of 45 versus average position add of 18 for legislative proposal.

Five BCP's were swapped year to year as the function of authorized positions changed with the needs of BOE. From 2008 through 2014, there are three program headcount swaps representing 121 positions.

Since FY '08-'09 the largest single BCP contributors are related to Tax Gap initiatives, Tax Compliance and Enforcement (54%) and development resources for the CROS technology migration project (18%).

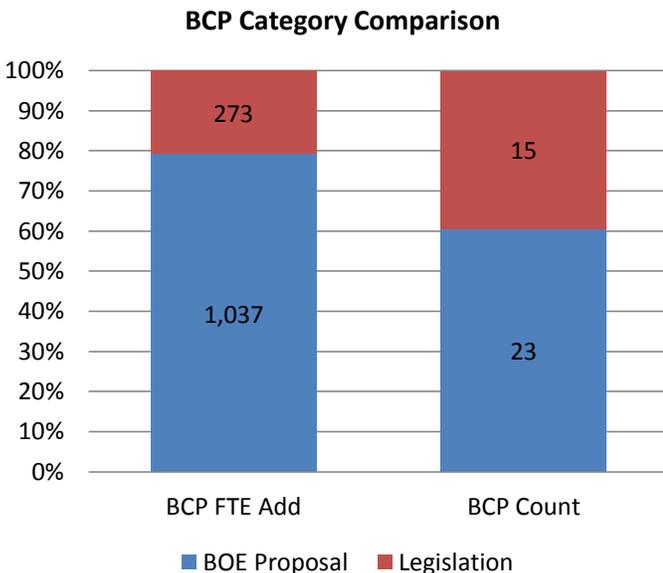


Figure 3.3.3.1: Relative and absolute FTE additions and counts according to BCPs

Table 3.3.3.1: BCP data for FTE adds from '08-'09 to '15-'16

BCP YR	BCP Description	Tax Type	FTE Add	Swap ATY	Percent
'08-'09	BCP 1 E-Services Expansion	BOE Proposal	16		1%
'08-'09	BCP 2 Tax Gap Initiatives	BOE Proposal	252		19%
'08-'09	BCP 3 Statewide Compliance and Outreach Program	BOE Proposal	147		11%
'08-'09	BCP 4 Cigarette and Tobacco Products Taxes Revenue Recovery	BOE Proposal	34		3%
'08-'09	BCP 5 Agricultural Inspection Station Tax Leads	BOE Proposal	16		1%
'09-'10	BCP 1 Facilities- HQ	BOE Proposal	6		0%
'09-'10	BCP 2 Emergency Telephone Users Surcharge	Special Tax/Fee	5		0%
'09-'10	BCP 3 Offer In Compromise On Qualified Active Businesses	Sales & Use Tax	2		0%
'09-'10	BCP 5 Tax Refund Litigation	BOE Proposal	3		0%
'09-'10	BCP 6 Administrative Appeals	BOE Proposal	9		1%
'09-'10	BCP 7 Cigarette and Tobacco Products Licensing and Enforcement	BOE Proposal	97		7%
'09-'10	BCP 8 U.S. Customs Program	BOE Proposal	12		1%
'09-'10	BCP 9 Out of State Audit and Registration Program (1032 Program)	BOE Proposal	23		2%
'09-'10	BCP 10 Environmental Stewardship Program	BOE Proposal	13		1%
'09-'10	BCP 11 Natural Gas Public Purpose Programs Surcharge	Special Tax/Fee	2		0%
'09-'10	FL #1 Special Taxing Jurisdictions	Sales & Use Tax	11		1%
'09-'10	Abx4 Non-registered Taxpayers	Sales & Use Tax	124		9%
'10-'11	BCP 2 Increase Revenue Through Agricultural Inspection Station Tax Leads	BOE Proposal	43		3%
'10-'11	BCP 3 Ensuring Fuel Tax Compliance	BOE Proposal	5		0%
'10-'11	ABx8 and SB 70 Fuel Tax Swap	Special Tax/Fee & Sales & Use Tax	7		1%
'10-'11	Enhancing Tax Compliance	BOE Proposal	105		8%
'10-'11	SB 858 Use Tax Line/Collection Cost Recovery Fee	Sales & Use Tax/All Taxes & Fees	1		0%
'11-'12	BCP 1 Permanent Establishment - Statewide Compliance and Outreach Program	BOE Proposal	0	2	0%
'12-'13	BCP 1 Natural Gas Surcharge	Special Tax/Fee	0	2	0%
'12-'13	BCP 2 Tax Gap II	BOE Proposal	12		1%
'12-'13	BCP 4 Dell Computers Settlement-Placeholder	BOE Proposal	0		0%
'12-'13	BCP 5 AB 155- Use Tax Nexus	Sales & Use Tax	28		2%
'12-'13	BCP 6 Trailer Bill ABx1 29 State Responsibility Area Fire Prevention Fee	Special Tax/Fee	54		4%
'12-'13	SFL 1 CROS	BOE Proposal	242		18%
'12-'13	FIRM	Sales & Use Tax	1		0%
'12-'13	Trailer Bill Timber Reuglation and Forest Restoration Fee	Special Tax/Fee	10		1%
'13-'14	BCP 1 Enhancement of eServices	BOE Proposal	0		0%
'13-'14	BCP 2 Fuel Swap Refund Workload	Special Tax/Fee & Sales & Use Tax	0	7	0%
'13-'14	BCP 3 Joint Operations Center (JOC) Ensuring Fuel Tax Compliance	BOE Proposal	0	5	0%
'14-'15	BCP 1 Southern California Appeals and Settlement	BOE Proposal	0	105	0%
'14-'15	BCP 2 Fire Prevention Fee Program	Special Tax/Fee	9		1%
'14-'15	BCP 3 IDS/IPS - Information Security	BOE Proposal	2		0%
'15-'16	BCP 1 AB 1717 Prepaid Mobile Telephony Services Surcharge	Special Tax/Fee	19		1%

Historical Headcount

When comparing the Budget Change Proposal approved headcount with the actual BOE headcount, there is a lag in time explained by the approval, actual hiring and/or position reclassification. Since FY '08-'09 the total position difference between approved and actual is -280. In FY '12-'13, 237 vacant positions were eliminated per Budget Letter 12-03, leaving 43 positions lagging.

The BCP process for each year is significantly different, suggesting a high degree of adaptation to market conditions. During strong economic conditions resources are mobilized for new program initiatives. In weaker economic times, resources are shifted to compliance.

Budget Change Proposal by Category

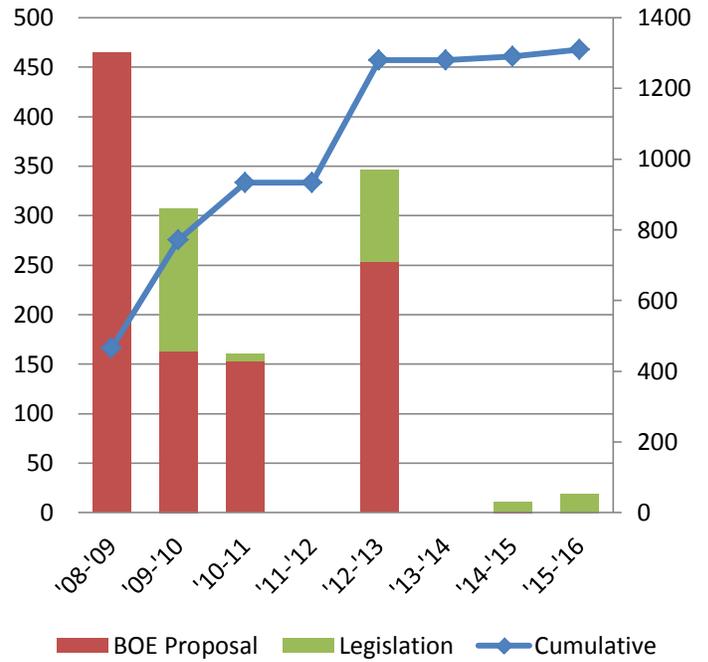


Figure 3.3.3.3: Budget change proposal trend

BOE and BCP Position Add Comparison

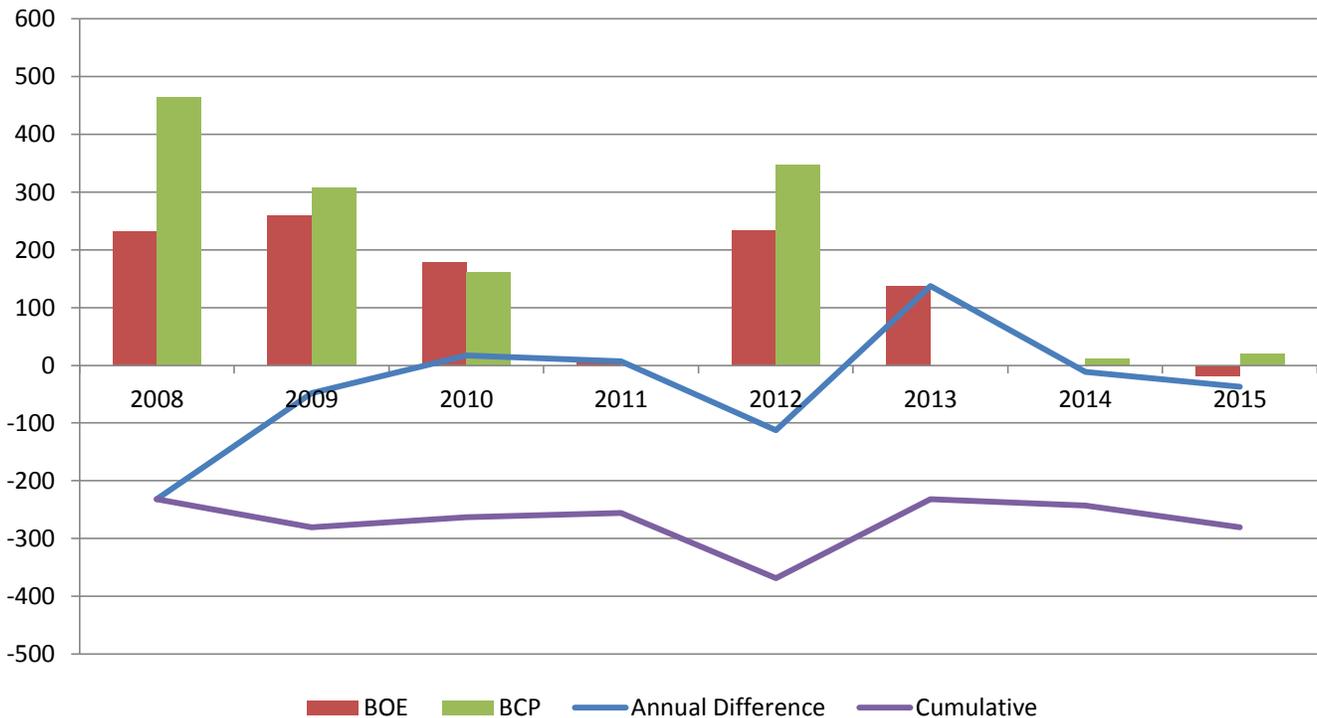


Figure 3.3.3.2: BCP adds vs BOE position change trends

Historical Headcount by Personnel Years

From FY '95-'96 to FY '05-'06, headcount increased 1.8% annually. This is in stark contrast to the degree of growth experienced in the subsequent decade shown next.

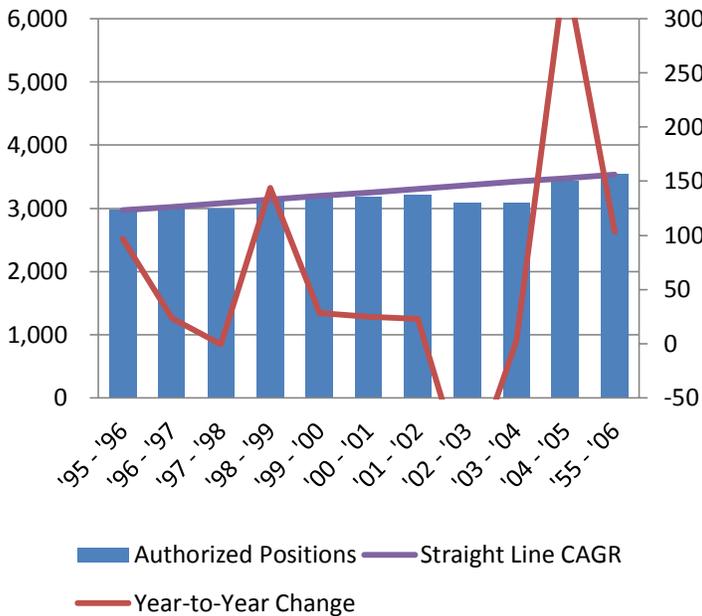
From FY '95-'96 to FY '05-'06 almost all work was paper-based. A steady growth of only 1.8% was experienced during that time frame and the only significant reduction in staff occurred in FY '02-'03 year; those staff were subsequently compensated two years later in FY '04-'05.

Although technology was not leveraged highly in the automation of electronic return processing, staff growth was relatively small.

Table 3.3.3.2: Enacted budget position change summary from 1995 to 2006

BOE YR	Enacted Budgets			
	Authorized Positions	Year to Year Change	Percent Change	Straight Line CAGR
'94 - '95	2,871			
'95 - '96	2,968	96.6	3.4%	2,968
'96 - '97	2,991	23.3	0.8%	3,025
'97 - '98	2,991	-0.8	0.0%	3,081
'98 - '99	3,135	144.1	4.8%	3,138
'99 - '00	3,163	28.4	0.9%	3,194
'00 - '01	3,188	24.6	0.8%	3,251
'01 - '02	3,211	23	0.7%	3,307
'02 - '03	3,081	-129.2	-4.0%	3,364
'03 - '04	3,084	2.8	0.1%	3,421
'04 - '05	3,430	346.2	11.2%	3,477
'05 - '06	3,534	103.4	3.0%	3,534

**20 yr - 10 yr Lookback
BOE Position Count**



FY '95 -'96 to FY '05-'06* Total Adds 566

FY '95 -'96 to FY '05-'06* Cumulative Growth 19%

Compounded Annual Growth Rate (CAGR) 1.8%

Notes:

- Includes all BOE staff nationwide
- PY = Authorized Positions
- Annual variations are due to State economy, new taxes, staff for new initiatives (CROS), etc.
- Trend line is more useful than individual annual statistics

Figure 3.3.3.4: BCP FTE count trend from FY '95-'96 to FY '05-'06

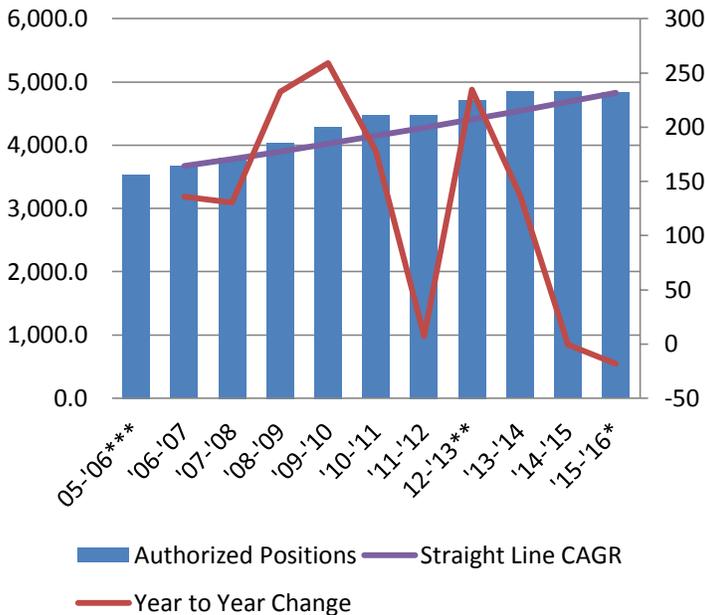
Several key differences distinguish the last ten years from the previous decade. Revenue collection activities have almost entirely migrated and matured from paper processing to electronic processing. 237 open positions were eliminated in FY '12-'13. BOE head count has plateaued over the last three years. Overall revenue continues to recover from the 2009 recession. New programs introduction cycles suggest acceleration over the next decade requiring additional FTE resources for implementation. With more programs, Tax Gap initiatives, Tax Compliance and Enforcement will continue to require investment. Technology will continue to advance requiring investment in development resources. Productivity gains will continue to keep pace with revenues per employee with a more favorable economy.

