

**D05E01
Board of Public Works**

Operating Budget Data

(\$ in Thousands)

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>	<u>% Change Prior Year</u>
General Fund	\$6,513	\$7,674	\$7,691	\$17	0.2%
Adjustments	0	0	-4	-4	
Adjusted General Fund	\$6,513	\$7,674	\$7,687	\$13	0.2%
Special Fund	0	500	0	-500	-100.0%
Adjusted Special Fund	\$0	\$500	\$0	-\$500	-100.0%
Adjusted Grand Total	\$6,513	\$8,174	\$7,687	-\$487	-6.0%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance adjusted for a contingent reduction decreases by \$487,000, or 6%, compared to the fiscal 2017 working appropriation primarily due to a one-time \$500,000 special fund grant to the Maryland Zoo.

Personnel Data

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	9.00	9.00	9.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/16	1.00	11.11%

- The Board of Public Works (BPW) had 1 vacancy on December 31, 2016.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Value of Procurement Contracts Decrease: The total dollar value of procurement contracts drastically decreased in fiscal 2016.

Competitiveness of Contracts Improves: Competitive sealed bids and competitive sealed proposals continue to increase comprising 52% of procurements approved by BPW for 2016 compared to 45% in fiscal 2015.

Recommended Actions

1. Adopt committee narrative directing the Maryland Zoo in Baltimore to submit attendance and financial data reports.

Updates

Modernizing State Procurement: The *Report of the Commission to Modernize State Procurement* was published in fiscal 2017 and resulted in the introduction of procurement reform legislation.

Proper Notice of Reductions: Consistent with the BPW Transparency Act of 2016, as provided in Chapters 14 and 15 of 2016, BPW has provided appropriate notice for reductions in appropriations proposed by the Governor.

Earned Income and Expenses for Maryland Zoo: Revenue at the Maryland Zoo has increased as well as expenditures; however, net income has also increased, improving zoo finances.

Zoo Attendance Continues to Increase: Attendance at the Maryland Zoo has increased in fiscal 2016 with growth observed in all visitor categories.

Contingent Fund Use: BPW is responsible for managing Maryland's Contingent Fund. In 2016, there were multiple expenditures totaling \$232,880.

D05E01
Board of Public Works

Operating Budget Analysis

Program Description

The Governor, the Comptroller, and the Treasurer comprise the Board of Public Works (BPW). The board approves the expenditure of all sums appropriated through State loans authorized by the General Assembly and funds appropriated for capital improvements, except construction contracts for State roads, bridges, and highways. The board approves leases and contracts executed by State agencies. It adopts and promulgates rules, regulations, and procedures for the administration of the State's procurement law. The board approves certain actions of the Public School Construction Program, including the funding allocations to school boards in each county and Baltimore City. The board also approves the amount and timing of bond sales.

The board is responsible for the issuance of licenses to people seeking to dredge in or to place fill on State tidal wetlands. The Wetlands Administration unit is a division of the board that prepares written recommendations and issues licenses after approval by the board. This program also coordinates the State's wetlands licensing program with other governmental agencies, landowners, and the general public.

The budget for BPW contains funds for the administrative staff of the board, a contingency to supplement general fund appropriations when necessary, grant funds for private nonprofit groups, and funds to pay settlements and judgments against the State.

Performance Analysis: Managing for Results

1. Value of Procurement Contracts Decrease

Exhibit 1 shows contract submissions, approvals, and total dollar value of contracts approved for fiscal 2011 to 2017. The amount of contracts received increased by 9.2% from fiscal 2015 to 2016. There was a 70.4% decrease in the total dollar value of contracts due to the State employee health and dental benefits agreements being approved in fiscal 2015.

Exhibit 1
Procurement Contract Approvals
Fiscal 2011-2017 Est.
(\$ in Billions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Est.</u> <u>2017</u>	<u>%</u> <u>Change</u> <u>2015-16</u>
Contracts Submitted for Approval	542	551	578	784	600	655	650	9.2%
Contracts Approved	538	545	559	756	594	623	640	4.9%
Total Dollar Value of Contracts	\$2.9	\$5.4	\$2.3	\$2.7	\$11.1	\$3.3	\$3.3	-70.4%

Note: Numbers may not sum to total due to rounding.

