

Ohio Environmental
Protection Agency

Facilities Utilization Performance Audit

June 20, 2019

Audit Highlights

This performance audit identified recommendations within the scope area of Regional Office Alignment and is presented in two sections: 1) District Office SF Consolidation and 2) Groveport Facility Reconfiguration.

Recommendation 1 Reduce the amount of square feet Ohio EPA occupies in district offices in order to lower costs and shrink building footprints.

Financial Impact \$551,000 to \$1 million in annual cost avoidance from consolidating in place, or, \$270,000 to \$900,000 in annual cost avoidance from leasing new space

Recommendation 2 Terminate plans for building a new warehouse facility. Continue leasing the Groveport facility and use it for field staff training.

Financial Impact One-time cost avoidance of \$1.7 million

Savings by the numbers

Consolidating work space and abandoning plans to build a new warehouse are expected to save:

First year:
\$1,970,000
to
\$2,700,000

Issue for further study

Ohio EPA should conduct a study to determine whether underutilized space exists within its Lazarus Building headquarters.



Source AOS

An office-size room in the Southeast District Office being used to store files (See Page 18 for more.)

Table of Contents

Audit Highlights	2
Letter from the Auditor	4
Audit Summary	5
Ohio EPA Overview	6
Background	8
Recommendation 1: District Office SF Consolidation	11
Recommendation 2: Groveport Facility Reconfiguration	24
Appendix	28
Engagement Scope and Purpose	28
Performance Audit Overview	28
Methodology	28
Audit Objective	28
Client Response	29

Letter from the Auditor

To the Governor’s Office, General Assembly, Director and Staff of the Ohio Department of Administrative Services, Ohio Taxpayers, and Interested Citizens:

The Auditor of State’s Office recently completed a performance audit for the Ohio Environmental Protection Agency (Ohio EPA or the Agency). This service to the Ohio EPA and to the taxpayers of the state of Ohio is being provided pursuant to Ohio Revised Code §117.46. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations of the Ohio EPA in relation to industry standards and recommended or leading practices.

This performance audit report contains recommendations, supported by detailed analysis, to enhance the Agency’s overall economy, efficiency, and/or effectiveness. This report has been provided to the Agency and its contents have been discussed with the appropriate staff and leadership within the Agency. The Agency is reminded of its responsibilities for public comment, implementation, and reporting related to this performance audit per the requirements outlined under ORC §117.461 and §117.462.

It is the Auditor’s hope that the Agency will use the results of the performance audit as a resource for improving operational efficiency as well as service-delivery effectiveness. Additional resources related to performance audits are available on the Ohio Auditor of State’s website.

This performance audit report can be accessed through the Auditor of State’s website at ohioauditor.gov and choosing the “Search” option.

Sincerely,



Keith Faber
Auditor of State
June 20, 2019

Audit Summary

This audit examines the space utilization of real estate, with a specific focus on the regional Ohio Environmental Protection Agency (Ohio EPA) district and field offices.

Recommendation 1 Reduce the amount of square feet Ohio EPA occupies in district offices in order to lower costs and shrink building footprints. Achieve financial impact from reducing operational building footprint in one of four ways: 1) relocate, 2) lease less space within current buildings, 3) sublease excess space under the existing leases, or 4) renegotiate the dollar-value of existing leases and building footprints to an amount economically equivalent to the other options.



Financial Impact Consolidating in place would result in between \$551,000 and \$1 million in annual cost avoidance, depending on the square feet allotted per employee. Leasing new space would result in annual cost avoidance between \$270,000 and \$900,000 after paying back moving expenses over 0-5 years, depending on the square feet (SF) allotted per employee.

Recommendation 2 Terminate plans and release the corresponding capital budget appropriation for building a new warehouse facility on the Department of Agriculture’s Reynoldsburg campus. Continue leasing the Groveport facility and use it for field staff training.



Financial Impact Abandoning plans to build a new warehouse would avoid approximately \$1.7 million in construction and moving costs.

Issue for Further Study

Ohio EPA should conduct a study to determine whether underused space exists within its Lazarus Building headquarters. A high-level benchmarking shows 428 SF rented per each EPA position reporting to the Lazarus, which exceeds the DAS office-space target of 250-300 SF per position.



Ohio EPA Overview

The Ohio Environmental Protection Agency (Ohio EPA or the Agency) was created in 1972 to combine environmental programs that had previously been scattered throughout several state departments. In 1974, the Agency subdivided the state into five districts.

Its mission is “...to protect the environment and public health by ensuring compliance with environmental laws and demonstrating leadership in environmental stewardship.” OEPA accomplishes this mission by establishing and enforcing standards for air, water, waste management and cleanup of sites contaminated with hazardous substances. The Agency also provides financial assistance to businesses and communities for environmental priorities; environmental education programs for businesses and the public; and pollution-prevention assistance to help businesses minimize their waste at the source.

Ohio EPA is led by a director who is appointed by the governor and serves as a cabinet member. With oversight from the Director, the Agency carries out its statutory responsibilities and mission through four regulatory divisions:

- Air Pollution Control
- Drinking and Ground Waters
- Environmental Response and Revitalization
- Materials and Waste Management
- Surface Water

In addition to the regulatory divisions, there are six non-regulatory divisions:

- Compliance Assistance and Pollution Prevention
- Environmental Education
- Environmental and Financial Assistance
- Environmental Services
- Public Interest Center

Ohio EPA Organization

Source: Ohio EPA

The focus of this audit is on the utilization of real estate, with a specific focus on regional offices. Ohio EPA operates four district offices outside of Columbus, one specialized field office, and a central headquarters. These regional offices report to the Assistant Director of Environmental Policy, Priorities, and Legislation, who reports to the Director of Ohio EPA.

The report is divided into two sections of analysis: District Office SF Consolidation and Groveport Facility Reconfiguration.