Given the dynamic variability, From FY '06-'07 to FY '14-'15, headcount has increased 3.58% annually, while revenue per headcount has increased 3.15%.

Table 3.3.3.3: Enacted budget position change summary from 2006 to 2016

BOE YR	Enacted Budgets			
	Authorized Positions	Year to Year Change	Percent Change	Straight Line CAGR
05-'06***	3,533.8			
'06-'07	3,669.8	136	3.8%	3,669.8
'07-'08	3,800.5	130.7	3.6%	3,783.6
'08-'09	4,033.3	232.8	6.1%	3,900.9
'09-'10	4,292.4	259.1	6.4%	4,021.8
'10-'11	4,470.2	177.8	4.1%	4,146.5
'11-'12	4,477.6	7.4	0.2%	4,275.0
12-'13**	4,712.1	234.5	5.2%	4,407.5
'13-'14	4,849.1	137	2.9%	4,544.2
'14-'15	4,848.6	-0.5	0.0%	4,685.0
'15-'16*	4,830.3	-18.3	-0.4%	4,830.3
'06-'07 to '15-'16* Total Adds				1,160.5
'06-'07 to '15-'16* Cumulative Growth				31.6%
Compounded Annual Growth Rate (CAGR)				3.10%

**10-Year Lookback
BOE Position Count**



Notes:

- Includes all BOE staff nationwide
- PY = Authorized Positions
- Annual variations are due to State economy, new taxes, staff for new initiatives (CROS), etc.
- Trend line is more useful than individual annual statistics

Figure 3.3.3.5: BCP FTE count trend from FY '06-'07 to FY '15-'16

Notes:

- * = FY '15-'16 is included in the Governor's Budget and not final.
- ** = In FY '12-'13, 237.0 vacant positions were eliminated per Budget Letter 12-03, these reductions are reflected in this chart.

*** = FY '05-'06 not included in 10-year look back

BOE Staffing Growth Impact

In summary, the following calculations are the expected 2025 projected head counts based on the aforementioned drivers using a 3% projected average growth per year (or 31.6% over ten years).

HQ staff moving to New Campus Only
(not including Motor Carrier Unit or District Facilities)

Existing HQ Employees in 2015 <i>New Campus staff 2,796; Motor Carrier 56</i>	2,852
Projected HQ Employees in 2025 <i>3% projected average growth per year =+31.6% over 10 years</i>	3,700
Required Facility Vacancy <i>3% minimum vacant seats for organizational changes</i>	100
<hr/> Total HQ Seats Required 2025	3,800

BOE Headquarters Staff Growth Conclusions

The calculations above are based on the ten-year trend of actual BOE staff growth established from FY '06-'07 through FY '15-'16 (+31.6% staff growth over ten years, average 3.1% growth per year). These numbers have been corroborated by projected growth in each BOE Department from in-person interviews, and is further corroborated by projected growth in Tax Activity Types (TAT's), based on historical growth in TAT's from FY '06-'15.

Over the past 20 years there have been several disruptive forces in BOE revenue collection:

- The revenue collection processes prior to 2006 were highly paper dependent.
- In 2006, the BOE implemented electronic tax filing and payments.
- The revenue collection processes since 2006 have transitioned rapidly to electronically filing and payments.
- E-filing and payment is most common for mature TAT's (primarily Sales and Use Taxes).

Technology has played a pivotal role in shaping not only the quantity of staff needed but also their required skill sets. This requires retaining staff with the knowledge and skills of existing processes while hiring new employees with higher technology skills.

In addition to disruptive technologies driving staff need, over the past ten years the BOE's overall revenue has increased 50%. This represents a trend of continued growth in legislatively-enacted Special Taxes and Fees, which generate less revenue per program.

Although it may seem that the BOE experiences benefits from economies of scale, newer taxes suffer several barriers to electronic filing and paying, including short lead times from the enactment of legislation to program implementation. The development cost of "electronic" forms and collection systems for specific taxes is a significant burden and takes considerable time.

Efficiencies gained by process improvements do not result in a reduction in the BOE's staff count. Instead, greater efficiency results in staff becoming available for reassignment to other tax collection/revenue generation jobs; improving the BOE's ability to generate revenue. This too points to continued growth in the size of the BOE staff.

Given these relatively recent disruptive forces, a ten-year look-back of BOE headcount history is more representative of projecting the next tens years than is the 20-year look-back that the State Auditor referenced in their 2014 comments.

**3.4
PRODUCTIVITY**

All existing processes within return processing are well studied in detail as evidenced by a semi-annual reporting mechanism implemented by the BOE. The report itemizes every step of the incoming mail process from each major department. Each row of the report describes the process and codes, with each step using a process identification number. As shown in the example below and on the following page, all minutes spent in processes are totaled for each period, and the report tracks the quantity and the average time in minutes each task takes to complete.

No documentation has been provided to the authors regarding departments outside of return processing; this is a gap in extending the productivity assessment in this study to all BOE departments. It is suspected that such reports do in fact exist but were not a part of the scope of this study.

Dpmt	Code	Description	Time (mins)	Qty	Time to Complete One
					Task (mins)
IMPC	101	log incoming UPS, FedEx, GSO mail	6,780	3,289	2.06
IMPC	102	dock: deliver processing	7,575		
IMPC	103	outgoing mail: meter	27,570	235,723	0.12
IMPC	104	throw mail for MIC's & district offices	37,960		
IMPC	105	verify and prepare mail for messenger delivery	12,275	52,114	0.24
IMPC	106	deliver mail to MIC's	43,950		
IMPC	107	outside driving route delivery	45,550		
IMPC	108	prepare GSO/GSO red bag/FedEx/outgoing packages	22,995	10,198	2.25
IMPC	109	hand stuff mail	3,690	5,410	0.68
IMPC	110	morning mail sort	41,880	821,274	0.05
IMPC	111	hand open mail	141,160		
IMPC	112	authenticate determinations	2,210	52,058	0.04
IMPC	113	date stamp determinations	2,580	41,725	0.06
IMPC	114	open mail using cut machine	9,720		
IMPC	115	research MIC's	7,135	8,924	0.80
IMPC	116	process outgoing mail	166,050	7,305,707	0.02
IMPC	117	fold mail on folder	1,860	33,003	0.06
IMPC	118	deliver presorted mail to post office	0	0	
IMPC	119	clean work area and perform basic upkeep on machines	26,326		
IMPC	120	return mail: process	28,100	489,962	0.06
IMPC	121	receptoin counter	48,939	57,447	0.85
IMPC	122	batch creation	96,079	14,830	6.48
IMPC	123	processing batch	42,730	15,338	2.79
IMPC	124	open mail on extractor	41,555	148,061	0.28
IMPC	125	sort mail and throw into modules	13,226		
IMPC	126	add batches	57,735	10,230	5.64
IMPC	127	prep cart for transport	16,190	57,433	0.28
IMPC	128	perfig	215	14,968	0.01
IMPC	129	research: online transfers, online tax documents, processing refunds	285	554	0.51
IMPC	130	close heat tickets	60	40	1.50

Figure 3.4.1: IMPC productivity data (six month preview)

Dpmt	Code	Description	Time (mins)	Qty	Time to Complete One Task (mins)
Cashiers	201	on-lining (excise taxes and fees, unidentified, IFTA, refunds, housing & development, excise tax, mail from other agencies, consumer use taxes, multiples & splits, security deposits)	66,010	23,164	2.85
Cashiers	202	batch processing (truck stops, timber tax, DOM, IFTA, onlined sales tax, ARBS)	9,364	2,649	3.53
Cashiers	203	prepping	10,875	7,651	1.42
Cashiers	204	perforating	605		
Cashiers	205	encoding	2,820		
Cashiers	206	adding batches	4,175	1,321	3.16
Cashiers	207	research unidentified checks	41,509	15,382	2.70
Cashiers	208	general research for (excise taxes & fees, unidentified, IFTA, refunds, housing & development, excise tax, mail from other agencies, CUTS, multiples & splits, security deposits, DOMS, etc...)	48,268		
Cashiers	209	processing, receipt & depositing cash	765	3	255.00
Cashiers	210	arbitrary account: create account number, transfers, mail order sails	5,130	1,021	5.02
Cashiers	211	prepare checks for deposit	6,425	4,887	1.31
Cashiers	212	truck stops: processing	595	358	1.66
Cashiers	213	timber tax: processing	4,485	3,045	1.47
Cashiers	214	mail sort of delivery cart	18,690		
Cashiers	215	IFTA: processing	3,535	967	3.66
Cashiers	216	2pm report: data collection	2,045	9,227	0.22
Cashiers	217	district office mail: processing	41,642		
Cashiers	218	security deposits: processing	4,485	1,820	2.46
Cashiers	219	refunds: processing	3,500	935	3.74
Cashiers	220	bank levies, bankruptcy, settlements & offers in compromise: processing	37,300	10,858	3.44
Cashiers	221	excise taxes & fees: processing	90	76	1.18
Cashiers	222	canadian checks: processing	1,265	165	7.67
Cashiers	223	bank research	5,925	101	58.66
Cashiers	224	processing wire transfers	0	0	
Cashiers	225	dishonoring checks: processing	12,855	3,443	3.73
Cashiers	226	dishonored checks: printing & organizing report	16,850		
Cashiers	227	dishonored checks: resolving bank issues	990		
Cashiers	228	pay traces: processing	5,850	187	31.28
Cashiers	229	processing & completing summaries	23,042	71	324.54
Cashiers	230	processing batch work listings	11,469	1,563	7.34
Cashiers	231	mis-directed payments	1,830		
Cashiers	232	issuing receipt books & processing	675	86	7.85
Cashiers	233	transfer receipts: procesing	2,955	718	4.12
Cashiers	234	check storage & destruction	10,365		
Cashiers	235	microfilm research	91,175	4,772	19.11
KDE	301	IST: batch sort	4,637		
KDE	302	perfing batches	5,256	8,687	0.61
KDE	303	log batches in access database	20,254	19,378	1.05
KDE	304	i-capture transfer & load	14,246	16,967	0.84
KDE	305	create & edit templates	11,795		
KDE	306	deliver i-capture batches to TSD	4,979		
KDE	307	i-capture batch processing	414,378	31,456	13.17
KDE	308	vouchers: on-ling	146,356	216,735	0.68
KDE	309	vouchers: prepping	124,756	216,191	0.58
KDE	310	ARs: on-lining	14,019	20,455	0.69
KDE	311	ARs: prepping	13,475	20,245	0.67
KDE	312	ARLs: on-lining	1,777	1,761	1.01
KDE	313	ARLs: prepping	188	225	0.84
KDE	314	single unidentified checks: research	5,452	2,165	2.52
KDE	315	single unidentified checks: prepping	5,807	3,286	1.77
KDE	316	verify & log incoming mail trays	4,456	1,485	3.00
KDE	317	returned items	1,632	1,161	1.41

Figure 3.4.2: Cashiering and KDE productivity data (six month preview)

In aggregate, the average time each return processing department takes to work through a single piece of incoming mail is summarized in the table at bottom.

To gain a broader, system-wide perspective on productivity, reports of similar detail would need to be assessed for departments outside Revenue Generation. As BOE processes change, the impact of staffing efforts can be determined from such performance tracking measures.

