



Report to the Governor and Legislature

Results of Programs and Services Review at the Department of Enterprise Services

As required by RCW 43.19.008(5)(b)(viii)

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Background

In 2011, the Legislature passed and the Governor signed Engrossed Substitute Senate Bill 5931 (Chapter 43, Laws of 2011, 1st Special Session), an act creating the Department of Enterprise Services (DES). Section 104(5) of the bill directed the Office of Financial Management (OFM), at the beginning of each biennium, to conduct a review of the programs and services performed by DES to determine whether the program or service may be performed by the private sector in a more cost-efficient and effective manner. As part of this review, OFM will select up to six activities or services for DES to conduct a competitive procurement process to determine if the activity or service should be contracted out to the private sector.

Subsection (5)(b)(viii), codified as RW 43.19.008(5)(b)(viii), directs OFM to prepare a biennial report summarizing the results of the examination of the agency's programs and services, including information on any procurement process that does not result in a contract for services. RCW 43.19.008(5)(b)(viii) states:

The office of financial management shall prepare a biennial report summarizing the results of the examination of the agency's programs and services. In addition to the programs and services examined and the result of the examination, the report shall provide information on any procurement process that does not result in a contract for the services. During each regular legislative session held in odd-numbered years, the legislative fiscal committees shall hold a public hearing on the report and the department's activities under this section.

This report summarizes the results of the 2011–13 biennium review of DES programs and services. The report also provides an update on the program and services selected for review in the 2013–15 fiscal biennium.

2011–13 biennium review

As specified in the newly enacted law, DES became a state agency on October 1, 2011, thereby consolidating the programs and services of five agencies into the operations of one agency. OFM completed its 2011-13 review in December 2011.

OFM used the Agency Activity Inventory from the Priorities of Government process to determine the agency's programs and services. From that inventory, the programs and services were determined to fall in four major categories:

- » technology services
- » acquisition, disposal and management
- » statewide human resource management
- » statewide shared services

There were approximately 26 subcategories of programs and services. From these programs and services, OFM eliminated from consideration those that are uniquely governmental services, such as personal services contracting, enterprise risk management, risk finance program, local government risk pool regulation and state Capitol visitor services. From the remaining categories, OFM examined where the private market is already fully utilized.

For example, DES contracts out for technology acquisition services, statewide procurement, the distribution of surplus property, employee training and development services and the Employee Assistance Program. OFM then looked at the programs and services that could not be contracted out to private vendors at that time due to structural impediments, such as enterprise financial systems support, enterprise human resource management and parking management. Attachment A provides the details of this review.

As a result of this review, OFM selected the following three activities for DES to conduct competitive procurements:

- » **Website design and maintenance services.** As a result of the competitive procurement process, OFM determined that these services can be provided at a lower cost and greater efficiency by the private sector. DES put in place master contracts with the selected vendors. These contracts became available in August 2013. However, there has been little use. Pursuant to statute, DES is putting in place a contract-monitoring process to measure performance, costs, service quality and other contract standards. In addition, DES is putting a plan in place to determine why these contracts are not being used to the extent expected.
- » **Access Washington and E-government services.** As a result of the competitive procurement process, OFM determined that these services can be provided at a lower cost and greater efficiency by the private sector. Therefore, OFM directed DES to contract with the selected vendor to provide these services. The contract has not been executed. The vendor proposed a self-funded model that depended on the funding that would be collected from the driver's license abstracts. This would have required a statement of work to be executed between the vendor and the Department of Licensing (DOL). The Legislature, in the 2013–15 transportation budget, prohibited DOL from executing this agreement. Since that time, DES has been working with the vendor to determine whether other applications exist that could serve as the base for this contract.
- » **Mail services outside Thurston County.** As a result of the competitive procurement, OFM determined that this service cannot be provided at a lower cost and with greater efficiency by the private sector. Only two vendors responded to the request for qualifications and quotations. One vendor's proposal did not comply with federal regulations that govern this activity, while the other vendor's proposal was at a higher cost and less efficiency than provided by DES.

In addition, RCW 43.19.008(5)(b)(i) required OFM to select bulk printing as one of the reviewed activities:

- » **Bulk printing.** As a result of the competitive procurement, OFM determined that bulk printing can be provided at a lower cost and with greater efficiency by the private sector. Therefore, DES was directed to enter into contracts for the services included in the DES procurement. However, because of statutory requirements, DES cannot eliminate its printing program. Specifically, RCW 43.19.736 requires agencies to include DES in solicitations for printing services and RCW 43.19.739 requires agencies to consult with DES on all printing jobs to determine how to choose more economic and efficient options to reduce costs. Although DES has executed master contracts with vendors for bulk printing services, DES has maintained staff and resources to fulfill its other statutory duties related to bulk printing. These contracts were added to the 365 prequalified vendors by DES in February and March 2014.

2013–15 biennium review

OFM conducted its review of DES program and activities during the summer and fall of 2013. OFM started with the information collected for the 2011–13 biennial review and updated it to reflect current DES programs and services as well as the state of the private market for these programs and services. The updated information is found in Attachment B. As a result of the review, OFM selected four activities in February 2014 for DES to conduct competitive procurements:

- » real estate leasing services for new leases and renewals
- » motor vehicle claims processing through resolution
- » support for Web portal (Access Washington and other e-government applications)
- » printing and imaging services

As noted above, the efforts to work with the vendor for Access Washington and e-government services continue. A new proposal is under consideration. If a contract is executed, the competitive procurement for support for the Web portal in the 2013–15 biennium will not be necessary.