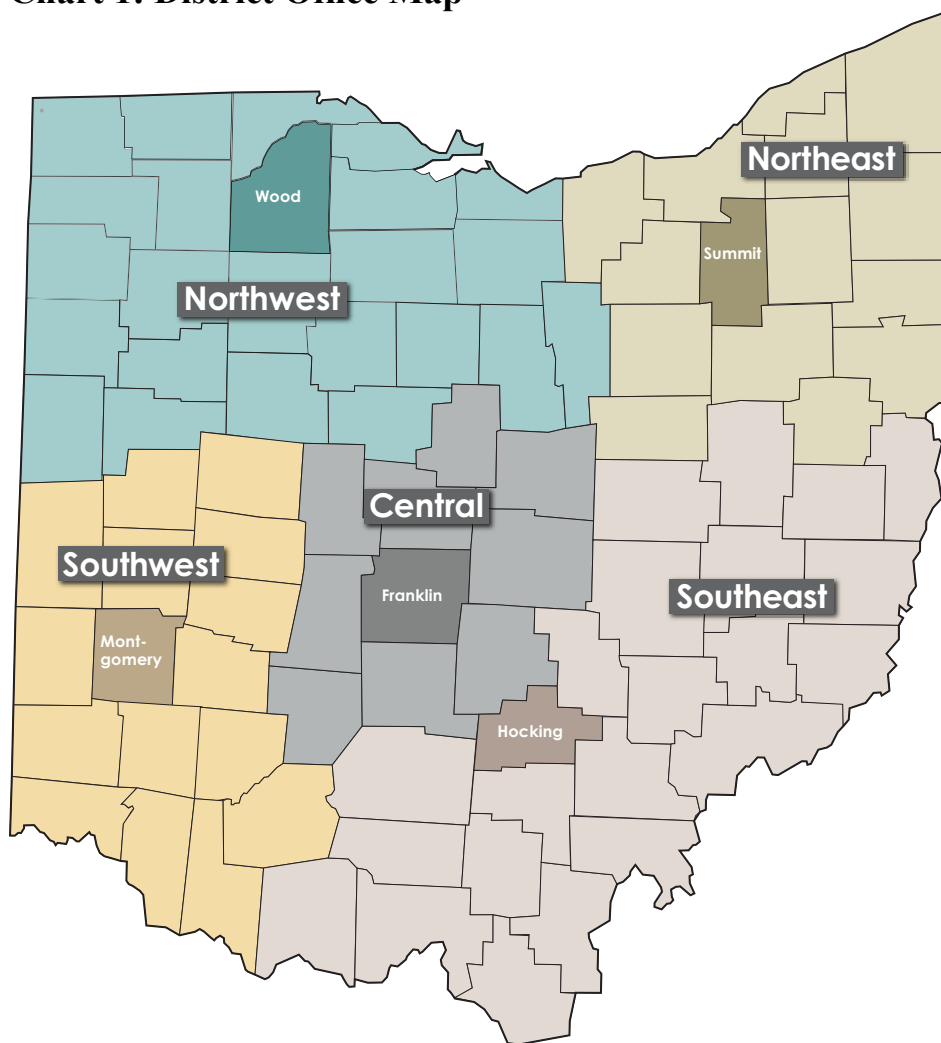
Background

Districts

Ohio EPA's five districts are each administered from a district office. Each district office includes a mixture of office space and warehouse space. The exact location of each district office was initially selected to place staff in an optimal location to serve their area of responsibility. Each is named for its geographic area of responsibility.

Chart 1 provides a map of geographic boundaries of Ohio EPA's district offices.

Chart 1: District Office Map



Source: Ohio EPA

As shown in **Chart 1**, the districts are distributed roughly equally across the four quadrants and center of Ohio. The Northeast District Office (NEDO) is located in Summit County; the Northwest District Office (NWDO) is located in Wood County; the Southwest District Office (SWDO) is located in Montgomery County; and the Southeast District Office (SEDO) is located in Hocking County. The Central District Office (CDO) is located in Franklin County. CDO shares office space with Ohio EPA's central office employees in the Lazarus building in downtown Columbus. SEDO is the largest district by area despite, as will be shown, having the lowest staff count.

Ohio EPA leases space within the Lazarus building in downtown Columbus for its central office support and administrative employees, as well as for the CDO. The Agency occupies 224,276 SF within the Lazarus' approximately 700,000 SF. More than a dozen other tenants lease space in the Lazarus, including the Ohio Department of Medicaid and the Ohio Department of Insurance. In fiscal year 2018 there were 524 full-time equivalent Ohio EPA employees reporting to the Lazarus building.

Ohio EPA's rent and occupancy of the Lazarus is bound to a fixed payment schedule extending through 2029, per a contractual agreement established in 1997 between the Rickenbacker Port Authority and the State of Ohio. Because of this, Ohio EPA's implementation of recommendations relating to the Lazarus would face complicated legal constraints. Therefore, the scope of the audit engagement focuses on the four district offices operating in non-central regions.

Ohio EPA's district offices have remained in the same counties since 1974. NEDO and SEDO are still in the same buildings, whereas the NWDO and SWDO moved to newer buildings in the same counties during the 1990s.

District offices carry out the day-to-day mission of Ohio EPA on the ground, particularly those functions which require interacting with property owners and visiting sites in the field. Staff in the field are broadly engaged in issuing permits, conducting inspections & documentation for compliance, and general environmental monitoring.

All district offices are leased from commercial landlords. Per state policy, lease negotiation and execution for Ohio's state agencies is handled by the Department of Administrative Services' (DAS) Division of Real Estate. DAS attempts to standardize lease terms where possible, and most state agency contracts are for gross leases, which include utilities, and contain the option for the State to terminate the agreement without penalty by giving 30-90 days' notice; Ohio EPA's leases follow this format.

Leases are renewed and renegotiated annually. Typically the only major terms that change year to year are the amount of total rent and provisions for the landlord to provide specific maintenance or upgrades. DAS compiles and updates comparable office market reports each year to aid in its rent negotiation. The Agency itself specifies the decision and intention to renew the lease, with DAS providing little input. If the Agency decides to explore a move or lease in a new location, DAS will assist with the property search.

Ohio EPA's leases are drafted to coincide with the state fiscal year, from July 1 through June 30. In May 2019 the Ohio EPA finalized agreements to renew leases at all of their current properties for the upcoming year.

Other Ohio EPA Offices

In addition to the Lazarus building and the four district offices outside of Columbus, Ohio EPA operates two additional locations, both in central Ohio: a field office in Groveport and a laboratory in Reynoldsburg.

Whereas district offices conduct the ordinary business of Ohio EPA's divisions within their respective geographic boundaries, the Groveport field office houses subject-matter experts, such as biologists and entomologists, who support the staff of district offices or whose responsibilities are more statewide in nature, such as the hazardous-materials response group. In total, 42 FTEs report to the field office including seasonal interns. Groveport is also used for storage, including warehousing centrally purchased supplies and specialized equipment.

Ohio EPA's Division of Environmental Services (DES) rents building space from the Ohio Department of Agriculture (AGR) in Reynoldsburg, Ohio. This space is dedicated to laboratory operations and houses specialized laboratory equipment.

FY 2018 Capital Budget

The FY 2018 capital budget (House Bill 529) approved an appropriation of \$872,000 under AGR's budget for an "EPA warehouse facility" to be constructed on the site of AGR's Reynoldsburg location. The budget request and subsequent allocation were made for the purpose of relocating activity that Ohio EPA currently conducts at the Groveport field office.

The construction of Ohio EPA's warehouse was to be part of a tiered plan to cease operations in Groveport and terminate the facility lease. This plan did not materialize into a detailed written project plan, though there were informal plans to relocate the field office laboratory staff to AGR's office and the remaining majority of personnel to Ohio EPA's downtown headquarters.

The planned construction and relocation of the Groveport operation was complicated by early cost estimates, provided by the Ohio Facilities Construction Commission, that almost doubled the \$872,000 appropriation. Additionally, with the change in administration in January 2019, Ohio EPA leadership determined that it did not wish to pursue the construction and relocation.

