



STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

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MEMORANDUM

TO: Chief Financial Officers
Administrative Officers
Chief Accountants

FROM: Howard Pizzo, Director
DMB - Financial Services

SUBJECT: Fiscal Year 2005 DMB Service Rates

The mission of the Department of Management and Budget is to provide cost-effective business services to government. As in past years, we are challenged with maintaining excellence in service delivery while managing costs and producing statewide savings. With continuing tight fiscal constraints and uncertainty still surrounding the current and next years' budgets, this is particularly challenging. For that reason, our focus is to provide better business solutions to you so that you are able to perform your core missions in a cost-effective manner.

Attachment 1 describes services to customers and highlights activities undertaken during the past fiscal year to maximize performance and minimize costs.

Attachment 2 is a listing of fiscal year 2005 rates for core DMB services. Detailed rates can be found on the Financial Services Website at www.michigan.gov/dmb. Click the *Financial Services* tab, and then select *Rates and Agency Object Codes*. Each DMB program will be actively marketing their services in the coming months, but if you have specific service needs or questions, please call the individual program managers, or you may also contact Patricia Lack, Chief Accountant, at (517) 373-9219.

Attachment 1

Department of Management and Budget Fiscal Year 2005 Description of Services

ACQUISITION SERVICES, in addition to providing statewide procurement services, provides warehousing, transportation, and surplus property services to customers.

Materials Management Services offers competitive pricing and high quality warehousing services to customers through economies of scale, efficient use of space, and the proactive management of physical assets. Customers have a choice of managed inventory or non-managed inventory warehousing services. Managed inventory warehousing rates are approximately 64% less than comparable services obtained through the private sector. Non-managed inventory warehousing service rates are 40% less than comparable services obtained through the private sector.

State Surplus provides the outlet for disposal or transfer of functional state property to government and the public for reutilization, thus saving the cost of buying new products. For example, agencies would have paid in excess of \$1 million if they had purchased new what they obtained at State Surplus last year.

Last year, State Surplus returned in excess of \$3 million to agencies for items that were purchased with restricted funds and sold at auction.

Federal Surplus was reengineered to enable eligible donees direct access to property without the added cost of warehousing.

Federal Surplus transitioned from a warehouse operation to a Web-based shopping concept with no warehousing of property. This meant that three warehouses were closed, resulting in an annual savings of over \$700,000.

All eligible donee organizations have access to federal surplus property by requesting items and screening electronically on the federal Web sites. The state's program assists in locating, securing, and shipping the property directly to the requesting organization.

Transportation Services provides scheduled, on-demand, and comprehensive transport services tailored to the needs of government such as: door-to-door, dock-to-dock, inside pickup and delivery, office furniture moves, records delivery and freight services. The focus is on customized quality and timely service. The rates are less than those charged by the private sector.

Transportation Services, in partnership with Agency Services - Mailing Services, added Central Michigan University, Eastern Michigan University, and the Holt and Lansing School Districts as new customers. Acquisition Services - Logistics will pick up their metered mail and Agency Services will presort it.

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AGENCY SERVICES offers centralized and essential business support services including the Consolidated Print Center, Mailing Services, Print and Graphic Services, and Vehicle and Travel Services.

Consolidated Print Center is a centralized, high-speed, high-volume print and distribution center for client/server and mainframe computer output. In the last year, there has been an increase in client/server printing capability that has opened the door to new initiatives such as personalized correspondence and Internet-based printing.

Reductions in payroll costs, printers and hours of operation are examples of some of the cost savings efforts initiated by the Consolidated Print Center.

There has been significant effort in suppressing unnecessary print and storing such print electronically. These cost savings helped to stabilize the rates. However, the total volume of print has decreased as agencies move away from mainframe print or completely eliminate applications. Agency Services is investing in client/server technology to recapture the lost volume. Benchmarks show that the 2005 rates are consistent with 2004 private sector rates, and private sector costs do not include setup, security, audit, control logs, or transportation.

Mailing Services is a full-service mail preparation and processing center. The program offers timely, efficient, accurate, and economical services to meet the diverse needs of all customers. This includes specialized services not found in the private sector, such as low presort rates, accountable mail, pressure sealing of specially designed self-mailers, as well as standard services that are performed efficiently, such as metering, preparing manual mail, and tracking United Parcel Service usage. In addition, the program offers fast forward move updates as part of the Presort service, as well as mail list management services that standardize addresses, prepare presort, and manage your customer address database.

In 2003, presorting mail into zip code groups saved \$4.6 million in postage. Mailing Services also provides consulting services that often result in additional postal savings and the elimination of unnecessary mailings.

