

State of Alaska FY2007 Governor's Operating Budget

Department of Transportation/Public Facilities Regional Support Services Results Delivery Unit Budget Summary

Regional Support Services Results Delivery Unit

Contribution to Department's Mission

Provide leadership and accountability of regional activities and to support regional operations with quality procurement and budgetary services.

Core Services

- The Regional Directors' offices provide management oversight of all functions of the organization and act as liaison between divisions and between the department and other agencies and the public.
- The support service offices provide management support and budget coordination to all operating divisions in each region, with additional support to regional staff of Headquarters and statewide divisions and the International Airports.
- The procurement offices are responsible for the purchase and delivery of supplies, equipment and services as well as property control.

End Results	Strategies to Achieve Results
<p>A: Increase cost efficiency of the department.</p> <p><u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%.</p> <p><u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs.</p> <p><u>Target #2:</u> Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5.</p> <p><u>Measure #2:</u> Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.</p>	<p>A1: Improve procurement processing.</p> <p><u>Target #1:</u> Reduce procurement processing time by 10%.</p> <p><u>Measure #1:</u> Percent change in time from receipt of request to issuance of order compared to prior year.</p> <p><u>Target #2:</u> Reduce procurement violations by 1/3.</p> <p><u>Measure #2:</u> Percent change in the number of procurement violations compared to prior year.</p>

Major Activities to Advance Strategies

- Expand use of credit card purchases to reduce the number of small invoices.
- Analyze activities to determine if there is a better way of doing business.
- Create on-line stock requests and better define the item or service requested on the stock request.

FY2007 Resources Allocated to Achieve Results

FY2007 Results Delivery Unit Budget: \$4,723,500	Personnel:	
	Full time	55
	Part time	3
	Total	58

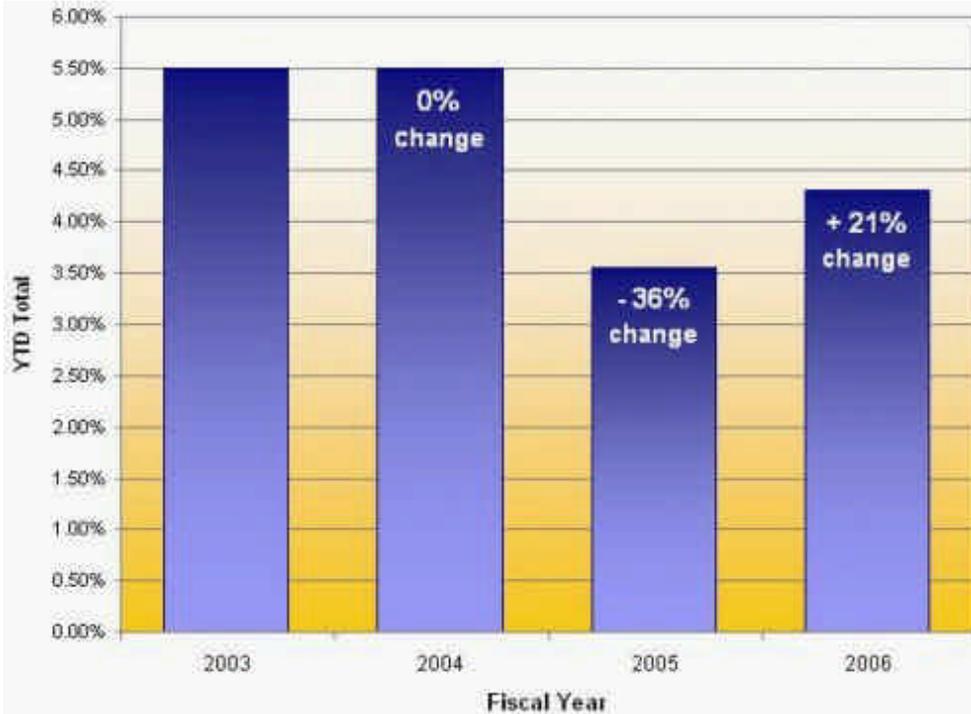
Performance Measure Detail

A: Result - Increase cost efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.

Measure #1: Ratio of total administrative overhead funding as compared to total department costs.