Recommendation 1

District Office SF Consolidation

» Reduce the amount of square feet Ohio EPA occupies in district offices to lower costs and shrink building footprints. Achieve financial impact from reducing operational building footprint in one of four ways: 1) relocate, 2) lease less space within current buildings, 3) sublease excess space under the existing leases, or 4) renegotiate the dollar-value of existing leases and building footprints to an amount economically equivalent to the other options.

» Consolidating in place would result in between \$551,000 and \$1 million in annual cost avoidance, depending on the square feet allotted per employee. Leasing new space would result in annual cost avoidance between \$270,000 and \$900,000 after paying back moving expenses over 0-5 years, depending on the square feet allotted per employee.

Methodology

The District Office Consolidation analysis evaluated Ohio EPA's use of office space in relation to industry standards and internal benchmarks. Information on OEPA building characteristics was gathered from property lease agreements, blue prints, design documents, and photographs. Ohio EPA staff provided additional detail on building-space allocation via internal documents, which were then validated through site visits and visual inspection.

Staffing and personnel data were collected from organization charts and the Ohio Administrative Knowledge System (OAKS), which is the State's enterprise resource planning platform. Staffing data were used from state FY 2008 through FY to date 2019. The analysis used organizational charts as of March 2019, which were the most recently available.

Benchmarking criteria was gathered from state and federal government, and private industry sources. Analysts calculated the SF per employee metric for each of Ohio EPA's district offices. The rentable square footage includes conditioned interior building space only, and excludes the detached warehouse component of each district. For the purposes of benchmarking in this report, OEPA is compared with industry standards on the basis of positions filled rather than total positions listed on the org chart, which accounts for the normal amount of turnover in ongoing operations.

Background

Benchmarking

The most cited metric in commercial office benchmarking is the ratio of rentable building square footage to the number of employees. This metric accounts for all building square footage rented—including office & cube space, hallways, collaboration space, support areas, and other mission-specific floor space—and divides that total square footage by the number of employees working in the building.

Three relevant organizations which promulgate standards for rentable square feet per employee are:

- Ohio Department of Administrative Services – Specifies 250-300 SF per employee.
- Federal General Services Administration (GSA) – Specifies 200-250 SF per employee.
- Building Owners and Managers Association – Specifies 200-250 SF per employee.

Analysis

Table 1 shows the amount of square feet per employee for each of the Ohio EPA district offices: Northeast (NEDO) Northwest (NWDO) Southwest (SWDO) and Southeast (SEDO).

Table 1: District Staff per Square Foot

	NEDO	NWDO	SWDO	SEDO
Location:	Twinsburg	Bowling Green	Dayton	Logan
Total Positions on Org Chart	165	134	98	93
Positions Filled	152	118	86	86
Rentable SF	52,688	40,592	48,000	36,512
SF per Positions on Org Chart	319	303	490	393
SF per Position Filled	347	344	558	425

Source: Ohio EPA, DAS

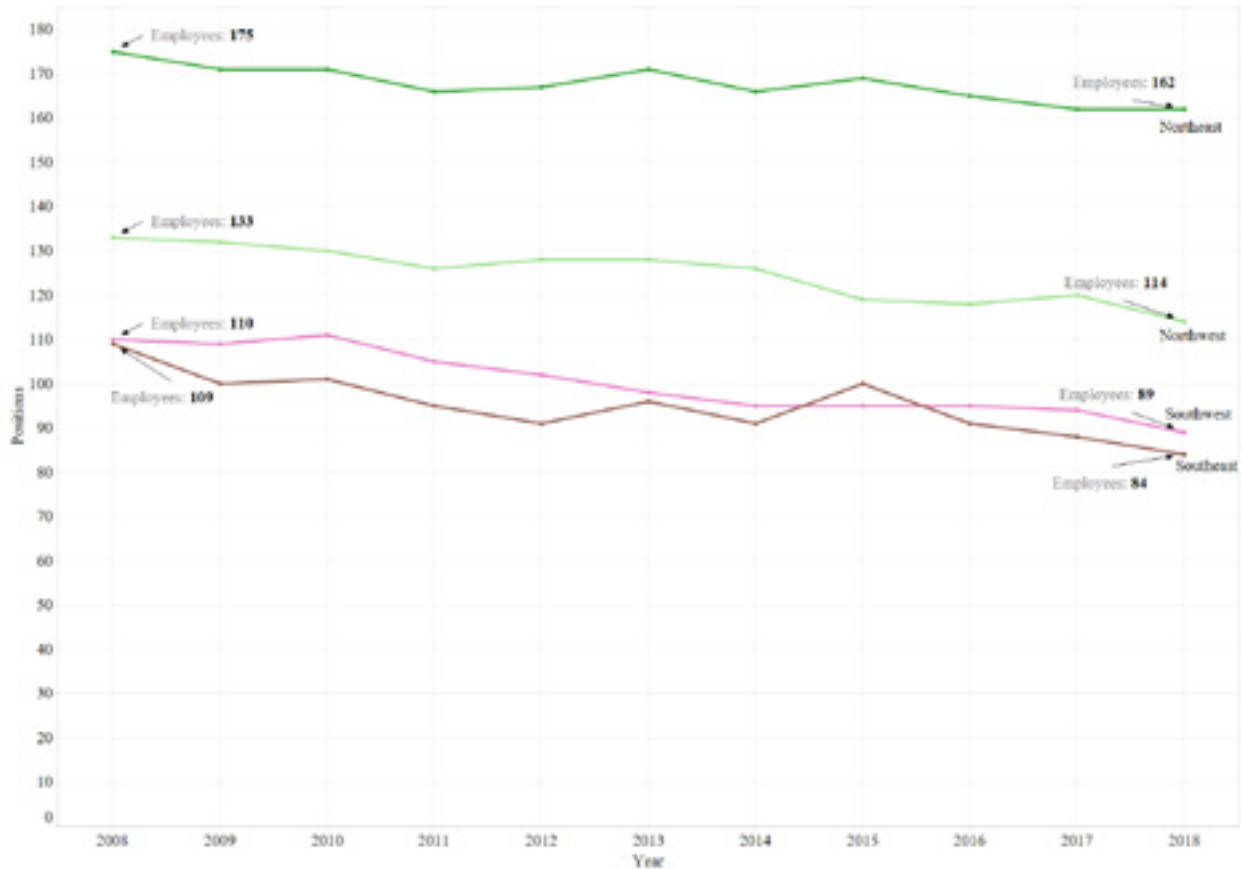
As shown in **Table 1**, Ohio EPA exceeds 300 SF per position across all districts.

Additionally, the position titles indicated on district organization charts exceed the number of positions filled due to staffing turnover, which occurs as part of ordinary operations. Ohio EPA is not projecting any material deviation from the total positions listed on the current organization charts—that is, there are no major planned staffing increases or reductions at this time. For the purpose of evaluating real estate needs, “positions filled” is more useful than “total positions” listed on the org chart. For a mature entity such as Ohio EPA, using “positions filled” enables an accounting for the normal amount of staffing vacancies encountered in at any given point in time.

EPA staffing trend through time

Chart 1 shows the number of Ohio EPA personnel assigned to each district office for the years 2008-2018.

