

VISION

DMB Annual Report 2008



The Department of Management and Budget Annual Report for Fiscal Year 2008

The Department of Management and Budget is an interdepartmental service and management agency that provides financial management, property management, facility development, procurement, retirement and related benefits, accounting and payroll functions, and office support services to State agencies.

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Mission
Partners in achieving excellence

Vision
DMB will be the leader in providing high-quality cost-effective business services with a highly skilled and diverse workforce. We are problem solvers. We anticipate customer needs and partner to ensure the right business decision is made *every* time. We do our job so that our customers can focus on their core roles and responsibilities. Our goal is that customers find working with us to be an easy, productive and worthwhile experience.

Values

- Excellence
- Integrity
- Teamwork
- Growth
- Inclusion
- Fun

On the cover
Each year, the Department of Management and Budget and the Michigan Association of Timbermen work together to locate and transport Michigan's official Christmas tree to the Capitol.

Public purchasing officials from across Michigan attended the first-ever public purchasing event, which DMB organized.

Mailing Services employee Rod Hadanek processes postcards to receive the most affordable postage rates.

Contents

Vision	4
From the director	
Energy	6
DMB slices energy use 23 percent	
Green	8
Department expands Earth-friendly efforts	
Leadership	10
Initiatives 'set the bar' for other public groups	
Strategy	12
Staff working smarter to achieve efficiencies	
Opportunity	14
Buy Michigan First staff expand outreach efforts	
Efficiencies	16
Cost containment saves nearly \$135 million in 2008	
Excellence	18
DMB recognizes employee excellence	
Honors	20
Staff members honored for achievement	
Numbers	22
Points of pride	
In 2009	24
A look at the year ahead	

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O

I

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From the Director

Any football or soccer fan knows that the best players always anticipate the next play. While some of their teammates dive for a tackle or scramble for a stray ball, visionary players look down the field for the opening that offers opportunity.

Hockey great Wayne Gretzky described it this way: “I skate to where the puck is going to be, not where it is going.” The Department of Management and Budget has a similar game plan: anticipate opportunity and adapt to changing conditions.

Today’s global economy is an example of conditions that challenge everyone – government, business and citizens alike. Since 2003, Governor Jennifer M. Granholm has led efforts to streamline government, cut costs and operate more efficiently. DMB has helped transform her vision into sound management practices by controlling costs, eliminating duplication, enhancing performance and service, and expanding opportunity for Michigan citizens. DMB’s results, which include nearly \$3 billion in savings and cost avoidance, are truly impressive.

In 2008, we outlined these cost-cutting measures for the Legislative Commission on Government Efficiency. This panel met with department and agency directors with the goal of identifying efficiencies in State government. We told the members about our operations, including how we manage a \$21.8 billion portfolio of more than 1,100 competitively bid contracts, extend opportunities to local governments through our MiDEAL program, and manage more than 7 million square feet of space in 37 buildings and 7.7 million square feet of leased space throughout Michigan. We demonstrated that DMB was already achieving the efficiencies they hoped to find.

DMB anticipated where the “puck” would be and drove home a critical goal.

In any game, as in government and in business, the puck or the ball or the challenge is always moving, and teams must constantly anticipate and adapt. As 2009 unfolds, DMB continues to explore new ways to streamline operations and serve customers:

- DMB continues prudent management of fleet size and cost of operation while building an even-greener fleet.

- Purchasing staff are writing requests for proposals to serve the needs of public groups. They continue to leverage cooperative purchasing opportunities, negotiating contracts for low-cost, high-quality goods and services that are extended to local governments, school districts, community colleges and universities. Their efforts also are raising the number of contracts awarded to Michigan businesses.
- The department is raising the bar in customer service by enhancing convenience and expediting outcomes. All of DMB continues to measure performance and use that information to improve operations.
- DMB leads efforts to reduce the State's carbon footprint through the use of new technology and smart systems. Employees also are taking common-sense measures to reduce energy use by turning off lights, computers and other electrical equipment at the end of the work day.
- Buyers are employing strategic purchasing practices, analyzing spending, implementing technology improvements, forecasting product prices and availability, and refining processes to lower costs and improve quality.
- Staff in the Office of Retirement Services launched mi-Account, a new online tool that enables customers to obtain information and assistance 24/7.
- Real estate staff continue to consolidate space used by State departments and agencies, reducing lease costs, leveraging operational costs and locating more offices in State-owned buildings.

No matter the year or the project, DMB has one unchanging play in its game plan: serving Michigan's citizens through sound business practices and adapting to changing conditions. Like Gretzky, we will skate to that place where we expect the puck to be.



The Department of Management and Budget provides cost-effective business services to State government.

The Director's Office supplies management, strategic planning, budget development, organizational development, public information and legislative affairs services to the department.

Financial Services performs accounting services, procurement and accounts payable processing, financial analysis, business planning, performance measurement and management, automated billings and contract management.

The State Building Authority is the State's primary vehicle for financing major capital outlay projects, including those at colleges and universities.

Business Services Administration buys goods and services on behalf of State agencies and departments; provides printing, mailing and transportation services; warehouses goods; manages surplus services and fleet operations; and supplies travel services for the State's business travelers.

Facilities Administration manages and maintains State office buildings. It provides parking, security, facility design and construction management services and strategic management of the State's owned and leased space.

