

State of Alaska FY2010 Governor's Operating Budget

Department of Administration Purchasing Component Budget Summary

Component: Purchasing

Contribution to Department's Mission

To assist state agencies and political subdivisions to achieve their public mission and reduce costs by providing professional procurement services.

Core Services

- Establish cost-effective multi-agency term contracts for high use supplies and services needed by all agencies.
- Provide training to client agencies on the application of the State Procurement Code (AS 36.30, 2 AAC 12) and the Alaska Administrative Manual.
- Provide consultation to client agencies to assist them in their procurement of supplies, services, and professional services.
- Participate in and facilitate cooperative purchases with qualified public procurement units to increase buying power and leverage limited resources.
- Provide guidance and leadership in procurement by supplying information, policy manuals, standard documents and forms, automated procurement tools, and other necessary information.

End Result	Strategies to Achieve End Result
<p>A: Improved cost effectiveness of state procurement.</p> <p><u>Target #1:</u> 100% of new contracts entered into produce a minimum of 5% savings from prior rates. <u>Status #1:</u> FY2008, data not available. Many new and re-bid contracts did result in cost savings in excess of 5%.</p>	<p>A1: Establish consolidated contracts for statewide use.</p> <p><u>Target #1:</u> Establish new statewide contracts or purchasing agreements. <u>Status #1:</u> FY2008, data not available.</p> <p>A2: Training and certification of state agency procurement personnel.</p> <p><u>Target #1:</u> Maintain 20 procurement training courses held annually. <u>Status #1:</u> FY2008, 30 training courses were completed with 809 attendees.</p>

Major Activities to Advance Strategies

- Procurement and expenditure analysis to determine which new contracts should be established.
- Issue solicitations or enter into cooperative agreements to obtain cost effective contracts.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$1,239,900

Personnel:

Full time	14
Part time	0
Total	14

Performance

A: Result - Improved cost effectiveness of state procurement.

Target #1: 100% of new contracts entered into produce a minimum of 5% savings from prior rates.

Status #1: FY2008, data not available. Many new and re-bid contracts did result in cost savings in excess of 5%.

Analysis of results and challenges: 01/01/06-06/30/06: DGS established 2 new contractual agreements for Hazardous Incident Response Equipment (10% off list), one agreement for public safety radios (5% off list) and established one new contract for projectors (60% off list).

DGS re-bid the requirement for rural air carrier services and awarded 12 contracts that provide point-to-point travel throughout Alaska (5% off standard airfare).

A Select agreement was reached with Microsoft for products not covered by the existing Enterprise Agreement. The agreement provides a 17.5% discount.

DGS established a contract agreement with Granger for industrial supplies. This agreement falls under the Western States Cooperative Association's contract. Discounts range from 10% to 40%.

7/1/06-6/30/07: DGS established a Food, Dining, and Dietary services contract for the Department of Health and Social Services (DHSS), Alaska Pioneer Homes, Juvenile Justice Facilities and the Alaska Psychiatric Institute. This contract also includes Housekeeping and Laundry services at the Juneau Pioneer Home. After proposal evaluation, further price negotiations resulted in an additional savings of 4.8% per year, which represents approximately \$1 million in savings over the term of the contract.

Re-bid of three aircraft charter contracts resulted in an increase in rates over previous contract rates due in part to higher fuel costs. However, annual savings for the three contracts is estimated to be 5% over standard rates.

Re-bid of the Grocery and Dry Goods contract resulted in a 17% savings over previous contract rates.

Re-bid of the Forensic Toxicology Testing contract resulted in a 25% savings off published rates and 5% over previous contract rates.

DGS established three new contractual agreements for vehicle lifts with ARI-HETRA, Mohawk, and Steril Koni. These contracts are the result of a multi-state cooperative purchase led by the State of Washington and provides discounts of 15% to 25% off manufacturers' suggested retail pricing.

DGS established a new contract for Live Scan Fingerprinting Equipment, Installation, Training, and Maintenance. This contract will be used by law enforcement and other public agencies to obtain equipment necessary to match fingerprints against a national database in real-time. An initial discount of approximately 4.5% off of the manufactures' list price was obtained, with a further 5% savings achieved through negotiations.

DGS re-established seven systems furniture add-on contracts throughout the state. These contracts were initially established six years ago and had average saving between 25% and 58% below the contractors' standard pricing.