Chart 1: District Staffing Trends



Source: Ohio EPA

As shown in **Chart 1**, each of the district offices has reduced staff count over the previous decade. Reductions range from 22.9 percent in the SEDO to 7.4 percent in the NEDO. Ohio EPA attributes the downward trends in staffing to declining program funding and technology-enabled gains in efficiency.

Since the amount of office space Ohio EPA has rented since 2008 has remained constant, this downward trend in staffing has resulted in an increase in the amount of overall SF per employee in each building.

Table 2 shows the SF per position, in 2018 compared with 2008 for each district office.

Table 2: SF-per-Position Trend

	NEDO	NWDO	SWDO	SEDO
Location	Twinsburg	Bowling Green	Dayton	Logan
Rentable SF	52,688	40,592	48,000	36,512
2008 Positions	175	133	110	109
2008 SF per Position	301	305	436	335
2018 Positions	162	114	89	84
2018 SF per Position	325	356	539	435
10-Year Staffing Trend	-7.4%	-14.3%	-19.1%	-22.9%
10-Year Change in SF per Position	24	51	103	100

Source: Ohio EPA, DAS

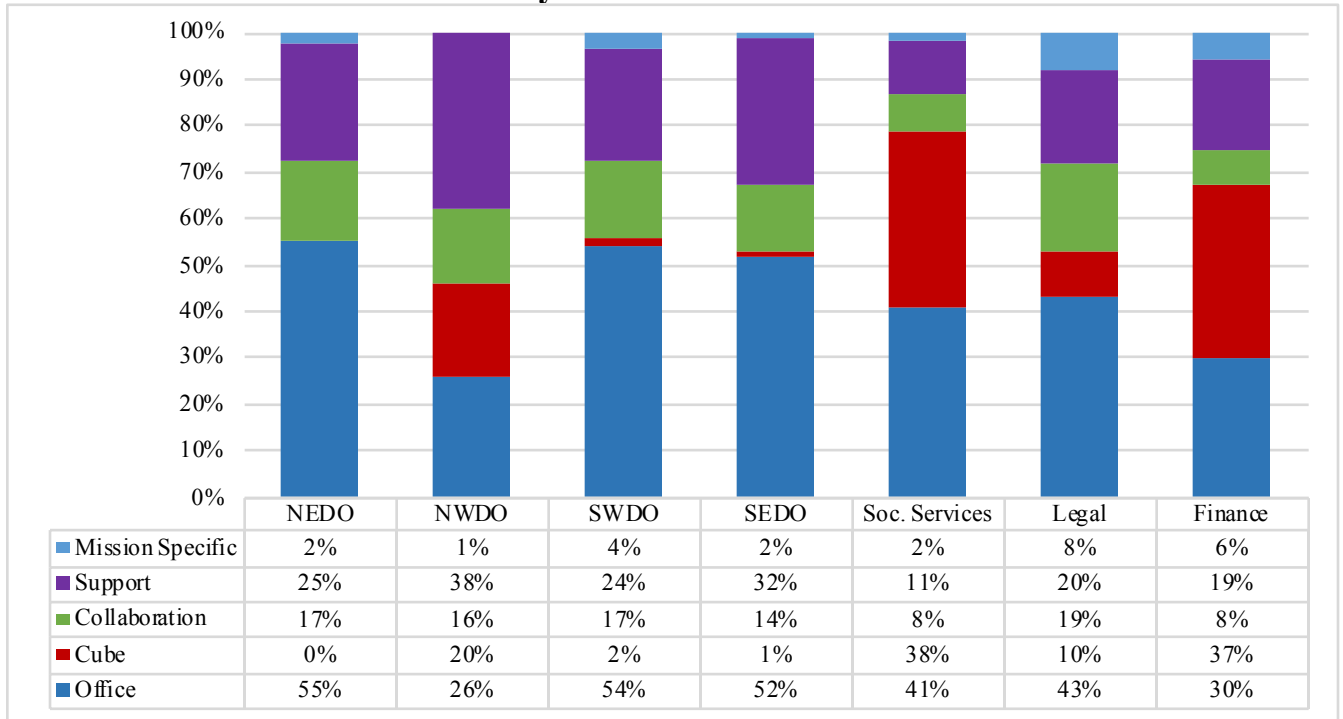
As shown in **Table 2**, the amount of SF per position occupied at each of the district offices increased in proportion to those offices’ staffing reductions. SEDO and SWDO saw the greatest increase in overall SF per position, with 100 and 103, respectively. The increase in SF per position was relatively smaller in the NWDO and NEDO, with 51 and 24, respectively. At minimum these figures suggest OEPA has the ability to function at increased density within existing district offices. It also shows that the NWDO and NEDO, with 305 and 301 SF per position in 2008, were at one point close to achieving DAS’ upper-end benchmark of 300 SF per position.

In each of the district offices, Ohio EPA allocates floor space to various functions. For consistency with industry benchmarking, Ohio EPA floor space can be classified into five categories:

- **Office** – includes enclosed offices.
- **Cubicle** – includes any cubicle and clusters of open workstations.
- **Collaboration** – includes dedicated conference rooms and open collaboration areas.
- **Support** – includes front desk, rest rooms, file storage, mail, and printing.
- **Mission Specific** – includes labs, specimen storage, and file review rooms for use by the public.

Chart 2 shows Ohio EPA’s floor space allocation as of April 2019. For comparison, the Agency’s district offices are shown alongside three industry average comparisons.

Chart 2: Floor Area Utilization by Function



Source: Ohio EPA, GSA

As shown on **Chart 2**, only the Northwest office uses cubicles in a significant number, with the rest of the district offices using walled offices. In practice, many of the offices in the Northeast and Southeast are shared by two employees. All district offices maintain a high portion of collaboration space in comparison to the Finance and Social Services industries. The mission-specific space occupied by lab area makes up no more than 4.0 percent of any district office floor area.

Table 3 shows the floor space allocation on a SF-per-position basis. This is useful in order to compare the absolute, as opposed to relative, amount of functional space among district offices.

Table 3: SF per Position by Function

	NEDO	NWDO	SWDO	SEDO
Office	141	52	162	169
Cube	0	40	6	4
Collaboration	43	32	50	46
Support	65	77	72	104
Mission Specific	6	2	11	8

Source: Ohio EPA

As shown in **Table 3**, SF per position of these functional spaces varies across district offices. The amount of space dedicated to individual workspace, combining cube and office, ranges from 92

SF per position in the NWDO to 173 SF per position in the SEDO. Collaboration space is lowest in the NWDO, with its 32 SF per position almost half of what the SWDO is using at 50 SF per position. Mission specific square footage is fairly low in all districts, with the 11 SF per position in the SWDO accounting for only 4 percent of total floor space allocation.

Ohio EPA’s percentage of space dedicated to support functions is the largest outlier in **Chart 2** in relation to the industry comparable set, comprising no less than 24 percent of floor space at any district office. To understand the drivers of Ohio EPA’s high ratio of support space, **Table 4** provides a summary of the detailed allocation within the support space.