The Office of Retirement Services administers retirement programs for Michigan's State employees, public school employees, judges and state police.

DMB continues to work with the Departments of Civil Service and Treasury on consolidation of human resources and audit services. Staff from both areas work in the department.



DMB slices energy use 23%

Saving energy and using ecologically friendly technology can go hand-in-hand to reduce costs and demonstrate environmental stewardship. Widespread efforts by the Department of Management and Budget contributed to an 23 percent energy reduction at State facilities in Fiscal Year 2008, making the department responsible stewards of Michigan's environment and tax dollars as well as effective facility managers. Without this reduction, the State would have paid an additional \$60 million in annual utility costs.

Governor **Jennifer M. Granholm** announced the accomplishment at a Saginaw press conference in July.

“Since 2003 we have implemented a number of efficiencies to reduce energy use in State government-owned facilities,” Granholm said. “At a time when energy costs are going up, the State is pairing common-sense practices with new products and technology to keep our costs down.”

The Governor used the Jerome T. Hart State Office Building as a backdrop to highlight many of the common-sense steps DMB has taken, such as installing motion detectors, retrofitting light fixtures, shutting off building lights and turning down the heat at night and on weekends.

Since 2003, DMB has been responsible for implementing several of the Governor's executive directives aimed at cutting energy use in state-owned and state-managed facilities. To achieve these goals, DMB:

- instituted energy audits in its buildings. Comprehensive reviews of each building and its systems identified areas where improvements and changes could result in energy use.

- installed energy-saving technology. New, innovative software integrates building heating, ventilation and air conditioning systems, lighting control, elevator monitoring, and energy management into one Web-based system that can be monitored and managed remotely. A partnership between DMB and “green” technology company ilumisys allows the State to benefit from modern LED lighting in the Escanaba State Office Building and enables the firm to collect helpful data and improve its product. Daylight saving ballasts reduce energy use by “reading” the

amount of sunlight coming through windows and adjusting the output of the light fixtures. A new flat-plate heat exchanger in the Romney Building uses cool outdoor air to regulate indoor temperatures.

- implemented conservation methods to cut energy use. Encouraging staff to “power down” and shut off computers and other electronic equipment at the end of the work day has contributed to savings and allowed State employees to become active partners in conservation efforts.

The Jerome T. Hart State Office Building in Saginaw will soon feature a pilot thermal storage project that freezes and stores water at night that will be used to cool the building during the day.

“DMB’s energy efforts have extended all across State government and are producing outstanding results,” DMB Director **Lisa Webb Sharpe** said. “Now officials from other states are using Michigan’s program as a model for their own energy reduction efforts.”



Paul Fritz, a maintenance mechanic at the Escanaba State Office Building, installs an energy-efficient LED lamp. The lamps are used as direct replacements for standard fluorescent lighting. They are expected to reduce energy use by 10,000 kilowatt-hours per year and cut costs by \$1,000 annually.

Facilities Administration employees Doug Church and Robert Ruff show off the new flat-plate heat exchanger in the Romney Building. The heat exchanger uses outside air for “free cooling” that balances the temperature inside.

Department expands Earth-friendly efforts

It's a color. It's a buzzword. It's a smart practice yielding powerful benefits for Michigan citizens and the environment.

Yes, it's "green" – an effort that saves dollars, energy and resources.

"DMB has followed green practices for a number of years," said **Joyce Van Coevering**, director of Agency Services. "We bought our first E85 fleet vehicles in 1993 and converted a fuel tank to accommodate E85 in 2006. These alternatives give options to our customers and enable them to make informed driving choices."

Driving green

DMB's E85 fleet grew to 3,070 vehicles in 2008, up from 2,279 the previous year. Since 2007, consumption of E85 fuel increased 55 percent to nearly 74,000 gallons. Van Coevering credits the higher usage to increased availability at commercial stations and the division's efforts to inform drivers of the benefits of alternative fuels. The Vehicle and Travel Services Web site maintains a list of stations that offer E85, which helps employees find the fuel during their business travel.

E85 blends 15 percent unleaded gasoline and 85 percent ethanol, a renewable energy source produced from corn or other grains. It burns cleaner than regular gasoline, produces less carbon dioxide and helps reduce reliance on oil resources.



Chad Devereaux, a building construction project superintendent in the Design and Construction Division, passed the examination to earn the Leadership in Energy and Environmental Design (LEED) accredited professional designation. LEED accreditation distinguishes building professionals who have demonstrated thorough understanding of green building practices and principles and the LEED rating system. Accredited professionals have the expertise to steward projects through the construction certification process.



A number of offices, such as this one in the Department of Agriculture, use daylight harvesting technology to conserve electricity. Special ballasts with sensors measure the amount of daylight and adjust interior lighting to maintain consistent levels.

DMB's fleet also includes hybrids and vehicles that use biodiesel.

Buying green

Although Purchasing Operations routinely buys green products, new initiatives and even newer technology sometimes presents challenges, said **Tony DesChenes**, Commodities Division director. For example, the recent bid request for a wind turbine for the Department of Environmental Quality was a first for the division.

"It has been a learning process," DesChenes said. "We're all working together, and the vendors have been very helpful."

Leasing, building and operating green

DMB is committed to energy efficiency and conservation in all its facilities – including its leased spaces.

