January 15, 2002

**Senate Finance Committee**  
**Senate Capital Investment Committee**  
**House Ways and Means Committee**  
**House Capital Investment Committee**

### Criteria for Locating State Offices and Agencies

This report has been created in response to the legislative directive, Laws of Minnesota, 2001 First Special Session, Chapter 10, Article 2, Section 94, which states, “It is the policy of the Minnesota legislature to ensure that state government services are available to all people of our state. Therefore the office of strategic and long-range planning, in cooperation with the departments of administration and finance, shall develop criteria for the proper location of state agencies or parts of state agencies. The purpose of these criteria will be to evaluate the advantages and disadvantages of proposals to relocate and decentralize state services and facilities.”

The report has been prepared by staff from Minnesota Planning (Office of Strategic and Long-range Planning) and the departments of Finance and Administration, following consultation with all Minnesota cabinet level agencies.

We trust the information is useful to ensure that state government services are available to all people of our state.

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# Criteria for Locating State Offices and Agencies

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Introduction

Two principles are fundamental to the proposals made in this report. First, establishing the proper location of a state agency or part of a state agency requires a shared approach between the state agency and a potential host community. To that end, both parties need to be involved in the process. However, the needs of the state agency with respect to providing quality service to customers are paramount and must be considered first.

Second, state agencies and potential host communities are in the best position to make an initial evaluation of the advantages and disadvantages of proposals to relocate and decentralize services and facilities. It is therefore proposed that the process for establishing the proper location of a state agency is best served by giving both state agencies and potential host communities the opportunity to respond to detailed questionnaires related to six broad criteria. Responses would then be evaluated and decisions made by the Department of Administration and the agency as part of the pre-design.

The criteria for the proper location of state agencies or parts of state agencies are:

- Outstanding customer service
- Strong operational support
- The best possible labor supply
- Cost-effective service delivery
- Sustainable facilities and infrastructure
- Community development

This report first explains the consultation process used to establish the criteria. It then poses some questions about the location of any state agency. Next, the report describes each of the six criteria with justification for its inclusion. It goes on to outline the proposed process for use of two questionnaires. Finally, the report presents the two questionnaires that supply critical decision-making information: Questionnaire for State Agencies and Questionnaire for Potential Host Communities.

Consultation process

This report was developed by a small working group of staff from Minnesota Planning and the departments of Finance and Administration. The starting points for their deliberations were initial guidelines drawn up by the Critical Issues team at Minnesota Planning and the report prepared by the Department of Finance, Distribution of State Employees: a report on the distribution of state offices, employees and payroll, April 2001.

All state agencies were consulted during the process of developing location criteria. Draft copies of the proposed questionnaires were submitted to the commissioners of all cabinet-level agencies. The proposed criteria were discussed at a meeting of agency deputy commissioners. Responses were received from the following state agencies: Administration, Agriculture, Children, Families and Learning, Corrections, Economic Security, Employee Relations, Finance, Health, Labor and Industry, Metropolitan Council, Natural Resources, Minnesota Planning and Trade and Economic Development. These responses were reviewed by the staff work group and the questionnaires amended. Three state agencies, the departments of Health, Natural Resources and Revenue, are currently conducting a pilot testing of the questionnaires. Results will be available after January 31, 2002.

Evaluation process

The location of state agencies or parts of state agencies is a complex issue. There are multiple factors to consider when evaluating the advantages and disadvantages of proposals to relocate and decentralize state agencies. There are factors related to the work of the state agency and issues to be faced by a potential host community. It is therefore essential that both are involved in the process.

There are two stages in the strategic planning for the location of state agencies. The initial stage is to decide whether the circumstances exist for any relocation to be feasible. Once it is established that favorable circumstances exist, a more detailed evaluation of each of the criteria can take place.
Initial stage of evaluation

At the initial stage, the following issues need to be addressed:

- **What services does the agency provide, who are its customers and where are its divisions currently located?** These questions are essential to identifying what an agency needs in order to provide a high quality service to its customers. It is essential at the outset to get a comprehensive picture of the work of the agency under consideration.