Dpmt	Code	Description	Time (mins)	Time to Complete One Task	
				Qty	(mins)
Check 21	401	check21: processing amount out of balance queue	4,965	1,102	4.51
Check 21	402	check21: encoding	21,700	258,202	0.08
Check 21	403	check21: ICL bank deposite cut-off	1,675	574	2.92
Check 21	404	check21: daily deposit report to S.T.O.	3,843		
Check 21	405	check21: encoder to check21 summary balancing	5,415		
Check 21	406	check21: monitoring dashboard	16,462		
Check 21	407	check21: paper depositing processing	5,055	2,084	2.43
Check 21	408	check21: non-conforming image processing	578		
Check 21	409	check21: check services	21,982	20,070	1.10
Check 21	410	check21: scanning	17,383	311,805	0.06
Check 21	411	check21: bank acknowledgment emails	6,525		
Check 21	412	check21: batch header	9,917	8,557	1.16
Check 21	413	check21: research table	805	350	2.30
Check 21	414	check21: encoder room lead duties	32,105		
Check 21	415	check21: documentum research	157	68	2.31
Check 21	416	check21: report generation	1,050		
Check 21	417	check21: system issues heat ticket/admin console	300	103	2.91
Check 21	418	check21: cleaning work area/equipment maintenance	1,840	336	5.48
Check 21	419	check21: check vault research	90	18	5.00
Fire Fees	500	fire fees: research	37,034	29,017	1.28
Fire Fees	501	fire fees: prepping	28,982	37,163	0.78
Fire Fees	502	fire fees: on-lining	33,454	37,153	0.90
Fire Fees	503	fire fees: stamping	9,292	29,240	0.32
Fire Fees	504	fire fees: open on extractor	356	740	0.48
Fire Fees	505	fire fees: hand open	30	50	0.60
Fire Fees	506	fire fees: returned items	2,306	233	9.90
Fire Fees	507	fire fees: correspondence review	340	304	1.12

Figure 3.4.3: Check 21 and Fire Fee productivity data (six month preview)

Table 3.4.1: Summary of time and quantity given the six-month productivity preview data

Dpmt	Sum of Time	Sum of Qty	Avg of Time (mins)
Cashiers	497,559	94,470	757.1
Check 21	151,847	603,269	30.2
Fire Fees	111,794	133,900	15.4
IMPC	952,380	9,378,288	24.8
KDE	793,463	560,197	27.4
Grand Total	2,507,043	10,770,124	854.9

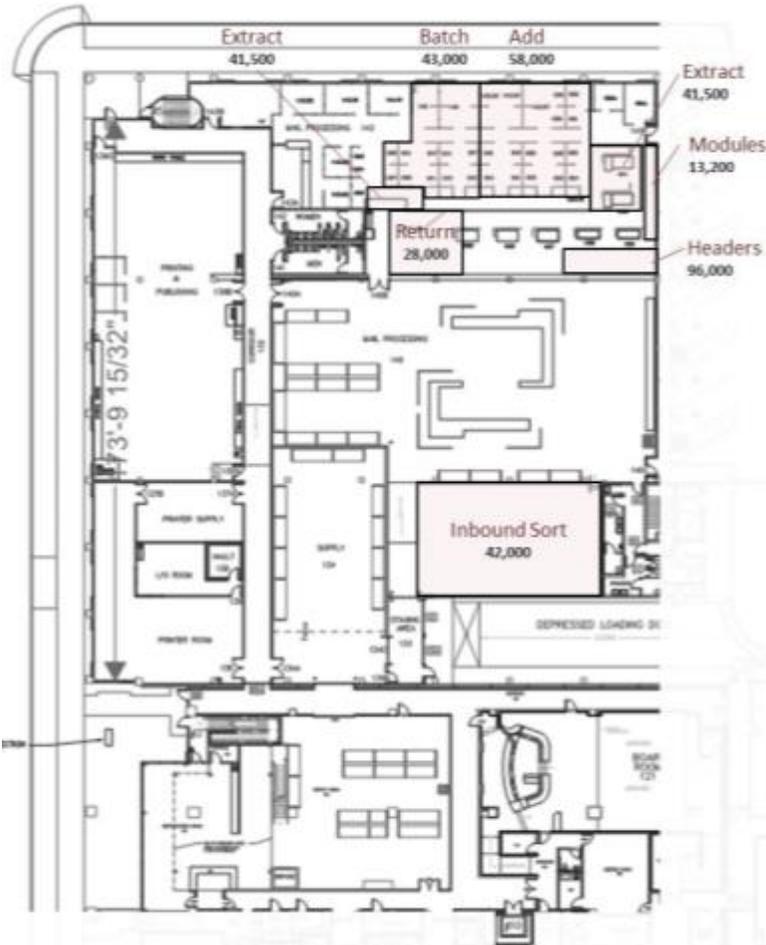
3 **3** RESPONSES TO STATE AUDITOR REPORT 2014-108

Productivity by Area

By attributing time components from the semi-annual report, a visual graphic representing the amount of time spent at each station in return processing can be shown.

Below is illustrated the total minutes in a six month period where tasks are completed on Floors 1 and 2. The magnitude in minutes at each reveals the relative degree of effort required to complete the types of tasks occurring in that space.

It is clear from the diagrams that the majority of effort in minutes is spent in Key Data Entry and On-lining. A fairly even distribution of effort is spent in each process stage on floor one in the internal mail processing center. Cashiering and Encoding require the second highest amount of effort. The processing needs



FLOOR 1: 337,700 mins

Figure 3.4.4: Floor 1 productivity data by work area



FLOOR 2: 1,055,300 mins

Figure 3.4.5: Floor 2 productivity data by work area

Productivity Conclusions

Estimates on shifts in worker productivity and state revenue are dependent on several factors including but not limited to:

1. Addition/retirement of tax and fee collection programs
2. On-boarding of new revenue processing technologies
3. Inferences of new BCP's in reference to historical BCP's.

As shown in Section 3.3, the number of tax and fee collection programs highly influences the number of staff needed for all of the BOE. In addition, it is expected that new revenue generating technologies such as mail scanning and roll-out of more automated electronic filing portals will not necessarily put less pressure on staffing growth. A thorough assessment of the impact of such technologies is required to understand the true impact on staffing and can be determined with the use of productivity measurements shown in this section.

To reiterate the findings from Section 3.3, any efficiencies gained by process improvements do not necessarily contribute to a reduction in the BOE's staff count. Instead, greater efficiency results in staff becoming available for reassignment to other tax collection/revenue generation jobs, improving the BOE's ability to generate revenue, which is indicative of continued growth.

As illustrated in this chapter, records of how the Board of Equalization tracks its internal mail processing productivity are available. Moving forward, such productivity measures will prove useful in retroactive studies of where effort is required in light of the disruptive forces of change affecting BOE processes.

3.5 DGS OPTIONS FOR OTHER USES FOR 450 N STREET

Studying other uses for the 450 N Street building, including options to sell the property or maintain State ownership, are in process by the Department of General Services (DGS) and are not included in this Process Improvements Study.

4

FACILITIES OPTIONS

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4 FACILITIES OPTIONS

PREVIOUS FACILITY OPTIONS – BOE HEADQUARTERS

The Board of Equalization has been studying facility strategies for housing their Headquarters programs for several years. Three major facilities options have been presented in recent years by the BOE:

1. Relocate the BOE’s Headquarters programs to a new multi-building low-to-mid-rise campus, outside downtown Sacramento.
2. Relocate the BOE’s Headquarters programs to another downtown Sacramento office tower.
3. Maintain the BOE’s Headquarters programs in their current facilities, including 450 N Street and Annex facilities.

These three strategies remain viable options in this study. This study outlines additional sub-strategies for Scenario 3, including expanding the existing 450 N Street building, and relocating all Return Processing functions to an off-site facility.

4.1 PROJECTED SPACE NEEDS – BOE HEADQUARTERS

For each of the Scenarios above, the BOE intends to keep the Motor Carrier Unit in its current Riverside Parkway facility, and all District and Regional offices in their current locations. Based on this, the staff count and associated facilities size for the BOE’s Headquarters operations, based on ten-year projections, are:

Existing 2015 BOE Headquarters Seat Count <i>Seats exceed Employees due to required vacancy.</i>	3,270
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Existing BOE Headquarters Authorized Positions, Dec 2015 <i>Not including Motor Carrier or District Offices – all HQ is 2,852 today</i>	2,796
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Projected BOE Headquarters Authorized Positions in 2025 <i>Based on approximately 3% compound annual growth rate over 10 yrs</i>	3,700
--	--------------

Required Facility Vacancy <i>3% minimum vacant seats +/-</i>	100
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Total BOE HEADQUARTERS Seats Required 2025 <i>Not including Motor Carrier or District Offices</i>	3,800
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Average Gross Square Feet (GSF) per Seat <i>Based on existing overall GSF/employee for Headquarters functions Includes a 2.5% efficiency increase for a new campus with larger floor plates</i>	232
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Subtotal BOE HEADQUARTERS GSF Required 2025	880,000 GSF
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Shared Program Areas <i>Areas required to support a new consolidated campus and provide required infrastructure (Includes Lobby, Security, Dining, Conference, Board Room, Infrastructure)</i>	95,000 GSF
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Total BOE HEADQUARTERS GSF Projected 2025 – New Campus	975,000 GSF
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Not including Motor Carrier Unit (MCU) or District facilities.
BOE HQ Space Needs 2025 including MCU = **995,000 GSF**

The new campus should be Master Planned for maximum flexibility (including growth and contraction) with the option to construct/occupy in phases.

4 FACILITIES OPTIONS

4.1 PROJECTED SPACE NEEDS – 2025 HEADQUARTERS HEADCOUNT

The tables on the following pages outline the head count that the BOE Headquarters is projected to reach in 2025, ten years from now. Each Department and its sub-groups are listed, along with their verified authorized and funded positions as of Dec 2015 for FY '15-'16. This current head count is the baseline for future growth.

Staff growth is projected at 3% per year average per Chapter 3 of this report, compounded annually. This is an average; the projection varies slightly by department, based on projected sub-group growth.

Payroll Unit	Head Count Authorized Positions	Addtl Funded Positions <i>(Permanent Intermittents, temp help, etc.)</i>	Location	2015.12.15 Headcount Totals	Projected Headcount by Year per Department (3% avg CAGR)	
					% of total	2025 TOTAL HC
<i>(Organizational information current as of 8/5/2015)</i>						
Executive Office	10	4	HQ 23rd Flr	14	196	14
Executive - Board Proceedings Division	30	1	621 Capitol Mall	31		34
Executive - CROS Project Team	61	3	HQ 10th Fl	64		70
Executive - Data Analysis Section	15	5	HQ 16th Fl	20		26
Executive - Executive Services Section	5	1	HQ 23rd Fl	6		7
Executive - Internal Audit Division	12	5	HQ 17th Fl	17		22
Executive - Legislative & Research Division Legislative Section	11		HQ 24th Fl	11		14
Executive - Legislative & Research Division Research and Statistics Section	13		HQ 24th Fl	13		14
Executive - Taxpayers' Rights & Equal Employment Division Equal Employment Opportunity Office	5		HQ 3rd Fl	5		5
Executive - Taxpayers' Rights & Equal Employment Division Taxpayers' Rights Advocate Office	15		HQ 22nd Fl	15		16
						6.9%

4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ HEADCOUNT CONT)

Payroll Unit	Head Count Authorized Positions	Addtl Funded Positions <i>(Permanent Intermittents, temp help, etc.)</i>	Location	2015.12.15 Headcount Totals	% of total	Projected Headcount by Year per Department (3% avg CAGR)	
						2025 TOTAL HC	
Administration Department	4		HQ 23rd Fl	4		4	
Administration Department - Administrative Support Division	55	9	HQ 22nd Fl	64		84	
Administration Department - Administrative Support Division HQ Facilities & Support Services Section	16	1	HQ 22nd Fl	17		22	
Administration Department - Financial Management Division Accounting Branch	50	50	HQ 4th Fl	100		109	
Administration Department - Financial Management Division Budget Branch	17	4	HQ 4th Fl	21		23	
Administration Department - Financial Management Division Tax Revenue Branch	10		HQ 4th Fl	10		13	
Administration Department - Financial Management Division Tax Revenue Branch - Cashier Section	18		HQ 2nd Fl	18		28	
Administration Department - Financial Management Division Tax Revenue Branch - Data Entry Unit	26	11	HQ 2nd Fl	37		49	
Administration Department - Financial Management Division Tax Revenue Branch - Imaging and Mail Processing Center	34	5	HQ 1st Fl	39	484	56	642
Administration Department - Financial Management Division Tax Revenue Branch - Taxpayer Records Unit	20	4	3600 Industrial	24	17.0%	26	
Administration Department - Human Resources Division	73	5	HQ 3rd Fl	78		121	
Administration Department - Human Resources Division Training and Employee Development Section	6	3	160 Promenade	9		10	
Administration Department - Information Security Office	8		HQ 22nd Fl	8		12	
Administration Department - Publication Services Division ePublishing Section	20	5	HQ 19th Fl	25		39	
Administration Department - Publication Services Division Media Production Services Section	9		621 Capitol Mall	9		14	
Administration Department - Publication Services Division Print Shop	10	2	HQ 1st Fl	12		19	
Administration Department - Publication Services Division Supply	6	3	HQ 1st Fl	9		14	

4 **4** FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ HEADCOUNT CONT)

Payroll Unit	Head Count Authorized Positions	Add'l Funded Positions <i>(Permanent Intermittents, temp help, etc.)</i>	Location	2015.12.15 Headcount Totals	% of total	Projected Headcount by Year per Department (3% avg CAGR)	
						2025 TOTAL HC	
External Affairs Department Administration	2	1	HQ 23rd Fl	3		3	
External Affairs Department - Customer Services and Publishing Division	66	20	160 Promenade	86	4.2%	133	171
External Affairs Department - Office of Public Affairs	8	4	HQ 23rd Fl	12		13	
External Affairs Department - Outreach Services Division	12	8	HQ 19th Fl	20		22	
Legal Department Administration	142	14	621 Cap Mall	156		204	
Legal Department - Investigations & Special Operations Division Internal Affairs Section	5		HQ 17th Fl	5	7	437	
Legal Department - Investigations & Special Operations Division Investigations	5	1	621 Capitol Mall	6	8		
Legal Department - Investigations & Special Operations Division Northern Investigations Section	55	2	621 Capitol Mall	57	74		
Legal Department - Investigations & Special Operations Branch Special Operations Branch	111		621 Capitol Mall	111	145		
Property Tax Department Administration	3		160 Promenade	3	3	147	
Property Tax Department - County Assessed Properties Division	71	1	160 Promenade	72	79		
Property Tax Department - State Assessed Prop Division	41		160 Promenade	41	45		
Property Tax Department - State-Assessed Prop Division Tax Area Services Section	9		160 Promenade	9	10		
Property Taxes Department - State-Assessed Properties Division Timber Tax Section	10		160 Promenade	10	11		

4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ HEADCOUNT CONT)

Payroll Unit	Head Count Authorized Positions	Add'l Funded Positions <i>(Permanent Intermittents, temp help, etc.)</i>	Location	2015.12.15 Headcount Totals	% of total	Projected Headcount by Year per Department (3% avg CAGR)
						2025 TOTAL HC
Sales and Use Tax Department Admin	41	5	HQ 16th Fl	46		60
Sales and Use Tax Department - Audit Program Analysis Section	5		HQ 16th Fl	5		7
Sales and Use Tax Department Centralized Collection Section	81		HQ 8th Fl	81		106
Sales and Use Tax Department - Headquarters Operations Division	14		HQ 16th Fl	14		18
Sales and Use Tax Department - Headquarters Operations Division Audit Determination and Refund Section	67	8	HQ 15th Fl	75		98
Sales and Use Tax - Headquarters Operations Div Consumer Use Tax Section	69		HQ 14th Fl	69		90
Sales and Use Tax Department - Headquarters Operations Division Local Revenue Allocation Unit	104	1	HQ 11th Fl	105		137
Sales and Use Tax Department - Headquarters Operations Division Petitions Section	43		HQ 15th Fl	43	28.1%	56
Sales and Use Tax Department - Headquarters Operations Division Return Analysis Unit	166	5	HQ 9th & 14th Fl	171		223
Sales and Use Tax Department - Tax Policy Div Audit & Information Section	32	1	HQ 16th Fl	33		43
Sales and Use Tax Department - Tax Policy Div Business Taxes Committee & Training Section	22		HQ 16th Fl	22		29
Sales and Use Tax - Tax Policy Division Compliance & Technology Section	39	1	HQ 16th Fl	40		52
Sales and Use Tax Department Use Tax Administration Section	23		160 Promenade	23		30
Sales and Use Tax Department Dec 2015 Vince Paul Adjustments	50		160 Promenade	50		78
Sales and Use Tax Department FY 15/16 BCP HQ Positions	23		160 Promenade	23		30
				800		1,056

4 4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ HEADCOUNT CONT)

Payroll Unit	Head Count Authorized Positions	Add'l Funded Positions <i>(Permanent Intermittents, temp help, etc.)</i>	Location	2015.12.15 Headcount Totals	% of total	Projected Headcount by Year per Department (3% avg CAGR)
						2025 TOTAL HC
Special Taxes & Fees Department	2		HQ 21st Fl	2		2
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division	3		HQ 20th Fl	3		4
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division Appeals & Data Analysis Branch	79	1	HQ 20th Fl	80		124
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division Audit Examination Branch	60	1	HQ 20th Fl	61		80
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division Motor Carrier Office	56	0	MCO W. Sac	56	17.6%	73
Special Taxes & Fees Department - Special Taxes Policy & Compliance Division Compliance Branch	129	7	HQ 17th & 19th Fl	136		177
Special Taxes & Fees Department - Special Taxes Policy & Compliance Division Program Policy & Administration Branch	25	5	HQ 21st Fl	30		39
Special Taxes & Fees Department - Special Taxes Policy & Compliance Division Return Processing Branch	83		HQ 18th Fl	83		129
Special Taxes & Fees Department Dec 2015 Vince Paul Adjustments	50		HQ 18th Fl	50		78
Technology Services Department	280	20	HQ 5-7th Fl	280	9.8%	365
	2469					3512

Projected 2025 HQ Authorized Positions (Headcount)	3749
Planned Vacancy - Minimal	3%
Projected 2025 Seat Count	3861
HQ Seat Count 2025 without Motor Carrier Unit	3788

4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ SIZE)

4.1 SPACE PROJECTIONS – BOE HEADQUARTERS

Based on the head count projections on the previous pages, the tables on the following pages outline the space that the BOE Headquarters is projected to need in 2025, ten years from now. These space needs are projected using the current space utilization in BOE's facilities, plus a 2.5% increase in efficiency to account for the more efficient layouts possible in new facilities with larger floor plates and increased planning flexibility.