The new contracts have an average savings of between 25% and 61%. When comparing to previous contract rates, one contract resulted in 2.7% increase over previous contract rates, two contracts resulted in no change in the discount offered, two contracts resulted in a .7% savings over previous rates, and two contracts resulted in a 3.3% savings over previous rates. DGS re-bid the Information Technology Professional Services contract for the Enterprise Technology Services division of the Department of Administration. Due to the cost structure being changed in the rebid, a direct comparison to previous contract rates is not possible. However, during negotiations, a \$592,200 per year reduction from the contractor's initial offer was achieved.

Re-bid of the Gold and Silver Medallion Design, Minting, and Marketing contract required per AS 44.09.017 resulted in an increase in the royalties paid to the State of Alaska for most medallion types. There was no change in royalties paid on 1 oz silver proofs, 1/10 oz gold proofs, and 1/20 oz gold proofs. The royalties paid for 1 oz and 1/2 oz gold proofs doubled, from \$5 per medallion to \$10 per medallion, increased by 150% for 1/2 oz and 1/4 oz silver proofs, from \$1.00 to \$2.50 per medallion, and increased by 500% for 1/10 oz and 1/20 oz silver proofs, from 50 cents to \$2.50 per medallion.

Re-bid of the Copier contracts resulted in a savings of at least 5% off manufacturers' retail price and up to 35% over previous contract rates.

07/01/07-06/30/08: Office furniture add-on contracts in Juneau, Anchorage and Fairbanks were re-negotiated, resulting in savings of between 36% and 50% off the manufacturer's suggested retail pricing. However, due to increases in the market, these contracts will not provide savings over the previous contract rates.

Re-bid of the drug and alcohol testing contract resulted in a savings of approximately 3% from previous contract rates.

Forensic Toxicology was re-bid. The new rates result in a 17% better discount when compared to the previous contract vendor.

Dairy Products were re-bid and awarded to two vendors serving 11 locations. On average, new prices are 12.6% lower than previous prices.

DGS established a new contract with NCO Financial for the collection of past due debt. The contract pays the contractor a rate 14% of collected funds. This is approximately 10-15% below the average industry rate.

DGS established new contracts with three providers of vehicle Tires, Tubes, and Services. The agreements fall under the Western States Contracting Alliance's contracts and offer the state a discount of 45% off suggested retail.

DGS established new contracts with two providers of Industrial Paper and Cleaning supplies. These agreements fall under the Western States Contracting Alliance's contracts and offer the state a discount of 30-60% off suggested retail.

DGS established new contracts with three providers of Carpet, Carpet Tile, and Floor Coverings. The agreements fall under the Western States Contracting Alliance contracts and offer the state a discount of 20-50% off suggested retail.

DGS assisted the Department of Health and Social Services with the procurement of an Electronic Medical Records management system. Negotiations resulted in an additional savings of 2.6%.

DGS established a new contract with Instant Technologies for the provision of Drug Testing Kits. This agreement falls under the National Association of State Procurement Officials' contracts that leverage the buying power of all 50 states to establish substantial discounts from retail pricing.

DGS established contracts with six vendors for the provision of Data Communication equipment. The agreements fall under the Western States Contracting Alliance's contract and offer the state a discount of 30-40% off the suggested retail price.

DGS established two new contractual agreements for automated external defibrillators (AEDs). These contracts are the result of a multi-state cooperative purchase led by the State of Oklahoma and produce approximately 30%

savings.

DGS established two new contractual agreements for electronic and satellite monitoring equipment. These contracts are the result of a multi-state cooperative purchase led by the State of Washington and produce a savings of at least 5%.

A new contractual agreement was established with Simplex-Grinnell for fire suppression services. This contract is the result of a multi-state cooperative purchase led by the State of Nevada and produces a savings of 5%.

A new contractual agreement was established for Hazardous Incident Response Equipment. This contract achieves a savings of approximately 15% off list prices.

A new contractual agreement was established for public safety radios. This contract achieves a savings of 28% off manufacturer list price.

A new contractual agreement was established for quick copy services. This contract is the result of a multi-state cooperative purchase led by the State of Washington and produces savings of approximately 20% over current contract rates.

DGS established two new contractual agreements for satellite phone hardware and services. This contract is the result of a multi-state cooperative purchase led by the State of Utah and produces savings of 25% to 40% off list prices.

A new contractual agreement was established for wireless phone services. This contract is the result of a multi-state cooperative purchase led by the State of Nevada and produces a savings of 15% off normal pricing.

DGS re-bid the rural air carrier services contract. This contract saves approximately 19% over what the state would pay without this contract in place.

DGS established a new contract for conference coordinator services. This contract is expected save at least 5% when compared to prices otherwise available to the state.