- **Are there any mandates that affect the location of any parts of an agency’s operations?**

- **Is a relocation of all or only parts of an agency being considered?** In some instances the issue may be relocation of an entire state agency. It is common practice, however, for some agencies to locate parts of their operations in different areas of the state. Research from other jurisdictions indicates the desirability of maintaining at least a headquarters in the central core of St. Paul. In most circumstances, relocation is likely to relate to a portion of the agency only.

- **Are any internal and external changes anticipated that would change the perspective on organizational location?** There may be timing issues involved in terms of program development. If the state or the agency can offer a move that may be feasible at some time in the future, it would be good to identify that potential.

The criteria

1. **Outstanding customer service**

   Customer focus and serving customer needs are primary drivers for any service provider. In order to ensure that state government services are available to all people of the state, the highest priority must be given to the customers of state services. The primary criteria for deciding the location of state agencies should be the service provided to customers – where on the map of the state is the best place to give customers a quality service?

   The first part of the proposed process therefore is to identify an agency’s customers. Customers are defined as the purchaser or user of goods or services, particularly on a regular basis. Customers should be considered separately from stakeholders, who have a share or an interest in an outcome, but are not direct consumers of the service. While the interaction with other stakeholders is important and agencies will be encouraged to identify them, customers should be the primary focus.

   It is also acknowledged that many agencies have different customers for different services, even within a single department. Agencies should develop and identify the specific customers for each of their products or services.

   Customers may also benefit from relationships with the other entities with whom an agency works closely – legislators, their staff or other agencies. Another key consideration is the present model for delivering local services. This may include identification of existing community-based offices, providing program management and access through other local organizations and any other array of current delivery mechanisms.

2. **Strong operational support**

   In order to deliver products and services effectively to customers, state agencies rely on many support services. Criteria used to establish the proper location of state offices must take into account the extent to which the agency depends on the professional services of external individuals and organizations. It is also important to take into account where an agency could receive support as well as where it currently receives it.

   For many agencies a key element of operational support is synergy with other agencies to support program coordination. For example, the Department of Economic Security provides work force development services throughout Minnesota. According to Commissioner Wilson, “Because work force development is much bigger than the specific programs we provide, our central office staff need to work closely with the other agencies that provide work force development services – such as the departments of Trade and Economic Development, Children, Families...
and Learning, Human Services, Labor and Industry and Minnesota State Colleges and Universities.” In such circumstances, while front-line staff need to be in close proximity to their clients, the policy and program staff may be more effective in a common centralized location.

3. The best possible labor supply

This criteria recognizes the question of availability of appropriately qualified staff. This is a complex issue. A relocated agency may be staffed by new recruits from the local community or existing staff commuting or relocating. It may be a combination. The composition of staff may be different in the short-, medium- and long-term. Demographic data may be helpful in identifying sources of labor for delivery of services. Also, agencies will have to identify any special skills or training needed.

Analyzing the current distribution of staff will increase understanding of the scope of the agency location issue. The report Distribution of State Employees: a report on the distribution of state offices, employees and payroll, April 2001, prepared by the Department of Finance, summarizes the work location, residence and payroll distribution of state employees by county and provides comparative data on state population. Since retention of good staff is as important as new hiring, the criteria should take account of where current employees live. What is the potential impact if current workers cannot or will not relocate? In any proposed location, is it possible to hire and retain a work force that is representative of the racial and cultural diversity of the citizens of the state?

Agencies frequently depend on the professional services of individuals and organizations to carry out programs when the agency cannot hire staff with the required skills or need them less than full-time employees. These special services may not be available in all areas of the state. Although it is right that communities are involved in assessing whether needed expertise is available in their areas, they may not always fully understand what standard of judgment is to be applied. Agencies need to have a strong role in assessing the availability and quality of needed services, particularly with regard to these special needs situations.

The criteria need to recognize the wide range of other factors that affect the recruitment and retention of a high quality work force. Key among these is the availability of appropriate jobs for life partners. Other prime considerations are public transportation, ease of commute and availability of suitable housing.