Payroll Unit	Projected Headcount by Year per Department (3% avg CAGR)			GSF per Seat	2025 STAFF GSF	RETURN PROCESSING CENTER STRATEGY (RPC)					
	2025 TOTAL HEAD COUNT	2025 TOTAL SEAT COUNT (HC plus 3% VACANCY) 3%	2025 TOTAL SEAT COUNT BY DEPT			RPC HEAD COUNT	RPD GSF	RPC HC by Group	RPC GSF by Group	REMAINING HQ HEAD COUNT by Group	REMAINING HQ GSF by Group
<i>(Organizational information current as of 8/5/2015)</i>					<i>(incl 3% vacancy)</i>						
Executive Office	14	14	230	230	4,614	52,235		230	52,235		
Executive - Board Proceedings Division	34	35		230	8,032						
Executive - CROS Project Team	70	72		230	16,562						
Executive - Data Analysis Section	26	27		200	5,376						
Executive - Executive Services Section	7	7		230	1,555						
Executive - Internal Audit Division	22	23		200	4,569						
Executive - Legislative & Research Division Legislative Section	14	15		200	2,957						
Executive - Legislative & Research Division Research and Statistics Section	14	15		230	3,368						
Executive - Taxpayers' Rights & Equal Employment Division Equal Employment Opportunity Office	5	6		230	1,295						
Executive - Taxpayers' Rights & Equal Employment Division Taxpayers' Rights Advocate Office	16	17		230	3,886						

4 4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ SIZE CONT)

Payroll Unit	Projected Headcount by Year per Department (3% avg CAGR)			GSF per Seat	2025 STAFF GSF	RETURN PROCESSING CENTER STRATEGY (RPC)					
	2025 TOTAL HEAD COUNT	2025 TOTAL SEAT COUNT (HC plus 3% VACANCY) 3%	2025 TOTAL SEAT COUNT BY DEPT			RPC HEAD COUNT	RPD GSF	RPC HC by Group	RPC GSF by Group	REMAINING HQ HEAD COUNT by Group	REMAINING HQ GSF by Group
<small>(Organizational information current as of 6/5/2015)</small>						<small>(incl 3% vacancy)</small>					
Administration Department	4	4		215	866						
Administration Department - Administrative Support Division	84	86		200	17,202						
Administration Department - Administrative Support Division HQ Facilities & Support Services Section	22	23		230	5,266						
Administration Department - Financial Management Division Accounting Branch	109	113		200	22,530						
Administration Department - Financial Management Division Budget Branch	23	24		200	4,731						
Administration Department - Financial Management Division Tax Revenue Branch	13	13		200	2,600	13	2,600				
Administration Department - Financial Management Division Tax Revenue Branch - Cashier Section	29	29		260	7,478	29	7,478				
Administration Department - Financial Management Division Tax Revenue Branch - Data Entry Unit	49	50		260	13,009	50	13,009	177	99,421		
Administration Department - Financial Management Division Tax Revenue Branch - Imaging and Mail Processing Center	55	58	662	1200	69,217	58	69,217			406	139,367
Administration Department - Financial Management Division Tax Revenue Branch - Taxpayer Records Unit	26	27		260	7,029	27	7,029				
Administration Department - Human Resources Division	121	125		200	24,927						
Administration Department - Human Resources Division Training and Employee Development Section	10	10		1000	10,138						
Administration Department - Information Security Office	12	13		200	2,557						
Administration Department - Publication Services Division ePublishing Section	39	40		200	7,989						
Administration Department - Publication Services Division Media Production Services Section	14	14		200	2,876						
Administration Department - Publication Services Division Print Shop	19	19		1200	23,009						
Administration Department - Publication Services Division Supply	14	14		1200	17,267						

4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ SIZE CONT)

Payroll Unit	Projected Headcount by Year per Department (3% avg CAGR)		GSF per Seat	2025 STAFF GSF	RETURN PROCESSING CENTER STRATEGY (RPC)						
	2025 TOTAL HEAD COUNT	2025 TOTAL SEAT COUNT (HC plus 3% VACANCY)			2025 TOTAL SEAT COUNT BY DEPT	RPC HEAD COUNT	RPD GSF	RPC HC by Group	RPC GSF by Group	REMAINING HQ HEAD COUNT by Group	REMAINING HQ GSF by Group
External Affairs Department Administration	3	3		215	664						
External Affairs Department - Customer Services and Publishing Division	133	137		200	27,483	177				177	36,367
External Affairs Department - Office of Public Affairs	13	14		200	2,704						
External Affairs Department - Outreach Services Division	22	23		200	4,506						
Legal Department Administration	204	210		220	46,123						
Legal Department - Investigations & Special Operations Division						460				460	99,047
Internal Affairs Section	7	7		220	1,478						
Legal Department - Investigations & Special Operations Division Investigations	8	8		220	1,774						
Legal Department - Investigations & Special Operations Division Northern Investigations Section	74	77		220	16,863						
Legal Department - Investigations & Special Operations Branch Special Operations Branch	145	149		220	32,818						
Property Tax Department Administration	3	3		215	664						
Property Tax Department - County Assessed Properties Division	79	81		200	16,222	162				162	30,404
Property Tax Department - State Assessed Prop Division	46	46		200	9,237						
Property Tax Department - State-Assessed Prop Division Tax Area Services Section	10	10		200	2,028						
Property Taxes Department - State-Assessed Properties Division Timber Tax Section	11	11		200	2,263						

4 4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ SIZE CONT)

Payroll Unit	Projected Headcount by Year per Department (3% avg CAGR)		GSF per Seat	2025 STAFF GSF	RETURN PROCESSING CENTER STRATEGY (RPC)					
	2025 TOTAL HEAD COUNT	2025 TOTAL SEAT COUNT (HC plus 3% VACANCY)			2025 TOTAL SEAT COUNT BY DEPT	RPC HEAD COUNT	RPD GSF	RPC HC by Group	RPC GSF by Group	REMAINING HQ HEAD COUNT by Group
Sales and Use Tax Department Admin	60	62	215	13,291						
Sales and Use Tax Department - Audit Program Analysis Section	7	7	200	1,344						
Sales and Use Tax Department Centralized Collection Section	106	109	200	21,771						
Sales and Use Tax Department - Headquarters Operations Division	18	19	200	3,763						
Sales and Use Tax Department - Headquarters Operations Division Audit Determination and Refund Section	98	101	200	20,159						
Sales and Use Tax - Headquarters Operations Div Consumer Use Tax Section	90	93	200	18,546	93	18,546				
Sales and Use Tax Department - Headquarters Operations Division Local Revenue Allocation Unit	137	141	200	28,222	141	28,222				
Sales and Use Tax Department - Headquarters Operations Division Petitions Section	56	58	200	11,568			464	92,730	624	126,763
Sales and Use Tax Department - Headquarters Operations Division Return Analysis Unit	223	230	200	45,962	230	45,962				
Sales and Use Tax Department - Tax Policy Div Audit & Information Section	43	44	200	8,870						
Sales and Use Tax Department - Tax Policy Div Business Taxes Committee & Training Section	29	30	200	6,913						
Sales and Use Tax - Tax Policy Division Compliance & Technology Section	52	54	200	10,751						
Sales and Use Tax Department Use Tax Administration Section	30	31	200	6,182						
Sales and Use Tax Department Dec 2015 Vinca Paul Adjustments	78	80	200	15,979						
Sales and Use Tax Department FY 15/16 BCP HQ Positions	30	31	200	6,182						
			1,088							
				218,493						

4 FACILITIES OPTIONS – PROJECTED SPACE NEEDS (2025 HQ SIZE CONT)

Payroll Unit	Projected Headcount by Year per Department (3% avg CAGR)		GSF per Seat	2025 STAFF GSF	RETURN PROCESSING CENTER STRATEGY (RPC)							
	2025 TOTAL HEAD COUNT	2025 TOTAL SEAT COUNT (HC plus 3% VACANCY)			2025 TOTAL SEAT COUNT BY DEPT	RPC HEAD COUNT	RPD GSF	RPC HC by Group	RPC GSF by Group	REMAINING HQ HEAD COUNT by Group	REMAINING HQ GSF by Group	
Special Taxes & Fees Department	2	2		215	443							
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division	4	4		200	806							
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division Appeals & Data Analysis Branch	124	128		200	25,566							
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division Audit Examination Branch	80	82		200	16,396							
Special Taxes & Fees Department - Special Taxes Audit & Carrier Division Motor Carrier Office	73	75	727	266	20,000	150,332			684	123,808		
Special Taxes & Fees Department - Special Taxes Policy & Compliance Division Compliance Branch	177	183		200	36,555							
Special Taxes & Fees Department - Special Taxes Policy & Compliance Division Program Policy & Administration Branch	39	40		200	8,063							
Special Taxes & Fees Department - Special Taxes Policy & Compliance Division Return Processing Branch	129	133		200	26,526		133	26,526				
Special Taxes & Fees Department Dec 2015 Vince Paul Adjustments	78	80		200	15,979							
Technology Services Department	365	376	376	200	75,259	75,259			376	75,259		
	3749	3861	3861	233.1	893,906	892,906	773	218,676	773	218,676	3,088	681,230

Projected 2025 HQ Authorized Positions **3749**

Projected 2025 Seat Count **3861**
 HQ Seat Count 2025 without Motor Carrier Unit **3786**
 Rounded 2025 HQ Seat Count **3800**

RPC SEATS	RPC GSF	HQ SEATS	HQ GSF
773	218,676	3088	681,230
		75	20,000
		3013	661,230
800	219,000	3000	661,000
RPC SEATS	RPC GSF	HQ SEATS	HQ GSF

RPC + HQ SEATS			3800
SUPPORT / AMENITIES SPACE			
	Duplicate RPC Space	HQ Space	
Lobby, Security	1,000	5,000	
Dining Room, Serving, Kitchen	2,500	24,000	
Childcare Center		8,000	
Print Room Rightsizing		5,000	
Storage Rightsizing		5,000	
Board Room Suite		5,000	
Conference Center		5,000	
Dock/ Recycling	2,500	5,000	
MEP Rooms/Support	10,000	30,000	
Legal Hearing Rooms		3000	
	16,000	96,000	
RPC GSF if stand-alone	235,000		
HQ without RPC		HQ without RPC	756,000
			219,000
HQ + RPC COLLOCATED			975,000

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4 FACILITIES OPTIONS

4.2 OPPORTUNITIES WITH A NEW BOE CONSOLIDATED CAMPUS

OVERVIEW

Relocating the BOE's Headquarters operations to a new facility will yield multiple benefits, including many beyond the Process Improvements identified for the Return Processing work streams outlined in Chapter 3 of this report. While the Process Improvements in Return Processing benefit approximately 25% of the BOE's employees, other factors can affect the BOE's entire population and operation, e.g.: reduced staff travel time, reduced energy costs, and improved employee attraction and retention.

This list is a summary of the benefits of relocation; the following pages describe these opportunities in detail.

PRIMARY BENEFITS OF BOE CONSOLIDATION ON A NEW CAMPUS

1. **Improves the State's ability to address facilities deficiencies**
 - Allows termination of five current BOE leases and avoids additional leases as the BOE grows.
 - Simplifies the renovation of other high-priority State office buildings by providing relocation space for their tenants.
2. **Maximizes the BOE's ability to implement Process Improvements** in Return Processing operations and consolidate other operations.
3. **Improves collaboration and communication** among all staff due to collocation.
4. **Improves technology infrastructure** to support the digital future of the BOE.
5. **Reduces travel time** *within* and *between* facilities, improving operational efficiency.
6. **Improves flexibility**
 - The ability to rearrange staff and relocate departments in response to new programs, new taxes and changes in the BOE's organizational structure.
 - This is made possible by updated infrastructure and technology systems, and larger more flexible building floor plates.

SECONDARY BENEFITS OF BOE CONSOLIDATION ON A NEW CAMPUS

7. **Less sick time and improved employee wellness**, as a result of:
 - New building construction
 - Increased employee use of stairs
 - Indoor environment quality (daylight, artificial lighting and thermal comfort)
 - A focus on sustainability overall.
8. **Improved amenities**, including on-site food service, access to mass transit/light rail, and parking access.
9. **Improved employee attraction and retention**, enhancing the BOE's ability to:
 - Retain current staff
 - Replace departing/retiring staff
 - Attract new staff as the BOE continues to grow.
10. **Reduced maintenance costs**, improving the BOE's ability to control operational costs over time.

4 FACILITIES OPTIONS

4.2 OPPORTUNITIES WITH A NEW BOE CONSOLIDATED CAMPUS

PRIMARY BENEFITS

ADDITIONAL INFORMATION

1 Improves the State's ability to address facilities deficiencies.

- As a real estate strategy, moving the BOE to a new campus yields multiple benefits, including:
 - Allowing for the termination of five current BOE leases: 450 N Street and the four Annex properties. Also prevents the State from entering into additional leases as the BOE continues to grow.
 - Upon retirement of the 450 N Street bond obligations in November 2021 and completion of the Facility Improvement Project, the 450 N Street property could provide space for the relocation of other tenants, potentially simplifying the targeted renovation of other State office facilities by providing relocation opportunities for their occupants, or allowing termination of other State leases.