A1: Strategy - Establish consolidated contracts for statewide use.

Target #1: Establish new statewide contracts or purchasing agreements.

Status #1: FY2008, data not available.

Analysis of results and challenges: 07/01/05-09/30/05: DGS awarded 15 new contracts for air travel between rural city pairs.

DGS re-bid the following: software reseller contract, copier paper contract, and specific locations of the office supplies contract.

10/01/05-12/31/05: DGS established 16 new contractual agreements for Hazardous Incident Response Equipment (HIRE).

DGS established two new contractual agreements for metered mail equipment.

DGS re-bid the statewide microfiche contract.

01/01/06-06/30/06: DGS established 2 new contractual agreements for Hazardous Incident Response Equipment, one agreement for public safety radios and one new contract for projectors.

7/1/06-6/30/07: DGS established three new contractual agreements for vehicle lifts with ARI-HETRA, Mowhawk, and Steril Koni. These contracts are the result of a multi-state cooperative purchase led by the State of Washington and provides discounts of 15% to 25% off manufacturers' suggested retail pricing.

DGS established a new contract for Live Scan Fingerprinting Equipment, Installation, Training, and Maintenance. This contract will be used by law enforcement and other public agencies to obtain equipment necessary to match fingerprints against a national database in real-time. An initial discount of approximately 4.5% off manufactures' list price, was obtained with a further 5% savings achieved through negotiations.

07/01/07-06/30/08: DGS re-bid its contract for HP OEM print toner cartridges resulting in savings of 18.5% off MSRP.

A new statewide contract was awarded to GCI for polycom audio/visual equipment and installation/repair services resulting in savings of between 12-40% off MSRP.

DGS established new statewide contracts for helicopters charters for employees and approved personnel; divided into four geographical zones.

DGS established new contracts for electrical services and supplies in the Anchorage, Mat-Su, and Juneau areas. Contractors will provide the labor, materials, and equipment for various electrical repairs and installation services on an as-needed basis.

DGS established a new contract with NCO Financial for the collection of past due debt.

DGS established new contracts with three providers of vehicle tires, tubes, and services.

DGS established new contracts with two providers of industrial paper and cleaning supplies.

DGS established new contracts with three providers of carpet, carpet tile, and floor coverings.

DGS established a new contract with Instant Technologies for the provision of drug testing kits.

DGS established contracts with six vendors for the provision of data communication equipment.

DGS established two new contractual agreements for automated external defibrillators (AEDs).

DGS established two new contractual agreements for electronic and satellite monitoring equipment.

DGS established a new contractual agreement with Simplex-Grinnell for fire suppression services.

DGS established a new contractual agreement for hazardous incident response equipment.

DGS established a new contractual agreement for public safety radios.

DGS established a new contractual agreement for quick copy services.

DGS established two new contractual agreements for satellite phone hardware and services.

DGS established a new contractual agreement for wireless phone services.

DGS re-bid the rural air carrier services contract.

DGS established a new contract for conference coordinator services.

A2: Strategy - Training and certification of state agency procurement personnel.

Target #1: Maintain 20 procurement training courses held annually.

Status #1: FY2008, 30 training courses were completed with 809 attendees.

of courses completed during the Fiscal Year

Fiscal Year	YTD Total
FY 2008	30
FY 2007	39
FY 2006	26

Analysis of results and challenges: 07/01/05-09/30/05: Seven courses completed July - September 2005. Attendance was 139 with 78 state employees receiving procurement certification. All certificates processed within 10 days of certification.

10/01/05-12/31/05: Five courses completed October - December 2005. Attendance was 189 with 69 state employees receiving procurement certification. All certificates processed within 10 days of certification.

01/01/06-06/30/06: Fourteen courses completed January - June 2006. Attendance was 393 with 210 state employees receiving procurement certification. All certificates processed within 10 days of certification.

7/1/06-6/30/07: Thirty nine procurement training courses completed and attended by 809 participants; 474 employees were certified and/or re-certified during this period through the DGS certification program.

07/01/07-06/30/08: Thirty courses completed July 07 – June 08. Attendance was 809 with 164 state employees receiving procurement certification. All certificates processed within 10 days of certification.

Key Component Challenges

Increase the current level of services while utilizing the same staff resources to:

- Automate systems and procurement methods using the Internet to foster improved efficiency for state agencies, improved access for Alaska Vendors to state business, and enhanced reporting on state purchasing activities;
- Improve the statewide procurement officer certification and training program;
- Maintain and enhance the web-based system to track state procurement officer certifications, training records, and delegations of purchasing authority;
- Increase the number of statewide term contracts available for all state agencies and political subdivisions;
- Improve outreach to state political subdivisions to ensure rural communities and other State of Alaska subdivisions have access to cost effective and efficient contracts.