Requests for proposals for leased space specify that facilities meet Energy Star designations and Leadership in Energy and Environmental Design (LEED) green building ratings, when feasible. Newly constructed leased space, as well as new construction and remodeling projects in DMB-owned and managed facilities, aims to

achieve these energy-efficient ratings as well.

Printing green

In 2008, Print and Graphic Services replaced its plate making system with the most modern direct-to-plate technology. Unlike the old process, direct-to-plate technology uses no chemicals, said **Vern Thelen**, director of the Print, Warehousing and Surplus Services Division.

The new system transfers digital images to the plates used on printing presses. The old system used a photographic process, which used more than a thousand square feet of film and 70 gallons of chemicals to develop and fix the film and plates each month.

The printing operation, which generated \$15.3 million in revenue in 2008, also uses environmentally friendly soy and vegetable based inks and recycled paper, when possible. The shop works with companies that offer SmartWood-certified products. Companies that earn this certification are committed to following environmentally and socially responsible forestry practices.

Vehicle and Travel Services plans to add more hybrids to its fleet. Ten new Chevrolet Malibu sedans have been ordered for 2009.

Working green

Employees in DMB buildings work in offices where lighting has been reduced to save energy. Compact fluorescent bulbs have replaced conventional incandescent bulbs where possible. Sensors that detect motion turn lights on when in conference rooms and restrooms are in use.

Many office supplies – including copy paper, envelopes, file folders and toner cartridges – are manufactured with recycled materials.

The Grand Tower facility reached a milestone in paper recycling. For the first time, the building's credits for recyclables exceeded the cost of recycling by 42 percent. Employees continue to participate in recycling efforts, which are expanding in DMB-managed buildings. In 2009, the Building Operations Division will conduct pilot programs to explore the feasibility of recycling a wider variety of materials.

Initiatives ‘set the bar’ for other public groups

The Department of Management and Budget is committed to providing high-quality business services to government. It is also charged with implementing many of Governor Jennifer M. Granholm’s executive directives – directives that place DMB in a leadership role.

DMB has led efforts to expand contracting opportunities for Michigan businesses, reduce energy use and promote green initiatives. This leadership role extends beyond state government and helps local governments and educational groups benefit from partnerships with the State.

Defining best practices

Nearly 250 public purchasing professionals learned about diversifying vendor groups and defining best practices at a conference organized by DMB. The State of Michigan Conference for Public Purchasing Professionals at Schoolcraft College drew participants from local, county, education and State purchasing offices.

“This landmark conference assembled the state’s legal and purchasing experts to discuss best practices,” said DMB Director **Lisa Webb Sharpe**.

“The result of their discussions will enhance Michigan’s public purchasing practices.”

An expert panel of legal, civil rights and purchasing professionals offered insight on Proposal 2, the 2006 ballot question that amended Michigan’s Constitution to prohibit programs that consider race and gender in areas such as public contracting. Panelists agreed the amendment did not prohibit public agencies from collecting data or reaching out to underrepresented vendor groups if the efforts supplemented programs aimed at the general public.

Assisting public agencies

Several DMB programs allow county and city government, school systems, colleges and universities to become partners with the State, enhancing efficiency and saving money.

- Seventeen Energy Purchasing Cooperative Program members are able to buy electricity and natural gas at

a lower cost. DMB negotiates contracts with utilities, manages the program, pays suppliers and sends bills to members. From January through November, the program saved nearly \$325,000 in electricity costs and \$1.8 million in natural gas costs for its members.

- More than 800 members of MiDeal – Michigan Delivering Extended Agreements Locally – buy goods and services using the same terms, conditions and prices as State government. MiDEAL offers more than 155 contracts for items such as janitorial and office supplies, road salt and office furnishings.
- Public bodies sell unneeded items through the State and federal surplus program. Merchandise is sold at live auction, on the department's online auction site or at the surplus store.

Sharing knowledge

Consultants and representatives of government regularly visit DMB to learn about its practices and programs.

- New York State and Local Retirement System representatives called on the Office of Retirement Services to review its best-in-class services. It was the seventh state team to visit ORS in 18 months. One visitor said he had never seen a more organized, enthusiastic, responsive and open presentation of the benefits and challenges. "You have now set the bar for comparison on other peer visits," he said.
- West Virginia staff sought Facilities Administration's input on business practices they hoped to apply in their own state. The group selected DMB because of its reputation and solid management system that looked toward the future.

Grand Valley State University representatives were so impressed with the Public Purchasing Professionals Conference that they asked to host the next event – during the 2008 conference! The 2009 event is set for June 10 at the university's DeVos Center in downtown Grand Rapids.

- Japanese consultants met with Real Estate Division Director **Terri Fitzpatrick** to learn about policy and real estate portfolio management strategies – information they planned to use with Japan's national government and municipalities. Fitzpatrick found many commonalities between Michigan and Japan.

"Their concerns were similar to issues we faced four or five years ago," she said. "We really had valuable information to offer them."



Linda Parker, former director of the Michigan Department of Civil Rights, discusses the effects of Proposal 2 on outreach to underrepresented vendor groups during DMB's first public purchasing conference. Michigan voters approved the 2006 ballot proposal, which prohibits programs that consider race or gender in areas such as public contracting.



