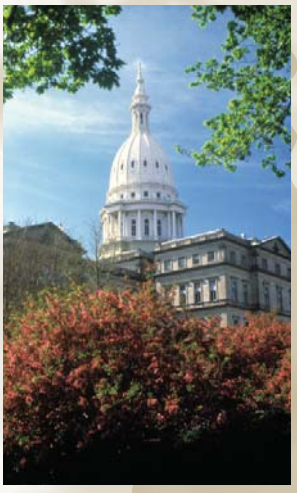
Putting Michigan First



DEPARTMENT of MANAGEMENT and BUDGET
Since 1948

Annual Report 2006

Department of Management & Budget
Fiscal Year 2006 Annual Report

Contents

From the Director 2

Buy Michigan First 3

Toyota Technical Center 4

Savings 5

Operating Efficiently 6

Alternative Fuels 7

Design and Construction 8

Employees 9

Awards 10

From the Director

Putting Michigan First

Since 2003, DMB has strived to put the interests of the home team, Michigan businesses, first in leading the Governor's efforts to stimulate the economy and create jobs for Michigan residents. Although our economy has challenges, we have reasons to celebrate. In FY 2006, we brought call centers to Iron Mountain and Oscoda, which were previously located outside of Michigan creating more than 100 new jobs.

Governor Jennifer M. Granholm also roots for the home team. For the past four years, the Governor has implemented policies and offered assistance to enable all Michigan companies, including small and underrepresented vendor groups, to succeed in a competitive global market.

This help extends to opportunities for companies to do business with state government. Her executive directives give preference to Michigan products, Michigan workers, and Michigan job providers. It's one component of a broad strategy to generate jobs, diversify, and rebuild Michigan's economy.

On these pages, you will read about DMB's integral role in implementing the Governor's directives and providing cost-effective business services to government. Our contributions include:

- The Buy Michigan First program, reaching thousands of Michigan businesses and helping them compete for state contracts
- Sale of state surplus property to Toyota Technical Center USA for a new state-of-the-art research and development facility
- Energy savings initiatives, including the expanded use of hybrid vehicles
- Use of alternative fuel by the state's fleet
- The Jobs Today, Jobs Tomorrow program, building the state's infrastructure and putting people to work
- A host of cost-saving measures and efficiencies that have helped save millions of dollars in operating costs
- Honors from professional groups that have recognized our good work

I hope you enjoy reading about our 2006 accomplishments. I am extremely proud of the effort by DMB's team and the results they have accomplished.

As you will see, it's all about rooting for the home team – all about putting Michigan first!

Thank you!

Lisa Webb Sharpe
Director

Buy Michigan First

Business owners help State to Buy Michigan First

North to Escanaba and south to Benton Harbor. East to Detroit and west to Grand Rapids. Since the Department of Management and Budget kicked off its Buy Michigan First initiative in April, staff have logged hundreds of miles and told thousands of businesses how to compete for their share of the State's $11.6 billion contract portfolio.

Buy Michigan First outreach efforts drew many notable participants. Among them were N. Charles Anderson, CEO of the Detroit Urban League; Marc Morial, president of the National Urban League; and Michael K. Lee, past chairperson of the Detroit Urban League and trustee for the National Urban League.

Buy Michigan First responds to Gov. Jennifer Granholm's directives to increase competition for state contracts and give contracting preference to Michigan-based businesses whenever possible. As an initial goal, the program aims to increase awards to Michigan-based businesses by 5 percent – investing another half-billion dollars to the state's economy.

"We can't stress enough how Michigan government is open and accessible to Michigan businesses," said DMB Director Lisa Webb Sharpe. "Michigan businesses are well-qualified to provide high-quality goods and services. When given a level playing field, they can win state contracts."

More than 3,500 businesses have attended 65 presentations, learning how to register as vendors, locate contract opportunities, and submit competitive bids. Response has been outstanding. Outreach efforts are generating more bid submissions and boosting awards to companies owned by Michigan firms, including those by women and disabled-veterans. One of those successful bidders, Tico Duckett Distributors, won a contract to supply industrial wipes to the State. Central Michigan Paper Co. has a contract to supply specialty paper for Print and Graphic Services.