Source: Board of Public Works

2. Competitiveness of Contracts Improves

Competitive sealed bids and proposals are the preferred procurement methods of the State. As shown in **Exhibit 2**, these two methods account for 52% of all procurement contracts in fiscal 2016 compared to 45% in 2015. The number of competitive sealed bids that occurred increased by 23% in fiscal 2016, consistently reported as the most utilized procurement method. The number of sole source bids has decreased from 85 to 80 in fiscal 2016; however, BPW projects the number of procurements using the sole source method to increase by 10 in fiscal 2017.

Exhibit 2
BPW Contract Approved by Procurement Method
Fiscal 2013-2017 Est.

	<u>2013</u>	<u>% of Total</u>	<u>2014</u>	<u>% of Total</u>	<u>2015</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>	<u>Est. 2017</u>
Competitive Sealed-bid	216	36%	225	30%	194	32%	238	38%	225
Competitive Sealed-proposals	128	21%	111	15%	80	13%	87	14%	100
Single Bid/Proposal Received	67	11%	93	13%	42	7%	31	5%	30
Sole Source	59	10%	84	11%	85	14%	80	13%	90
Emergency or Expedited	57	10%	66	9%	52	9%	62	10%	60
Other	73	12%	164	22%	151	25%	125	20%	130
Total	600		743		604		623		635

BPW: Board of Public Works

Source: Board of Public Works

Proposed Budget

Exhibit 3 shows the 6% decrease in the allowance for fiscal 2018. This is mainly reflecting the removal of a \$500,000 grant awarded to the Maryland Zoo in fiscal 2017. This was a one-time grant authorized by Chapter 10 of 2016.

Exhibit 3
Proposed Budget
Board of Public Works
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$6,513	\$0	\$6,513
Fiscal 2017 Working Appropriation	7,674	500	8,174
Fiscal 2018 Allowance	<u>7,687</u>	<u>0</u>	<u>7,687</u>
Fiscal 2017-2018 Amount Change	\$13	-\$500	-\$487
Fiscal 2017-2018 Percent Change	0.2%	-100.0%	-6.0%

D05E01 – Board of Public Works

Where It Goes:

Personnel Expenses

Salaries and wages.....	12
Employee and retiree health insurance.....	4
Retirement, net of the contingent pension sweeper reduction	3
Social Security.....	-6

Other Changes

Supplies and materials.....	2
Building interiors.....	-1
Contractual services	-1
Special grants	-500

Total **-\$487**

Note: Numbers may not sum to total due to rounding.

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the unassigned general fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is \$3,563 in general funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Recommended Actions

1. Adopt the following narrative:

Continuing Operational Reporting: Adopt committee narrative requesting continuing operational reporting. In continuance of the practice that began July 2008, the committees request that the Maryland Zoological Society submit:

- audited financial statements for fiscal 2018; and
- year-to-date monthly attendance figures for the zoo for fiscal 2018 (by visitor group).

Information Request	Author	Due Date
Audited financials	Maryland Zoological Society	November 1, 2017
Attendance reports	Maryland Zoological Society	Monthly

Updates

1. Modernizing State Procurement

In fiscal 2017, the *Report of the Commission to Modernize State Procurement* was issued. The Administration has proposed HB 390 and SB 310 to rename the Procurement Improvement Council, the Procurement Advisory Council, and introduce additional members including the Director of the Governor’s Office of Performance Improvement and the procurement advisor. The council will meet quarterly each year to ensure the State’s procurement system is utilizing advanced procurement methods and management techniques including policies, procedures, and forms for all procurement activity and contract management. The council will advise the board and the General Assembly on issues in the procurement process; develop performance metrics for State procurement; oversee the management of the eMaryland Marketplace and other Internet procurement resources; supervise the implementation of appropriate risk analysis and insurance requirements; and coordinate State and local entities to maximize use of intergovernmental purchasing.

HB 426 and SB 311 were also introduced for promoting efficiencies in State procurement. The minimum amount for small procurements will increase from \$25,000 to \$50,000. The designated procurement unit refers to: the Department of Budget and Management, the Department of General Services, the Department of Information Technology, or the Maryland Department of Transportation. The unit is responsible for publishing notice in eMaryland Marketplace at least 20 days before the bid opens and bid prices are expected to exceed \$50,000. These bills will also introduce master contracting; a streamlined procurement method that provides services, supplies, or commodities for the qualification of bidders and offerors.