Attachment B contains the results of the review of the DES programs and services, including the recommendation from that review. The DES procurement process results for these activities are due to OFM by June 30, 2015, and will be included in the next biennial report.

Review of Programs and Services at the Department of Enterprise Services

2011-13 Biennium

TECHNOLOGY SERVICES						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Enterprise Financial Systems Support	Main supplier of financial and administrative systems to all of state government, particularly in its support role of the statewide accounting and budgeting processes for which DES is responsible. DES currently supports 90+ applications of various size, complexity and user base, including the state's general ledger accounting system, budget development and allotment systems, fiscal note system, travel and expense management system and enterprise reporting tools. This activity helps reduce the total cost of government by providing systems all agencies can use, reducing the need and cost for individual agency applications. System support activities include user training and help desk support. The activity also provides internal technology support to OFM and the Governor's Office.	145	Business office setting and equipment with extensive specialty computer systems infrastructure (software and hardware)	Maximize the value of the state's investments in financial and administrative systems. Streamline business processes to make it easier for state employees to perform their jobs. Provide easy, timely access to valuable information to improve decision making and operational effectiveness. Drive an enterprise-wide framework that supports the cost effective delivery of a modern, secure, integrated suite of financial and administrative systems Performance Measure: Number of defects in AFRS. FY 10 - 51	Most employees are maintaining legacy-based systems. Therefore, opportunities to contract to third parties are low without changing the underlying IT infrastructure of each system. As part of movement to implementing new core systems, the state could explore the use of managed application services to operate systems that would be decommissioned once the transition is complete.	Future refinement and development of an Enterprise Resource Planning (ERP) System for state government will allow the exploration of procuring these services as Software as a Service, hosted service or managed application. Most Fortune 500 companies use one of two application vendors, and then implement system management in many ways. OCIO is charged with strategic IT planning and should partner with CTS and DES to explore opportunities contracted to private sector for system development, implementation and maintenance.
Technology Acquisition Services	Single source from which state and local government agencies can purchase IT products and services that meet their business needs. Technology Acquisition Services include technology consulting, acquisition support, desktop leasing and master contracts.	13	Business office setting and equipment with extensive specialty computer systems infrastructure (software and hardware)	DES supports technology purchases to more than 500 state and local government organizations, Indian tribes, nonprofits and public organizations. DES currently tracks and reports aggregate sales per month as an output measure. Performance Measure: 000403 Department of Information Services Technology Brokering Service Business Volume (Dollars) FY 09 - \$60,371 FY 10 - \$64,869	Employees are administrators providing master contracts, brokering service and lease program for computer equipment, telecommunication services, data services, IT professional services and purchased IT services. Performance of the actual good or service is contracted to private sector. Efficiencies already achieved through collective purchasing power and centralized support.	A private market exists and is being fully utilized by the agency.
Enterprise Web Properties	Supports state government's Access Washington Web portal http://access.wa.gov , the Ask George search tool, and the state's intranet portal, Inside Washington. The statewide Web portals deliver the single face of WA government. Provides agencies with Web site development services using the latest technologies.	13	Business office setting and equipment with extensive specialty computer systems infrastructure (software and hardware)	Access Washington receives approximately 8 million visits per year. Usage of the statewide portal continues to increase. Ask George serves, on average, 6,000+ search queries a day. The 24x7 customer help center in Access Washington serves, on average, 6,500 support sessions a month. Performance Measure: 000428 Online visits to the Access Washington web portal Target = 1,919,000 FY 09-11- 1,563,073	The majority of state governments contract out Web portal management. Contracting with private sector would allow agencies to focus on content. Could lead to opportunities to standardize agency websites leading to more rapid delivery of e-government services.	National Web portal development and management is a strong market. There are over 30 firms listed in the Olympia area that perform Web design and support services.

ACQUISITION, DISPOSAL & MANAGEMENT

Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Personal Service and Client Service Contracts	The Personal Services and Client Services Contracts section develops and maintains statewide contract policies for personal services and client services based on state regulations. The staff provides review and approval of approximately 1,200 personal service contracts filed with DES annually to oversee state agency contract practices and compliance with statutory requirements under RCW 39.29. Staff also provides training to other state agencies.	11	Business office setting & equipment	Contracts staff will provide training to state agencies on personal service and client service contracts and will train staff from 75 percent of state agencies. Performance Measure: None established	A 2011 SAO performance review recommends that DES standardize, simplify and streamline procurement data and processes. This effort is underway and a necessary first step to other reforms. The review also recommends further centralization of this function in DES.	Government procurement laws are unique to each state. Private industry does not operate in the same environment, and thus, the market for this service is low. However, the SAO recommends reforming the state's WEBS system and increasing e-procurement methods. These recommendations, if funded, could be produced in partnership with the private sector.

