



D E P A R T M E N T O F

Management & Budget

CONTINUOUS IMPROVEMENT REPORT

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Appropriations Subcommittees on General
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EXECUTIVE SUMMARY

Section 225 of Public Act 127 of 2007 requires the Department of Management and Budget to submit a report on continuous improvement efficiency mechanisms implemented by the Department. This report summarizes the actions by the Department as of March 31, 2008.

The Department of Management and Budget (DMB) is a partner in achieving excellence and a leader in providing high-quality cost-effective business services. We provide a diverse range of business services to meet the needs of our customers - State agencies, local governments, school districts, colleges and universities and non-profit hospitals.

DMB strives for better government through effective business practices. DMB conducts annual strategic planning; uses technology to improve service and reduce costs; partners with other state agencies, local governments and others to share resources and services; and continually looks for opportunities to improve through innovation, efficiencies and process improvements. DMB compiles and publishes an annual report to present the results of these efforts. The 2007 DMB Annual Report can be found on our web site:
<http://www.michigan.gov/dmb/>

Process improvements, use of technology and automation, and energy initiatives currently underway within the department are detailed below.

PROCESS IMPROVEMENTS

BUILDING SECURITY

Through the installation of electronic access control devices and visitor kiosks in all State office building lobbies, we will change how State employees and the public access State facilities. The end results will be improved security and reduced dependence on independent (contractual) security guard services. The FY2008 enacted budget was reduced by \$500,000 to reflect implementation of this initiative and other building security technology.

PARKING ENFORCEMENT

DMB currently uses state employees to enforce parking rules and regulations by responding to complaints reported by customers and by patrolling state ramps and parking lots in downtown Lansing. DMB is restructuring its approach to parking enforcement to modernize the program and make it more efficient. DMB is shifting the department's parking management approach from enforcement to customer service, resulting in reduced operating costs and a flexible, efficient organization that is responsive to customer needs. The FY2009 budget recommendations were reduced by 5 FTEs and \$300,000 to reflect this initiative.

OFFICE SYSTEMS/FURNITURE PROJECT

In late 2007, DMB began a comprehensive review of its office systems/furniture management process among executive branch agencies. A project was initiated with the objective of providing a standardized, cost-effective means of managing the furniture needs of our customers in State-owned and leased facilities from purchase to disposal. Recommendations for a long-term furniture management process are under development and will be finalized by fiscal year end.

SPACE UTILIZATION

DMB is reviewing space in state-owned facilities and facilities leased by the state under a lease-to-own arrangement to ensure that the space is fully utilized. Prior to leasing real property for use by a state department or agency, an analysis is first performed to ensure that more cost-effective space is not already available. This multi-year project will ensure better utilization of DMB facilities and reduced lease costs.

We are still in the preliminary stages of identifying vacant space and the potential moves from private leased space that can occur. However, funding is recommended in the FY 2009 budget to address this space utilization project. We propose to conduct utilization studies of the Hannah, Ottawa lower level, Romney and Van Wagoner buildings (consisting of 743,100 square feet) to determine how much space is available and where. Because the vacancies are in pockets throughout the buildings, once the pockets are identified, plans to restack the buildings must be done to determine how to shift tenants to capture the excess square footage.

Additionally, funding is recommended in the FY 2009 budget to reconfigure and construct modular workstations in Constitution Hall. We have about 220 vacant workstations, which when consolidated will provide about 46,000 square feet of space into which we can move tenants from leased space. Once moves and associated costs are complete, we anticipate that we will save about \$9.65 per square foot in annual rent through cancellation of private leases. This is based on annual rent savings of private leases (\$1.8 million) and reduced square footages (189,000) achieved during the last year.

PURCHASING

DMB Purchasing is identifying and implementing efficiencies on an on-going basis. This year, efforts are focused on improving internal processes and increasing the number of vendors bidding on state contracts. These efforts will allow staff to redirect needed resources to other critical workload issues and will achieve better pricing on the State's purchases.

We are undertaking a process improvement initiative to streamline the procurement process. Streamlining the procurement process from the initial agency request through State Administrative Board approval will reduce processing time and workload and increase customer satisfaction. Full implementation is anticipated for late 2008.

We added a training module for potential bidders to make them aware of how best to respond to State solicitations. The module is included in our Buy Michigan First outreach events, which are held throughout the State. Since inception of the Buy Michigan First program, we have reached 5,000 Michigan businesses across the State in 18 months.

In addition, Purchasing is in the process of placing all State contracts on the Buy Michigan First Web site (<http://www.michigan.gov/buymichiganfirst>). This will provide greater access to the State's contracts and enhance competition.

RAPID INSURANCE PROCESSING FOR DEPENDENTS

Delays in processing retirement transactions are occurring because the system does not contain information for some members who have dependents on their insurance policies. Enhancing the current system to include this information will save Retirement staff time and allow them to work on other tasks.

Implementation is one of the initiatives DMB is employing to redirect staff efforts to the increasing workload for baby boomer retirements.