Indirect Overhead Cost Rate



Analysis of results and challenges: The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines that is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY06 vary between 1.0% for harbor projects to 4.3% for highway projects. The federal highway project rate of 4.3% is used for year-to-year comparisons. FY06 rates are based on FY04 actual expenditure data.

When the FY06 rate was being calculated, the department learned that several planning expenses that had been considered direct expenses to the capital budget must now be considered indirect operating expenses. In addition, due to a variety of problems, construction activity slowed in the Federal Highway funded capital project program. Because the amount of indirect costs increased due to the added planning expenses, and the dollar amount of capital projects decreased, the indirect cost rate increased for FY06.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether DOT&PF has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

Target #2: Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5.

Measure #2: Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.

Customer Satisfaction Rating

Year	YTD Total
2005	not available

Analysis of results and challenges: This measure will require the division to develop and circulate a survey to help determine whether our internal customers' expectations are being met in the areas of procurement, budget development and monitoring. Survey responses will provide managers feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

A1: Strategy - Improve procurement processing.

Target #1: Reduce procurement processing time by 10%.

Measure #1: Percent change in time from receipt of request to issuance of order compared to prior year.

Average Days Taken to Process Purchase Requests

Fiscal Year	Central Region	Northern Region	Southeast Region	YTD Total
FY 2002	not available	not available	not available	6.1
FY 2003	not available	not available	not available	9.8
FY 2004	4.5	3.7	4.5	4.25
FY 2005	4.0	3.6	4.8	not available

Results are reported on a state fiscal year basis.

Analysis of results and challenges: The amount of time to process a procurement request varies widely due to its complexity, estimated dollar value and required method of procurement. Following are statutory (AS 36.30) factors that impact procurement-related performance measures in the acquisition of goods and services for the Department:

"Reasonable and adequate" competition is required for each expenditure valued at \$5,000 or less and involves contacting only one potential vendor in appropriate circumstances. At least 3 verbal quotations or proposals are required between \$5,000 and \$25,000; but are often required to be submitted in writing for purposes of clarity and conformance to specifications or scope of services. The Request for Quotation (RFQ) process or Informal Request for Proposals (IRFP) is required for expenditures valued at \$25,000 to \$50,000 and requires issuance of the State's Standard Terms and Conditions or General Provisions and written responses from vendors. The formal Invitation to Bid (ITB) or Request for Proposals (RFP) process is required at \$50,000 and above, which involves formulating specifications, advertising on the Online Public Notice (OPN), allowing 21 days for solicitation, receiving sealed bids or proposals and providing a ten-day protest period prior to award of a contract.

Construction related procurement processes are more complex and require additional time for processing. Most construction procurements are federally funded which require staff to be knowledgeable of federal regulations.

Generally, the amount of time spent on a procurement increases as the monetary value and/or complexity of the particular item being purchased increases. For this reason, it is difficult to accurately measure and set procurement-related performance standards. Additionally, the geographic remoteness throughout Alaska impacts communication, approval processes, and delivery issues that are influenced by inclement weather, vessels underway, and changing crews.

The BuySpeed purchasing and inventory web based procurement software continues to produce greater efficiencies in the contracting and procurement environments in Central and Northern Regions. In Southeast

Region, the program is supplemented with "Smart Tools," a web-enabled program. Further efficiencies will be obtained by monitoring problem orders and addressing individual issues timely.

Southeast Region Procurement was selected for outsourcing in conjunction with Chapter 51, SLA 2003 pilot procurement project. As of July 1, 2004, Southeast Region procurement and property activities were officially outsourced and are now being performed by Alaska Supply Chain Integrators (ASCI). ASCI's performance will be evaluated during the pilot phase to determine the merits of further outsourcing the State's procurement activities. The pilot sunsets on July 1, 2006.

Target #2: Reduce procurement violations by 1/3.

Measure #2: Percent change in the number of procurement violations compared to prior year.