Facilities Administration staff members Dave Stevens and Ric Martin, left, and Terri Fitzpatrick, right, join in a briefing with Charles Lawrence Jr., executive director of West Virginia's Real Estate Division. Lawrence and two colleagues visited DMB to learn more about the department's cost-saving efforts. They met with their DMB counterparts to learn more about Michigan's innovative efforts to conserve energy and save money.

Staff working smarter to achieve efficiencies

After more than six years of streamlining resources and engineering more efficient practices, the Department of Management and Budget is definitely working leaner. It is also working smarter.

DMB's ongoing effort to cut costs is moving the department closer to \$3 billion in savings. DMB has reduced the fleet, negotiated more economical leases and contracts, shut off lights, turned down thermostats, installed more efficient energy systems, and pursued every possibility for cutting the cost of doing business without adversely affecting the quality of customer service.

Eventually, however, lean operations leave little room for more reductions. That's why staff have focused on building a workplace that embraces progressive business strategies and technology, preparing DMB for its workforce of the future.

They are using technology to speed process, thinking creatively to find new ways of doing business, and planning for smaller workforces that will be available to serve customers.

- DMB's Office of Retirement Services completed Vision ORS, its multiyear project to enhance customer service and improve business processes and technology. The project has led to a number of efficiencies and best-in-class services for nearly 600,000 customers. Highlights included creating an online reporting system for more than 700 districts, adding automated features for customers and employees, streamlining hundreds of forms, removing paper files, implementing image processes for customer correspondence and placing all customer information within a click of a button for call center representatives.

It included the launch of miAccount, the new online ac-



Staff in Facilities Administration, Organizational Development and Human Resources participated in the department's pilot workforce planning project. This process helps identify appropriate workload staffing levels to meet department goals and develop the strategies needed to meet these goals.

count access tool that enables customers to obtain information and assistance 24/7.

Automating systems helps the office prepare for the influx of retirees as more members of the Baby Boom generation start leaving the workforce.

- Re-evaluating processes also helped Facilities Administration managers and supervisors prepare for the changes they will experience as nearly half their employees qualify for retirement in the next five years.

The team worked with the Workforce Planning Steering Committee and staff from Organizational Development and Human Resources to engage in workforce planning, a process that examined staffing levels and assessed the skills and knowledge that may leave the organization as employees retire. Teams recommended ways to mitigate anticipated losses and develop talent in existing staff members.

“This process brought out some very innovative thinking and some really excellent ideas,” said **George Hakim**, senior deputy director of Facilities Administration.

All DMB offices will participate in the workforce planning process in 2009.

- Staff in the Real Estate Division also are engaged in innovative planning, designing a regional center concept for use throughout the state. Regional centers will house several State offices in a single location, enhancing efficiency and reducing costs.

The prototype has been planned for northern Michigan, where nine agencies may co-locate in a new 75,000-square-foot building.

“Regional centers are expected to reduce operating costs and provide better service to customers,” said **Terri Fitzpatrick**, Real Estate Division director. “This concept allows agencies to share space such as

lobbies, conference rooms and lounges. The single location consolidates janitorial services and information technology connectivity hookups – a huge savings – and may also allow agencies to combine motor pools.”

The newly constructed centers would incorporate the latest green building concepts, she said, saving energy and reducing the State’s carbon footprint.

To help employees address rising gasoline prices and to contribute to a cleaner environment, Governor Jennifer M. Granholm asked departments to explore flexible and compressed schedules and telecommuting options for employees. Many employees take advantage of flexible hours and compressed work weeks, and some staff work a portion of their schedules at telecommuting centers or in their homes.

Buy Michigan First staff expand outreach efforts

Some people look for windows of opportunity. Others hope opportunity knocks on their door. While the points of entry may differ, both groups can find the opportunity they seek in the Buy Michigan First program.

Since **Governor Jennifer Granholm** introduced this initiative in 2006, the Department of Management and Budget has carried out statewide outreach and education aimed at increasing the number of Michigan businesses that are doing business with the State. In Fiscal Year 2008, 88 percent of DMB's contract dollars were awarded to Michigan businesses.

DMB Director **Lisa Webb Sharpe** and department staff reached more than 3,000 Michigan companies at 48 events. Businesses learned about the program, the vendor registration process and the goods and services purchased by the State. They also learned about the resources posted at www.michigan.gov/BuyMichiganFirst.

"These opportunities to meet with companies face-to-face are the backbone of Buy Michigan First," she said. "The personal contact allows business owners to network, ask specific questions and, in many cases, receive immediate answers to enhance their ability to submit a good, high-quality proposal to sell their good or service."

In 2008, program staff focused on diversifying DMB's vendor pool, expanding outreach to include businesses owned by minorities, women and individuals with disabilities. As a result, contract awards to nearly all underrepresented groups saw steady growth.

- Small businesses were awarded \$255 million in contract dollars, an increase of 40 percent over 2007.
- African American-owned businesses were awarded \$2.9 million, a 31 percent increase.
- Hispanic-owned businesses were awarded \$39 million, an increase of 811 percent.



Patrick Mullen explains how architects and builders can compete for State contracts at a Buy Michigan First event tailored for design and construction firms.

- Asian-owned companies were awarded contracts valued at \$47 million, a 494 percent increase.
- Businesses owned by individuals with disabilities were paid \$5.3 million, an increase of nearly 270 percent, and payments to service-disabled veterans reached \$4.9 million, nearly 320 percent more than in 2007.