"It was great!" Carolyn Suttles, Detroit, said after attending a session. "I can't believe you put the complete contract listing online. I will be visiting your web site and scheduling a vendor visit." Vendor visits are by appointment only in Detroit and on Tuesdays in Lansing. They provide an opportunity for potential vendors to talk directly with buyers to better understand the state contracting process. For more information or to schedule an appointment, please call (517) 335-0230 or (313) 456-3609.

Buy Michigan First creates jobs today, diversifies the economy to create jobs tomorrow, invests in Michigan businesses and people, and drives down the price tag of government.

DMB staff joined in 65 Buy Michigan First presentations across the state. More than 3,500 businesses learned how to register as vendors with the State of Michigan and locate contract opportunities that match their business capabilities.

Toyota Technical Center

Toyota breaks ground on York Township property

Governor Jennifer Granholm's fight to make the Toyota Technical Center USA expansion in Washtenaw County a reality was celebrated September 8 when the company broke ground for its new state-of-the-art research and development and safety test facilities in York Township. The project is expected to create more than 670 direct Michigan jobs.

Toyota Technical Center USA paid $11 million for the property, which will serve as a second campus for its Ann Arbor operations.

The Department of Management and Budget managed the sale of the 700-acre site, which housed the former Ypsilanti Regional Psychiatric Hospital. The hospital was closed in 1991.

DMB and its partners in State government successfully arranged the sale of nearly 700 acres of surplus property to Toyota. Michael Reilly from the Attorney General's Office, Governor Jennifer Granholm, and Terri Fitzpatrick and Lisa Webb Sharpe from the Department of Management and Budget attended the groundbreaking for the new Toyota Technical Center and safety test lab at the York Township site.

Kazuo Okamoto, executive vice president of Toyota Motor Corp., addresses the audience at the groundbreaking ceremony for Toyota's new campus in York Township.

"Toyota Technical Center represents the best value to the State of Michigan," said Lisa Webb Sharpe, DMB Director. "We are so pleased when we can return surplus state property back to the tax rolls and spur additional economic development growth. It is a win for Toyota, a win for the local community, and a win for the state."

In January, Governor Granholm took the rare and exceptional step of asking the Michigan Supreme Court to expedite a lawsuit that challenged the sale of the property. Within a month, the Court ruled in support of the sale to Toyota.

"The engineering talent here in Michigan is second to none," said Mr. Kazuo Okamoto, executive vice president of Toyota Motor Corporation. "As Toyota moves forward in designing and developing the next generation of vehicles, it makes sense to expand here in Michigan where today's workers and tomorrow's workers can assist us in accomplishing this task."

Governor Granholm's administration put together an incentive package valued at more than $38.9 million to bring the new facility to Michigan.

"The Toyota Technical Center represents a win for Michigan and our workers and exemplifies the kind of jobs I want to continue to bring to our state," said the Governor.

Savings

Through efforts to control costs, the Department of Management and Budget has achieved significant savings in 2006 – savings that will continue to benefit Michigan taxpayers far into the future.

At the close of 2006, DMB sliced more than $500 million from State operations, boosting the department's savings total to more than $2 billion since 2003.

"DMB has relentlessly pursued every opportunity to cut costs," said Director Lisa Webb Sharpe. "We owe our success to a four-pronged approach: achieving efficiencies, reducing duplication of services, pursuing wise investment options, and cutting costs wherever possible."

This approach yielded impressive savings in 2006 and beyond.

State Building Authority

In September, the State Building Authority closed on more than $847 million in bonds, an action that will save $40.1 million in capital outlay rent per year through FY 2015. The SBA regularly refinances and restructures debt to obtain more favorable interest rates. Since 2003, the building authority has saved more than $1.24 billion.

Savings in 2006	
State Building Authority Annually through 2015	$40.1 million
Contract Savings	$164 million
Retirement Programs Savings	$211 million
Rent Reductions	$83.9 million
Surplus Land Sales Maintenance Savings	$1.7 million
Total savings	$500.7 million

Contract Negotiation Savings

Efforts by Business Services Administration staff resulted in contract savings of $164 million, exceeding the department's targeted goal of $115 million in savings for FY 2006.