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<p>Statewide Procurement</p>	<p>Develops and implements state purchasing criteria and policy for centralized purchasing. It ensures statutory compliance in the purchase of alternative fuel vehicles, recycled products, sheltered workshop and Correctional Industries products. It establishes statewide contracts for a broad range of materials, supplies, equipment and services. This activity also administers credit card purchasing programs; develops and maintains the state commodity system; and certifies state employees to perform purchasing functions as agents for the state.</p>	<p style="text-align: center;">43</p>	<p>Business office setting & equipment</p>	<p>This activity provides contracting services to customers to lower costs of goods and services.</p> <p>Performance Measure:</p> <ul style="list-style-type: none"> • Contract Adoption Rate; 07-09 Actual = 97%, Target = 97% • Master Contract Annual Worth: Target = \$986,000 FY 09 - \$1.1 million FY 10 - \$1,113,184,231 	<p>A 2011 SAO performance review recommends that DES conduct a performance review of master contracting to increase agency participation. The review also recommends further centralization of this function in DES.</p>	<p>Government procurement laws are unique to each state. Private industry does not operate within the same environment, and thus, the no market exists for this service.</p>
<p>Distribution of Surplus Property</p>	<p>Operates a program that disposes of state surplus properties using methods that are efficient and meet legal requirements concerning use of publicly owned goods. The program also represents the state with the federal government's surplus program. The state and federal programs allow state agencies, political subdivisions and nonprofit organizations to receive state and federally owned surplus property, such as office equipment and furniture.</p>	<p style="text-align: center;">15</p>	<p>Warehouse Space; Office Space; Paved Acreage for Parking; Forklifts; Pallet Jacks; Box Trucks; Tractor Trailers; Trailer Vans; Equipment Trailers; Car Trailer</p>	<p>Redistribute surplus property in an efficient, cost-effective manner to other state agencies or other governments. Increase sales to priority customers by 5 percent.</p> <p>Performance Measures: 0004000 Percentage of dollars returned to customers: Target = 75% FY 09 - 67.75% FY 10 – 63.25%</p>	<p>State has already made the investment in warehouse facilities and a surplus store.</p>	<p>The agency already contracts with a private third-party vendor, Public Surplus, LLC, to manage its online auctions.</p>
<p>Material Management Center</p>	<p>Develops and recommends overall state policy for the following material control functions: determination where consolidations, closures or additions of warehouse facilities should be initiated; institution of standard criteria for when and where an item in the state supply system should be stocked; establishment of stock levels to be maintained in state stores and standards for replenishment; formulation of an overall distribution and redistribution system for stock items which establishes sources of supply support for all agencies, including interagency supply support; standardization of records and forms used for supply activities; criteria for use of warehouse space; reduction of transportation costs incurred by the state for materials, supplies, services and equipment; performance measures for the reduction of transportation costs incurred by the state for materials, supplies, services and equipment; establishment of a standard system for all state organizations to record and report dollar savings and avoidance from improved material control procedures; and development of procedures for the exchange of material control services.</p>	<p style="text-align: center;">12</p>	<p>Warehouse Space; Office Space; Paved Acreage for Parking; Forklifts; Pallet Jacks; Box Trucks; Tractor Trailers; Trailer Vans; Equipment Trailers; Car Trailer</p>	<p>This activity routinely targets costs that average between 0 percent and 20 percent less for goods, compared to private sector and other public sector providers.</p> <p>Performance Measures:</p> <ul style="list-style-type: none"> • Number of warehouse square feet available for rent - FY 09 19,200 • Materials sent for recycling: FY 09 – 1,717,071 FY 10 – 932,867 • Reduced warehouse space – FY 09 – 27,200 	<p>State has already made the investment in warehouse facilities.</p>	<p>A market review indicated that a limited market exists for this service as it is currently configured at DES. More detailed market research would be required to determine whether portions of the services offered holds promise for contracting to a private third-party vendor.</p>
<p>Real Estate Services</p>	<p>Real Estate Services is responsible for providing real estate services to state elected officials, state agencies, boards, commissions and educational institutions in accordance with RCW 43.82. State agency housing functions include comprehensive leasing and architectural services, including construction management, the purchase or sale of state-owned properties and various other real estate transactions.</p>	<p style="text-align: center;">28</p>	<p>Business office setting & equipment</p>	<p>Performance Measures: Provide lease rates that are 85% of average market rate throughout the state. FY 09 – 59%</p>	<p>A 2011 SAO performance review recommends that the state engage commercial real estate brokers to help with negotiations. In addition, the review states that DES lacks data to assess the competitive of the state's lease performance.</p> <p>OFM has recently established some performance measures for this activity. However, to assess whether contracting out is more efficient and effective, more data to populate performance measures is needed.</p>	<p>There is a large market of real estate brokers. The state does currently have a master contract for this service.</p>

