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**\$35 MILLION SAVINGS POTENTIAL FOR TENNESSEE THROUGH FACILITIES MANAGEMENT;
INDEPENDENT, THIRD PARTY COMPLETES INSPECTION, REPORT NOW AVAILABLE**

*Public Accounting Firm Completes Inspection of Data and Methodology Used By State;
State, UT, TBR Agree to Continue Process*

NASHVILLE, Tenn. –State facilities including University of Tennessee, Tennessee Board of Regents and FOCUS Act campuses estimated a savings potential of more than \$35 million annually through improved operation of state buildings by a professional facilities management provider while including workforce protections and providing comparable wages and benefits for current employees, and this savings potential remains following an independent, third party report released today that inspected data used in that analysis. Upon review of the results, stakeholders leading the effort agreed the overall savings potential continues to be more than \$35 million annually, as detailed in the Business Justification report released in March 2016, and is substantial enough to continue with gathering pricing information for services from potential providers.

KraftCPAs PLLC inspected the data and computational procedures used in the state's Business Justification Report cost analysis. The state is gathering information on using a professional facilities management provider for additional properties following success at 10 percent of its portfolio where it saved taxpayers \$13 million over two years, while increasing service under a similar approach. The current effort is focused primarily on three categories of service: custodial, grounds and maintenance and repair.

Following completion of KraftCPAs report, initial estimates showing an annual cost savings remains at about \$35.2 million. These savings can be returned to participating campuses and state departments to help control costs, and keep tuition low while improving services. Earlier this year the Department of Finance and Administration's Office of Customer Focused Government (CFG) sought the independent inspection on behalf of the higher education and government leadership committee advising on the project, after its cost savings projection showing potential savings of \$35.8 million to campuses and facilities.

"We appreciate the cooperation of all those who assisted this effort to improve services at state facilities while saving Tennesseans' tax dollars," CFG Director Terry Cowles said. "It was in the best interest of all stakeholders to engage an independent third party to objectively inspect our work. Now that we see a less than two percent impact to the overall potential savings from this objective report, we continue moving forward with the information gathering process by gathering cost estimates from potential providers allowing each agency to choose the path that's best for the communities they serve."

Real estate, including utilities, is one of the state's largest expenses with annual costs of approximately \$550 million. The state's diverse real estate portfolio consists of more than 7,500 structures totaling 94 million square feet. The state anticipates issuing a Request For Proposals (RFP) to qualified candidates on Dec. 1, as part of the ongoing multi-step procurement process led by the state's Chief Procurement Office.

"We appreciate the work the state has done to make this a thorough review process," said UT President Joe DiPietro. "Once the RFP's are in and we have all the necessary and final data, we will have sufficient information for each of our campuses to make their own decisions on whether to opt-in based on what is best for them."

"The validation of the process used to estimate potential savings was an important and necessary step, and I think it was time well spent," said TBR Chancellor David Gregory. "With the potential savings being validated and with the protections in place for existing employees, the RFP for potential vendors is the correct next step. We remain interested in the results and the opportunity to have another tool to help us remain efficient and to look for new ways to control costs."

(more)

KraftCPAs PLLC was engaged to perform the inspection procedures, which were determined by the Facilities Management Steering Committee. Founded in 1958, KraftCPAs is one of the largest independent certified public accounting firms in Tennessee. The engagement was guided by the American Institute of Certified Public Accountants' Statements on Standards for Attestation Engagements Section 201 for agreed-upon procedures engagements.

As part of this engagement, a sample of higher education institutions that best represented the financial and geographic coverage of the cost analysis of the Business Justification Report was selected. The Facilities Management Steering Committee, which includes representatives from UT, TBR, FOCUS Act universities, as well as legislative and general government leadership, reviewed all information and permitted KraftCPAs to work directly with each institution.

The potential result of the exploration is a contract that any state facility could use if it so chooses for facility management services. The final decision on whether or not to use a service provider rests with the various state agencies and institutions. This effort simply provides options state facilities can consider, and the choice to utilize one service or more, as well as managing any contract an entity would enter into would be managed by that local agency or institution.

To access the report and read more information on the Facilities Management initiative, sign up for periodic updates, and provide a comment on the report visit <http://www.tn.gov/serem/section/facilities-management>.

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ATTACHMENTS:

- 1) Letter to Facilities Management Steering Committee from FM Core Team with Comments on Report
- 2) Independent Accountant's Report on Applying Agreed Upon Procedures

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