DMB achieved these results by negotiating price reductions, canceling unnecessary contracts, taking advantage of prompt payment discounts, eliminating sole-source contracting and continuing full and open competition to achieve the best contract prices possible.

Retirement Cost Savings

Numerous efforts by DMB's Retirement Services in FY 2006 saved more than $211 million. Actuarial assumption changes, retiree health plan adjustments, encouraging the use of mail-order prescription services, and implementation of Medicare Part D all contributed to the savings enjoyed by state government and public school districts.

Real Estate Leasing

Cancellation of leases and consolidation of State offices whenever practical continues to cut the State's operating expenses. In FY 2006, cancellation of seven leases for consolidation purposes and negotiated rent reductions in 18 others resulted in $83.9 million in savings.

Surplus Land Sales

DMB's Real Estate Division completed its 20th sale of surplus property, an effort that generated $32.3 million in revenue since FY 2005 and saved Michigan taxpayers $1.7 in annual maintenance costs.

Operating efficiently

Leaner and meaner. It's an overused business cliché. And while DMB has pared operations since 2003 – pursuing a dual goal of saving money and increasing efficiency – the department has consistently demonstrated that leaner isn't necessarily meaner.

ENERGY CONSORTIUM SAVINGS	
Savings by year	
2004	$844,963
2005	$745,319
2006	$280,088
Total savings	$1,870,370

Sometimes it's just better.

Since 2003, DMB has encouraged staff to "Power Down," turning off equipment at the end of the workday. It's an effort that has saved thousands of dollars.

In late July, the Governor issued an energy reduction directive to conserve energy during a period of high demand. DMB reduced lighting and the number of elevators operating in its facilities by half and turned up the temperature to 78 degrees. The effort did more than save dollars; it demonstrated that good government must also demonstrate good citizenship.

Staff in Facilities Administration continue to look for opportunities to boost energy efficiency and reduce energy costs. Since 2004, DMB has been part of an energy-purchasing consortium that enables the State to buy energy at a reduced rate. For FY 2006, these savings totaled $280,000. Since its inception, the partnership has saved $1.87 million for the consortium.

Administrative partnerships. In providing administrative services to other departments and agencies, DMB has developed a successful model to share overhead for internal auditing, human resources, and financial services functions. DMB supplies these services to the Departments of Information Technology, Civil Service, Environmental Quality, and Treasury.

Collaboration with local units of government. Partnerships with other governmental units help DMB cut costs and save dollars for its customers.

In FY 2006, customers who used DMB's mail presorting services saved $554,000 in postage costs.

MiDEAL (Michigan Delivering Extended Agreements Locally) partners who use DMB contracts leverage the state's volume purchasing power to save an average of 38 percent on commodities and services. Local governments, educational institutions and nonprofit hospitals also avoid the cost and time involved in the bid process.

Reduce, recycle, reuse. Instead of sending outdated but useful materials to landfills, DMB's State Surplus operations offers items from office equipment to automobiles for sale at live and online auctions or at its State Surplus Store. The store, which marked its first anniversary in April, brought in more than $60,000 and averaged 40 to 45 customers daily.

DMB is also working with the Departments of Environmental Quality and Corrections, and a furniture manufacturers' association to divert discarded modular furniture from landfills. DMB supplies the furniture to the Michigan Department of Corrections (MDOC) for disposal. After prisoners break down the units for recycling, the volume of disposable materials is reduced up to 12 percent. Each year, DMB sends approximately 17 semi-loads of furniture to MDOC. Each load represents 3,000 pounds of recyclable materials.

Alternative Fuels

DMB is spreading the word about the benefits of E85 fuel and connecting State employees with more stations that sell the alternative fuel.

In April, DMB joined General Motors Corporation, Meijer, Incorporated, and CleanFUEL USA in announcing plans to offer the blended fuel at 20 Michigan filling stations. A few months later, the department's Vehicle and Travel Services Division launched a web page with up-to-date information on Michigan stations that sell E85 fuel.

"We're excited to be part of this wonderful partnership," DMB Director Lisa Webb Sharpe said, "As expected, the price of E85 fuel is falling, making it a more competitive choice for the state's fleet."