Contract dollars awarded to businesses owned by women reached \$65 million in 2008, a 63 percent increase over the previous year.

New legislation that Governor Granholm signed in 2008 bolstered the State law that gives an all-else-equal pricing preference to service disabled veterans. The new law sets a goal of spending 5 percent of all State expenditures with businesses owned by qualified service-disabled veterans.

Buy Michigan First presenters also initiated program opportunity schedules,

which listed contracts that would expire and be posted for bid. The lists allowed businesses to anticipate opportunities and prepare bids. Presenters also offered sessions that outlined the elements of successful proposals and the bid evaluation process.

In 2009, DMB will continue its aggressive outreach and successful partnerships with the Michigan Minority Business Development Council, Michigan's Procurement Technical Assistance Centers, Small Business and Technology Development Centers and the Michigan Economic Development Corp. and chambers of commerce.

"DMB is committed to including diverse businesses in our supplier portfolio and expanding opportunities for minority and underrepresented businesses," Webb Sharpe said.

With that kind of face-to-face effort, vendors across Michigan are sure to hear opportunity knocking or see that window of opportunity opening wide.

Companies across Michigan hold contracts to provide State departments and agencies with goods and services.

Gary Oil Co., Oscoda, Autore Oil Co., Cedarville, RKA Petroleum, Romulus, and Scotland Oil Co., Alma, have contracts to supply gasoline and diesel fuel.

Emerald Lawn and Landscaping has a \$129,000 contract for lawn maintenance at the Michigan School for the Blind and Deaf campus in Flint.

Companies such as **Kindy Farms, Freeland,** and one owned by **Brian Salter, Manistique,** have contracts to remove rubbish and provide roadside mowing services. **All Seasons Ground Management, Detroit,** has a \$33,600 snow removal contract.

Niles Chemical Paint Co., a third-generation family-owned business, has a \$600,000 contract for tree marking and boundary paint.

Wolverine Packing, Detroit, has a \$2.1 million contract to supply fresh beef to the Department of Corrections.

Adair Printing, a family-owned business in Dexter, has a \$155,000 contract to print Michigan 1040 booklets for the Department of Treasury.

Lakeside Industries, Escanaba, has a \$73,000 contract to provide janitorial services at the Escanaba State Office Building. **Road Runr Maintenance, Pontiac,** and **Ever-Glo Janitorial, Southfield,** hold a number of janitorial contracts.

The Department of Agriculture has contracts for tree removal services with **Roger Fleury, Mackinaw City; Timberline Logging, Gaylord; Treeworks Inc., Coopersville; and Owen Tree Service, Attica.**

Cost containment saves nearly \$135 million in 2008

In 2008, the Department of Management and Budget's efforts to control spending and cut costs saved \$135 million in the fiscal year – savings that will benefit Michigan's citizens far into the future. At the close of the fiscal year, DMB had saved nearly \$2.6 billion since 2003.

Some areas in DMB also generated revenue or avoided costs to the State through efficient operations.

All DMB offices and divisions reduced costs – some of them significantly. Some of these accomplishments include:

Contract savings. Efforts by Purchasing Operations staff resulted in contract savings of nearly \$126 million. DMB achieved these results by negotiating price reductions, taking advantage of prompt payment discounts, eliminating sole-source contracting and continuing full and open competition to achieve the best prices possible.

Real Estate Leasing. Lease renegotiations, consolidation and co-location of state offices, whenever practical, continued to cut operating expenses in FY 2008. The Real Estate Division arranged consolidation of 17 offices, co-location of 17 offices, and the relocation of 11 offices and 625 employees to urban areas. These activities reduced leasing costs by \$8.3 million – nearly \$130 million in savings since initiating a lease reduction effort in 2003.

Surplus Land Sales. In October 2007, the Real Estate Division completed a \$31.5 million agreement for the former Northville Psychiatric Hospital, the largest surplus land sale in State history. The sale of 414 acres in Northville Township was expected to generate investment of \$800 million and create 8,500 construction and permanent jobs.



DMB Agency Services staff discuss their ongoing partnership with customers at Central Michigan University. The Mail and Delivery Services Division transports and presorts the university's mail, providing CMU with postal discounts that have reduced mailing costs significantly. In 2008, division staff transported and presorted more than 807,000 pieces of mail for CMU.

In January, the division completed the \$460,000 sale of land in downtown Lansing. Plans for the 5.6-acre parcel at Ottawa Street and Butler Boulevard include construction of 52 condominiums, mixed-use buildings and communal areas.

Additionally, the State avoided property maintenance costs of \$533,000.

Surplus Sales and Property reutilization. Nearly 1,000 bidders attended three live auctions organized by DMB's Surplus Services. The auctions generated nearly

\$1.7 million in sales. Reuse of surplus items resulted in cost avoidance of \$714,000.

In 2008, more than 10,000 bidders used MiBid, the State's online auction site, generating \$2.3 million in sales. The surplus program continues to expand, with more local governments and school districts using the service to sell surplus materials. Altogether, surplus auction activities generated revenue of \$4 million.