Significant Changes in Results to be Delivered in FY2010

No significant changes are anticipated.

Major Component Accomplishments in 2008

DGS received the National Institute of Governmental Purchasing's "Best Practices/Innovations in Public Procurement" award. The division, using in-house resources, developed two online video commercials and other materials related to vendor training and cooperative purchasing outreach. DGS was recognized as one of the prominent, trend-setting governmental procurement entities.

The purchasing section developed and presented a "State Contracts for use by Political Subdivisions" training class at the Alaska Peace Officer's 2008 Crime Conference.

DGS established new statewide contracts for electrical services and supplies, four-place helicopter charters for employees and approved personnel, conference coordinator services and both land and vessel fuels.

New statewide contracts were also established by the purchasing section for a variety of supplies and services based on cooperative purchasing agreements with other states: MedTronic (AED), Apple (PC), Simplex-Grinnell (fire suppression services), American Innovations, Inc (homeland incident response equipment), Kenwood (public safety

radio), Standard Register (quick copy services), World Communication Center, Globalstar (satellite phones), AT&T (wireless services), Fisher, OraSure, VWR (homeland equipment laboratory products), Armor Express, Point Blank (body armor), Mannington Commercial, Milliken & Company, The Mohawk Group (carpet and flooring), and Alcatel, Meru Networks (data communications). It's notable that all political subdivisions within Alaska may use these contracts.

DGS presented 39 procurement training courses to 736 attendees.

DGS processed 116 Requests for Alternate Procurement with a total value over \$50 million.

DGS managed over 200 statewide contracts used by the state and its political subdivisions representing a diverse mix of supplies and services such as automobile tires, police interceptors, hazardous incident response equipment, radios, satellite phones, microcomputers, rental cars, dairy products, fuel, drug testing, carpet and automated external defibrillators. The total annual dollar value of orders placed on DGS' statewide contracts is approximately \$100 million.

DGS re-bid its statewide rural air carrier service contracts for state employees and Medicaid recipients and re-bid drug and alcohol testing.

DGS processed 12 cost waivers, out of state and out of country waivers.

The purchasing section provided procurement consultative services to all departments - reviewed advanced level procurement work and provided direction regarding complex solicitations, requests for alternate procurement, protests, appeals, violations and unique procurement situations.

Statutory and Regulatory Authority

AS 36.30	State Procurement Code
AS 44.21.020(1),(4)	Duties of the Department
AS 44.99.200-240	State Publications
2 AAC 12	Procurement
2 AAC 15	Purchasing

Contact Information
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**Purchasing
Component Financial Summary**

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,012.6	1,060.3	1,097.8
72000 Travel	17.5	4.4	4.4
73000 Services	114.6	114.6	114.6
74000 Commodities	34.5	23.1	23.1
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,179.2	1,202.4	1,239.9
Funding Sources:			
1004 General Fund Receipts	1,153.7	1,202.4	1,239.9
1007 Inter-Agency Receipts	25.5	0.0	0.0
Funding Totals	1,179.2	1,202.4	1,239.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
Interagency Receipts	51015	15.1	0.0	0.0
Unrestricted Fund	68515	25.2	0.0	0.0
Unrestricted Total		40.3	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	25.5	0.0	0.0
Restricted Total		25.5	0.0	0.0
Total Estimated Revenues		65.8	0.0	0.0

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	1,202.4	0.0	0.0	1,202.4
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	37.5	0.0	0.0	37.5
FY2010 Governor	1,239.9	0.0	0.0	1,239.9

**Purchasing
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2009</u> <u>Management</u> <u>Plan</u>	<u>FY2010</u> <u>Governor</u>		
Full-time	14	14	Annual Salaries	733,622
Part-time	0	0	COLA	29,554
Nonpermanent	0	0	Premium Pay	3,029
			Annual Benefits	377,710
			<i>Less 4.03% Vacancy Factor</i>	(46,115)
			Lump Sum Premium Pay	0
Totals	14	14	Total Personal Services	1,097,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Administrative Officer I	0	0	1	0	1
Chief Procurement Off	0	0	1	0	1
Contracting Officer III	0	0	5	0	5
Contracting Officer IV	0	0	1	0	1
Division Operations Manager	0	0	1	0	1
Publications Tech II	0	0	1	0	1
Totals	0	0	14	0	14