2. Proper Notice of Reductions

Consistent with the BPW Transparency Act, as provided in Chapters 14 and 15 of 2016, BPW has provided appropriate notice for reductions in appropriations proposed by the Governor. The notice must be made public on BPW’s website three business days prior to the approval of a proposed reduction and include the agency, program, summary of the imposed reduction; the amount of proposed reduction in both dollars and percentage value; the fund source; and projected reductions in the workforce. Proposed budget cuts (cost containment measures) were posted to BPW’s website containing the required information, prior to BPW approving them on November 2, 2016.

3. Earned Income and Expenses for Maryland Zoo

Zoo revenues increased by 8% in fiscal 2016, outpacing expenditure growth of 4% and significantly improving the zoo's financial condition. Growth in contributions to the zoo and visitor revenue accounted for the improvement.

Contributions to the zoo increased by \$631,285, or 73%. Contributions include annual donations from individuals and corporations, excluding memberships, and are often provided in support of specific exhibit projects.

Visitor revenue increased by \$469,512, or 15%, in fiscal 2016. Visitor revenue is obtained from admission ticket sales, concession commissions, enjoyment of revenues sharing paid to vendors, and facility rentals. The growth can be partially attributed to the \$1 increase in the price of children's admission tickets. **Exhibit 4** shows the changes in zoo revenues and expenses from fiscal 2013 to 2016 as detailed in the audited financial statement.

Exhibit 4 Zoo Financials Fiscal 2013-2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue, Gains, and Other Support						
Grants and Awards	\$10,643,094	\$18,293,118	\$9,758,645	\$9,590,418	-\$168,227	-2%
Contributions	1,758,675	1,247,159	859,752	1,491,037	631,285	73%
In-kind Donations	809,567	831,463	977,081	823,410	-153,671	-16%
Education						
Programs	248,083	262,342	246,678	304,312	57,634	23%
Visitor Revenue	2,693,401	3,025,683	3,098,476	3,567,988	469,512	15%
Investment Income	15,315	24,442	705	-4,703	-5,408	-767%
Membership Dues	1,374,096	1,372,583	1,662,475	1,804,365	141,890	9%
Insurance						
Recoveries	27,798	1,388,978	112,274	455,016	342,742	305%
Special Events	437,851	419,522	517,184	655,536	138,352	27%
Other Revenue	19,410	10,061	77,022	9,622	-67,400	-88%
Total	\$18,027,290	\$26,875,351	\$17,310,292	\$18,697,001	\$1,386,709	8%
Expenses						
Program Services	\$12,896,782	\$13,409,644	\$14,238,032	\$14,946,046	\$708,014	5%
Supporting						
Services	2,802,541	2,836,226	2,622,077	2,424,380	-197,697	-8%
Fundraising	532,203	849,149	925,454	1,042,332	116,878	13%
Total	\$16,231,526	\$17,095,019	\$17,785,563	\$18,412,758	\$627,195	4%
Net Income	\$1,795,764	\$9,780,332	-\$475,271	\$284,243	\$759,514	n/a

Source: Maryland Zoo

4. Zoo Attendance Continues to Increase

Zoo attendance increased by 9% in fiscal 2016, as shown in **Exhibit 5**. This is equivalent to 38,391 more visitors than the previous fiscal year. Fiscal 2016 marked the third consecutive year of attendance growth. The number of visitors gaining admission to the zoo by way of passes increased by 12.2% versus the 8.6% increase in fiscal 2015.

**Exhibit 5
Zoo Attendance
Fiscal 2011-2016**

<u>Category</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u># Change 2015-16</u>	<u>% Change 2015-16</u>	<u>% Change 2011-16</u>
General	154,899	180,904	163,197	190,933	169,117	188,755	19,638	11.6%	21.9%
Member	123,721	137,868	126,194	129,687	154,133	165,831	11,698	7.6%	34.0%
School	81,521	87,750	88,383	85,852	83,337	87,951	4,614	5.5%	7.9%
Passes	14,470	3,321	22,388	18,374	19,947	22,388	2,441	12.2%	54.7%
Total	374,611	409,843	400,162	424,846	426,534	464,925	38,391	9.0%	24.1%

Source: Maryland Zoo

5. Contingent Fund Use

BPW maintains Maryland’s Contingent Fund, which is a balance used to fund unforeseen circumstances. **Exhibit 6** indicates expenditures from the fund by agency and use.