4. Cost-effective service delivery

As part of the state budget process, policy-makers must carefully evaluate appropriate funding levels for public programs. In locating a state agency, cost-effectiveness is a key criteria. Agencies will need to identify the impact of location on the different elements of service delivery. In addition to service production and delivery, these will include travel and relocation costs. Relocating a portion of an already decentralized agency is likely to have a different effect on overall costs than relocating a highly centralized agency.

5. Sustainable facilities and infrastructure

These criteria relate to the physical and environmental needs of the work force and any potential host community. It is essential that all physical and environmental needs are met, particularly taking into account the state agencies’ specialized needs. If an agency or part of an agency is relocated, new buildings may be created or existing local facilities may be utilized. In either case, facility performance must effectively support state business functions.

As siting needs are considered, opportunities should be sought to model development that teaches and demonstrates best environmental practices. The Department of Natural Resources expresses the view that siting state agencies has a critical and important relationship to the state’s development policies and practices. The agency advises, that as the state seeks to discover the most important siting opportunities, it should also search for opportunities to model development which teaches and demonstrates best environmental practices. This includes environmentally sustainable outcomes in terms of land use, site design, water, energy, indoor environmental quality, materials and waste. It also suggests that the state should go beyond that to select sites that educate the public about natural resource stewardship.
It is also important to consider the needs of stakeholders with disabilities. The Department of Employee Relations recently conducted focus groups on diversity. They found a number of stakeholders with disabilities who felt that state offices were being located in places that were not accessible for a number of reasons, including the lack of public transportation routes.

6. Community Development

As it manages an equitable location of state facilities, the state’s vision should be to work with people in their communities. The final criteria therefore must be to establish a workable partnership with the potential host community.

Community support is essential. The state must build strong links to the community and ascertain the degree to which it is committed to the process. To what extent are public and private groups engaged in the process? It is necessary to recognize that there will be diverse opinions held by community members regarding a proposed location of a state agency. The host community must be prepared to organize and address these concerns. There should be a strategy for reaching a general community consensus.

Host communities should understand how placement of a facility in their community and a potential rise in population would affect their infrastructure. Sensitive location of a site with respect to the local community is a key to success. Buildings – whether new or existing – should be selected in a manner that facilitates links to the community. Attention should be paid to the effectiveness of the site layout, the entry approach and parking.

Unique circumstances

Minnesota Planning and the departments of Finance and Administration believe this is a comprehensive and workable set of criteria for the location of state agencies. However, each location issue could present some unique circumstances that would also have to be identified and addressed on an individual basis.

Use of questionnaires

It is proposed that the criteria for the proper location of state agencies or parts of state agencies are evaluated through the use of two related questionnaires:

- Questionnaire for State Agencies
- Questionnaire for Potential Host Communities

These explore the specific elements of the criteria for the location of state agencies. Answers supplied by state agencies and potential host communities will enable evaluation of the advantages and disadvantages of proposals to relocate and decentralize services and facilities.

The questionnaires could be used as follows:

1. The Questionnaire for State Agencies would be completed by state agencies as part of a site selection process. This may be an element of pre-design for new facilities. It would also apply when leases expire or have to be renegotiated. There may also be “free-standing” evaluations that do not correspond to a pre-design or lease situation.

Beginning with a blank map of the state, the purpose is to ascertain what parts of the agency require a location in the central core of St. Paul and what parts might benefit from being located in another region of the state. Establishing the appropriate location for each part of each state agency will be given priority in the process.

2. For the purpose of evaluating responses, it is proposed that the state be divided into seven regions:

- St. Paul (central core location)
- Twin Cities metropolitan area, defined as seven counties – Hennepin, Ramsey, Washington, Dakota, Scott, Carver and Anoka
- Minnesota Central
- Minnesota Northeast
- Minnesota Northwest
- Minnesota Southeast
- Minnesota Southwest
3. In each case, the *Questionnaire for State Agencies* would be completed as the first stage of the process. The *Questionnaire for Potential Host Communities* would come into play once it is established that the most appropriate location is outside the central core of St. Paul.

4. The state agency needs to understand whether the process relates to the whole agency or a division. If pre-designs are being submitted for more than one part of the agency, the questionnaire will need to be completed for each part of the agency included in the plan.