A special fuel pump was used to announce Meijer's plans to offer E85 fuel at service stations across the state.

Governor Jennifer M. Granholm offers support to General Motors' efforts to design more hybrid vehicles and Meijer Inc.'s plans to offer E85 fuel at 20 of its Michigan service stations.

Before Meijer began its sales, only five stations in Michigan sold E85 fuel. Today, approximately 20 stations offer the fuel, primarily in the southern Lower Peninsula and the Thumb. The fuel – which is made of 85 percent ethanol and 15 percent unleaded gasoline – burns cleaner than regular gasoline, produces less carbon monoxide, and helps reduce reliance on oil resources.

In Michigan, about 4 million vehicles are capable of burning E85 fuel. DMB has 2,114 vehicles that can operate on E85 fuel and plans to increase the flex fuel vehicles in its fleet.

Rose Wilson, director of Agency Services, was appointed by Governor Granholm to the Michigan Renewable Fuels Commission. This commission is charged with investing and recommending strategies that the Governor and Legislature may implement to promote the use of alternative fuels and encourage the use of vehicles that utilize alternative fuel. The commission will also identify mechanisms that promote the research of alternative fuels. Wilson states, "I look forward to assisting this commission to accomplish the Governor's goal of moving Michigan one step closer in becoming the nation's leader in developing and producing alternative energy."

General Motors provided the Department of Agriculture with a Chevrolet Tahoe for one year. The flex-fuel vehicle runs on E85, a combination of 85 percent ethanol and 15 percent gasoline.

Design and Construction

Governor Jennifer M. Granholm's Jobs Today, Jobs Tomorrow effort to build new Michigan jobs is investing nearly $4 billion in the state's infrastructure and putting tens of thousands of people to work. Many of these projects – ranging from construction at Michigan's colleges and universities to improvements at state parks and government facilities – use the resources of DMB's Design and Construction Division.

Project at the Hamlin Dam, Ludington State Park

This division of Facilities Administration provides design and construction management services to all State agencies. In FY 2005-2006, the division executed 282 contracts valued at $96 million.

Army Aviation Support Facility, Grand Ledge

These capital maintenance projects involve agencies across state government and take place in locations throughout Michigan. Examples of these projects include:

- Conversion to the city water supply from an on-site tank at the Mount Pleasant Center, a Department of Community Health care facility for 190 developmentally disabled patients
- Replacement of roofs at the Department of Corrections' Ryan, Standish, Thumb, West Shoreline, Baraga and Carson City facilities
- Installation of sprinklers and replacement of the fire alarm system at the Department of Human Services' Maxey Training School at Whitmore Lake
- Renovation of the Grand Rapids State Office Building with energy-saving mechanical and electrical systems, in accordance with the U.S. Green Buildings Council "Certified" standard

Design and Construction staff also provided expertise to Michigan colleges and universities engaged in construction projects. In FY 2005-2006, staff helped with 24 college and university projects valued at $270 million. Projects included:

- Construction of classroom buildings at Central Michigan University, Grand Valley State University, Bay Community College and Macomb Community College
- Renovations and additions at the University of Michigan, Alpena Community College, Michigan State University, Michigan Technological University, St. Clair Community College, and Western Michigan University
- Special maintenance projects at Gogebic Community College, Michigan Technological University, and Lake Superior State University

"It is imperative that we maintain and upgrade the state's assets to ensure safety, extend property life, and enable savings and efficiencies to Michigan taxpayers," said George Hakim, director of Facilities Administration.

As Design and Construction Division staff complete projects such as these and continue to add new projects to their portfolio, they play an integral role in DMB's efforts to carry out Governor Granholm's Jobs Today, Jobs Tomorrow plan. It's an effort that is ultimately transforming the economy and lives of Michigan's citizens.

Employees

Thomas Goodine

Jeff Bailey

Amy Pung

Marsha Quebbeman

Nine DMB staff members – four individuals and a five-member team – received the department's Employee Excellence Awards at the annual Employee Celebration and Recognition Event on September 14.