Mailing Savings. Mailing Services consultants have been proactive in helping

customers reduce postage costs. Mail staff began presorting mail from the Unemployment Insurance Agency's Oakman Claims Processing Center, helping the Department of Labor and Economic Growth cut postage costs as much as \$700,000 annually. State mail consultants also advised customers in the Department of Community Health that reducing the envelope size of their Medicaid provider statements would lower mailing costs by \$197,000 annually.

*"We work closely with our customers to make changes and produce savings," said mailing consultant **Thomas Goodine.***



Completion of the sale of the former Northville Psychiatric Hospital was a cause for celebration. The \$31.5 million sale was the largest surplus land sale in the State's history. The effort involved staff from the Department of Management and Budget, the Department of Community Health and the Office of Attorney General.

DMB recognizes employee excellence

Four DMB employees who provide exceptional service to colleagues and customers were honored with the department's Employee Excellence Awards. The recipients were announced at the annual Employee Recognition Ceremony in September.

Each year, department members may nominate colleagues for the awards, which recognize employees who help DMB achieve its very best. The awards program acknowledges employees who consistently demonstrate the department's values, provide excellent service, display exceptional performance, lead by example and engage in innovative thinking.

The 2008 honorees include:

Angela Dodge Buren, Customer Service. Buren, who works in the Purchasing Operations Services Division, understands the importance of managing a customer's entire experience. She responds to inquiries and requests promptly, and she recognizes opportunities to improve service. Her nominator described her as "the epitome of customer service" who thrives on helping people achieve goals.



*Angela
Dodge Buren*



Charles Leik



Joshua Hall



Kris Morris



Lisa Webb Sharpe, left, and Rose Wilson, right, presented milestone employees such as James “Mike” Williams with certificates of recognition at the annual Employee Recognition Event. A total of 151 DMB employees reached milestones – from five to 40 years of service – for a combined 2,625 years with State government.

Joshua Hall, Every Day Hero. Hall is a Mail and Delivery Services driver at the Cadillac Place substation. He was the first driver able to perform all three Detroit-area mail runs. Using that experience, Hall suggested an alternative sequence of stops on the northeast suburbs route, shortening it by 20 minutes and saving 252 gallons of gas annually.

Charles Leik, Innovation. Leik, who is a call center operator in the Office of Retirement Services, developed a database that merged information from paper documents and three Excel files, providing a new system for collecting over-

paid pensions. The system has saved hundreds of employee hours and contributed to the timely collection of hundreds of thousands of dollars.

Kris Morris, Living the Values. Morris supervises the Process Support Division in the Office of Retirement Services. Her colleagues say she focuses on others and challenges them to pursue opportunities for growth. She works to improve processes and is committed to developing opportunities, such as the student co-op program she piloted. She spearheaded the conversion of 750,000 paper files to electronic images.

This is the sixth year of the prestigious awards program. A committee of 10 DMB employees reviewed all nomination materials and chose the award recipients.

During 2008, DMB staff were engaged in efforts to promote inclusion and develop appreciation for diversity. Encouraging staff members to value different approaches builds a workplace where colleagues feel valued and appreciated, enhances the department value of inclusion, and develops an atmosphere that is open-minded to the contributions and opinions of others.

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Staff honored for achievement

Every year, a number of professional organizations recognize DMB and its people for exceptional performance and dedication to public service. These groups specialize in the work we do and understand the importance of providing cost-effective business services to government. During 2008, DMB and members of its staff earned these prestigious honors:

Business Services Administration

The State of Michigan placed 27th in *Automotive Fleet* magazine's annual ranking of the top 100 alternative fuel fleets in the country. Among the state governments included in the ranking, Michigan placed fifth.

Financial Services

Financial Services' Fiscal Management Division staff received the Certificate of Achievement for Excellence in Financial Reporting for four Comprehensive Annual Financial Reports of defined benefit plans for State employees, police, public school employees and judges. This is the 17th consecutive year that DMB has received this honor from the Government Finance Officers Association. It is the highest form of recognition in government accounting and financial reporting.

Office of Retirement Services

The Midwest Technology Leaders Council recognized the new miAccount Web site with its 2008 Collaboration Award. miAccount, which was developed by staff in the Office of Retirement Services, the Department of Information Technology and Systems Technology Group Inc., allows retirees and members to access their accounts online. The site also received *Government Technology* magazine's award for the best application serving the public. This honor recognizes miAccount's ability to deliver services more efficiently and effectively.



Government Technology magazine honored the new miAccount Web site as the best application serving the public. Accepting the award are DMB employees *Anthony Estell, Rose Wilson, Laurie Mitchell and Laurie Hill* with project partner Systems Technology Group representatives *Sriram Rao* and CEO *Anup Popat*.

Grading the States

The State of Michigan was recognized as an outstanding leader in "Grading the States 2008." Michigan earned a grade of B+ in this report from the Pew Center on the States and *Governing* magazine. The State earned an A- in the Infrastructure category, which includes the areas of capital planning, project monitoring and maintenance, among others. The report is the result of a year of research by a team of management experts and journalists.

Finalists

The Council of State Governments considered two DMB projects for its Innovations Award in the Midwestern Region. Facilities Administration's Building Operations

and Energy Management Network and Business Services Administration's Energy Purchasing Cooperative Program were among 10 regional finalists.