The program increased its customer base to include Lansing Community College, Central Michigan University, Eastern Michigan University, Holt and Lansing Public Schools, and Gratiot and Clinton Counties as well as the Michigan State University partnership. Mailing Services also improved its customer outreach program by hosting

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Department of Management and Budget Fiscal Year 2005 Description of Services

educational seminars on printing and mailing. Agency participants learned about some of the cost-effective services available to them.

These and other cost-saving successes demonstrate some of the efforts the program has made to bring value to government. Some savings are offset by the need to install new metering machines required by a U.S. Postal Service mandate. In addition, mail volumes have decreased, so the per-piece handling rates have increased. A benchmark study of private sector competitors indicates that Mailing Services' 2005 rates compare favorably with competitors' 2004 rates.

Print and Graphic Services offers consulting services and a full range of printing and copying services. Comprehensive consulting services ensure that printing needs are met using the best service option possible. In-house services include graphic design, digital copying, offset printing, and finishing. Satellite copy centers have been networked, resulting in more efficient workflow and providing print at the closest point of need.

The program created a rapid copy Web submission tool to increase efficiencies and customer satisfaction. These and other cost savings and cost avoidance efforts reduced the overall program costs. However, the volume of print has decreased, resulting in an increase in the per-image rates. To improve service delivery, one general per-copy rate has been implemented. Rates are below competitors' rates and are fixed as compared to some variable rates in the private sector.

Vehicle and Travel Services is the fleet management and travel services provider. The program is committed to reducing costs while providing safe and dependable transportation and travel services to government.

The continued downsizing effort by Vehicle Services that began in May 2003, in response to Executive Directive 2003-7, continues with Executive Directive 2003-18. This effort is succeeding due to the cooperation of all state agencies, and has resulted in a savings to date of \$3.3 million.

Additionally, the program successfully implemented a multi-agency regional pool in Escanaba on March 1, 2004. This project will serve as an efficient model for use in future motor pool projects.

Fleet management initiatives have resulted not only in fleet reductions, but also in longer retention of well-performing vehicles. These efforts enable Vehicle Services to maintain the proper mix of vehicles needed for an efficient, cost-effective fleet. Other examples of cost-saving efforts include the establishment of standardized vehicles for

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Department of Management and Budget Fiscal Year 2005 Description of Services

similar job functions, eliminating unnecessary and costly vehicle options, and gaining greater volume discounts for vehicle leases and maintenance.

Vehicle rates are made up of two components, a fixed fee and a per-mile rate. Truck rates are calculated on an individual basis.

A fixed fee, also called a blended rate, is developed for each rate group such as midsize, large, police and others. The calculation includes the anticipated average lease cost, prior year gains and losses, vehicle selection assumptions and retention estimates. Also included in the fixed fee is the cost of self-insurance for no-fault claims. This calculation involves anticipated claims divided by the number of vehicles. From an actuarial perspective we do not anticipate claims increasing materially next year. But with the number of vehicles decreasing, the unit cost will rise for insurance. Overall, for midsize vehicles the FY 2005 fixed fee has been reduced.

The per-mile rate reflects variable operating costs of fuel, maintenance and administrative charges for each rate group. Vehicle Services continues to seek ways to reduce these costs. For midsize vehicles the per-mile rate has increased slightly for FY 2005 from the current rate that includes a \$.022 surcharge. Maintenance and administrative costs have decreased but fuel costs continue to be volatile and consequently, the current fuel surcharge will continue. The per-mile rate may be adjusted at mid-year if actual fuel costs vary significantly from the current estimates.

Vehicle Services continues to partner with state government agencies to improve inter-agency communication and fleet planning. These and other cost-saving successes demonstrate some of the efforts the program has made to bring value to government.

The travel service reservation fee remains unchanged. Travel Services continues to enhance services by leveraging the latest technologies in the area of Web conferencing, video conferencing and teleconferencing.

OFFICE OF FACILITIES offers services in four major areas of functional responsibility.

Capital Renewal Division plans and prioritizes capital improvements, offers lifecycle asset management for DMB-managed buildings, and procures design and construction contracted services for all state agencies' construction projects.

Design and Construction Division selects professional firms for project design, management of contracted design and construction services, and performing on-site field inspections throughout the duration of identified projects.

Operations Division maintains and operates the state's facilities owned and managed by DMB.

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Department of Management and Budget Fiscal Year 2005 Description of Services

Tenant Services Division provides facility management to meet tenant's needs as well as parking, security and access control services.

Office of Facilities continues to build and design facilities that satisfy customer requirements, meet timelines, optimize life cycle costs and maximize the state's infrastructure investment. Office of Facilities also provides emergency response and Homeland Security support and coordination.

The program successfully facilitated and fostered a speedy recovery after the August 2003 power outage. Facilities provided needed generators, fuel and emergency supplies throughout the state, and restored critical building systems to a secure, operational status, minimizing disruption to state services.

