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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

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DIRECTOR

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MEMORANDUM

TO: Chief Financial Officers, Administrative Officers, and Chief Accountants
FROM: *Mike Gilliland* Mike Gilliland, Director, Financial Services
SUBJECT: Fiscal Year 2009 DMB Service Rates

The mission of the Department of Management and Budget (DMB) is to provide cost-effective business services to government in a way that allows our customers to achieve key outcomes that demonstrate effectiveness, efficiency, and accountability. The following information highlights the DMB program activities that provide better business solutions for you.

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 2009 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 *2009 Statewide Service Rates*.

Each DMB program will be actively marketing their services in the coming months. If you have specific service needs or questions, please call the individual program manager, or you may also contact Ron Foss (fossr@michigan.gov), Chief Accountant, at (517) 335-7015.

Attachments

c: Rose Wilson, DMB, Deputy Director
Ron Foss, DMB, Financial Services

Attachment 1

Department of Management and Budget Fiscal Year 2009 Description of Services

AGENCY SERVICES offers centralized and essential business support services including the Mail and Delivery Services, Materials Management/Warehousing Services, Printing Services, State and Federal Surplus Services, and Vehicle and Travel Services for all state agencies.

Mail and Delivery Services offers services in two broad areas.

Mailing Services provides mail preparation and mail finishing services to all state agencies and to a number of local units of government, universities, community colleges, and public school systems. This includes services such as presorting mail, accountable mail, pressure sealing of specially designed self-mailers, machine inserting, metering, preparing manual mail, and preparing packages for United Parcel Services. In addition, the program offers mail list management services that standardize addresses, and manage customer address databases. Mailing Services also provides consulting services that often result in additional postal savings and the elimination of unnecessary mailings. The FY2009 rates for presort and metered mail remain unchanged from FY2008. The rate for metered packages has decreased from \$1.40 to \$.90.

The program continued implementation of new software that incorporates bar-code technology to streamline the processing and billing of metered mailed, eliminating the need for manual keying of mail cards and resulting in labor savings for this process. New initiatives include installation of mail sorters and inserters. These improvements will help to minimize salary expense increases, while increasing postal discounts, and demonstrates some of the efforts the program is making to bring value to government. The program continues its efforts to market services to all state agencies and local units of government, schools, and universities. These actions help sustain and build program revenues, which helps maintain low rates for state agencies. Replacing aging equipment and continuing to automate manual processes where feasible will also result in savings to agencies.

Delivery Services provides dedicated, scheduled, on-demand, and intrastate ID mail transportation services including door-to-door, dock-to-dock, inside pickup and delivery, office furniture moves, records delivery, and freight services. The focus is on customized and timely service. Rates are competitive and are comparable to those charged by the private sector.

Delivery Services continues to control costs and improve productivity by implementing process improvements. Cost savings are achieved through reduced personnel costs, work-related injuries, and fuel consumption. Delivery Services continues to focus on in-sourcing office moving services where feasible. By aggressively marketing this service, Delivery Services has increased the volume of business in the Lansing area and in other areas of the state. This has allowed the program to more fully utilize staff and its vehicle fleet. Quoted rates for Intrastate ID Mail Route service and Scheduled Freight

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service have increased 5% over the FY2008 rates due to increased fuel costs. Other Delivery Services rates for FY2009 will not increase from the FY2008 rates.

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 inventory controlled warehousing or general storage.

In partnership with its customers, the program continually works to reduce the amount of obsolete or inactive forms and publications that are warehoused. Warehouse Services has also continued the consolidation of leased warehouse space into state owned space. New inventory management software implemented in July 2008 has improved the ordering process. As a result of these and other actions, the FY2009 rates remain unchanged from FY2008.

Printing 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. The network of DMB copy centers provides efficient workflow and print at the closest point of need. Increased use of the digital copy Web submission tool allows for increased efficiencies and response time. The program continues to monitor statewide print policies, equipment leases, vendor contracts and service offerings to maximize efficiency. The program is currently implementing Logic Job Tracking, a comprehensive print management system that will improve job estimating, streamline billing and provide improved job tracking. Installation of new computer-to-plate equipment has resulted in improved quality and reduced labor costs. The Digital Image rate for FY2009 will increase to \$.059 from \$.054 per image.

Also included within Printing Services is the Consolidated Print Center, a centralized, high-speed, high-volume print and distribution center for client/server and mainframe computer output. In recent years, changes in client/server printing capability opened the door to new initiatives such as personalized correspondence and internet-based printing. The program continues to partner with agencies to suppress unnecessary print and to store such print electronically, resulting in substantial savings for agencies.

The program also continues to update equipment configurations and software to increase print efficiency and reduce labor costs. New color printing equipment will replace 3 obsolete printers and will improve quality. Twin printing configurations allow for printing at twice the speed of the old equipment plus less paper waste. For FY2009, rates will increase to \$.054 per image and \$.062 per warrant, the first increase in 3 years.