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<p>Capital Project Management</p>	<p>This activity supports the design, construction and maintenance needs of public facilities for more than 20 state agencies and the state's 33 community and technical colleges through comprehensive, professional project management services and energy management. Licensed architects and engineers manage the design and construction of projects. They are assisted by contract specialists, dispute resolution, claims mitigation, cost engineering, and other technical and administrative support.</p>	<p style="text-align: center;">40</p>	<p>Business office setting & equipment</p>	<p>Completion of public works projects on time, within budget, and of high quality.</p> <p>Performance Measures: Client expectations score (0-4) – Target 3.0% FY 09 – 3.43% FY 10 – 3.5%</p>	<p>This function consolidates capital project design and delivery for all state agencies, except WSDOT, DOC, DFW and higher education. Many staff are essentially contract managers, ensuring that projects are constructed according to state law and regulations.</p> <p>Decentralization could increase costs and decrease internal controls over location, design, budgeting and delivery.</p>	<p>There is a large market for engineer and architectural services. Agency currently advertises for these services for projects where consultant fees are expected to exceed \$150,000.</p> <p>Projects at point of construction are performed by private third-party vendors.</p>
<p>Office Facilities Management</p>	<p>This activity serves as the landlord for office facilities on the capitol campus and other state-owned locations in Thurston, Cowlitz, Pierce, Skagit, King, and Yakima counties. The activity is responsible for overall property management, providing direction, long-range planning, space planning, stewardship, rate setting and quality assurance. It is responsible for efficiently and cost-effectively housing state government in 3.5 million square feet of owned office and support facilities. Operations and maintenance of Thurston County facilities is detailed in activities "Facilities Maintenance," "Physical Plant Engineering" and "Custodial."</p>	<p style="text-align: center;">28</p>	<p>Business office setting & equipment (Has several touch points to Facilities Operations and Maintenance Capital Needs as well).</p>	<p>Through effective facilities management, provide productive, safe, and efficient office spaces to tenant agencies that are at least 15 percent below private market rent.</p> <p>Performance Measures: Using same measure as real estate services</p>		<p>Property management service is a competitive market in the state. Private third-party vendors generally, as a facility manager, also assume the functions of operations and maintenance of the facility.</p> <p>General repair work, maintenance, landscaping and other services likewise have a robust market.</p>
<p>Facilities Operation & Maintenance</p>	<p>This activity provides maintenance and operation, environmental and building support system services for state owned and managed facilities within Thurston County, including the Capitol Campus. Services include preventive building maintenance (including electrical, carpentry and HVAC), cleaning and preservation of historical building exteriors, care of Capitol Campus grounds and state owned parks within Olympia, painting, signage, and management of mechanical/electrical locks, asbestos and hazardous waste, building control systems, and the Powerhouse, campus utilities, campus fire protection and Washington State Patrol security.</p>	<p style="text-align: center;">50</p>	<p>Carpentry, paint, signage, electrical & other specialized trades shop facilities & equipment for maintenance, fabrication, and repair; storage facilities; electric vehicles; Power House steam plant & extensive underground heating, water, and electrical utilities; soils shed and grounds maintenance sheds; dispatch and monitoring centers; security and access systems; construction and maintenance lay-down areas; Fifth Avenue Dam; 200+ acres of park and lake areas.</p>	<p>Maintain campus buildings in good working order. Preventive maintenance work and repairs to prolong the life of the facilities and to provide a safe, healthy environment for public employees. Campus grounds and parks are maintained to agreed-to standards and a clean, safe environment is provided for all citizens.</p> <p>Performance Measures: % of planned maintenance orders completed. Target 85% FY 08 - 82.75% FY 09 - 73.0% FY 10 – 63.5%</p>		<p>Further review is required to assess retention of property management function, operations and maintenance functions.</p>

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RISK MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Enterprise Risk Management	Enterprise Risk Management (ERM) is the discipline and its associated processes of applying a risk evaluation to each agency goal, identifying root causes of these risks, determining—as an enterprise—what changes (i.e., risk treatments) are best to address the root causes, and then monitoring the success of the risk treatments. Primary mission is to assist agencies understand and apply ERM through ongoing training, information and resources. In addition, provides loss prevent assistance to small agencies and conducts post-incident reviews of losses and incidents.	22	Business office setting & equipment	Performance Measures: None established	Enterprise risk management is a tool used by a variety of business. However, the risks incurred by government are unique (prisons, child welfare, highways). Centralized risk management also allows early identification of loss and tort trends, better coordination with the AGO and the development of expertise in managing government risk. Loss prevention reviews conducted by DES Risk Management are not admissible in court.	There is a market for ERM training. Private third-party vendors do provide training on general ERM principles and techniques through DES's training and development services. Although there is also a market for tort and loss investigators, the privilege provided to DES loss prevention reviews cannot be replicated.
Risk Finance Program	Administers the state's Self Insurance Liability Program, including development of funding and cost allocation plans for the liability account. Provides consultative services, training and policy expertise to state agencies in the areas of claims management, insurance administration, loss prevention and risk financing. Purchases commercial property and casualty insurance and surety bonding as appropriate. Prepares indemnification and insurance guidelines and reviews "hold harmless" clauses in contracts		Business office setting & equipment	Performance Measures: None established	The state's self-insurance program exists because commercial coverage is prohibitively expensive to cover the state's risks. Some risks are covered by commercial insurance carriers.	There are few private third party administrators in the state that similar services; they are oft-cited by the SAO for failing to properly manage funds.
Local Government Risk Pool Program	Provides approval and oversight of joint self-insured local government property/liability programs and individual and joint self-insured local government employee health/welfare (medical) benefit programs. The mission of LGSi is to protect taxpayer resources by ensuring that local government owner/members are informed about the program's financial condition, participate in decisions which affect insurance services for entities they represent, and ensure compliance with laws and regulations designed to foster financially sound management practices.		Business office setting & equipment	Performance Measures: None established	This is a regulatory activity that cannot be assumed by the private sector.	There is no market for this activity.

