



STATE OF CONNECTICUT  
OFFICE OF GOVERNMENTAL ACCOUNTABILITY  
STATE CONTRACTING STANDARDS BOARD

Final & Approved

Friday, April 13 2018 Meeting of the State Contracting Standards Board Privatization  
Committee  
5<sup>th</sup> Floor Conference Room  
18-20 Trinity Street, Hartford, Connecticut

Members Present

Claudia Baio, Chair  
Charles Casella  
Lawrence Fox  
Brenda Sisco

1. [Call to order](#)

The meeting was called to order at 11:12 A.M. by Chair Baio.

2. [Approve the minutes of the March 9, 2018 meeting](#)

Motion made by Lawrence Fox and seconded by Charles Casella to approve the minutes of the March 9, 2018 meeting as corrected. All voted in favor, with Brenda Sisco abstaining due to her absence from the March 9, 2018 meeting.

3. [Conclude Department of Transportation \(DOT\) Bridge Safety Inspection Review](#)

Chair Baio introduced Robert Dakers, Executive Finance Officer for the Office of Policy and Management. Chair Baio explained the Committee's status of having selected the DOT bridge safety inspection contracts as the area chosen to be reviewed for 2017. The Committee has received the information required in the cost benefit analysis template and has also received the DOT's business case proposal, which recommendations the Committee has partially adopted. Before the Committee could proceed with adoption of the full plan, several questions remain. The questions concern fringe benefit costs and unfunded liability costs.

Mr. Daker's discussed how different percentages could be applied. Mr. Daker's also referenced that the Statute calls for normal cost. Mr. Daker's specifically speaking about the Bridge inspection contracts, did not know off hand the DOT's practice for applying a fringe benefit rate.

Chair Baio explained that one of the Committee members had a question on the figures provided in the cost benefit analysis from the DOT on bridge safety inspections with a focus on the fringe benefit and the indirect costs.

Charles Casella added the specific question on indirect costs was about the DOT building. Is there an apples to apples application of the indirect costs?

Lawrence Fox noted the use of the template by DOT, and asked what the template requires. Mr. Dakers responded that the template reflects the law, which is normal cost. Mr. Fox further asked what is included in the indirect cost.

Mr. Dakers explained that some agencies have calculated an indirect cost and for those that don't the template provides a calculated average. Further the template asked the agency to show with and without indirect cost.

Mr. Casella shared with Mr. Dakers the indirect and direct costs provided by the DOT. Mr. Casella stated that the answer to the Committee member's question is that the indirect cost has been provided.

Mr. Dakers offered that the State is still paying for the cost of the building whether you contract out or not.

Brenda Sisco stated the bottom line of the question is how does the building play into the question of contracting out. Mr. Fox explained that a contractor figures the cost his building into his fee charged to the State. But the State when it is doing an apples to apples comparison does not include those same things, so the State is under counting the actual costs.

Mr. Dakers responded that it is a good philosophical question. He further offered that the State can say when contracting out that it really doesn't matter because the State is going to pay for the building regardless of the contracting out. Unless you contract out to an extent that you need only half or less of the building. Mr. Casella added, such as closing a prison.

Mr. Dakers stated if we are going to make a business decision our costs are really not going to change.

Mr. Fox summarized the question of whether the DOT has accurately reflected that it less expensive for the DOT to bring the majority of bridge inspection work in-house.

Mr. Fox asked Mr. Dakers if the Office of Policy and Management is satisfied that the DOT applied the template correctly. Mr. Dakers explained that he last met with officials from the DOT about a year ago and that there weren't any questions on the figures.

Chair Baio summarized the discussion. The Committee believed we were at a point where we received what we needed and it made sense. We endorsed the first part of the plan, but

thought it made sense to complete our due diligence and address the question of indirect costs. Did what we receive make a fair presentation of what the cost savings could be.

Chair Baio asked Mr. Dakers to take a look at the cost benefit analysis received from the DOT one more time, with the caveat that we understand it is over a year since Mr. Dakers last reviewed. Mr. Fox added that pending today's questions the Committee is ready to take a vote on the DOT plan. Mr. Fox explained that the Committee had endorsed the first year of the plan but was holding off on endorsing the rest.

Mr. Dakers explained that it was more his budget colleagues who are dealing with the plan and cost benefit analysis.