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State Surplus provides services for the disposal and management of state surplus personal property. The State Surplus program promotes reutilization of surplus property by state agencies. It also promotes surplus property sales to local units of government, school districts, and colleges and universities throughout the state, and sells surplus property on behalf of other local units of government.

In FY2008, State Surplus moved to a new location. The result has been a significant increase in storefront traffic, thus providing greater public access to purchase surplus property that did not sell at public auction or on MiBid. A new "Buy-It-Now" option has also helped to increase sales. Internet auctions sales continue to rise, reducing the cost of holding public auctions for miscellaneous goods. The State Surplus program continues to review the reutilization and resale process, and implement strategies to improve service delivery and reduce costs. State Surplus rates for FY2009 remain unchanged from FY2008.

Federal Surplus continues to offer direct access to federal surplus property without the added cost of warehousing. Eligible donee organizations have access to federal surplus property by screening electronically on the federal government's web sites. The state's program assists in securing and shipping the property directly to the requesting organization. FY2009 rates remain unchanged from FY2008.

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.

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 similar job functions, eliminating unnecessary and costly vehicle options, and ensuring full utilization of vehicles.

Vehicle rates are made up of two components, a fixed fee and a per-mile rate. Fixed fees are computed for a group of vehicles, such as all the midsize and large passenger vehicles. Fixed fees are also computed for individual vehicles, such as trucks and specialty vehicles. Fixed fee calculations include projected lease cost, new vehicle orders and projected resale proceeds. The fixed fee also includes the cost of self-insurance for no-fault liability claims.

The FY2009 fixed fee will be \$176 for midsize vehicles and \$211 for large vehicles. These increases are primarily attributed to vehicle replacements. While rates are increasing, they are still below the FY2005 rates.

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The per-mile rate reflects variable operating costs of fuel, maintenance and administrative charges. Vehicle Services continues to seek ways to reduce these costs. The per-mile rate for midsize and large vehicles increased for FY2009 from the previous year. Maintenance and administrative costs have remained stable, but fuel costs continue to increase and remain volatile. The per-mile rate was increased \$.02 in July 2008 due to rapidly increasing fuel costs. VTS will continue to monitor the fuel situation and adjust rates 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 Services' 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.

FACILITIES ADMINISTRATION designs, builds, and manages facilities that satisfy customer requirements, meet timelines, optimize life cycle costs, and maximize the state's infrastructure investment.

The state's renovation and construction projects have an impact on jobs creation and ultimately Michigan's economy and quality of life. The Governor's Jobs Today initiative first brought this impact to the forefront in 2006. Facilities Administration is leading the effort to accelerate the creation of new jobs in the building trades, construction, and related service industries by expedited planning and management of state infrastructure improvement projects.

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

Facilities Administration partnered with all state agencies to implement energy savings measures to meet the energy directive reduction targets.

Facilities Administration also provides emergency response and Homeland Security support and coordination.

The FY2009 Management Services fees for Miscellaneous Operating Projects (MOPs) and Lump Sum Projects remain at 5% of the total project cost. The State Agency Line Items also remain unchanged from FY2008 at 1.5% of the total project cost.

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The FY2009 Lansing Complex Building Occupancy rate decreased \$1.29 per square foot from the FY2008 rate to \$13.52 per square foot. As a whole for Facilities Administration, in the latest national comparison with the Building Owners & Managers Association, Experience Exchange Report, on average our costs were 16% less than comparable properties.

Facilities Administration's services are divided into four major areas of functional responsibility:

Security and Emergency Management (SEM) is responsible for security measures and responses to and management of emergency situations in all DMB-managed facilities. Central Control, Access Control and the Customer Service Center provide the integral services of SEM. Services provided include employee parking, locksmith services, issuance of State identification cards, 24-hour monitoring of security, life safety systems, and heating, ventilation, and air-conditioning systems at DMB-managed facilities and some leased facilities. Additionally, staff monitors surveillance cameras throughout Lansing-area facilities.

SEM also coordinates all programs and activities associated with Homeland Security and emergency management for DMB offices and State facilities. The program leads the Continuity of Government Initiative by working with state agencies to develop and maintain emergency action plans for the continuous operation of state government critical functions in the event of an emergency.

Design and Construction (D & C) provides state agencies, universities, and community colleges with project planning, architectural and engineering services, surveying, construction management, and quality control services for infrastructure improvements and new construction projects. D & C procures contracted services for all state agencies' construction and renovation projects, partners with agencies to complete the annual MOP Report, and assists the Real Estate Division with lease related construction issues.

D & C uses Project Planning Partnering to ensure all key players are involved from the inception of a project through completion, and Customer Round Tables to obtain feedback from customers. Through efficiencies, D & C has been able to hold rates down to remain competitive with the private sector.

D & C participates in outreach events as part of the Governors "Buy Michigan First" initiative to increase participation in the competitive bid process by Michigan based companies.