2 Maximizes BOE Process Improvements

Section 3.2

- Opportunities for Process Improvements at the BOE are greatest in the paper-based processes of the Administration Department for the next five to eight years. The opportunity to implement these process improvements and reap the benefits are the most limited at 450 N Street and the most likely at a new consolidated campus.
- In eight to ten years, the BOE projects that systems to support scanning all documents and processing all information electronically will dominate the BOE's work flows, yielding additional process improvements. The likelihood of this becoming a reality depends on funding for conversion to scanning systems for inbound and outbound materials. A new facility will accommodate the transition to full scanning better than 450 N Street, due to lack of constraints caused by floor plan configuration, immovable walls, multiple floor levels, and limitations on electrical power and technology infrastructure.

3 Improves collaboration and communication

- Research shows that:
 - People communicate more effectively horizontally in a building than vertically.
 - Elevators inhibit communication
 - Face-to-face communications enhance culture, trust, a sense of community, the exchange of ideas and the transfer of knowledge.
 - Collocation increases serendipitous interactions between employees.

4 FACILITIES OPTIONS

4.2 OPPORTUNITIES WITH A NEW BOE CONSOLIDATED CAMPUS

PRIMARY BENEFITS (continued)

ADDITIONAL INFORMATION

- 4 **Improved technology infrastructure**
- If the Technology Alternate included in the Facility Improvements Project is not implemented, the 450 N Street facility does not have adequate technology infrastructure to support BOE's operations, especially in light of increasing technology demands as the BOE becomes more paperless.
 - If the Technology Alternate included in the Facility Improvements Project is implemented, the available space and flexibility in 450 N Street will be reduced due to the need to add technology closets on every floor.
 - A new campus would be planned and constructed with integrated ubiquitous technology, including properly-sized technology utilities to support long-term flexibility.
- 5 **Reduces travel time *within and between* facilities**
- In many high-rise facilities including 450 N Street, elevators are the only means of travel to office floors. At 450 N Street, the elevators are operating at the upper limits of their capacity, creating wait times for employees that are beyond acceptable practice for vertical transportation systems. In addition, the **single freight elevator** that handles the vertical movement of all materials in the building, most importantly tax payments, returns, schedules, forms and vouchers, is a bottleneck that slows Return Processing work.
 - Transportation of mail and people *between* the BOE facilities in the Sacramento area cost the BOE time and money that can be saved with a consolidated facility. This is particularly true of staff travel to and from the HR Training facilities located at 160 Promenade and the messenger, mail and shuttle services between the five facilities. Since all mail is received at 450 N Street, all internal and external mail is shuttled to and from the Annex facilities up to four times daily.
- 6 **Improves flexibility**
- A new consolidated campus will be:
 - Master planned for phased construction and move-in, providing flexibility in capital planning and timing to synchronize with BOE's growth.
 - Designed with multiple buildings, providing flexibility to expand, contract and re-apportion space as needed to accommodate changes in future tax programs, security needs and the BOE's organizational structure and size.
 - Designed with open, column-free office areas that:
 - Minimize fixed obstructions
 - Provide daylighting throughout
 - Supports the State of California's sustainability initiatives for real estate
 - Maximize the BOE's ability to reconfigure space to accommodate changing work processes and work group sizes
 - Support a variety of employee work styles
 - Reduce the cost of churn to accommodate future business changes at low cost

4 FACILITIES OPTIONS

4.2 OPPORTUNITIES WITH A NEW BOE CONSOLIDATED CAMPUS

SECONDARY BENEFITS

ADDITIONAL INFORMATION

- 7 **Less sick time and improved employee wellness.**
- This is particularly true given the BOE's history with the 450 N Street building. The perception of BOE employees relative to health and wellness in their workplace would be much improved in a new facility; the stigma of 450 N Street's history of recurring problems will prevent BOE employee confidence in the facility regardless of renovations.
- 8 **Improved amenities**
- Improved amenities, in both suburban and urban locations, improve employee attraction and retention and increase employee satisfaction.
 - Amenities for employees include services such as dining, banking, health care, child care, fitness, dry cleaning, etc. that can be on-campus in a suburban setting or in close proximity in an urban or downtown setting, including access to retail stores and restaurants.
 - Transportation-related amenities include:
 - Proximity to light rail, heavy rail, busses and bicycle routes in suburban and urban locations
 - Access to parking.
- 9 **Improved attraction / retention**
- This is difficult to prove without BOE historical "pre-move" data, but based on information from companies like General Mills, Schreiber Foods, and others, facility improvements lead to increased employee pride, increased employee satisfaction, and improved attraction and hiring of new employees. Given the long history of media attention to the 450 N Street facility, it is logical to conclude that one of the benefits of a new facility would be an increased ability to attract, recruit and retain quality employees, benefitting the BOE's operations.
- 10 **Reduced maintenance costs**
- This is a State-wide issue – addressing a facility's deferred maintenance backlog reduces maintenance costs. This will be true of 450 N Street if the Facility Improvements Project is completed, and is true of a new campus – maintenance costs are minimal for the first 5 to 7 years of occupancy.

4 FACILITIES OPTIONS

4.3 FACILITY SCENARIOS / OPTIONS – BOE HEADQUARTERS

Three scenarios have been discussed and evaluated for BOE’s Headquarters facilities:

■ **SCENARIO 1**

Consolidate BOE Headquarters to a new low-to-mid-rise non-downtown campus.

- Backfill 450 N Street with other tenants following renovations.
- Motor Carrier Unit to remain at existing Riverside Parkway location.

■ **SCENARIO 2**

Consolidate BOE Headquarters to another downtown Sacramento facility.

- Backfill 450 N Street with other tenants following renovations.
- Motor Carrier Unit to remain at existing Riverside Parkway location

■ **SCENARIO 3**

BOE Headquarters remains in the renovated 450 N Street facility and four or more existing Annex facilities.

- **BASELINE SCENARIO 3: “Renovation in place” at 450 N Street;** no changes to overall Return Processing work flow
- **SCENARIO 3a: Reconfigure first floor of 450 N Street** to improve Return Processing work flow minimally.
- **SCENARIO 3b: Replace 450 N Street parking structure with a building addition** to better accommodate Return Processing functions.
- **SCENARIO 3c: Off-site “Return Processing Center”.** Relocate the following staff and operations to an alternate low-rise location (new long-term lease): Return Processing (Admin – Imaging & Mail Processing, Cashier, Data Entry, Tax Rev Branch), TSD Print Rm, Return Analysis (SUTD), Customer Use Tax (SUTD), Local Revenue Allocation (SUTD), Return Processing (Special Taxes & Fees). Remaining HQ staff to remain in renovated 450 N Street. Relocate staff from Annex facilities to space vacated in 450 N Street following renovations. Note: 450 N Street will not be able to accommodate all Annex staff.

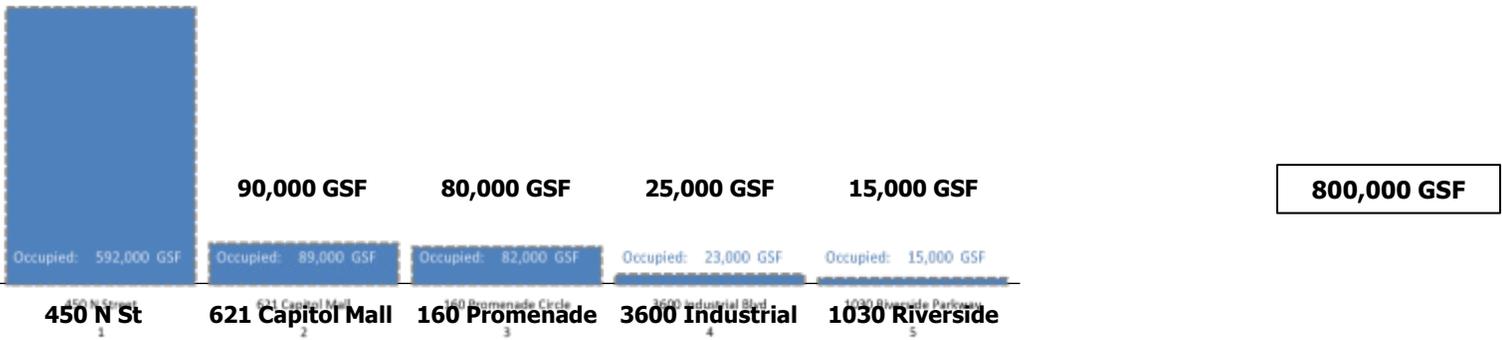
HQ Employees	Current Location	Estimated Employees
Imaging and Mail Processing Center, Admin.	Floor 1 (partial)	43
TSD Print Room, TSD	Floor 1 (partial)	16
Cashier Section, Admin.	Floor 2	101
Tax Revenue Branch, Admin.	Floor 4	10
Return Analysis Section, SUTD	Floor 9	135
Local Revenue Allocation, SUTD	Floor 11	134
Return Analysis Section, SUTD	Floor 14	35
Consumer Use Tax Section, SUTD	Floor 14	77
Return Processing Section, Special Taxes & Fees Dept.	Floor 18	82
Total HQ		633

Adding projected staff growth to 2025, plus the vacant seats required to accommodate staff changes, the projected seat count at a separate Return Processing Center would **be 800 seats, requiring 235,000 gross square feet of building.** Locating these operations at a separate site would require some duplication of support spaces (e.g.: dock, dining, lobby/security, MEP space) increasing the BOE’s total occupied square footage.

4 FACILITIES OPTIONS

4.3 FACILITY SCENARIOS / OPTIONS – BOE HEADQUARTERS

EXISTING BOE HEADQUARTERS FACILITIES (August 2015)



SCENARIOS 1 and 2 (2025 PROJECTION)

SCENARIO 1

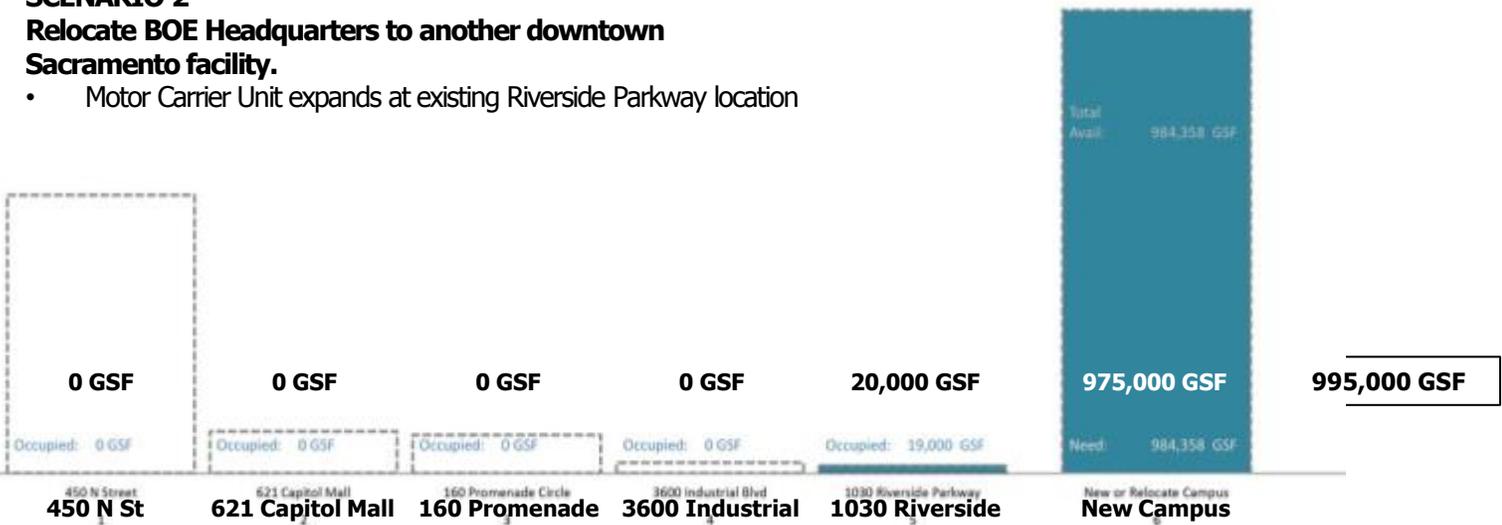
Consolidate BOE Headquarters to a new low-to-mid rise non-downtown campus.

- Motor Carrier Unit expands at existing Riverside Parkway location

SCENARIO 2

Relocate BOE Headquarters to another downtown Sacramento facility.