After Chair Baio provided a brief history of the review, Mr. Fox added that basically DOT's analysis shows that the State ends up spending more money by contracting out than it would have to spend if a significant portion, but not all of the bridge inspection work was brought back in-house.

Chair Baio praised the DOT for the thorough analysis.

The Committee recessed at 11:40 A.M. to allow Mr. Dakers to review the DOT submitted cost benefit analysis. The Committee reconvened at 11:45 A.M.

Mr. Dakers remarked that indirect cost provided by DOT at 7.41% appears to be low and that when he last looked at it he was comfortable with the number. Mr. Dakers searched for the number provided on the cost effectiveness evaluation for when the agency has not calculated indirect cost, and reported it is 31%.

Mr. Dakers noted that the DOT number of 7.41% does not appear to skew anything and that it is a modest number. Mr. Fox offered that it appears the DOT properly used the cost benefit analysis template.

Ms. Sisco summarized what appears to be the Committees position. The Committee asked for the information in the cost benefit analyses template and it is appropriate for the Committee to question the numbers but not determine whether numbers are correct or not, but to look at the cost benefit analysis as a whole.

Mr. Casella offered his experience as a former DOT employee, charging fringe benefit rate of 85% to projects. Further offering when you are using the cost benefit analysis and the cost effectiveness evaluations that the difference between the federal rate and the state rate should be part of the analyses templates.

Chair Baio offered the Board member Robert Rinker asked about the template being adjusted for the unfunded liability due to the SEBAC agreement and the creation of a new tier. Mr. Casella asked if the two templates have been updated. Mr. Dakers responded that they have

provided one normal cost for hazardous and one for non-hazardous for SERS. Mr. Dakers stated it is not currently broken down by tier, but he would look at it.

Chair Baio restated Mr. Rinker's comment and question to Mr. Dakers to ensure clarity. The normalized cost of pensions has decreased and the health insurance cost of employees has increased, meaning the State's liability would decrease, has this been taken into consideration? Mr. Dakers responded that yes.

Mr. Casella asked Mr. Daker's the question of if the Committee accepts the business case from the DOT, in which the DOT is looking for 49 more bridge inspectors, how will that be enforced. Mr. Dakers responded with a review of the budget process.

Lawrence Fox motioned and seconded by Brenda Sisco that the Privatization Contract Committee bring to the full Board a recommendation to approve the Department of Transportation Plan. All voted in favor.

#### 4. Choose Contract and Agency for 2018 Review under C.G.S. Sec. 4e-16(l)(1)

Chair Bio initiated discussion by reviewing the minutes of the March meeting on the subject of choosing the next Agency to review.

Mr. Casella suggested the Committee review large information technology (IT) contracts. Mr. Fox added the Committee should look at a large contract which is a solution for a specific area or task. Executive Director Guay offered that there are many areas, such a large database and desktop services. Mr. Casella concurred that large databases would be the place to look. Mr. Fox suggested a conversation of DAS-BEST on how the Committee could be helpful in choosing privatization of IT contracts.

Chair Baio offered to the Committee whether it would be helpful to have representatives of DAS-BEST come to the next meeting to discuss possible areas to review.

The Committee suggested the following preparatory questions for representatives of DAS-BEST:

What are DAS-BEST's most costly contracts?

What functions are the most costly contracts for?

Identify the biggest gap in what we are doing and what we should be doing in IT?

#### 5. First look at Committee process draft

Chair Baio introduced the draft that Executive Director Guay provided, and Executive Director Guay walked the Committee through a review of the draft.

Mr. Casella raised the issue of receipt of a Privatization request and the time it takes for the full Board to meet and refer the request to the Privatization Contract Committee. Executive Director Guay that there are a few ways to speed the process up, including having staff receive and forward on the Board's behalf. Chair Baio suggested the question of how the Board refers privatization contracts to the Privatization Contract Committee should be placed before the full Board for consideration.

Motion made by Charles Casella and seconded by Brenda Sisco to recommend to the Board streamlining of the receipt and referral of privatization contracts to the Privatization Contract Committee. All voted in favor.

#### 6. [Public Comment](#)

Fred Chojnicki a retired Department of Transportation employee addressed the Privatization Contract Committee.

Travis Woodward also addressed the Board.

#### 7. [Other Business](#)

No other business.

#### 8. [Adjournment](#)

Motion made by Lawrence Fox and second by Charles Casella to adjourn. All voted in favor. The meeting was adjourned at 12:54 P.M.

Respectfully submitted: David Guay