Table 4: Allocation of Support Space

	NEDO	NWDO	SWDO	SEDO
Break Room/ Kitchen	12.14%	5.10%	19.69%	5.08%
Copy, Scan, Print	8.31%	4.73%	8.61%	3.43%
File Storage	38.78%	34.88%	11.81%	41.36%
Lobby	3.48%	11.40%	23.70%	6.65%
Restroom	23.28%	7.65%	29.04%	16.30%
Supplies & Non-File Storage	21.87%	35.78%	23.57%	27.18%

Source: Ohio EPA

As shown on **Table 4**, file storage is the largest component of support space at every district office except SWDO. The SWDO is able to take advantage of a unique situation. The landlord allows the office to use the building’s basement free of charge and the office uses it for file storage and supply and equipment storage.

The remaining district offices use a mix of large and small rooms on the building floors to house files. In the SEDO, 17 office-size rooms are occupied by file cabinets. The NEDO uses fewer, but larger, rooms to store its files, with one room exceeding 1,000 square feet.

Another way to analyze the breakdown of support space is to look at the amount of SF allocated per position for each of the types of support space. **Table 5** shows the SF per position dedicated to various categories of support space.

Table 5: Support SF per Position

	NEDO	NWDO	SWDO	SEDO
Break Room/ Kitchen	7.9	3.9	12.2	5.3
Copy, Scan, Print	5.4	3.6	5.3	3.6
File Storage	25.1	26.9	7.3	42.9
Lobby	2.3	8.8	14.7	6.9
Restroom	15.1	5.9	18.0	16.9
Supplies & Non-File Storage	14.2	27.6	14.6	28.2

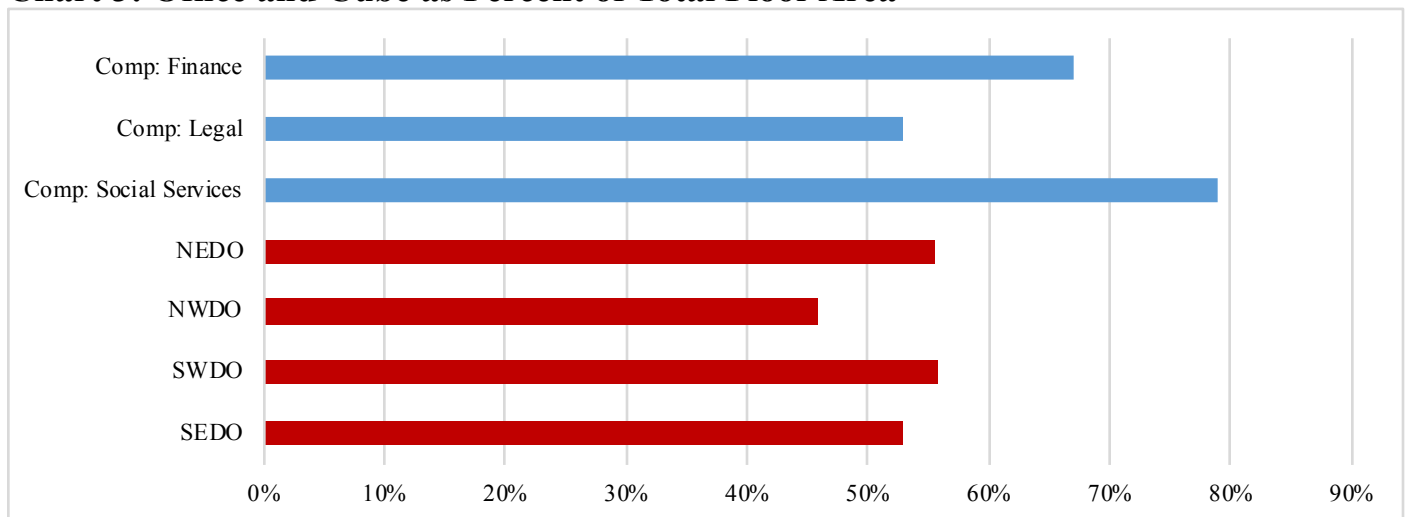
Source: Ohio EPA, DAS

As shown in **Table 5**, there is variation across the district offices in every category of support space. Some of these items, such as lobby and restroom space are dictated by building design. Other items, such as file storage and supply rooms are a result of Ohio EPA decisions. The most consistent support-space allocation across districts is space dedicated to copying, scanning, and printing, which ranges from 3.6 SF per employee in the NWDO to 5.4 SF per employee in the NEDO.

Since Ohio EPA regions differ in their use of cubicles, the analysis looked at combined office and cube area to arrive at a total amount of individual employee work space.

Chart 3 shows the combined office and cube allocation as a percentage of total floor area for each Ohio EPA district alongside three comparable industry averages.

Chart 3: Office and Cube as Percent of Total Floor Area



Source: Ohio EPA, GSA

As shown in **Chart 3**, Ohio EPA dedicates between 46 percent (NWDO) and 56 percent (SWDO) of district office floor space to offices and cubes. The Agency’s total amounts of combined cube and office space fall below all three benchmarks, except for NEDO and SWDO which exceeds the Legal industry benchmark.

Ohio EPA employs a mix of single and double occupancy offices in all locations. Three district offices also use cubicles. **Table 6** shows the counts, average sizes, and vacancies for single and double occupancy offices as well as cubes in the district offices.

Table 6: Office Types

	NEDO	NWDO	SWDO	SEDO
Single Occupancy Offices				
Room Count	61	28	79	33
Avg SF per Office	169.9	133.4	155.1	215.5
Vacant Offices	4	2	8	3
Vacant SF	679.7	266.8	1240.9	646.4
Double Occupancy Offices				
Room Count	53	15	14	29
Avg SF per Office	191.3	159.3	145.4	250.0
Vacant Offices	4	1	1	6
Vacant SF	382.6	79.7	72.7	749.9
Cubicles				
Count		88	6	7
Avg SF per Occupied Cube		51.7	80.0	48.0
Vacant Cubes		19	2	1
Vacant SF		982.8	160.0	48.0
Total Personal Workspace				
Total Vacant SF	1062.2	1329.3	1473.6	1444.3
Positions Staffed	152.0	118.0	86.0	86.0
Vacant SF per Position	7.0	11.3	17.1	16.8

Source: Ohio EPA

As shown on **Table 6**, district offices vary in their mix of office types as well as average office sizes. SEDO has the largest average office sizes for both single and double occupancy offices, with the size of its single offices exceeding even the other districts’ double offices. NWDO has the smallest average single-occupancy office, while SWDO has the smallest double-occupancy office. Cubicles are not in substantial use outside of the NWDO.