5. Responses to the questionnaire will be evaluated against the appropriateness of location in each of the seven areas of the state. If this stage of the process indicates that a location outside the central core of St. Paul is appropriate, potential host communities that express an interest will be invited to complete the *Questionnaire for Potential Host Communities*.

6. Each section of this questionnaire will be evaluated against the six criteria for the location of state agencies. If responses score within an agreed range, plans to locate in that community may proceed.

7. If these proposals are accepted, the questionnaires should be accepted into the next bonding cycle. The process would therefore have to be incorporated into the pre-design manual in time for the next bonding session.
Questionnaire for State Agencies: Instructions for completion

Introduction

Part of the planning process for your physical facilities is the decision on where to locate. There are multiple factors to consider when making this decision. This form is intended to help in defining and responding to those factors. Completion will help in the ultimate decision-making process, but it is only one element of many. The responses will not point to a single direction but will help to guide you in this process. We urge you to use the resources available in the departments of Administration, Employee Relations, Finance or Minnesota Planning to respond to these questions.

In some instances the issue may be relocation of an entire state agency. It is common practice, however, for some agencies to locate parts of their operation in different areas of the state. In most circumstances, relocation is likely to relate to a portion of the agency only.

Initial Questions for State Agencies

Customer focus and serving customer needs are primary drivers for any service provider. This process begins by defining your customers. Customers are defined as the purchaser or user of your goods or services, particularly on a regular basis. Customers need to be considered separately from stakeholders, who have a share or an interest in an outcome, but are not direct consumers of service.

The focus of this inquiry will be on the customers of your services, although we also encourage you to identify other stakeholders. Often you will find that you have different customers for services, even within a single agency. In those cases, we encourage you to complete a separate form for each customer group, service, or organizational unit within your area of responsibility.

Customer Service

Using the information developed for the initial questions of this form, identify the specific customers for each of your products or services. Also identify relationships with other entities with whom you work closely and that will benefit your customers.

Operational Support

This section focuses on those things you need in order to provide your products and services to your customers. Focus on where you could receive support, not just on where you currently receive support.

Labor Supply and Other Staffing Issues

Demographic data may be helpful in identifying sources of labor for delivery of your services. Also, identify any special skills or training needed, and consider your other staffing needs.

Cost of Service Delivery

Use this section to identify the impact of location on the different elements of your service delivery. If there are areas that are not covered by the specific questions, feel free to add comments about those issues.

Physical Infrastructure and Facilities

These sections focus on the physical and environmental needs of your work force. Identification of specialized needs is particularly important for evaluating these elements.

Host Community Questions

These questions will be completed by potential host communities in subsequent evaluation stages.

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Questionnaire for State Agencies

Part 1: Initial questions for state agencies

To be completed by all agencies submitting a capital proposal

a. Identify your agency’s divisions.
   (Note: Part 2 must be completed for each part of the agency in the pre-design.)

b. Identify the services each of your agency’s divisions provides.

c. Where are your agency facilities and staff currently located throughout the state?

d. Where are your customers located?

e. Which of your customers is it necessary to be near?

f. How does location affect your business plan?

g. Give details of any statutes that govern the location of any division of your agency.

If the answers to the above questions indicate that a relocation might be feasible, state agencies should answer the following additional questions.

Part 2: To be completed by agencies

Customer Service

a. Who are your customers?

b. How many times per week, on average, is it necessary to see customers in person?

c. What proportion of your services are delivered by phone or e-mail?

d. Do you presently provide community-based services? If so, how do you deliver these services?

e. What are the advantages to delivering your services in conjunction with another public entity?
   Is there service integration? What is the cost/benefit analysis? What other entity would you partner with?
Operational Support

a. What supplies and services do you need to support your operations?

b. Explain how you can be confident that supplies and services can be available in the proposed location, particularly with regard to special needs situations.

c. Whose operations, beyond your own agency’s, do you support? Please identify both the operations supported and the support provided.

d. Are there other agencies or organizations with which you must coordinate policy and program development? How many times per week, on average, do components of your agency have face-to-face meetings with other agencies or organizations?

e. Describe any anticipated internal or external developments that would change your perspective on organizational location.