- Motor Carrier Unit expands at existing Riverside Parkway location



4 FACILITIES OPTIONS

4.3 FACILITY SCENARIOS / OPTIONS – BOE HEADQUARTERS

SCENARIO 3 (2025 PROJECTION) -- With Sub-Options

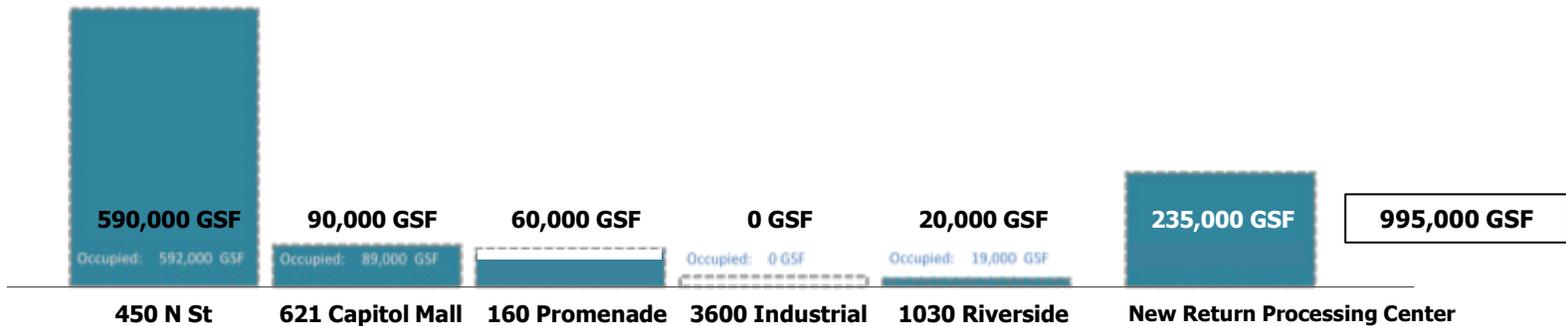
SCENARIO 3.a: 450 N Street + Reconfigured First Floor
(Limited Process Improvements)



SCENARIO 3.b: 450 N Street + Expanded First Floor
(Moderate Process Improvements)



SCENARIO 3.c: 450 N Street + New "Return Processing Center"
(More Process Improvements)



4 FACILITIES OPTIONS

4.3 FACILITY SCENARIOS / OPTIONS – BOE HEADQUARTERS

RECOMMENDED BOE HEADQUARTERS FACILITY STRATEGY

- **Implement Scenario 1: Construct a new Board of Equalization campus with space to consolidate all BOE Headquarters functions and staff on one campus**
 - Low-to-mid-rise multi-building campus
 - New construction
 - All buildings interconnected
 - The Motor Carrier Unit will remain at 1030 Riverside Parkway long-term and not be relocated to the new campus.
 - Existing Board, Branch and Area offices will not be relocated to the new campus.
 - A new Return Processing Center could be the first phase of the new campus.
- **Master Plan the new campus to allow the option of phased construction, phased move-in and phased future expansion.**
 - Can avoid over-building the campus initially.
 - Campus size – initial property purchase should include area for future growth
- **Design the new campus with a “universal office design” strategy for maximum flexibility** – for use by BOE or other state agencies in the event BOE contraction or restructuring requires vacating a portion of the BOE space in the future.
- **Design the campus to accommodate the BOE’s “standard” office uses plus specialized facilities for Return Processing functions.**

4 FACILITIES OPTIONS

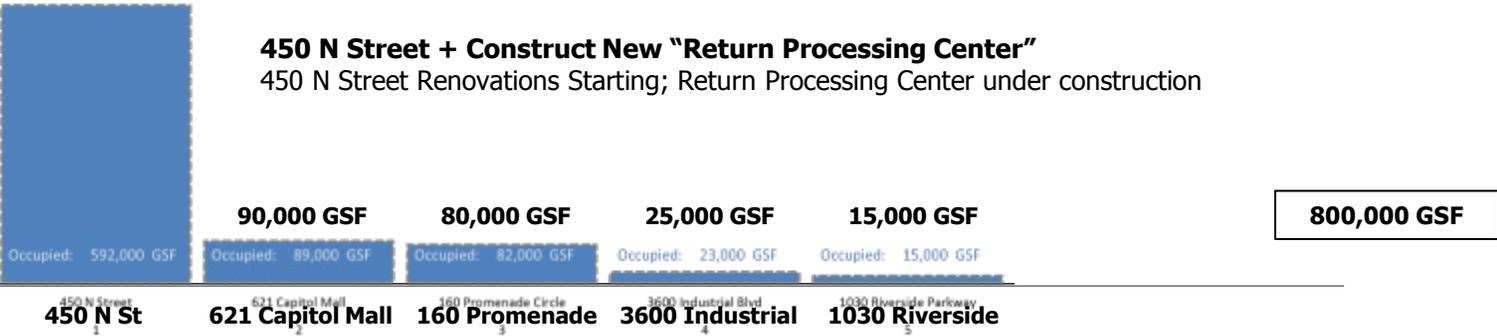
A Hybrid of Scenarios 1 and 3 could create a phasing strategy for the relocation of BOE’s Headquarters operations. Staged over a several-year period, this strategy would begin with selection of a new long-term site for the BOE’s Headquarters operations and construction of a new Return Processing Center. Dates must be verified as funding, site selection process and delivery methods are verified.

SCENARIOS 1+3: POTENTIAL PHASING OPTION

2015-2017

450 N Street + Construct New “Return Processing Center”

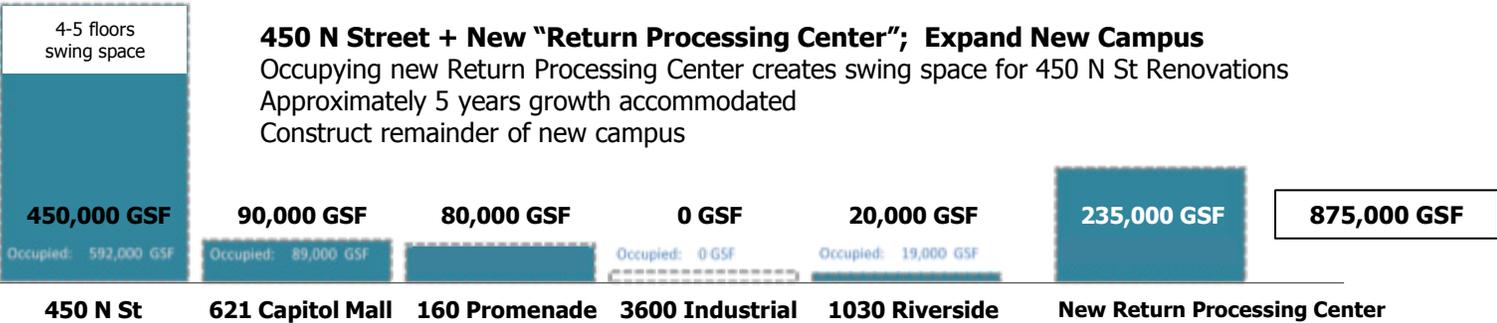
450 N Street Renovations Starting; Return Processing Center under construction



2018-2021

450 N Street + New “Return Processing Center”; Expand New Campus

Occupying new Return Processing Center creates swing space for 450 N St Renovations
Approximately 5 years growth accommodated
Construct remainder of new campus



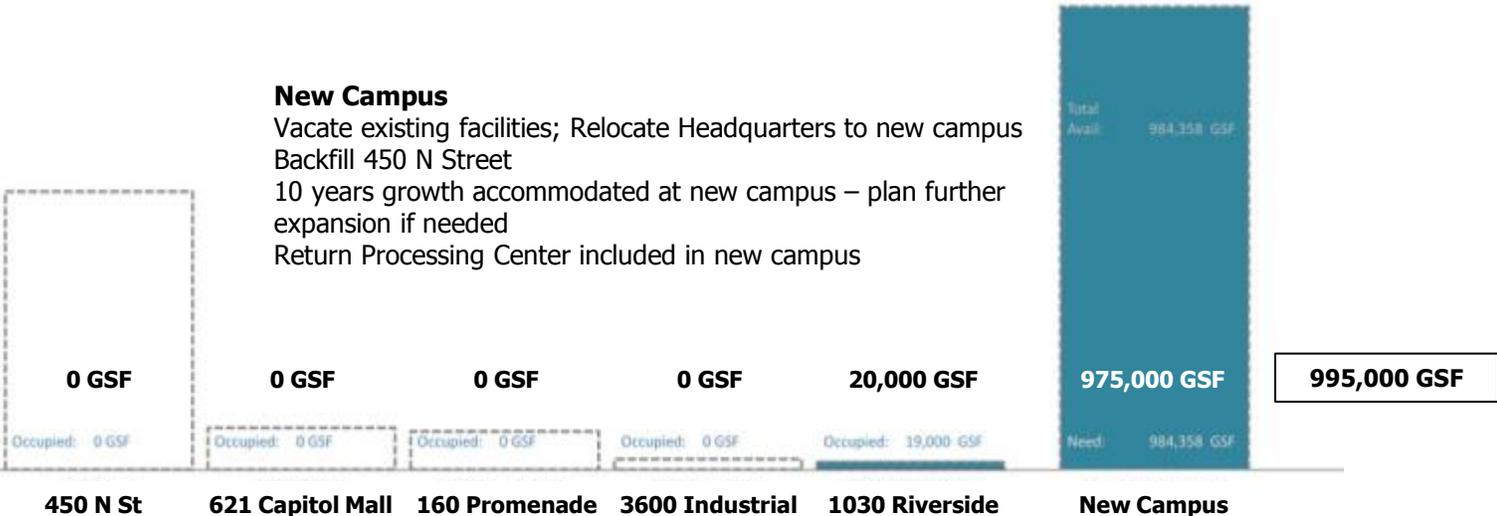
INTERIM OPTION:

Relocate BOE HQ from 450 N Street to a temporary facility

2022-2025

New Campus

Vacate existing facilities; Relocate Headquarters to new campus
Backfill 450 N Street
10 years growth accommodated at new campus – plan further expansion if needed
Return Processing Center included in new campus



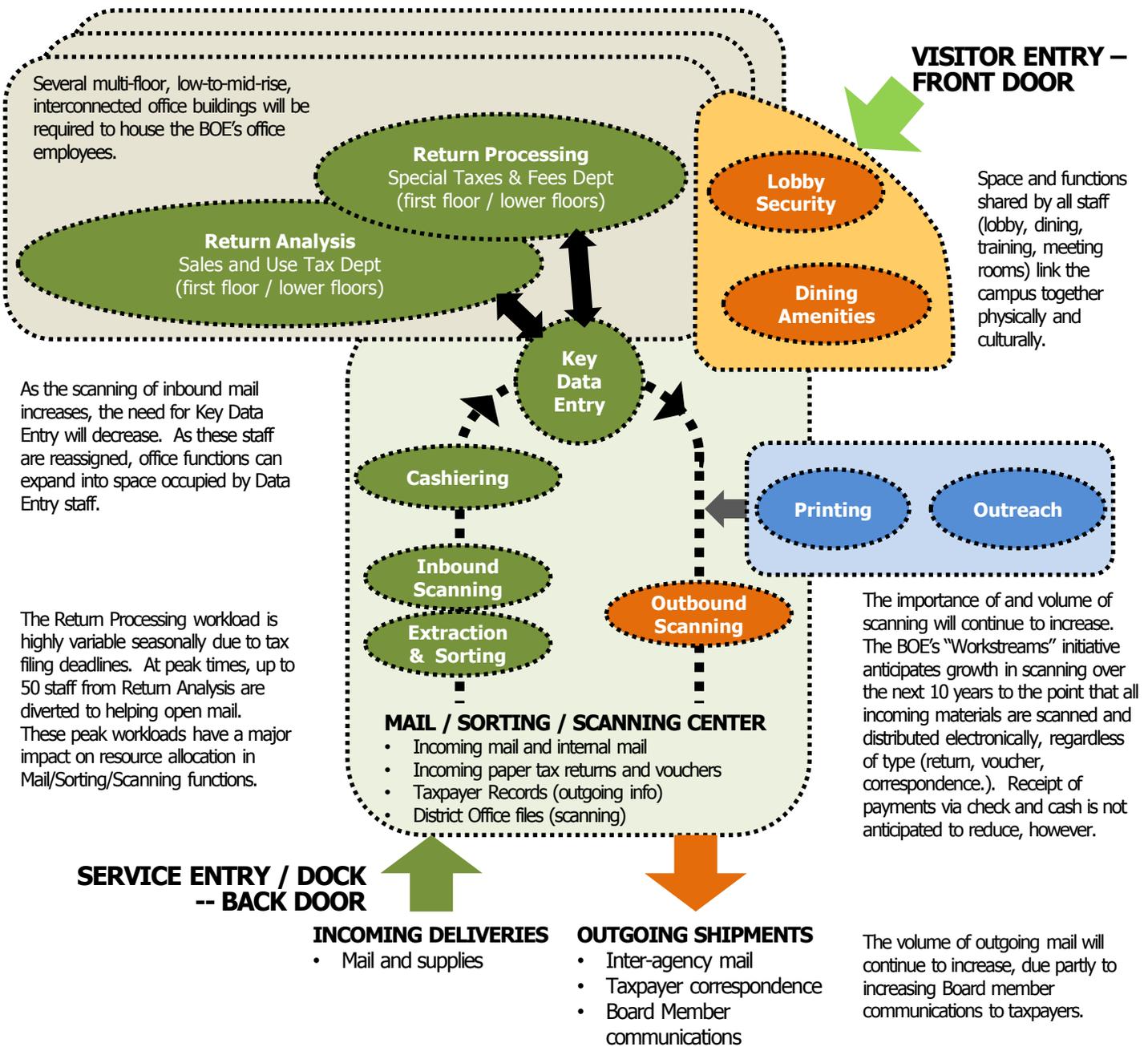
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4 FACILITIES OPTIONS

4.4 FUTURE DEPARTMENTAL ADJACENCIES

- Any new facility for the BOE’s Headquarters functions must be carefully designed to balance the **specific needs** of the BOE’s specialized Return Processing functions against the need for **“standard” office space** to accommodate the BOE’s office staff and any other State Agencies in the future.
- This facility diagram illustrates how a new facility could be organized to accommodate the BOE’s work. A larger building footprint and horizontal work flows would improve functional efficiencies beyond what is possible in the current 450 N Street building, while maintaining flexibility to accommodate future changes to the BOE’s organizational structure or functional operations.

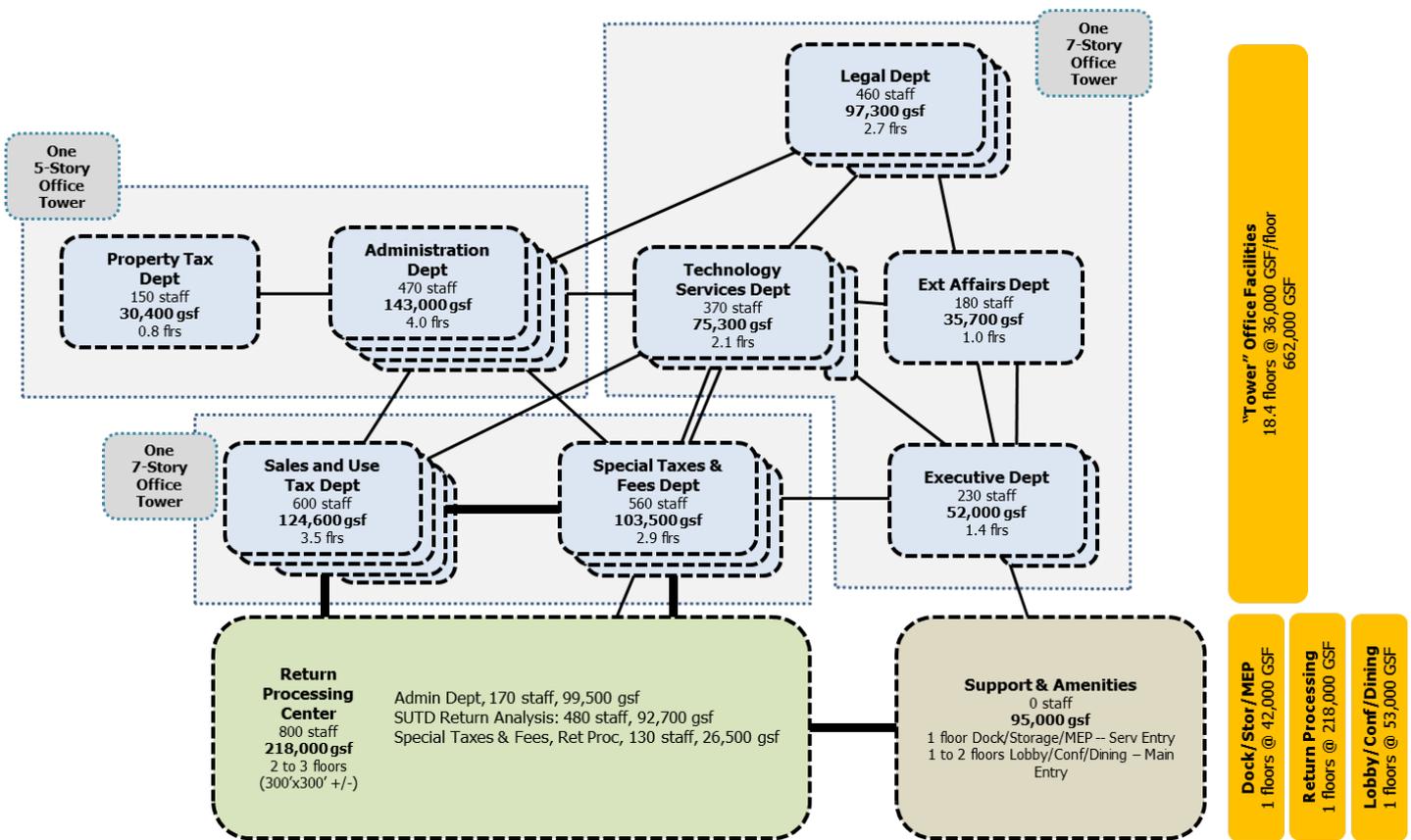


4 FACILITIES OPTIONS

4.4 FUTURE DEPARTMENTAL ADJACENCIES -- FACILITY CONFIGURATION

The new consolidated facilities for the BOE's Headquarters operations should be grouped according to functional needs to improve efficiency of the BOE's operations. The office portions of the new campus could be grouped into three to five buildings of four to eight stories each, depending on the size and configuration of the site that is selected.