STATEWIDE HUMAN RESOURCES MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Training and Development Services	Responsible for developing, providing and monitoring training for state employees. The primary focus is on leadership development and state mandatory subjects. Services include classroom instruction, e-learning opportunities and course development. Maintains the statewide learning management system and training archives.	12	Business office setting & equipment; classroom & computer training facilities	The state workforce attains the knowledge and skills to effectively deliver services to the public. Present and future supervisors and managers have the skills needed to successfully manage the workforce and state operations. Performance Measures: <ul style="list-style-type: none"> Number of Training hours provided by DES: FY 10 – 55,234 FY 11 – 109,584 Number of Employees in leadership development: FY 10 – 2,302 FY 11 – 3,683 	In 2010, the Department of Personnel (DOP) moved to private third-party vendors (118 vendors) to supply the state employee training and development services and eliminated its instructor staff. Existing staff administers these contracts. Some specialized training is still provided, but is limited to HRMS and state mandated (ethics, diversity, sexual harassment) training. This unit is also transitioning the state to the new Learning Management System, developed and hosted by a private third-party vendor, to track employee training.	A private market exists and is being fully utilized by the agency.

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STATEWIDE HUMAN RESOURCES MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Recruitment and Retention (web and services)	Provides expertise, training, tools and assistance to help state agencies attract, recruit and select diverse, qualified candidates for state jobs. The Department's services include recruitment outreach and consultation, workforce diversity support, candidate search assistance, maintenance of statewide layoff lists and the general government transition pool, and job seeker support. The Department also maintains the state's single point of entry for job seekers to find state employment opportunities.	19	Business office setting & equipment	Agencies are competitive in attracting, hiring, and retaining qualified candidates for state government employment. Performance Measure: <ul style="list-style-type: none"> Average Turnover Rate – FY 09 - 7.9 FY 10 – 8.3 FY 11 – 9.6 Number of applications thru career.wa.gov – Fifty percent reduction between FY 10 and FY 11 attributable to statewide hiring freeze. 	In 2010, DOP fully transitioned to NEOGOV, a private third-party vendor, to hosts its online recruitment system. Staff administers that contract, populates its content and responds to public requests. Staff also provides recruitment services for specialized positions. Retention staff have been repurposed to assist agencies with layoffs, consolidations and other reductions in force.	Major opportunity to utilize private sector has been implemented. Further investigation is needed to determine if other recruitment activities could be transitioned to private market vendors.
Enterprise Human Resource Management Systems	Maintains the enterprise Human Resource Management System (HRMS) that provides personnel administration and payroll processing functionality for state agencies. The HRMS supports critical functions like payroll, retirement, insurance, recruitment, employment referrals and compliance with federal programs. It also provides ready access to the data needed for effective human resource management and planning. This activity also supports key portions of DES' technology infrastructure, including four computing platforms, mainframe, local area network, client/server and the state's online recruitment system.	66	Business office setting & equipment	HR systems are operational and available for data entry and extraction. State employees are paid on time and accurately. Potential system failures and costs are minimized or avoided through regular system support. Performance Measure: <ul style="list-style-type: none"> Percentage of HRMS availability – Target: 99.99% FY 11 – 99.89% Number of employees with electronic earning statement. Target 100% FY 10 – 79% Payroll completed on-time. FY 10 – 100% FY 11 – 100% 	The majority of staff manage the application functionality of the HRMS system (including quality control), ensuring it is in alignment with the State's requirements and state policies (temp. layoffs, 3% pay reductions, etc.), maintaining its interface with 57 other statewide applications (e.g., AFRS) and producing paychecks. Remaining staff provide technical support to state agencies in the use of HRMS.	HRMS is an off-the-shelf application created by software vendor SAP that was subsequently customized for WA. Implemented in 2006, HRMS is an enterprise human resources and payroll system for Washington State government, which captures and distributes a wide variety of financial and HR data. New opportunities for private third-party vendors will exist only if the state changes the underlying IT infrastructure of this program.
Employee Assistance Program	Personal or work-related problems may affect job performance. The Departments Employee Assistance Program (EAP) offers employees free, confidential and professional help. Managers and supervisors can also contact EAP for workforce and performance problems. When critical or traumatic events occur, EAP is often called upon to assist agencies and individuals.	7	Business office setting & equipment	The EAP supports and enhances employee performance, and promotes a safe and productive work environment by assisting the employee to address personal problems impacting their employment. Performance Measure: <ul style="list-style-type: none"> Number of clients served. FY 10 – 6,240 FY 11 – 6,645 	In 2010, the state's EAP program migrated to a network of private third-party vendors. Staff administers these contracts.	A private market exists and is being utilized by the agency.
Small Agency Shared Service Center	The Department provides small agencies with support to provide enhanced HR shared services, including guidance, consultation and some end-to-end services for recruitment, classification, compensation, HR policy development, the Family Medical Leave Act, the Fair Labor Standards Act, Reasonable Accommodations, safety, and risk management, and employee performance management.	8	Business office setting & equipment	The small agency support team provides model policies, standardized letters and forms, and promotes consistent application of personnel standards across small agencies. These services promote economies of scale and free up resources in small agencies to focus on their mission critical activities Performance Measures: None established	This function is intended to enhance efficiency by reducing the back-office functions of multiple small agencies.	There is a wide market for human resource services. More investigation is required after the DES reorganization to determine if this function is needed, consolidated with SACS, or contracted to private third-party vendors.

