

**Minutes of the
Free Market Protection and Privatization Board**

Thursday, June 12, 2014 - 2:00 p.m.

Room 20, House Building

State Capitol Complex

Members present:

Kimberley Jones (Chair), Brian Gough (Vice Chair), Sen. Karen Mayne, Rep. Lynn Hemingway, Thomas Bielen, Bob Myrick, Steve Fairbanks, and LeGrand Bitter

Al Manbeian participated via telephone.

Members absent:

Sen. Howard Stephenson, Rep. Johnny Anderson, Sherrie Hayashi, Randy Simmons, Kerry Casaday, Manuel Torres, Russell Anderson, and Louenda Downs

Staff present:

Cliff Strachan, Governor's Office of Management and Budget (GOMB)

Note: Additional information including related materials provided at the meeting and an audio recording of the meeting can be found at <http://gomb.utah.gov/operational-excellence/privatization-board/> and the Utah Public Meeting Notice Website (<http://www.utah.gov/pmn>).

1. Welcome and Introductions

Brian Gough chaired the meeting. He acknowledged the contributions of Sherrie Hayashi, Kerry Casaday, and Randy Simmons, each of whose appointments expire at the end of this month.

Sen. Howard Stephenson, Rep. Johnny Anderson, Randy Simmons, Kerry Casaday, Manuel Torres, and Louenda Downs previously indicated they would not be here today and are excused.

2. Public Comment (10 minutes)

3. Board Business/Minutes

a. Minutes from May 8, 2014

Motion: Bob Myrick moved to approve the minutes of the May 8, 2014 meeting. CARRIED

b. Privatization Process Advisory Committee

Cliff Strachan reported on the May 27 meeting of the committee, which met with the consultants to discuss the board accounting method and Rep. Hemingway's request that the process define "unfair" as in "unfair competition". Minutes from the meeting and cost assessment materials were included in today's meeting packet. The next meeting of the committee is July 8 and the consultants will be presenting the process. All board members are invited to attend.

3. Commercial Activities Inventory (CAI)

4. Review Privatization of an Activity

a. Technology Services Review Advisory Committee

The committee met on May 13 with representatives of the Department of Technology Services. Minutes from the meeting were included in the agenda packet. The committee is interested in the SUCCESS Framework project respecting business cases and the decision making process for insourcing versus outsourcing.

b. Other Initiatives

Cliff Strachan indicated that a the third party liability working group, made up of state management, is preparing a request for information from industry. It has asked Rep. Anderson to open a bill file for the next legislative session to consider alternative fee structures for those services. He also indicated that a GOMB initiative to do a total cost of ownership study of human resources and payroll services is proceeding. It is anticipated that all surveys will be complete by June 27. Those results may be available in July.

5. Review Issues Concerning Agency Competition with the Private Sector

a. Utah Correctional Industries (UCI)

UCI's programs have been mentioned in numerous conversations pertaining to this board and it was invited to make a presentation to the board. Alan James presented an overview of UCI programs and its intent to reduce recidivism. UCI's programs have contributed to an 11% reduction in recidivism in the past 36 months. Revenues in the program are about \$25 million across 20-plus cost centers. There are 700 inmate participants.

During the discussion, questions and answers, the board learned that:

- UCI participates in the federal Prison Industry Enhancement Certification Program (PIE) and has been certified since 1987 and must recertify every three years.
- UCI engages in partnerships with the private sector (cited Bullfrog Spas production, BLM horse training, and MidWest Office Supply manufacturing as examples).
- State agencies are the primary customers for UCI products.
- The apprenticeship and skills certification programs need improvement and the agency is working to develop employment relationships with private companies.
- Some former inmates are being victimized by employers taking advantage of their felon status.
- Some skillsets are soft skills and UCI seeks to provide higher skills; notes that former convicts find it hard to find work in finance or computer industries.
- Department of Administrative Services is going ahead with moving print services to UCI as the state contract with Xerox expires; this will create opportunities for 16 female prisoners to work.
- UCI's largest programs are Commissary, Furniture, Printing and Construction; and UCI purchases \$9-12 million per year in materials from the private sector.
- Some private sector companies criticize UCI but UCI tries to meet with these and address specific concerns.
- UCI's real product is the inmate, the return is reduced recidivism.
- Income from UCI activities help cover UCI expenses and funds go into programs like the Crime Victim Reparation Fund.

b. Utah Department of Transportation (UDOT) re UCI Sign Shop

Sen. Stephenson requested, at last month's meeting, that UDOT and UCI be invited to meet with the board to discuss the sign program and issues related.

Shane Marshall, UDOT, advised the board that UDOT spent about \$7 million on signs last year, mostly in the private sector. UDOT purchases about \$800,000 worth of signs from UCI annually; mostly what he called routine signs (standard road signs such as STOP signs). The giant green highway signs are generally procured through the private market.

He indicated that when UCI started its sign program, UDOT had issues with quality, timeliness and cost; issues he believes are mostly resolved after UDOT retrained its staff re procurement requirements and better communicated with UCI on quality concerns, timeliness, and specifications. UDOT leadership is satisfied with the products and services provided and communication is ongoing.

c. Competition Review Advisory Committee

Mr. Strachan advised staff have begun to go through costs data received from USOE.

6. Other Business/Adjourn

Motion: Kim Jones moved to adjourn. CARRIED

Scheduled Board meetings:

- Thursday, July 8, 2014 at 2 pm in 20 House Building

Advisory Committees:

- Competition Review - TBD
- Privatization Process - July 8, 2014 at 2:30 PM, Room 240, Capitol Building
- DTS Review - TBD