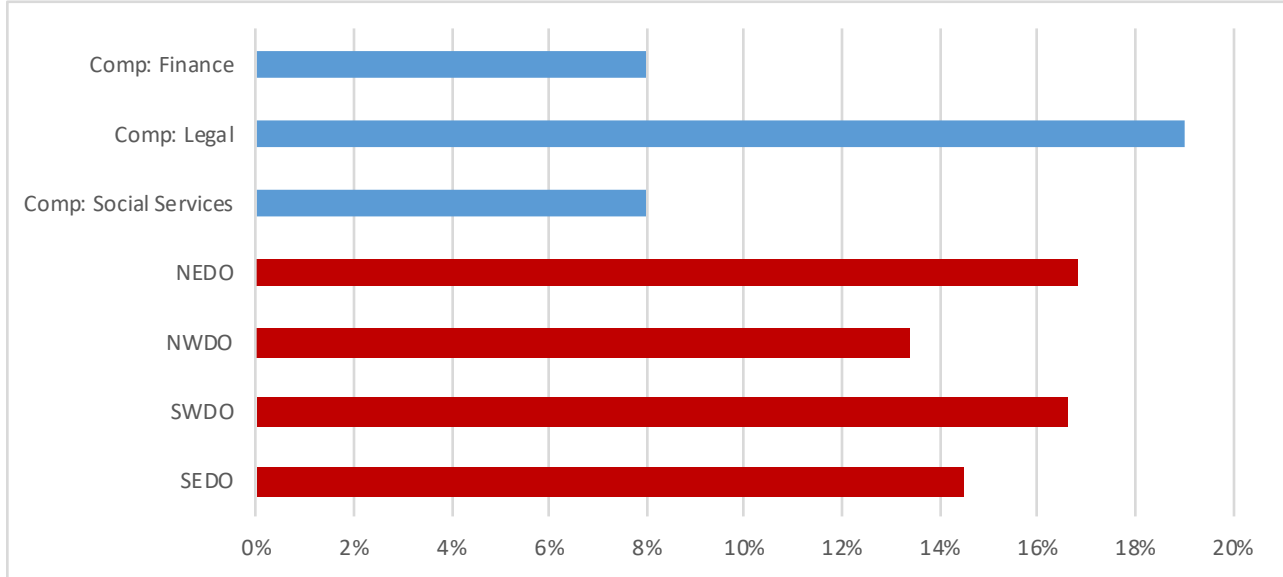
Table 6 also shows that the total amount of “vacant” square footage, with the Total Personal Workspace section combining both offices and cubes. What these rows show, in the Vacant SF per Position, is that Ohio EPA-indicated office vacancies account for a small but material portion of the district offices’ variance from the SF per employee benchmarks (e.g., the DAS range of 250-300.)

Vacancy in the single-occupancy offices, as defined in this report, is any empty office space not currently being used for another function. In other words, the space is held vacant and could be immediately occupied. Vacancy counts for the double-occupancy offices rely on Ohio EPA’s indication that half of a double-occupancy office is being held available for a future employee. In reality, many of the offices currently assigned to single occupants could in theory house multiple

occupants. This type of “shadow-capacity,” i.e., ability to consolidate staff by moving personnel who currently occupy their own office into a double-occupancy configuration, could be used as a strategic tool to shrink the overall occupied footprint in district offices, if needed.

Chart 4 shows the amount of dedicated collaboration space for Ohio EPA’s district offices alongside three comparable industry averages.

Chart 4: Collaboration Space as Percent of Total Floor Area



Source: Ohio EPA, GSA

As shown in **Chart 4**, every Ohio EPA district office allocates over 13 percent of floor space to collaboration. These allocations exceed the Finance and Social Services benchmarks, but are lower than Legal. The photo on Page 2 shows office space in the SEDO being used for file storage. This file-room allocation represents an opportunity to transform excess support space into office space if alternative arrangements for file storage can be secured. Two potential options are uploading to Ohio EPA’s electronic document-management system and the movement of files to less costly warehouse space.

Market Rents

Table 7 shows the rental rate per square foot OEPA is paying on existing leases as well as the prevailing market rents as determined by DAS.

Table 7: EPA Rent in relation to Market Rent

	NEDO	NWDO	SWDO	SEDO
Location:	Twinsburg	Bowling Green	Dayton	Logan
Rentable SF	52,688	40,592	48,000	36,512
2018 Rent	\$479,461	\$660,000	\$582,204	\$453,480
Rent/ SF	\$9.10	\$16.26	\$12.13	\$12.42
Comparable Market Rent/ SF	\$9.87	\$18.73	\$14.01	\$16.67
EPA Rent minus Market Rent	(\$0.77)	(\$2.47)	(\$1.88)	(\$4.25)
EPA Rent as percent of Market Rent	92.0%	87.0%	87.0%	75.0%

Source: Ohio EPA, DAS

As shown in **Table 7**, Ohio EPA is renting facilities for less than the market asking price for comparable buildings in the district offices’ respective geographic areas.

With the determination that Ohio EPA is renting more square footage per employee than comparable industry benchmarks, the Agency can achieve savings by either consolidating its footprint in current locations or by moving to new locations.

Table 8 shows scenarios for consolidating district offices in place, i.e., reducing the portion of the building footprint used and renegotiating leases to reflect the lower amount of square feet occupied. The three scenarios are presented relate to the space that Ohio EPA would require at 300, 250, and 200 square feet respectively, per employee benchmarks.

Table 8: Consolidate in Place

Region:	SEDO	NWDO	SWDO	NEDO
Location:	Logan	Bowling Green	Dayton	Twinsburg
Benchmark SF/ Employee	300	300	300	300
SF in excess of DAS benchmark	10,712	5,192	22,200	7,088
Percent in Excess of Benchmark	29%	13%	46%	13%
Break-Even Rent Increase	\$5.16	\$2.38	\$10.44	\$1.41
Value of excess SF @ current rent	\$133,043	\$84,419	\$269,269	\$64,501
Scenario State Total, 300 SF/ Employee				\$551,232
Benchmark SF/ Employee	250	250	250	250
SF in excess of DAS benchmark	15,012	11,092	26,500	14,688
Percent in Excess of Benchmark	41%	27%	55%	28%
Break-Even Rent Increase	\$8.67	\$6.11	\$14.95	\$3.52
Value of excess SF @ current rent	\$186,449	\$180,349	\$321,425	\$133,661
Scenario State Total, 250 SF/ Employee				\$821,884
Benchmark SF/ Employee	200	200	200	200
SF in excess of DAS benchmark	19,312	16,992	30,800	22,288
Percent in Excess of Benchmark	53%	42%	64%	42%
Break-Even Rent Increase	\$13.95	\$11.71	\$21.72	\$6.67
Value of excess SF @ current rent	\$239,856	\$276,279	\$373,581	\$202,821
Scenario State Total, 200 SF/ Employee				\$1,092,536

Source: Ohio EPA, GSA, DAS

As shown in **Table 8**, Ohio EPA could save between \$551,232 and \$1,092,536 if it were able to pay its current rental rate on less square footage. As Ohio EPA is the single tenant in each of its leased buildings, it would have to monetize its reduced SF need within the existing buildings in one of three ways:

1. Ohio EPA could attempt to renegotiate a lease at the current rental rate per SF, but occupy fewer SF in the building.
2. The Agency could maintain an existing lease of the full building footprint, but sublease floor space to other tenants in the areas freed up after its own consolidation.
3. The Agency could simply renegotiate a lease of the full existing footprint to arrive at a price that is economically equivalent to the first two options.