Building Operations partners with resident agencies in the 37 DMB-owned facilities to proactively accommodate their unique needs. Customer service is paramount in responding to the individual work-space and maintenance needs, as well as tending to the safety, comfort and aesthetic requirements of visitors and tenants through such

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services as emergency first response, landscaping, construction, plumbing, painting, energy distribution and air quality control.

In addition to the daily maintenance of over 7 million gross square feet of building space, Building Operations experts employ their professional skills and institutional knowledge to invest in the building's future through preventive and predictive maintenance, groundbreaking project development and long-range planning. Recent and upcoming innovations include implementing energy reduction policies and procedures, advancing a maintenance excellence program, exploring techniques to improve supply chain management, and pioneering a new energy monitoring and building control system.

Real Estate is responsible for the procurement and management of the state's portfolio of 600 leases and 8 million square feet of space. The program manages property acquisitions, the dispositions of surplus real property, land management, including easements and state-as-lessor agreements, and statewide strategic planning.

The continued cooperative effort between the Real Estate Division and state agencies to consolidate space has resulted in significant savings attributable to the early cancellation or renegotiation of leases, as well as revenue generation through the disposition of surplus property. The program delivers cost-effective property and space management that best meets the needs of government.

STATE BUILDING AUTHORITY is responsible for financing the state's major capital outlay projects, including colleges and universities. In addition, the Risk Management unit of the State Building Authority is responsible for providing commercial insurances to state agencies.

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, crime insurance and aircraft and airport liability. The office is also responsible for the administration of the state's motor vehicle fleet self-insurance program. For FY2009, the administrative fee charged above the actual premium cost is set at 10%. The FY2009 vehicle insurance rates are the same as FY2008 rates. Risk Management staff continues to work to ensure the most cost-effective means of providing insurance coverage.

Department of Management and Budget
Fiscal Year 2009 Service Rates

	FY2008 Rate	FY2009 Rate	Unit of Issue
Agency Services			
<i>Delivery Services</i>			
Dedicated Freight Runs, Regional Mail Route Service, and Freight Work Orders	quotes provided in advance	quotes provided in advance	
<i>On Demand Freight Service</i>			
Labor	\$67.49	\$67.49	per hour
Vehicle – per hour	\$15.24	\$15.24	per hour
Vehicle – per mile	\$ 0.69	\$ 0.69	per mile
Minimum Charge: 1 hour (consists of Labor + Vehicle + 20 miles)	\$96.53	\$96.53	
<i>Mailing Services</i>			
Presort – Tier 2	\$0.0200	\$0.0200	per piece
Metered Packages	\$ 1.40	\$ 0.90	per piece
Metered Mail	\$ 0.0424	\$0.0424	per piece
<i>Materials Management</i>			
Warehouse Space – Hazel Street	\$ 7.83	\$ 7.83	per square foot per year
Warehouse Space – Sunset Street	\$ 4.34	\$ 4.34	per square foot per year
Inventoried Materials Management and Storage	\$20.00	\$20.00	per square foot per year
Secured Storage Management	\$30.00	\$30.00	per square foot per year
Inventoried Materials Handling Fee	\$ 5.00	\$ 5.00	per ship to address
<i>Printing Services</i>			
Consolidated Print - mainframe image	\$0.0500	\$0.0540	per image
Consolidated Print – warrant image	\$0.0600	\$0.0620	per image
Print and Graphics - digital image	\$0.0540	\$0.0590	per image

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	FY2008 Rate	FY2009 Rate	Unit of Issue
Agency Services (continued)			
<i>State Surplus</i>			
Sealed Bid Processing	12%	12%	of sale price
Treasury Unclaimed Property SLA	12%	12%	of sale price
HAL and Museum Artifacts SLA	12%	12%	of sale price
Miscellaneous Auction Restricted Funds	12%	12%	of sale price
Equipment Auction Fee	12%	12%	of sale price
Vehicle Sale Charge	10%	10%	of sale price
<i>Vehicle and Travel Services</i>			
<i>Midsize Vehicles</i>			
Fixed fee for lease and insurance costs	\$132.00	\$176.00	per month
Per-mile rate for fuel, maint. and operating costs	\$0.2340	\$0.2473	per mile
<i>Large Vehicles</i>			
Fixed fee for lease and insurance costs	\$193.00	\$211.00	per month
Per-mile rate for fuel, maint. and operating costs	\$0.2322	\$0.2400	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	\$14.81	\$13.52	per square foot
Strategic Asset Management			
<i>Risk Management</i>			
Type A Vehicle Insurance	\$318.00	\$318.00	per vehicle per year
Type C Vehicle Insurance	\$18.00	\$18.00	per vehicle per year
Type M Motorcycle Insurance	\$159.00	\$159.00	per vehicle per year
Other Insurance	Actual + 10.00%	Actual + 10.00%	Administrative fee