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STATEWIDE SHARED SERVICES						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Printing and Related Services	Services include traditional offset and digital printing, on-demand copy services, variable data, and direct mail services. The activity hosts warehousing and distribution of printed products and promotional items for government organizations through our website applications. Print technology consulting services are provided to assist agencies with unique printing needs for major agency applications and also for assistance in managing their office convenience printing resources. The main plant, located in Tumwater, houses the offset and digital presses, the fulfillment program, inserting and ink-jetting equipment, and envelope manufacturing operation as well as administrative offices. Other copy centers are co-located with our customers in the Olympia/Lacey/Tumwater areas. These products and services are provided to state and local government organizations, Indian tribes, and public organizations.	110	Warehouse Space; Office Space; Forklifts; Pallet Jacks; Printing presses; Envelope Converter; Hydraulic Press; Vans; Software/Hardware; Roll Feeder; Emergency Generators	Provide efficient and effective government printing and related services to enable agencies to focus on core mission work. Performance Measures: <ul style="list-style-type: none"> • 000189 Department of Printing annual sales revenue (in dollars) per employee: 07-09 \$245,759 actual • 001630 Annual average rating of PRT customer satisfaction: 09-11: 4.65 actual (4.25 target) • 001631 The number of print jobs that the State Printer produces that are Forest Stewardship Council (FSC) certified: 07-09: 69 actual (76 09-11 target) • 001632 Percentage of government items stocked in the fulfillment center compared to those printed on demand/just in time. 09-11: 33% actual (30% target) 	Per ESSB 5931, RFP to be issued for bulk printing	
State Capitol Visitor Services	Provides event management and public information and access for the capitol campus, including information about state agencies, the Legislature and tourist attractions on campus, in the local area and throughout the state. Educational tours are provided to the visiting public, school children and dignitaries. Free speech and assembly events, such as rallies, demonstrations and other formal gatherings, are permitted and coordinated by Visitor Services.	14 (10 seasonal)	Business office setting & equipment; Electric cart	Provides educational tour experiences to the visiting public, school children and dignitaries. Tours will be conducted in the Legislative Building, state capitol grounds, capitol conservatory and the Temple of Justice. Public reservations are coordinated for the Executive Mansion. Performance Measures: Number of campus visitors – exceeds targets since 12/31/08	Staff is primarily composed of seasonal workers and volunteers. Consequently, few efficiency opportunities exist.	A market does not exist for this unique state service.
Custodial Services	Provides daily custodial services for over 3 million square feet of building space. Custodial services include the cleaning of all office space, public and common-use areas, restroom sanitizing and stocking of supplies, special floor and carpet care, emergency and urgent cleanup, building locking and unlocking, and support for First Amendment activities and special events on and around the Capitol Campus. In addition, the program manages the collection of solid waste, refuse and recyclable materials at 25 Capitol Campus facilities, 12 off-campus facilities and 12 Interagency Agreements.	101	Maintenance supply rooms and sheds; OS1 System cleaning equipment and products	Provide custodial service for over 3 million square feet of building space so that facilities provide a clean, healthy environment for our tenants. Performance Measure: 000381 Number of public facilities using sustainable cleaning practices. Target: 25. FY 10 - 46	Low risk to state from contracting out service for buildings other than those of historic quality. State currently contracts with private third-party vendors for custodial services outside Thurston county. Solid waste, refuse and recyclable materials are the most contracted out service in state and local government.	Large competitive market for services. A market review indicates ample private sector vendors that can offer commercial, industrial waste collections and disposal services. Regional and national firms serving Thurston county include: Waste Management, Lemay, Republic Services, IESI; as well as smaller businesses with local ownership. However, appears that Olympia City Ordinance prevents contracting out.