Table 9 shows scenarios for moving the district offices into new buildings, then paying the prevailing market rent for fewer square feet. The three scenarios are presented related to the space that Ohio EPA would require at 300, 250, and 200 square feet per employee, respectively.

Table 9: Move to Smaller Space

Region:	SEDO	NWDO	SWDO	NEDO
Location:	Logan	Bowling Green	Dayton	Twinsburg
Benchmark SF/ Employee	300	300	300	300
SF Needed	25,800	35,400	25,800	45,600
Market Rent	\$16.67	\$18.73	\$14.01	\$9.87
New Rent Expense	\$430,086.00	\$663,042.00	\$361,458.00	\$450,072.00
Old Rent Expense	\$453,480	\$660,000	\$582,204	\$479,461
Savings	\$23,394	(\$3,042)	\$220,746	\$29,389
Scenario State Total, 300 SF/ Employee:				\$270,487
Benchmark SF/ Employee	250	250	250	250
SF Needed	21,500	29,500	21,500	38,000
Market Rent	\$16.67	\$18.73	\$14.01	\$9.87
New Rent Expense	\$358,405.00	\$552,535.00	\$301,215.00	\$375,060.00
Old Rent Expense	\$453,480	\$660,000	\$582,204	\$479,461
Savings	\$95,075	\$107,465	\$280,989	\$104,401
Scenario State Total, 250 SF/ Employee:				\$587,930
Benchmark SF/ Employee	200	200	200	200
SF Needed	17,200	23,600	17,200	30,400
Market Rent	\$16.67	\$18.73	\$14.01	\$9.87
New Rent Expense	\$286,724.00	\$442,028.00	\$240,972.00	\$300,048.00
Old Rent Expense	\$453,480	\$660,000	\$582,204	\$479,461
Savings	\$166,756	\$217,972	\$341,232	\$179,413
Scenario State Total, 200 SF/ Employee:				\$905,373

Source: Ohio EPA, GSA, DAS

As shown in **Table 9**, Ohio EPA could save between \$270,487 and \$905,373 in annual rent by moving into new buildings with a smaller footprint, despite paying a higher cost per square foot. In every case, the scenarios for moving offices result in lower savings than the respective scenarios for consolidating in place. This lower amount of savings is due to the fact that every Ohio EPA district offices is currently leased at a rate at least slightly below DAS' calculation of comparable market rent. The NWDO would not achieve annual savings under the 300 SF per employee scenario and the assumed prevailing market rents. This does not preclude the possibility of a cost-beneficial move if the NWDO were able to secure a new lease for less than the market rent indicated in **Table 9**.

Unlike the scenarios for consolidating in place, moving district offices into new buildings would entail one-time moving expenses up front. DAS Office of Real Estate and Planning develops moving expense estimates for state agencies based on the recent relocation projects it has undertaken. DAS generated custom relocation cost estimates for each of OEPA's four district offices on AOS' behalf. These estimates encompass physically moving personal work spaces, connecting voice and data lines from work areas to the IT closet, and configuring modular workstations.

The estimates take into consideration staffing counts as well as building characteristics such as conference rooms, copiers, etc. DAS provided a high and a low range for the estimate of each district office.

Table 10 shows the estimated moving expense associated with each of the district offices, using the midpoint of DAS’ estimate range. **Table 10** also shows the payback period, or number of years required to recoup moving expenses with the annual rent savings, for each district office in each SF-per-employee benchmarking scenario.

Table 10: Moving Costs and Payback

Region:	NEDO	NWDO	SWDO	SEDO
Location:	Twinsburg	Bowling Green	Dayton	Logan
Total Moving Cost	\$141,750	\$233,450	\$103,100	\$82,100
300 SF/ Employee Scenario				
Annual Savings	\$29,389	(\$3,042)	\$220,746	\$23,394
Years to Pay back	4.8	n/a	0.5	3.5
250 SF/ Employee Scenario				
Annual Savings	\$104,401	\$107,465	\$280,989	\$95,075
Years to Pay back	1.4	2.2	0.4	0.9
200 SF/ Employee Scenario				
Annual Savings	\$179,413	\$217,972	\$341,232	\$166,756
Years to Pay back	0.8	1.1	0.3	0.5

Source: Ohio EPA, DAS

As shown on **Table 10**, total estimated moving costs range from \$82,100 in the SEDO to \$233,450 in the NWDO. In the 300 SF per employee scenario, SWDO would recoup moving expenses in less than one year while NWDO would never recoup moving costs due to the absence of any annual savings. If Ohio EPA were able to achieve the 200 SF per employee benchmark in any of the district offices, they would pay back estimated moving expenses in less than two years.

Conclusion

In each of the district offices currently leased, Ohio EPA occupies a SF per position in excess of industry benchmarks and State of Ohio standards. A detailed study of individual building utilization reveals a major cause of this condition to be the Agency’s allocation of collaboration space and file storage in excess of industry benchmarks. Additionally, the floor plans of the buildings currently leased by OEPA contain a large number of single-occupancy offices that could be converted to double-occupancy if needed.

Recommendation 2

Groveport Facility Reconfiguration

» Terminate plans and release the capital budget appropriation for building a new warehouse facility on the Department of Agriculture’s Reynoldsburg campus. Continue leasing the Groveport facility and use it for field staff training.

» Abandoning plans to build a new warehouse would avoid approximately \$1.7 million in construction and moving costs.

Methodology

The Groveport Facility Reconfiguration analysis focuses on evaluating Ohio EPA’s options for using its facility leased in Groveport, Ohio, for staff training versus the prior administration’s tentative plan to close Groveport.

Evidence of the Groveport closure plan was compiled from leadership interviews of Ohio EPA and the Ohio Department of Agriculture (AGR). Budgetary support for the prior plan was collected from Ohio’s 2017-18 capital budget, and construction cost estimates were obtained from the Ohio Facilities Construction Commission (OFCC).

Other inputs to the analysis include building dimensions, equipment cost estimates, and market rental rates. These were collected in the form of blue prints and vendor bids provided by Ohio EPA, as well as market rental rate estimates from a survey of the Columbus office market.

Background

Through the course of the performance audit engagement the new Director articulated Ohio EPA’s vision for expanded training and developed a plan to conduct field staff “boot camps” to reduce variation in employee onboarding and education. This type of training is currently offered on an ad hoc basis and varies among district offices.

The precise nature of the training provided varies among divisions and based on an employee’s role, but Ohio EPA leadership expects most field staff instruction to include a classroom component as well as a hands-on component. Ohio EPA field staff use a variety of specialized equipment and safety gear in their activities, including aquatic sample collection and emergency response and cleanup of hazardous materials and spills.

Requirements for this hands-on training component include:

- Sufficient ground space to simulate spills & traffic situations
- Protection from elements, since much of the training would be scheduled in the winter outside of peak field season
- Access to supplies, equipment, and vehicles

Analysis

Two competing alternatives are available for Ohio EPA's facilities needs in implementing the Director's training strategy:

- Continue with the outgoing administration's plan to close Groveport, build a new warehouse on AGR's Reynoldsburg campus, and relocate Groveport staff to a mix of space in Ohio EPA's downtown headquarters in the Lazarus building. Additional training space could be procured on the real estate market or through using existing facilities at other agencies.
- Consolidate the footprint of Groveport's office staff, and use the freed-up space to host the classroom training component. Host the hand-on training component in Groveport's existing warehouse and parking lot.