MAIL CONSOLIDATIONS

DMB recently consolidated mail services for the Unemployment Insurance Agency (UIA) in Detroit within DMB. Previously, UIA processed its mail through the US Postal Service at full rates, which was allowed and paid by the Federal Government. Federal funds for UIA postage were reduced, requiring a more cost

effective solution. Now, DMB brings the mail to Lansing where it is presorted. In the first three days of operation in DMB, net postage savings were over \$9,000. UIA's mail increased the number of pieces of mail processed by DMB by 25%, but DMB assumed the workload with no additional staff by changing staff schedules.

MOTOR VEHICLE FLEET

The DMB completes an annual fleet plan for the Legislature, which may be found on our web site at:

http://www.michigan.gov/documents/dmb/November_30_2007_216776_7.pdf.

TECHNOLOGY/AUTOMATION

WEB SELF SERVICE

This DMB initiative provides enhanced customer service for active and retired members by creating a self-service Web site. Web self-service for retirees was activated early in 2008. Active members will have access later this year. The self-service website enables members to execute transactions such as address or demographic changes; perform account inquiries such as service credit totals, wage information or last pension payment; generate documents such as 1099s, Income Verifications, and Statements of Account; and obtain pre-filled, customized forms for submission. This Web site provides faster service to our customers in a more efficient manner. Implementation is one of the initiatives DMB is employing to address increasing workload for baby boomer retirements. Funding for the multi-year work project that included Web self-service was eliminated from the budget in FY2003.

BUILDING MONITORING SYSTEM

DMB is implementing innovative new software for real-time monitoring of heating, lighting, ventilating, and other building systems through the Internet. The software integrates different manufacturers' systems, allowing them to communicate.

The technology has already paid for itself through energy efficiency and increased competition for renovation and installation of building systems. We were presented an opportune time to pioneer groundbreaking technology when funding to install new air handling systems in some buildings became available through the Governor's Jobs Today initiative. Because the new software enables us to connect heating, cooling and other systems made by multiple manufacturers with one piece of communications software, we were able to competitively bid the renovations, instead of requiring one manufacturer's system to be installed.

When new air handlers were installed in the Austin and Williams Buildings, the control systems were bid out with all four major manufacturers competing. The result of that bidding produced a minimum of \$500,000 in installation savings per building compared to historical pricing in a sole-sourced situation. Similar savings of \$500,000 per building were achieved for four other buildings (Mason Building, Van Wagoner Building, Grand Rapids State Office Building, and Hart State Office Building in Saginaw) with installation of new air handling systems. Two other buildings are also connected: Energy Center and Constitution Hall.

This technology required an investment of \$6,000 for the software and \$4,000 per building for the hardware. It will save on every building we renovate. Additionally, these new control systems contribute to the overall operational

efficiency of the building. When coupled with the advanced design of the newly installed air handlers, we realize substantial energy efficiency.

This technology is the first full building automation system integration of its kind within state governments, and it is now a model for other state systems. DMB hosted an informational system on this cutting edge technology, attended by over 200 engineers and architects from multiple states.

AUTOMATING MANUAL BILLING PROCESSES

DMB is automating several billing processes that were previously handled on a manual basis. Completed are billings for interstate mailing, dedicated mail runs, post office boxes, on-demand freight, postage due and business reply.

In process are improvements and enhancements to billings that were automated in 2007 for the Michigan Public Safety Communication System radio network that is available on a subscription fee basis to emergency response and medical care groups around the State. Additionally, automation efforts continue with plans to convert two additional manual billing processes for state agencies – mailing services bills for applying addresses, collating, folding and inserting, sealing, and other activities for preparing state agency mail; and bills for presorted mail.

These improvements will result in fewer manual process steps, reducing the potential for error; eliminate redundant data entry; and provide more responsive customer service. The FY2009 budget recommendations were reduced by 2 FTEs and \$124,000 to reflect implementation of these initiatives.

PRINT JOB TRACKING, COST ACCOUNTING, AND BILLING SOFTWARE

DMB is installing new software in our Print and Graphic Services (PGS) operation to more effectively manage the 25,000 orders processed annually. This software will allow automated billing for work required by the agencies, and will track actual labor costs per job. This will ultimately give us better data to estimate the cost of future print jobs for customers. The new software is expected to reduce staff time once implemented in May, 2008.

ON-LINE COMPLAINT FORM FOR CHILDREN'S OMBUDSMAN

The Office of Children's Ombudsman recently implemented on-line access to its complaint form. The form is accessible from its Web site and can be submitted directly to the Ombudsman's e-mail address when completed. This initiative provides citizens easy, efficient access when filing a complaint pertaining to children's protective services and the placement, supervision and treatment of children in foster care and adoptive homes.

ENERGY INITIATIVES

ENERGY CONSERVATION

DMB is undertaking a public-private partnership with a private contractor for a six month LED lighting pilot at the Escanaba State Office Building. LED technology will eliminate the toxic metal found in fluorescent tubes from our waste stream, and expand the smart building concept. This will provide opportunities for enhanced energy efficiency by maximizing our building automated controls. At year end we will review the pilot consumption reductions and payback for the lighting, making recommendations to expand the program if cost justified

Energy projects to date have produced significant reductions in energy consumption. From FY 2002 through the end of FY 2007, we have reduced energy use as follows:

- 11.4% reduction in electrical consumption – 15 million megawatt hours - enough energy to power 2,500 homes for an entire year.
- 14.7% reduction in steam consumption
- 2.2% reduction in natural gas consumption