Review of Programs and Services at the Department of Enterprise Services

2011-13 Biennium

<p>Energy Services</p>	<p>Provides engineering services to agencies on a fee-for-service basis to assist agencies in conserving energy and reducing their energy costs. Engineers also conduct energy life cycle cost reviews, assist with sustainable design and support building commissioning. Agencies incur no direct costs as all costs are paid for with energy savings.</p>	<p>15</p>	<p>Business office setting & equipment</p>	<p>Projects reduce energy consumption for customers, thus reducing costs for public agencies and saving taxpayer dollars. Reductions in energy consumption also have a positive impact on the environment.</p> <p>Performance Measures:</p> <ul style="list-style-type: none"> • 000358 Energy savings resulting from energy performance contracting (in megawatt hours) FY 09 - 32,431 FY 10 (3Q) – 29,498 • Management cost as a % of project cost – Target – 2% FY 09 – 1.8% 	<p>Staff is employed as contract consultants and project managers to state agencies, schools, colleges and local governments to engage in and finance energy performance contracts. Delivery of the contract is performed by pre-qualified list of private third-party contractors.</p>	<p>Agency is currently effectively using private third-party contractors.</p>
<p>Mail Services for State Agencies</p>	<p>State government's internal mail service, which processes interagency, incoming and outgoing mail pursuant to U.S. Postal Service requirements. CMS provides site-to-site distribution for most state agencies and some political subdivisions in western Washington, serving 47 agencies outside Thurston County with 279 delivery points. Agencies have identified this as a mission-critical, vital business service because it distributes warrants and laboratory samples.</p>	<p>65</p>	<p>Office Space; Warehouse Space; Generators; Mail Tracking Systems; Inserters; Pre-Sort Equipment and Bins; X-Ray Inspection Equipment; Metering Machines; Mobile Dock; Forklifts; Pallet Jacks; Software/Hardware; Box Trucks; Vans</p>	<p>CMS provides customers with reduced postage, and campus mail rates.</p> <p>Performance Measures: Agencies eliminating duplicate functions as a result of consulting CMS.</p>	<p>Many agencies already rely on UPS and Fed Ex for deliveries.</p> <p>2011 SAO Performance Review recommends reducing volume of items that require mail delivery.</p> <p>Significant changes with the US Postal Service may lead to changes within CMS.</p>	<p>Market research reveals the existence of a robust and competitive market for courier and delivery services.</p> <p>However, only DHL GlobalMail offers corporate mail processing services similar to CMS.</p>
<p>Motor Pool</p>	<p>The motor pool manages more than 2,000 vehicles assigned to agencies on a permanent basis for staff use and a vehicle trip fleet for short-term rental. The motor pool maintains and repairs trip vehicles and many permanently assigned vehicles, as well as vehicles owned by various state agencies.</p>	<p>21</p>	<p>Office Space; Vehicle Maintenance Shop and Maintenance Equipment; Parking lot; Vehicles (sedans, vans, light trucks)</p>	<p>Supply vehicles to agencies at least 30 percent below contracted rental vehicle rates.</p> <p>Performance Measures: A019 Motor Pool rental rates as a percentage below commercially available rates: 07-09 Actual = 38%, Target = 30%</p>	<p>On November 4, 2011, the Governor issued a directive to:</p> <ul style="list-style-type: none"> • Consolidate all vehicles not under professionally managed fleets into the Department of Enterprise Services (DES) motor pool; • Reduce the number of cars in the state fleet by an additional 300 cars for a total reduction of 500 through consolidation efforts; • Expand the pilot "key drop program" which has demonstrated the fleet can be reduced through more efficient vehicle assignment; and • Agencies should use telephone or web conferencing as a substitute for travel whenever possible and appropriate. <p>Implementation of these reforms would create a better platform for potential use of a private third-party vendor.</p>	<p>There is a market for short-term and long-term rentals.</p>
<p>Parking Management</p>	<p>Provides direction, long-range planning, stewardship, rate setting, quality assurance, overall property management, and assignment of parking spaces and fees. Manages more than 7,000 parking spaces at the State Capitol and other facilities located around the state, providing parking to agencies, employees and the visiting public in the support of conducting state business. Parking is provided on a monthly, hourly and special-permit basis. This activity also includes cleaning and maintenance of parking garages at the State Capitol campus.</p>	<p>7</p>	<p>Business office setting & equipment; Surface parking lots; Multilevel Parking Structures</p>	<p>GA parking rates will meet the best value statement of 15 percent below private market parking rates.</p> <p>Performance Measures: Parking rates as a percentage of market rates. Target 60% FY 10 – 26% FY 11 – 26%</p>	<p>Transition to private management would require developing inventory of parking assets, setting clear expectations of outcomes (revenue versus cost of enforcement).</p> <p>Specialty industry, a private vendor could bring advanced technology and industry practice to maximize revenue and minimize enforcement costs.</p> <p>Parking rates may require legislative approval pursuant to I-960/I-1053. This could prevent a contract in 2011-2013.</p>	<p>Parking management is a function with many private sector providers. A market review identified a broad range of regional and national parking management companies including: Diamond Parking, AMPCO parking systems, Standard Parking, Central parking systems, Republic Parking, International Parking Management and ABM Industries Inc. Tacoma currently contracts for parking management for six city garages and nine city parking lots.</p>



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

February 12, 2014

TO: David Schumacher, Director
Office of Financial Management

THROUGH: Tracy Guerin, Deputy Director
Office of Financial Management

FROM: Roselyn Marcus, Assistant Director for Legal and Legislative Affairs *DM*
Jay Balasbas, Senior Budget Assistant for General Government *JB*

SUBJECT: REVIEW OF PROGRAMS AND SERVICES AT DEPARTMENT OF ENTERPRISE SERVICES – RECOMMENDATION

RCW 43.19.008(5) directs the Office of Financial Management (OFM) to conduct a review of the programs and services performed by the Department of Enterprise Services (DES) to determine whether a program or service may be performed by the private sector in a more cost-efficient and effective manner than being performed by the department. Up to six activities and services may be selected by OFM each biennium under this review. In conducting its review, OFM is authorized to break programs down into discrete services or activities, or the program may be reviewed as a whole. However, priority for selection shall be given to agency activities or services that are significant, ongoing functions. For each selected activity, DES must conduct a procurement process to determine if a contract for the activity could be performed at a reduced cost and greater efficiency. If OFM determines through the procurement process that the activity or service could be provided by the private sector at a reduced cost and with greater efficiency, DES may proceed with the contract.