Exhibit 6
Contingent Fund Use
Fiscal 2016

<u>Agency</u>	<u>Contingent Fund Use</u>	<u>Expenditures</u>
Office of the Secretary	To support essential operating costs that exceed the Office of the Secretary of State’s appropriation.	\$20,000
Maryland State Board of Appeals	To fund leave payout for the separation of long-term staff from the Maryland State Board of Contract Appeals.	20,000
Department of Disabilities	To provide oversight to the Ethan Saylor Alliance for self-advocates as educators (Department of Disabilities).	75,000
Office of the Attorney General	To establish 2 positions necessary to implement provisions of SB 695.	117,880
Total		\$232,880

Source: Board of Public Works

D05E01 – Board of Public Works

Appendix 1
Current and Prior Year Budgets
Board of Public Works
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$7,165	\$0	\$0	\$0	\$7,165
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-215	0	0	0	-215
Reversions and Cancellations	-437	0	0	0	-437
Actual Expenditures	\$6,513	\$0	\$0	\$0	\$6,513
Fiscal 2017					
Legislative Appropriation	\$7,656	\$0	\$0	\$0	\$7,656
Cost Containment	0	0	0	0	0
Budget Amendments	17	500	0	0	517
Working Appropriation	\$7,674	\$500	\$0	\$0	\$8,174

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

In fiscal 2016, \$437,327 was reverted to the General Fund: \$170,207 may be attributed to 1 vacant general counsel position and the cost of benefits associated with that position. The remaining funds, \$267,120, presents a balance reverted from the contingent fund.

Fiscal 2017

The fiscal 2017 working appropriation was increased by \$517,348. BPW's Administration Office and Wetlands Administration received \$14,482 and \$2,966, respectively, for salary increment increases effective for all State employees. The Maryland Zoo received a one-time \$500,000 grant for expenses related to zoo operations; mainly granting across-the-board pay increases for zoo employees. This was authorized by Chapter 10 of 2016.

**Appendix 2
Object/Fund Difference Report
Board of Public Works**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	9.00	9.00	9.00	0.00	0%
Total Positions	9.00	9.00	9.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 879,119	\$ 1,032,473	\$ 1,048,941	\$ 16,468	1.6%
02 Technical and Spec. Fees	11,570	21,750	21,750	0	0%
03 Communication	4,417	7,569	8,145	576	7.6%
04 Travel	4,897	5,450	5,450	0	0%
08 Contractual Services	17,070	48,720	47,892	-828	-1.7%
09 Supplies and Materials	16,587	22,400	24,100	1,700	7.6%
10 Equipment – Replacement	257	4,200	4,200	0	0%
11 Equipment – Additional	0	2,500	2,500	0	0%
12 Grants, Subsidies, and Contributions	5,577,068	7,021,136	6,521,136	-500,000	-7.1%
13 Fixed Charges	1,364	5,433	5,433	0	0%
14 Land and Structures	538	2,000	1,000	-1,000	-50.0%
Total Objects	\$ 6,512,887	\$ 8,173,631	\$ 7,690,547	-\$ 483,084	-5.9%
Funds					
01 General Fund	\$ 6,512,887	\$ 7,673,631	\$ 7,690,547	\$ 16,916	0.2%
03 Special Fund	0	500,000	0	-500,000	-100.0%
Total Funds	\$ 6,512,887	\$ 8,173,631	\$ 7,690,547	-\$ 483,084	-5.9%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 3
Fiscal Summary
Board of Public Works**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Administration Office	\$ 739,789	\$ 928,692	\$ 940,196	\$ 11,504	1.2%
02 Contingent Fund	0	500,000	500,000	0	0%
05 Wetlands Administration	196,030	223,803	229,215	5,412	2.4%
10 Miscellaneous Grants to Private Nonprofit Groups	5,577,068	6,521,136	6,021,136	-500,000	-7.7%
Total Expenditures	\$ 6,512,887	\$ 8,173,631	\$ 7,690,547	-\$ 483,084	-5.9%
General Fund	\$ 6,512,887	\$ 7,673,631	\$ 7,690,547	\$ 16,916	0.2%
Special Fund	0	500,000	0	-500,000	-100.0%
Total Appropriations	\$ 6,512,887	\$ 8,173,631	\$ 7,690,547	-\$ 483,084	-5.9%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.