The awards recognize employees who help DMB achieve its very best. The winners are:

- Thomas Goodine – Customer Service Award
- Jeff Bailey – Every Day Hero Award
- Amy Pung – Leadership Award
- Marsha Quebbeman – Living the Values Award
- Customer Education Retirement Presentation Team of Joy Bartell, Fred Covert, Ray Fleming, Pam Kenney, and Chuck Simpson – Innovator Award

Goodine and Bailey work in Business Services Administration's Mail and Delivery Services Division, and Pung and Quebbeman are employed with Financial Services. The team works for Workforce Development and Retirement Administration. Covert, Fleming, and Kenney work in Lansing, and Bartell and Simpson work in Detroit.

"The Director and I appreciate the opportunity to present these exceptional employees with special recognition," said DMB Chief Deputy Director Phyllis Mellon. "Of course, DMB is fortunate to have so many exceptional employees across the entire department."

Goodine, who works as a consultant, is described as the state's mailing expert. His nominator praised his commitment to learning and ability to explain mail preparation processes in layman's terms. He said customers and colleagues appreciate Goodine's ability to find solutions.

Bailey is a driver who is described as versatile, dependable, and diligent. He is especially adept at servicing the mail and delivery routes in Lansing, Detroit and Wayne, Macomb, and Oakland counties. He arrives at work early every day to ensure that daily mail services are able to begin on time.

Pung is manager of the Appropriated Accounts and Budgetary Control Unit. Her nominator said she consistently emphasizes quality, innovation, and fun in her leadership style. Pung's efforts have led to new, informative processes and a high standard of customer service.

According to nominators, Quebbeman consistently demonstrates DMB's values of excellence, integrity, inclusion, teamwork, growth, and fun. Quebbeman, who is an administrative assistant, is described as an effective team facilitator and sounding board for staff working on projects or events. She ensures that people are included in projects and goes out of her way to make everyone feel important.

The retirement employees are the first team to be chosen for an Employee Excellence Award. They were honored for the innovative phone appointment process they established. The new system provides continuing high-quality counseling services while reducing travel time and expenses. In addition to increasing productivity, the new process has drawn positive responses from 91 percent of the customers surveyed.

Fred Covert, Ray Fleming, Chuck Simpson
Joy Bartell, and Pam Kenney

This was the third year that DMB presented the prestigious awards. All staff are able to nominate colleagues, and honorees are chosen by a 10-member selection committee representing all of DMB.

Awards

Associations recognize DMB's top efforts

Every year, the Department of Management and Budget is recognized by professional organizations that specialize in the work we do. These associations know the importance of providing cost-effective business services and recognize the department's exceptional efforts. In 2006, DMB received these prestigious honors:

Sean Carlson, senior deputy director of Business Services Administration, shows off the National Purchasing Institute Achievement of Excellence in Procurement.

Business Services Administration

For the second consecutive year, the Purchasing Operations Division received the National Purchasing Institute's Achievement of Excellence in Procurement Award for high ethical standards, professionalism, and innovation in procurement. Michigan is the only Midwestern state to receive the honor.

Mailing Services received the Best in Class Innovation Award for the Great Lakes District from the U.S. Postal Service. The award recognizes DMB's use of technology, innovation, and automation to achieve maximum efficiency.

DMB representatives Rose Wilson, Steve Cheal and Tom Goodine, at the center of the photo, accepted the U.S. Postal Service's Best in Class Innovation Award at the National Postal Forum conference in Orlando. With them are postal service officials Nancy Bessler and Robert Hart, at left, and Joann Fiendt and Dennis Nicoski, at right.

Terri Fitzpatrick, center, holds the 2006 Innovation Award from the National Association of State Facility Administrators. With her are Dave MacDonald and Mike McShea from the Staubach Co.

Facilities Administration

The Real Estate Division received the Innovation Award for its public/private partnership with the Staubach Co. from the National Association of State Facility Administrators.

Employee Honors

For the second consecutive year, DMB employees captured the Capitol Cup in the Diamond Division as the top contributors to the annual State Employees Combined Campaign. Departments in the Diamond Division are made up of one thousand employees or more.

DMB employees received Capitol Cups as the top contributors to the State Employees Combined Campaign in 2004 and 2005.

DEPARTMENT of MANAGEMENT and BUDGET
Since 1948