Office of Facilities' staff of skilled maintenance personnel, facility managers, professional engineers, architects, surveyors, planners, and contract administration personnel enable the office to provide a range of related services and take a leadership role on a number of key state initiatives.

Office of Facilities partnered with the Governor's Office, and the Departments of Environmental Quality and Labor and Economic Growth to create an Energy Savings Plan (ESP) with a goal of reducing energy costs by 10%. Actions taken to implement the ESP as well as other cost saving strategies have already resulted in millions of dollars of savings to state agencies.

STRATEGIC ASSET MANAGEMENT (SAM) supports the operations of state government by providing real estate services; strategic space planning; surplus property disposal; financing of state, college and university building, renovation and major equipment purchases; and risk management services.

Strategic Asset Management continues to provide habitable, safe, and aesthetically pleasing office space for its tenants, prevents the premature re-investment in capital outlay through life cycle asset management, and proactively manages the physical assets, human resources and dollars employed in this effort.

The cooperative effort between SAM - Real Estate Division and state agencies to consolidate space resulted in the early cancellation of leases and rent reductions of approximately \$10.2 million. The program delivers cost-effective leases that best meet the needs of government.

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Real Estate Division processes are mapped and reviewed for efficiency on an ongoing basis. Continued improvement and updating of the SAM Web link through the DMB Web page will allow increased information to be easily accessed by the public.

Risk Management provides the property and general liability insurance requirements of state agencies, as required by law or special need. Insurance coverage includes, but is not limited to, aircraft and airport liability, employee bond, and crime insurance. The office is also responsible for the administration of the state's motor vehicle fleet self-insurance program.

This year's vehicle insurance increase is due to an anticipated increase in the cost of claims, which is spread over fewer vehicles as Vehicle Services continues to meet fleet reduction directives. During the coming fiscal year, Risk Management staff will explore the most cost-effective means to provide insurance coverage.

**Department of Management and Budget
Fiscal Year 2005 Service Rates**

	FY 2004 Rate	FY 2005 Rate	Unit of Issue
Acquisition Services			
Office Supply Contract	5%	6%	of purchase cost
<i>Logistics - Materials Management</i>			
Warehouse Space	\$5.35	\$5.35	per square foot per year
Inventoried Materials Management and Storage	\$17.50	\$18.40	per square foot per year
Inventoried Materials Handling Fee	\$5.00	\$5.00	per ship to address
<i>Logistics - Transportation</i>			
Dedicated Freight Runs			quotes provided in advance
On Demand Freight Service			
Labor	\$59.51	\$61.39	per hour
Vehicle – per hour	\$10.92	\$11.03	per hour
Vehicle – per mile	\$00.66	\$00.54	per mile
Regional Mail Route Service			quotes provided in advance
<i>Logistics - State Surplus</i>			
Sealed Bid Processing	8%	8%	of sale price
Local Bid Processing	8%	8%	of sale price
Property Transfer Charge	20%	20%	of sale price
Vehicle Sale Charge	6-9% based on volume (see Web site)	6-7% based on volume (see Web site)	of sale price
Agency Services			
<i>Consolidated Print Center</i>			
Consolidated Print	\$0.0430	\$0.0490	per image
Warrant Image	\$0.0542	\$0.0590	per image
<i>Mailing Services</i>			
Presort – Tier 2	\$0.0168	\$0.0200	per piece
Metered Packages	\$0.8300	\$1.30	per piece
Metered Mail	\$0.0300	\$0.0380	per piece

**Department of Management and Budget
Fiscal Year 2005 Service Rates**

	FY 2004 Rate	FY 2005 Rate	Unit of Issue
Agency Services (continued)			
<i>Print & Graphics</i>			
Rapid Copy	\$0.0450	N/A	per copy
Quick Copy	\$0.0650	N/A	per copy
Digital Copy	N/A	\$0.0490	per copy
<i>Vehicle and Travel Services</i>			
Midsized Vehicles			
Fixed fee for lease and insurance costs	\$230.57	\$223.50	per month
Per-mile rate for fuel, maintenance and operating costs	\$0.1626 Includes surcharge of \$.022 effective May 1, 2004	\$0.1645	per mile
Travel Services Reservation Fee	\$32.00	\$32.00	per reservation
Facilities			
Management Services for Miscellaneous Operating Projects (MOPS) and Lump Sum Projects	5% of total project cost	5% of total project cost	
Management Services for State Agency Line Item	1.5% of total project cost	1.5% of total project cost	
<i>Building Occupancy</i>			
Lansing Complex Charge	\$15.24	\$14.78	per square foot
Strategic Asset Management			
<i>Risk Management</i>			
Type A Vehicle Insurance	\$285.00	\$336.00	per vehicle per year
Type C Vehicle Insurance	\$40.00	\$60.00	per vehicle per year
Other Insurance	actual + 6%	actual + 6%	administrative fee