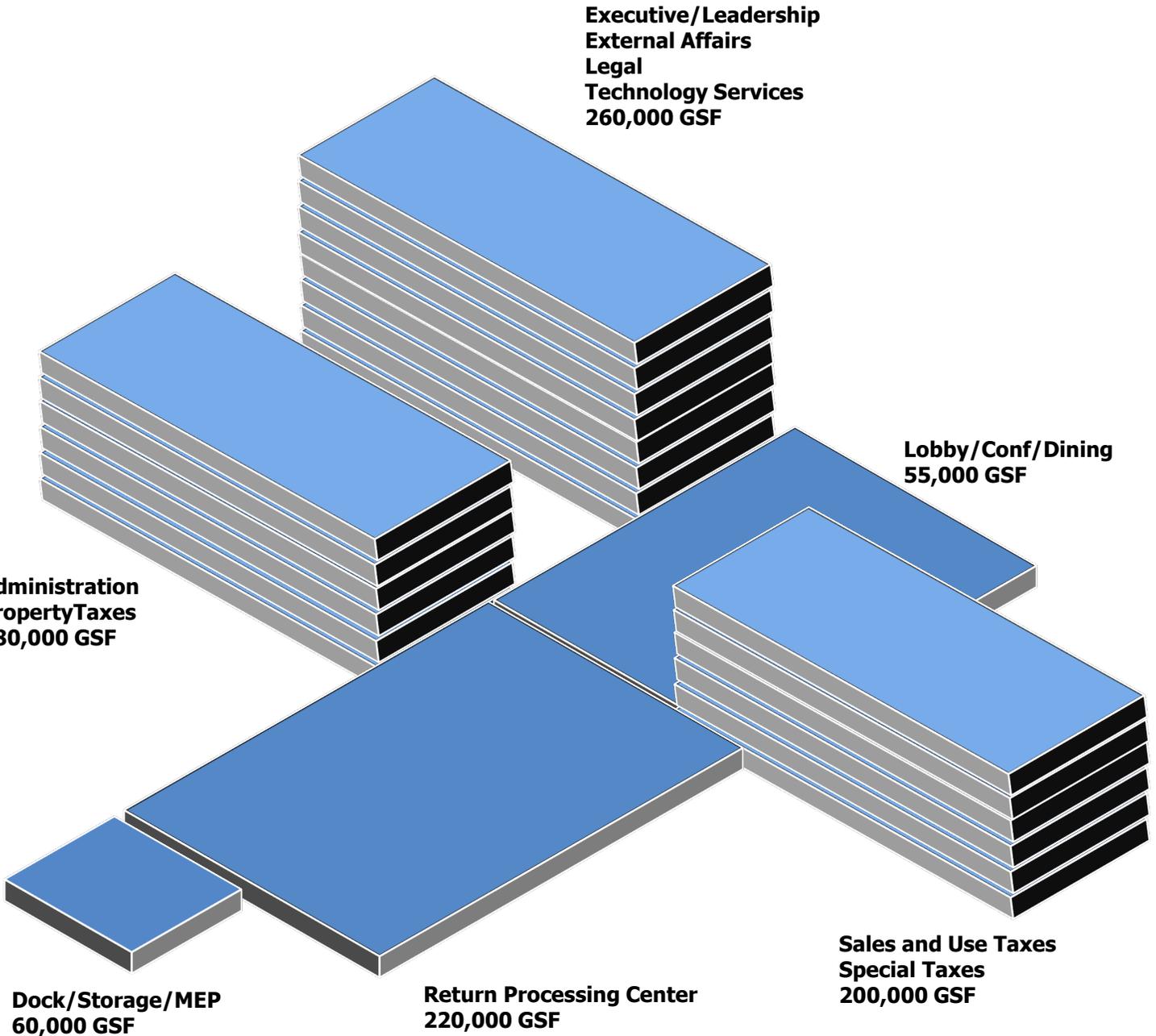
FUTURE STATE CAMPUS ORGANIZATION --- Potential Adjacencies and Buildings, 2025



4 FACILITIES OPTIONS

4.5 FUTURE FACILITIES DIAGRAMS

At a conceptual level, the buildings on the BOE's new consolidated campus could be arranged with multiple office towers flanking a central amenities building at the "front" of the campus (main entry) and the Return Processing building at the "rear" service side of the campus.



4.5 FUTURE FACILITIES DIAGRAMS

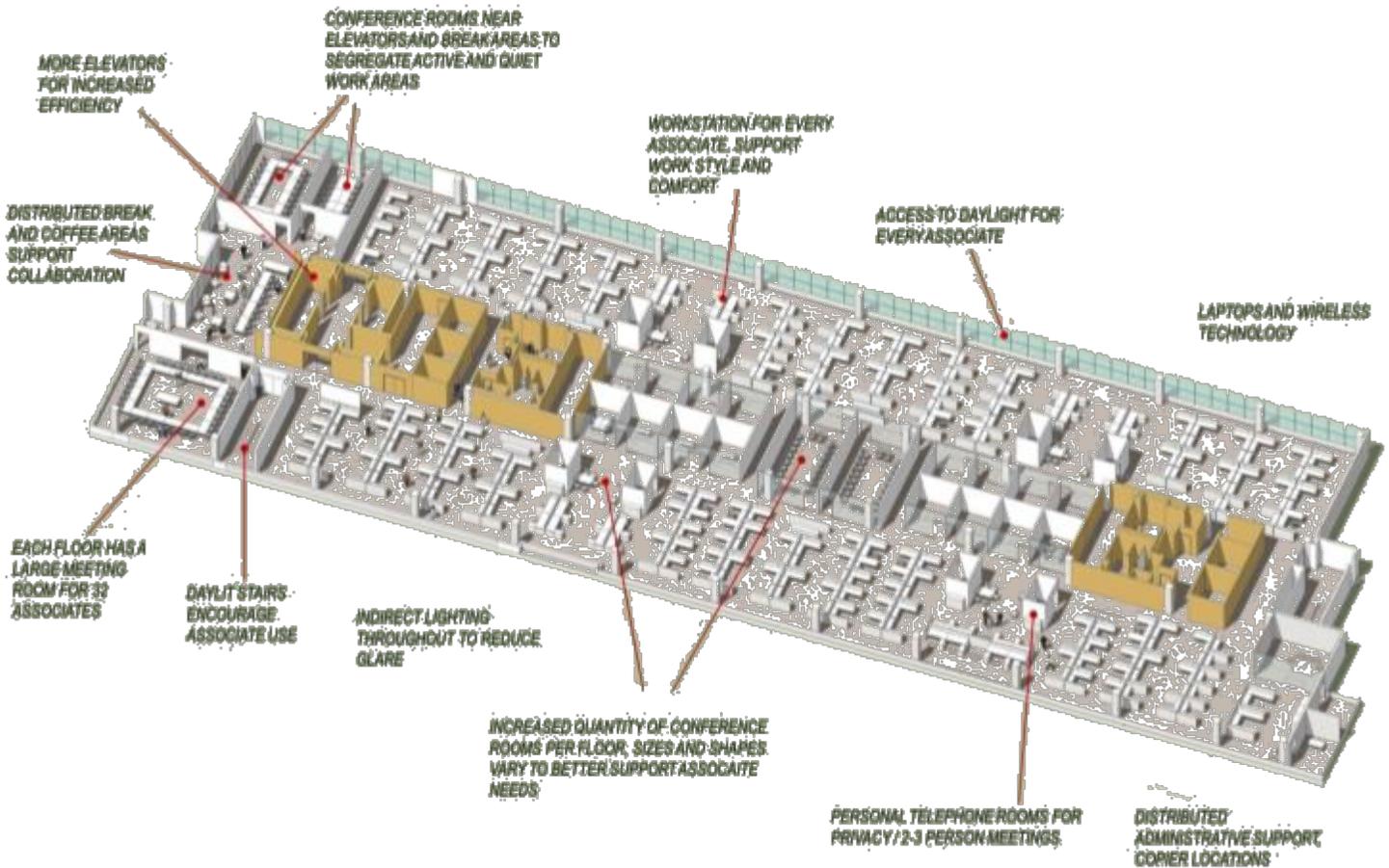
This type of floor plan is the workhorse of a modern, high value office campus. Used extensively in build-to-suit developments, it provides an efficient flexible framework for a wide variety of offices uses, while being both economical and quick to construct.

Relatively large floor plates increase communications within work groups and their departments. Floors can be stacked to create office buildings of two to twenty stories, enclosed in a combination of curtainwall, ribbon windows, stone, or precast concrete exterior wall panels.

Open, daylit stairways encourage the use of stairs instead of elevators, benefitting employees' health. Access to daylight and views increases employee satisfaction and improves sustainability.

Multiple buildings can be connected together in a variety of configurations to suit functional needs and site conditions, linked with shared facilities such as conferencing, dining, circulation and employee amenities.

OFFICE FLOOR PLAN – CORE OFFICE



FEATURES

- ~42,000 Gross Square Feet per floor; approximately 180 BOE employees per floor (versus 125/floor at 450 N Street facility)
- Minimal Core Elements support layout flexibility
- Cross-connections across floors encourage communication
- Offices can be located in center bays or in outer bays to separate work groups
- Variety of meeting room sizes and types
- Abundant daylight and views
- Sustainable design

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APPENDIX

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APPENDIX 5.1

PREVIOUS REPORTS RE: 450 N STREET

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5.1 PREVIOUS 450 N STREET / BOARD OF EQUALIZATION FACILITY REPORTS

Multiple studies have been conducted and reports published regarding the 450 N Street facility since it was occupied by the Board of Equalization, including studies of building deficiencies, infrastructure condition, seating capacities and real estate values. These reports can be accessed at the following section of the Board of Equalization's website:

http://www.boe.ca.gov/info/building_protocols.html

The reports listed include:

[CSUS Report on BOE HQ 06-30-10 Final](#)

[Stantec BOE Building Infrastructure Study](#)

[Department of General Services' Schedule of BOE Activities](#)

[LaCroix Davis Final Report Review](#)

[Final LaCroix Davis Building Assessment Report](#)

[Final LaCroix Davis Interim Building Assessment Report](#)

[LaCroix Davis Building Assessment Report Summary](#)

[Floor-by-Floor Indoor Air Quality Test Reports](#)

[Final Report from Facilitated EAP Group Sessions](#)

[SEIU Letter](#)

[CASE Letter](#)

[ACSS Letter](#)

[1997 Dreyfuss and Blackford Office Optimization Study](#)

In July 2015, the DGS published the State Facility Long-Range Planning Study to develop a comprehensive long-range strategic asset management plan for DGS's portfolio of general-purpose office buildings in the greater Sacramento area. In this report, 29 buildings were identified with the most critical to least critical need for renovation, repair, or replacement. The BOE HQ building (450 N Street) was listed at 16 out of the 29 buildings identified in the report with the greatest need to prioritize facility improvements. The [State Facility Long-Range Planning Study](#) was posted on the BOE HQ Building Assessment website.

In November 2015, HGA and the DGS completed the 450 N Street "Program Validation Report" outlining the planned infrastructure and accessibility improvements for 450 N Street.

A historical timeline of the 450 N Street facility can also be reviewed on the BOE's website:

http://www.boe.ca.gov/info/historical_timeline.html

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APPENDIX 5.2

EXISTING BOE FACILITIES

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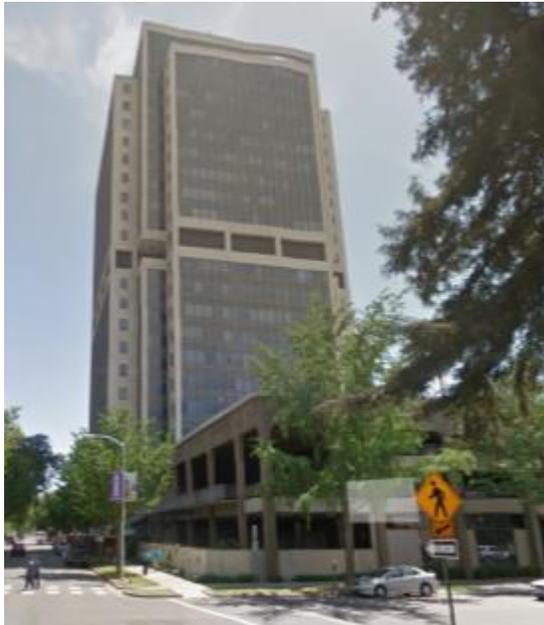
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EXISTING BOARD OF EQUALIZATION FACILITY USE -- AT A GLANCE

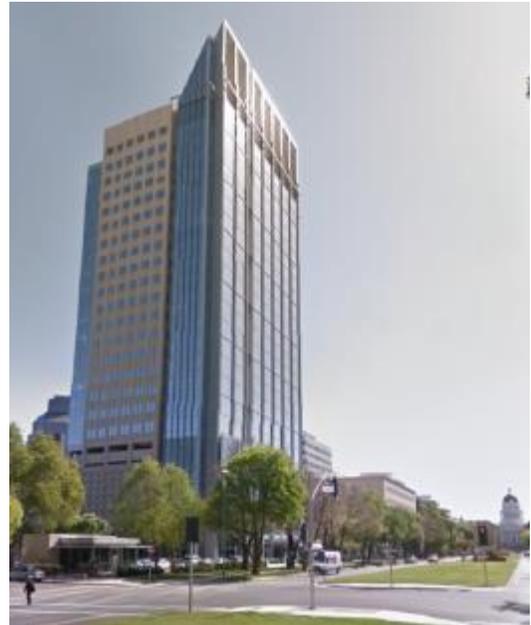
The majority of the Board of Equalization’s office functions, including Return Processing, are located at the 450 N Street facility. This 24-story tower, designed to accommodate 2200 occupants, is fully occupied by the BOE. It currently contains 2490 seats and houses approximately 2030 authorized positions and permanent intermittent staff. The remaining seat capacity accommodates additional seasonal staff and on-going moves/adds/changes resulting from organizational changes.