DMB employees

DMB employees contributed \$43,600 to the 2007-08 annual State Employees Charitable Campaign. Employees also contributed \$1,500 and 13 boxes of food in the annual Michigan Harvest Gathering, which supplies food banks and assists soup kitchens across the state.

The Lansing Chapter of the Association of Government Accountants recognized *Cindy Johnson* as Ambassador of the Year and *Corey Sparks* as its Rookie of the Year.

Elise Lancaster, director of Purchasing Operations, was elected to a two-year term on the board of directors of the National Association of State Procurement Officials.

Chief Deputy Director *Rose Wilson* was named one of the Fleet Women of Influence by *Automotive Fleet* magazine.

The National Governor's Association honored DMB Director *Lisa Webb Sharpe* for distinguished service to State government at its centennial meeting in Philadelphia. Webb Sharpe also was among eight notable women recognized by the Michigan Business and Professional Association and *Crain's Detroit* magazine's 15 Michigan Women to Watch.



Cindy Johnson



Elise Lancaster



Corey Sparks



Lisa Webb Sharpe



Rose Wilson

DMB points of pride

DMB provides a range of cost-effective business services to State agencies, local government and Michigan citizens. The department’s skilled staff members oversee resources, assets and contracts valued at billions of dollars and manage buildings, a fleet of vehicles and other resources.

Business Services Administration

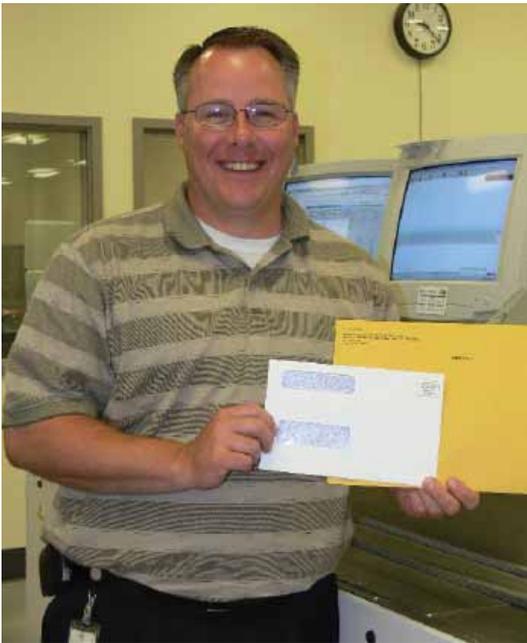
Business Services Administration provides key operational services to all State agencies and departments. Its Purchasing Operations arm procures goods such as food for Michigan’s correctional facilities, cleaning supplies and vehicles and services that include building security, hazardous waste disposal and energy consulting. Buyers carry out a competitive bidding process, which ensures that Michigan citizens receive the best value for their tax dollars. Purchasing staff also lead Governor Jennifer M. Granholm’s Buy Michigan First initiative.

The administration’s Agency Services area provides printing, mailing, transportation, warehousing, vehicle and travel services and processes state and federal surplus. Its Mailing Services Unit is the largest mailer in the U.S. Postal Service’s Greater Michigan District, which includes the region north of Detroit to the Mackinac Bridge. Agency Services’ diverse services are available to all State agencies as well as public schools, universities and local units of government.

Number of contracts for goods and services	1,100
Value of contracts	\$21.8 billion
Number of fleet vehicles	7,227
Number of vehicles using alternative fuels	3,070
	(42 percent of the fleet)
Number of hybrids	18
	(.25 percent of the fleet)
Miles logged by fleet vehicles	99 million
Amount of mail processed	102 million pieces
Number of completed Printing Services jobs	301,541
Number of registered auction participants	more than 10,000

Facilities Administration

Facilities Administration manages and maintains office buildings and provides parking and security services for DMB-managed facilities. Its Building Operations Division has been actively involved with initiatives that reduce energy use and embrace new energy technology. Facilities Administration also provides facility design and construction management services, implements infrastructure



Ron Turner, supervisor in Mailing Services' finishing area, compares envelope sizes used by the Department of Community Health to send its Medicaid provider statements. Mailing consultants recommended using the smaller envelope, which cut the State agency's mailing costs by \$197,000 annually.

improvements and new construction projects, manages the State's portfolio of owned and leased space, and handles land and surplus property dispositions.

Number of offices and facilities	37 containing 7.0 million square feet
Parking facilities	10 ramps and 36 lots with 14,000 spaces
Number of leases	578 leases encompassing 7.7 million square feet
Number of surplus properties	33
Base rent paid	\$105.6 million

Financial Services

Financial Services staff provide financial and accounting services to DMB, other State agencies and departments, and colleges and universities. The office offers traditional accounting services, business planning, management-level reporting, data collection, and contract and lease management. Financial Services has full accounting responsibility for the State's pension funds and defined contribution and employee-deferred compensation plans.

DMB's 2008 appropriation	\$267 million
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Human Resources

Human Resources staff provide support in areas such as employee recruitment and classification, labor relations, leave administration and payroll processing. The office is actively involved in efforts to recruit a diverse, highly qualified DMB workforce and encourage young people to pursue careers in public service.

Human Resources staff oversee safety and health services, conducting a range of safety training sessions and consulting with offices to ensure a safe workplace. The office also coordinates employee recognition initiatives, including the annual employee recognition celebration and the Employee Excellence Awards program.