Analysis Inputs

The major cost components involved in quantifying the scenario of closing Groveport are:

- Construction cost of a pull-through warehouse on AGR's Reynoldsburg campus: \$1,651,190, per an estimate provided by the OFCC.
- The number of Ohio EPA employees to be relocated from Groveport: 42, per the Agency's latest organizational chart, including seasonal interns.
- The cost of new office space for Groveport's relocated employees: At 300 SF per employee, 42 employees require 12,600 square feet. At the Lazarus buildings current rental rate of \$18.50 per square foot, this equates to \$233,100 annually.
- Moving expenses: \$1.50 per square foot, on Groveport's 45,000 square feet, totaling \$67,500.
- Leasing expense associated with procuring space for Ohio EPA Director's new training initiative: estimated at 3,592 SF at a market rate of \$18.79. This expense is estimated to total \$67,484.

The major costs involved in quantifying the scenario of leaving Groveport open and using its excess space to host expanded training opportunities:

- Groveport's existing annual rent: \$286,877
- The cost of additional IT equipment for a group training classroom: \$47,521 per competitive bids received.

Table 11 shows the total costs for the two scenarios analyzed. The scenario of Groveport closure includes three main categories of cost: 1) building a new warehouse, 2) renting space for displaced staff, and 3) renting space for training. The scenario of keeping Groveport open includes two main categories of costs: 1) Groveport’s lease expense, and 2) costs associated with updating the facility in order to host trainings.

Table 11: Groveport Scenarios

Scenario	Groveport Closure	Groveport Update	Savings
Lease Expense	\$0	\$286,877	
Upgrades for Training	\$0	\$47,521	
AGR Warehouse Construction	\$1,651,190	\$0	
Moving Expenses	\$67,500	\$0	
Cost of Leased Space for Relocated Groveport Staff	\$233,100	\$0	
Leased Training Facility	\$67,484	\$0	
One Time Costs	\$1,718,690	\$47,521	\$1,671,169
Ongoing Annual Costs	\$300,584	\$286,877	\$13,707

Source: Ohio EPA

As shown on **Table 11**, updating Groveport instead of closing it would save \$13,707 annually while achieving a one-time savings of \$1,671,169 by avoiding new construction and moving expenses.

Conclusion

Ohio EPA has a field office in Groveport, Ohio, which is used to store equipment and house specialists that support other statewide operations. The FY 2018 capital budget allocated funding for the construction of a shared facility with AGR, which would allow Ohio EPA to close the Groveport location. However, keeping the Groveport facility open is the more cost-effective of the two options for meeting Ohio EPA’s operational needs in light of the Agency’s strategic decision to offer an expanded training program for field staff.

Issue for Further Study

Groveport Facility Reconfiguration presented an analysis that evaluated two discrete scenarios. These two scenarios reflected a specific decision-point that confronted Ohio EPA's new leadership during the first half of 2019. Analysis yielded a conclusion that it is more economical to keep open the field office in Groveport than it would be to construct a new warehouse and relocate Groveport staff.

With the construction costs of a new warehouse facility having been avoided, Ohio EPA should continue to evaluate alternatives to operating the Groveport field office. A holistic study of operations at both Groveport and the Lazarus building should be conducted.

The Lazarus building in downtown Columbus, which houses both administrative Ohio EPA functions and the Central District Office, was not an area of focus in the scope of the performance audit engagement due to specific legal obligations between OEPA and the lessor, which are binding through 2029. High level benchmarks of the space Ohio EPA occupies in the Lazarus building, however, indicate excess capacity. In FY 2018, Ohio EPA had 524 full time equivalent employees reporting to its Lazarus location, which encompasses 224,276 square feet. This equates to 428 SF per position.

If Ohio EPA were able to occupy the Lazarus at a density of 300 SF per position, which is the upper end of DAS' standards, that would free up approximately 67,000 SF within the building, which is more than the entire 45,000 SF footprint of Groveport.

25,000 SF within Groveport is warehouse space used for supply and equipment storage. Some of the items in storage, such as boats, likely could not be accommodated within the Lazarus building. If Groveport personnel were relocated, however, many options for a pure warehouse lease (as opposed to current mixed-use facility) would become available at a lower cost per SF.

The Lazarus building was formally a department store, and subsequently retrofitted into an office building. As such, architectural elements such as wide corridors and atriums may pose certain limitations on workspace density. Even so, the large absolute amount square feet in the building makes it worthwhile to explore options for improving the Lazarus' SF-per-employee benchmark.

Appendix

Engagement Scope and Purpose

ORC §117.46 directs that the Auditor of State (AOS) shall conduct performance audits of at least four state agencies each biennium. The Ohio Environmental Protection Agency (Ohio EPA) was selected for FY 2017-19 Biennium, encompassing FY 2018 and FY 2019.

The Ohio Performance Team (OPT) engaged in a collaborative planning and scoping process with Ohio EPA leadership which included interviews and a high-level review of data. Regional Office alignment was selected for evaluation.

Performance Audit Overview

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

Audit work was conducted from January 2019 to June 2019. OPT worked with Ohio EPA to obtain data and conduct interviews to establish current operating conditions. Criteria used for comparison included statutory requirements from ORC and OAC, as well as Ohio EPA policies. Each section of this audit report contains the specific criteria used for comparisons and detailed methodology.

The performance audit process involved sharing preliminary information with the client, which included status meetings with the client. Input from the Agency was considered and taken into account, as appropriate. This audit report contains recommendations that are intended to provide Ohio EPA with options to enhance its operational efficiency and effectiveness.

Audit Objective

Objective: What opportunities exist to improve the efficiency and effectiveness of real estate utilization in relation to industry standards and leading practices?

Client Response

The letter that follows is OEPA's official response to the performance audit. Throughout the audit process, staff met with Agency officials to ensure substantial agreement on the factual information presented in the report. When the Agency disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.



Mike DeWine, Governor
Jon Husted, Lt. Governor
Laurie A. Stevenson, Director

June 19, 2019

Dear Auditor Faber:

I believe that government is responsible for providing efficient and cost-effective services to Ohioans and Ohio businesses. I appreciate the recent audit conducted by your office on the space utilization of Ohio EPA's field offices. My staff have commented on the professionalism of your office and expressed their appreciation for your efforts to include them throughout the process.

Your audit provides us with valuable insight that will help improve on the Agency's efforts to use our space efficiently. We will evaluate the data and information provided in this report to guide our ongoing efforts to make the best use of our field office space.

Thank you again for your collaboration and the professionalism of your team.

Sincerely,

A handwritten signature in black ink, appearing to read "Laurie Stevenson", written in a cursive style.

Laurie Stevenson
Director

Ohio Environmental Protection Agency
Performance Report
June 20, 2019



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