As the BOE outgrew 450 N Street, multiple real estate leases were executed to house BOE employees: The Legal Department relocated to 621 Capitol Mall; space was leased at 160 Promenade Circle to house Property Tax, HR Training, the Customer Service Center and a portion of Sales and Use Tax; Taxpayer Records relocated to 3600 Industrial Boulevard; the Motor Carrier Unit relocated to 1030 Riverside Parkway.

The BOE currently occupies the following facilities:



450 N Street
24 story tower, fully occupied by the BOE; leased
Occupants:
• Leadership, Exec Services, Legal, Prop Tax, Ext Affairs, Admin
• Special Taxes
• Sales and Use Tax
• CROS Team
• Technology Services
• Administration Department



621 Capitol Mall
24 story tower, partially occupied by the BOE; leased
Occupants: Legal, Board Proceedings



160 Promenade Circle
3 story office facility, partially leased by BOE; leased
Occupants:
• Sales and Use Tax, Property Tax
• Customer Service Center, HR Admin Training



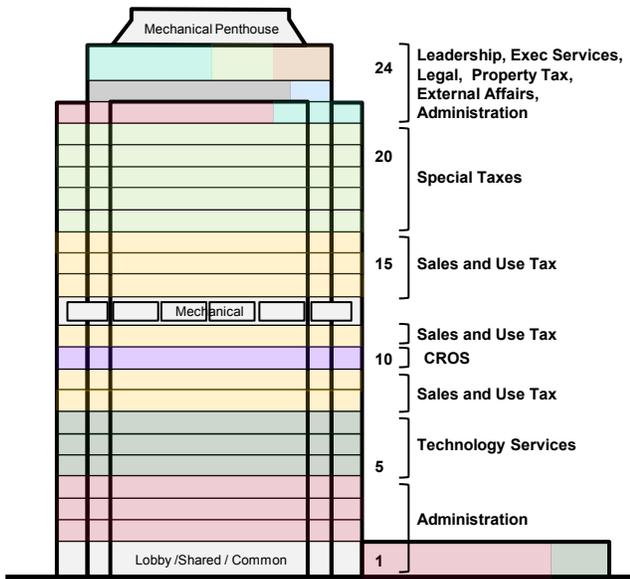
1030 Riverside Parkway
1 story office showroom facility, partially leased by BOE; leased
Occupant: Motor Carrier Unit



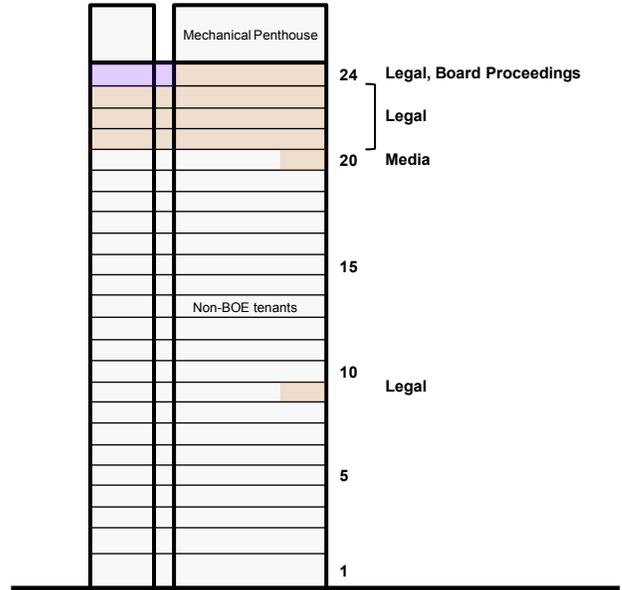
3600 Industrial Boulevard
1 story warehouse facility, partially leased by BOE; leased
Occupant: Taxpayer Records

5 EXISTING BOARD OF EQUALIZATION FACILITY USE -- AT A GLANCE

The Board of Equalization’s Departments and staff currently occupy their five existing facilities in the configurations shown below. Having staff located in five disconnected facilities is inefficient and increases the cost of BOE’s operations as outlined in subsequent sections of this study.



450 N Street
24 story tower, fully occupied by the BOE; leased



621 Capitol Mall
24 story tower, partially occupied by the BOE; leased



160 Promenade Circle
3 story office facility, partially leased by BOE, leased



1030 Riverside Parkway
1 story office showroom facility, partially leased by BOE



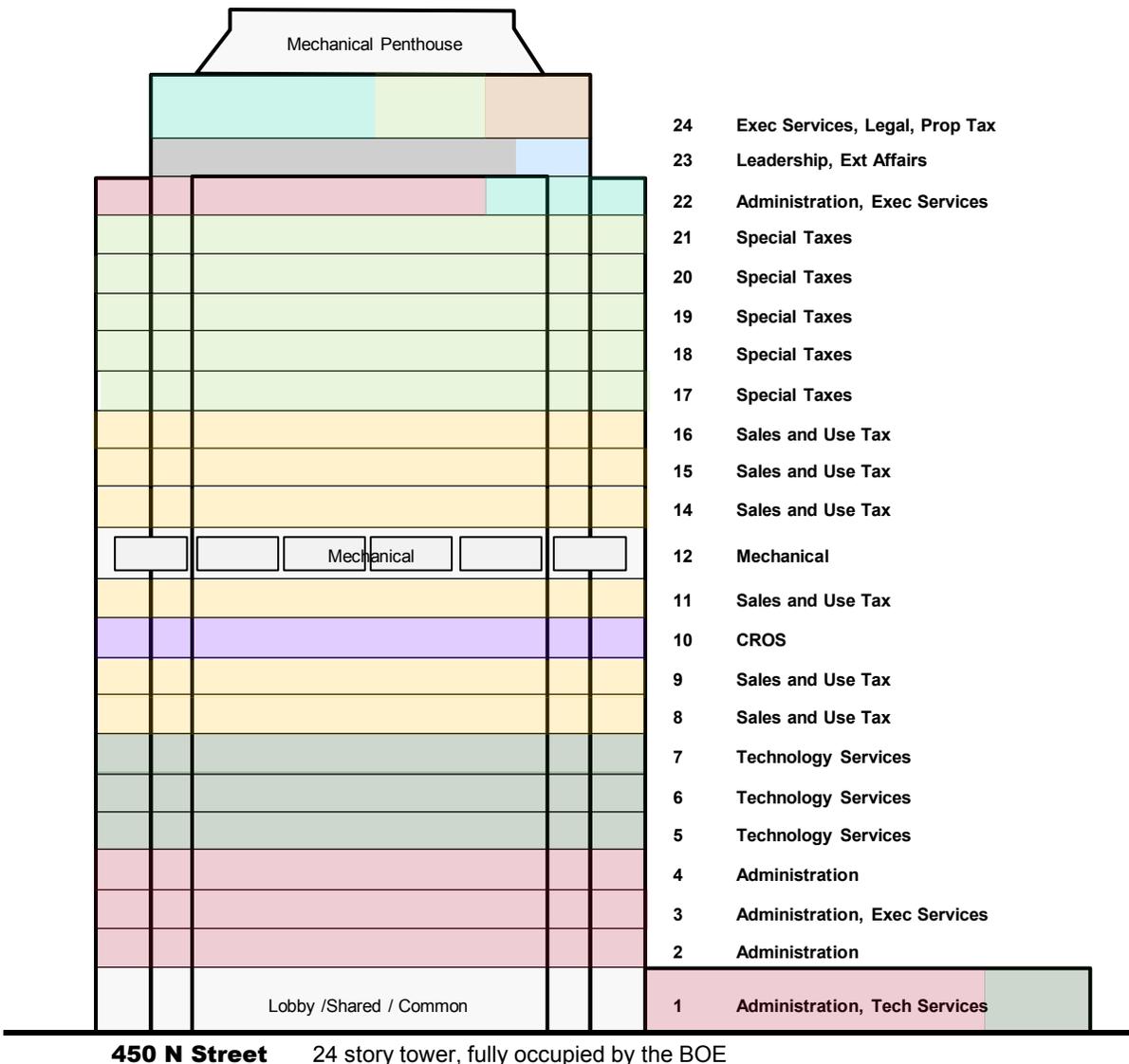
3600 Industrial Boulevard
1 story warehouse facility, partially leased by BOE

EXISTING BOARD OF EQUALIZATION FACILITY USE – 450 N STREET

The majority of the Board of Equalization’s office functions, including Return Processing, are located at the 450 N Street facility. This 24-story tower is owned the State and leased to the BOE through the Department of General Services (DGS). The BOE staff fills this facility as illustrated below.

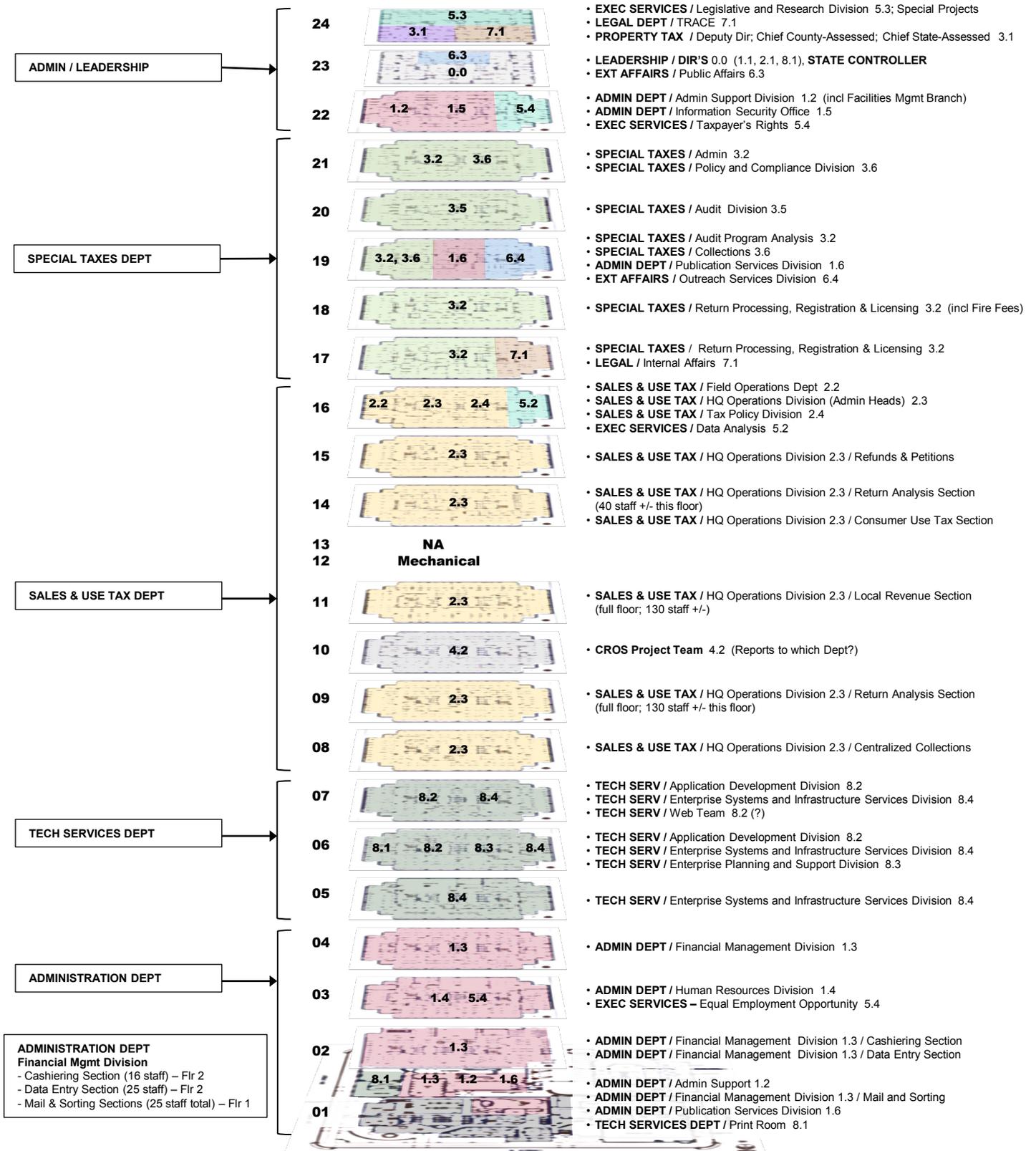
The ground floor of this facility houses the functions and equipment that support Return Processing, including the Mail Room, Sorting, Extraction and Batching processes. In addition, the Print Room is located here, producing print materials that are mailed to taxpayers. The second floor houses Cashiering and Data Entry functions. All movement of materials and people between the first and second floors is via a single freight elevator. Batched materials are then transported via the same freight elevator to the upper floors for further processing by Sales and Use Tax and Special Taxes & Fees staff. All completed paperwork and follow-up letters to taxpayers then move from the upper floors through the freight elevator to the first floor for mailing or transportation to the off-site Taxpayer Records facility for scanning and filing. This process is inherently inefficient and fragile; depending on a single freight elevator for all materials movement. The passenger elevators are overtaxed for passenger use, as documented in multiple previous reports, and are therefore not a viable back-up for the freight elevator. When the freight elevator fails or is taken out of operation for service, the productivity of the entire facility is compromised.

The remainder of BOE staff occupy the upper floors. Leadership and associated functions are located on the top three floors (Floors 21-24). Special Taxes occupies five adjacent floors (Floors 17-21). Sales and Use Tax occupies six full floors (Floors 8, 9, 11, 14, 15), interrupted by the mechanical floor and the floor housing the CROS team. Technology Services occupies three adjacent floors (Floors 5-7). Floors 3 and 4 are occupied by the Administration Department, including Human Resources. The portion of the ground floor (Floor 1) under the tower footprint provides the main lobby, security, reception, meeting rooms, food service, childcare services and the building’s utility spaces.



5 EXISTING BOARD OF EQUALIZATION FACILITY USE – 450 N STREET

The majority of the Board of Equalization’s office functions, including the Return Processing activities supporting the broader responsibility for Revenue Generation, are located at the 450 N Street facility. The BOE’s staff occupies this facility as illustrated below. The relatively small floor plates of this facility inhibit communication within workgroups located on a single floor, which is exacerbated when work groups are spread across multiple floors.



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