Number of management employees	788
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Office of Internal Audit Services

The Office of Internal Audit Services conducts financial and operational audits and internal control reviews of programs and operations. This objective process assures organizations that their risk-management activities are effective, business risks are managed appropriately, and internal control systems operate effectively.



The State Building Authority sells bonds and notes to construct, furnish and renovate facilities and acquire equipment. Staff include *Debbie Sanchez, TeAnn Smith, Carol Schulz, Steve Davis* and Director *Debbie Roberts*.

In addition to auditing DMB operations, Internal Audit Services carries out these processes for other State departments through administrative partnerships. These partnerships enable agencies to obtain this necessary service from auditors and accountants who are experts in internal audit processes, allowing the organizations to focus on their core responsibilities.

Department	Number of Audits
Management and Budget	19 (since FY 2004)
Information Technology	14 (since FY 2004)
Treasury	28 (since January 2004)
Environmental Quality	13 (since April 2005)
Agriculture	5 (since June 2007)

Office of Retirement Services

The Office of Retirement Services administers retirement programs for Michigan’s State and public school employees, judges and State police. The office actively works to empower customers to successfully prepare for a secure retirement. Its extensive outreach efforts include sessions in locations across the state as well as Webinars and an online account tool that helps customers manage their retirement resources. The office serves more than 580,000 customers, approximately one in every 18 Michigan residents.

Number of retirees and beneficiaries	224,554
Pension and health benefits paid	\$5.3 billion

Market value of assets

• Defined benefit plan	\$50.2 billion
• Defined contribution/deferred compensation plans	\$4.2 billion

State Building Authority

The State Building Authority is authorized to sell bonds and notes to construct, furnish and renovate facilities and acquire equipment for use by the State, including public universities and community colleges. Currently, the SBA funds 25 projects for the State as well as 53 university and 36 community college projects. These projects include construction of a concrete technology center at Alpena Community College, a science facility at Grand Rapids Community College, libraries at Central Michigan University and Ferris State University, and a power plant at the Kinross Correctional Facility.

The SBA also houses the Risk Management Section, which provides State agencies with commercial insurance and administers the Vehicle Self-Insurance Fund.

Projects financed, inception to September 30, 2008	255
Outstanding bonds as of September 30, 2008	\$2.9 billion for 114 projects
Annual rent collected, FY 2008	\$219.9 million
Commercial paper outstanding as of September 30, 2008	\$210.3 million for 24 projects

Looking ahead 2009

In 2009, staff in the Department of Management and Budget will continue efforts to build effective partnerships with governments, school districts and universities and to help small business owners build their businesses by doing business with the State.



Department of Management and Budget staff will continue to visit communities across Michigan and present Buy Michigan First programs, connecting small business owners with opportunities to do business with the State of Michigan.

DMB offices are implementing “One Great and the Super 8” projects. These projects, which were initiated at the direction of Governor Jennifer M. Granholm, engage employees in developing innovative and efficient projects that take a sustainable approach to organizational improvement.

DMB’s One Great **Office Systems Project** provides a standardized, cost-effective process to manage the State’s furniture needs from purchase to disposal.

The Super 8 projects, which were chosen for their potential for positive change and enhanced efficiency, included:

- **DMB Procurement Process**, an effort that streamlines the procurement process.

- **Proposed Changes to the Administration of the State Parking System**, which moved the parking system from an enforcement model to a customer-service model.

- **Lobby Security System**, which uses electronic access control devices and visitor kiosks in DMB building lobbies to improve security and reduce dependence on contractual security guards.

- **Supply Chain Management**, a system that establishes a tracking system for tools and materials.

- **Web Self-Service**, which provides a self-service Web site for retirement resource management.

- **Rapid Insurance Processing for Dependents**, which eliminates transaction processing delays.

- **Mail and Delivery Billings and DIT Michigan Public Safety Communication System Billing Automation** projects, which eliminate redundant data entry, improve customer service and save staff time.

Additional energy reduction and green energy projects will focus on the use of solarvoltaic technology to generate electricity and innovative systems that take advantage of weather conditions to supplement heating and cooling, among others.

DMB Building Operations staff will continue to research other emerging technology options that can reduce the department’s carbon footprint and provide cleaner energy to power operations.

A few department Web pages

The Department of Management and Budget

www.michigan.gov/dmb

Purchasing: vendors

www.michigan.gov/BuyMichiganFirst

Purchasing: local units of government

www.michigan.gov/MiDEAL

Online auctions and sales

www.michigan.gov/surplus

On the back cover

*Celebrations, such as annual State Employee Recognition Week activities, are important in DMB. Purchasing Division employees **Seleana Samuel, Kristi Thompson, Sherry Bond** and **Laurie Gyorkos** enjoy a special coffee-break reception in their honor.*

*Attendance at events such as the Michigan Municipal League conference allows DMB staff to present information about department services with potential customers. Federal surplus manager **Dave Densmore** discusses some of the resources available to local governments with **Ken Lautzenheiser**, immediate past president of the Michigan Association of Counties.*

*Organizational Development staff provide training opportunities for DMB employees, consulting, survey administration and statistical analysis, and coordinate a number of special projects and departmentwide efforts. Staff members include **Lori Edwards, Michael Zingsheim, Bernie Lucas** (seated), **Elva Revilla** and **Katrina Kaufman** (standing).*

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