Number of Procurement Violations

Year	YTD Total
2002	4
2003	3 -25.00%
2004	0 -100.00%
2005	0 0%

Analysis of results and challenges: When potential violations are identified, the department investigates and reports them to the Department of Administration, Division of General Services. Recommendations on necessary action to resolve the issue are also provided. Efforts to avoid future violations will include increased emphasis on training procurement and non-procurement staff on state purchasing requirements, and to assure quick distribution of new or revised procurement directives. Concentration on staff training encourages professionalism and accountability, and assures competent individuals are conducting all procurement activities.

Key RDU Challenges

- The procurement pilot program in Southeast Region is scheduled to sunset on July 1, 2006. It was anticipated that the pilot contractor would reduce processing time for delivery orders as a result of not having to follow Alaska Statute 36.30. An analysis is underway to determine if outsourcing the procurement function has resulted in cost savings. The decision whether to continue, expand, or end procurement outsourcing may impact Support Services components.
- Keeping up with the purchasing needs of a larger capital construction program and growing transportation infrastructure will be a challenge. With no increase in regional procurement staff, streamlining the department's procurement process is essential so that goods and services continue to be provided efficiently and according to all state, federal and local guidelines with decreasing general fund support. Additional implementation of the department's automated procurement system, BuySpeed, to allow end users to submit purchase requests through a web-based requisitioning program would ultimately increase the department's procurement efficiency, however this process is on hold due to possible procurement outsourcing.
- The implementation of the Southeast Alaska Transportation Plan continues to be of paramount importance over the next several years as significant resources will be used to design and construct the infrastructure for improved movement of people and commodities throughout the region. Decisive management and articulate leadership are essential to successfully implement this plan.

Significant Changes in Results to be Delivered in FY2007

A reorganization has transferred several functions to other areas within the department.

Alaska Marine Highway System (AMHS) budget preparation/monitoring, fiscal analysis of expenditures/revenues, fund balance monitoring, information technology services and network/desktop support is being transferred to the Vessel Operations Management component within the Alaska Marine Highway RDU.

Contracting and procurement services is being transferred to the Contracting, Procurement & Appeals component

within the Administration and Support RDU.

Mail services support is being transferred to the Statewide Administrative Services component within the Administrative Services RDU.

Budgetary changes for the above reorganization will be reflected as FY07 amendments because final numbers are not available at this time.

Major RDU Accomplishments in 2005

During FY05, major storms in Nome required procurement offices to expeditiously process emergency procurements of supplies and services.

The Computer Services Group (CSG) in Southeast Region developed a comprehensive networking plan, installed file servers and work stations for 45 staff at the new AMHS headquarters facility in Ketchikan. CSG installed replacement servers and work stations onboard most of the AMHS fleet. In addition, replacement work stations were also installed at most AMHS ferry terminals.

Contact Information
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**Regional Support Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2005 Actuals				FY2006 Management Plan				FY2007 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>												
None.												
<u>Non-Formula Expenditures</u>												
Central Support Svcs	504.6	0.0	244.7	749.3	533.0	0.0	342.0	875.0	563.2	0.0	363.7	926.9
Northern Support Services	618.4	0.0	428.1	1,046.5	654.9	0.0	554.7	1,209.6	684.6	0.0	585.6	1,270.2
Southeast Support Services	318.4	0.0	1,844.0	2,162.4	330.0	0.0	2,095.7	2,425.7	345.3	0.0	2,181.1	2,526.4
Totals	1,441.4	0.0	2,516.8	3,958.2	1,517.9	0.0	2,992.4	4,510.3	1,593.1	0.0	3,130.4	4,723.5

Regional Support Services
Summary of RDU Budget Changes by Component
From FY2006 Management Plan to FY2007 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	1,517.9	0.0	2,992.4	4,510.3
Adjustments which will continue current level of service:				
-Central Support Svcs	25.6	0.0	18.4	44.0
-Northern Support Services	24.3	0.0	30.0	54.3
-Southeast Support Services	13.0	0.0	72.8	85.8
Proposed budget decreases:				
-Northern Support Services	0.0	0.0	-4.3	-4.3
Proposed budget increases:				
-Central Support Svcs	4.6	0.0	3.3	7.9
-Northern Support Services	5.4	0.0	5.2	10.6
-Southeast Support Services	2.3	0.0	12.6	14.9
FY2007 Governor	1,593.1	0.0	3,130.4	4,723.5