Labor Supply

a. What is the status of your current labor supply? Do you anticipate staffing problems in the future? Please provide details.

b. If you were to relocate, what distance could you move and expect that existing workers would commute or relocate with you?

c. What is the potential impact if existing workers cannot or will not relocate or commute to the new location?

d. Where, in the state, could you locate that would provide an appropriate labor supply for your needs?

e. What specialized skills, if any, are required for specific jobs in your agency?

Other staffing Issues

a. If you relocate, what additional management staff, if any, will be required?

b. How will the location affect recruitment of a diverse workforce?

c. If you relocate, what training will be required, either for existing employees or new hires, within the community?

d. How would you address agency-wide training or morale issues if you were in new or multiple locations?

Cost of service delivery

a. How does location affect the cost of service production and delivery?

b. How will the location affect travel costs?

c. If you were to relocate, please estimate moving or other relocation costs.
Physical Infrastructure

a. What are your specific technology needs? Any special requirements?
b. What are your specific communications needs? Any special requirements?
c. What are your requirements for electricity, gas, water, sanitary sewer and storm sewer water systems, if other than standard office needs?
d. What transportation and parking needs will your employees have?
e. What are your specific security needs? Any special requirements?

Facilities

a. What advantages are there to colocating with other public entities?
b. Are there other public entities with whom you could relocate?
c. What are your specific facility needs (number of staff, any special requirements)?

Community Development

a. What impact would relocation have on the community your agency is vacating?

Unique Circumstances

Please explain any unique circumstances pertaining to your agency that might impact the proposed relocation.
Questionnaire for Potential Host Communities

When a site for the location of a state agency is proposed, the host community will be invited to answer the following questions, based on the preliminary information provided by the agency or organization.

**Operational Support**

a. Explain how the needed supplies or professional services can be made available.

**Labor Supply**

a. Is there a diverse and suitably qualified work force currently available in the community?

b. Is the community likely to be able to attract professional staff to meet agency needs in the future?

c. What specialized skills are available in the community?

**Professional Issues**

a. Describe the professional jobs that are available for life partners.

**Physical Infrastructure**

a. Explain how your community’s technology infrastructure can adjust to meet the agency’s needs.

b. Explain how the communications infrastructure can adjust to meet the agency’s needs.

c. Can the electricity, gas, water, transportation, parking, sanitary water and storm sewer systems adjust to meet the agency’s requirements and those of a growing citizen population?

d. Is adequate public transportation available and accessible to employees with disabilities?

e. Explain how the agency’s security needs can be met.

**Facilities**

a. Describe any appropriate existing facilities that are available in the community.

b. Is there a site available that meets environmental guidelines?

c. Are the proposed facilities accessible to people with disabilities?
**Community Development**

a. How will the local economy be affected?

b. What is the community’s potential and willingness for partnerships?

c. What is the current housing supply and what new housing can be provided within an appropriate time frame?

d. What provision exists for education, health care, social, cultural and community activities?
   Is there a variety of restaurants and shopping areas?

e. What new provisions for education, health care, social, cultural and community activities can be made in the appropriate time frame?

f. How will any development be sustained?

g. How might property and other local taxes be affected by the relocation?

h. What are the community’s views on the proposed location?
   Please explain your process for reaching a general community consensus.

**Unique circumstances**

Please explain any unique circumstances pertaining to your community that might impact the proposed location of a state agency in the area.
Minnesota Planning develops long-range plans for the state, stimulates public participation in Minnesota's future and coordinates activities among state agencies, the Minnesota Legislature and other units of government.

The Critical Issues Team at Minnesota Planning examines emerging issues that could have a significant effect on Minnesota's governments, its people, economy and natural resources.

Criteria for Locating State Offices and Agencies was prepared by Sandra Stalker, Minnesota Planning; Kath Ouska, Department of Administration; Wes Chapman, Department of Administration; and Lee Mehrkens, Department of Finance.

Upon request, this document will be made available in an alternate format, such as Braille, large print or audio tape. For TTY, contact Minnesota Relay Service at 800-627-3529 and ask for Minnesota Planning. For additional information, contact:

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