The purpose of this memorandum is to provide information on the review conducted of DES activities. This memorandum will also provide the results of the review and recommendation as to which activities could be selected for this biennium.

Statutory Requirements

RCW 43.19.008(5) sets out the parameters for the review of DES activities. The review is the vehicle used to determine whether the program or service can be performed by the private sector in a more cost-efficient and effective manner than performed by DES. The statute specifically requires OFM to:

1. Examine each activity in regard to performance, staffing, capital requirements and mission. The activities can be examined either by discrete services or activities, or the program can be reviewed as a whole.
2. Examine which activities are available in the private sector and what potential efficiency gains or savings exist.

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February 12, 2014
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Once conducted, OFM shall select up to six activities or services that have been determined as one that can be provided by the private sector in potentially a more cost-effective and efficient manner. In making the selection, OFM is to give priority to activities or services that are significant, ongoing functions.

Review

In order to start the review, we began with the analysis prepared for the 2011-13 biennium. That review contained two sets of information; information about each agency activity and information about the private market related to each activity. We first updated the information about each activity using the DES Activity Inventory and other information from or about DES. Activities were updated to reflect the current organizational structure, functions, and performance. During this process, some activities were eliminated, while others were combined or broken out from larger program descriptions. Using this new alignment, updated market information was gleaned from various sources. Exhibit 1, the updated review of DES programs and activities, is attached.

Recommendation

RCW 43.19.008(5) requires OFM to select up to six activities each biennium. Based on the updated review, it is recommended that OFM select one or more of the following activities or services for DES to conduct a competitive procurement process to obtain bids from the private sector:

- Real Estate Leasing Services for new leases and renewals;
- Motor Vehicle Claims Processing through Resolution;
- Support for the Web Portal (Access Washington and other e-Government applications); and
- Printing and Imaging Services.

Real Estate Leasing Services – Basis for Recommendation

DES Real Estate Services (RES) provides real estate leasing services, to include assisting agencies in determining the type and amount of space needed; finding acceptable space; and negotiating new leases, amendments to current leases, and lease renewals. RES has approximately 1,300 leases located throughout the state covering approximately 10 million square feet of space. These leases are primarily for office space, but may also cover other kinds of spaces such as warehouse, storage, classroom and retail. RES architects support the leasing agents and client agencies by developing floor plans and details which describe the built-out leased space. RES architects may work with the building owner's architect, produce drawings, monitor construction progress, and look for compliance with state codes and statutes.

DES has a clear but complicated set of fees for the various real estate services. DES charges fees based on the following categories of services: leasing and design services for new leases, lease renewal services, cancellation fees, delegation fees, and other reimbursable services. A complete list of fees is attached as Exhibit 2.

There is a large, mature statewide private market for this activity. There are over 3,600 firms that provide office building rental or leasing services and over 1,500 firms that provide real estate property management. In addition, several states and other municipalities have contracted with the private sector for various levels of real estate services from strategic real estate services and consultation to transactional activities such as lease negotiations.

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Motor Vehicle Claims Processing through Resolution – Basis for Recommendation

Individuals who have been harmed or who have suffered a loss as a result of negligent actions by a state employee or agency can submit a tort claim to the DES Office of Risk Management (ORM). ORM reviews, investigates and determines the state's liability for the claimed injuries. It then compensates claimants for damages or negotiates a fair settlement when liability is supported by evidence. ORM denies claims when it is determined that liability is unsupported by the evidence. Approved claims are paid out of the Self-Insurance Liability Program, which is funded by state agencies based on their claims history.

Claims resulting from automobile incidents can arise in two ways: accidents where the state employee is at fault and accidents resulting in damages to state vehicles when the other party is at fault. For automobile claims, the Washington State Department of Transportation handles claims arising from its agency. ORM handles claims for all other agencies. Around 1,200 claims were filed in fiscal year 2012 and fiscal year 2013. As of January 2014, there have been around 700 automobile claims filed. These numbers do not include claims from the University of Washington.

Claims may also arise when a state vehicle is damaged by another person. In those cases, the state (ORM) seeks to recover from the person liable the cost of the damage to the state vehicle. The recovery rate for damages was determined to be low. In order to improve the state's recovery rate, ORM contracted with the private sector to recover damages for state vehicles. Since 2012, the contractor, CEI, has been assigned 246 claims, recovering from 157 claims a total of \$237,626, with a net recovery to state agencies of \$208,641.

The market data shows that there is a private statewide market for claims adjusting and resolution services. Statewide, there appears to be approximately 580 firms that perform these services.

Support for the Web Portal – Basis for Recommendation

DES Enterprise Technology Solutions (ETS) provides development and support services to the state government's Access Washington web portal, the *Ask George* search tool, and the state's intranet portal "Inside Washington." The statewide web portals deliver the single face of Washington government.

Last biennium, DES conducted a procurement process for both this activity and the website design and maintenance services. The procurement process resulted in an OFM determination that both activities could be provided at a lower cost and greater efficiency by the private sector. The contracts for the website design and maintenance services have been executed and work under these contracts has begun. The contract for the portal and e-government services has not been executed due to a change in legislation last session related to one of the affected e-government services. The parties are still exploring whether to execute the contract and how it would work forward.

There is still a private market for this activity. If DES is unable to execute a contract pursuant to the prior competitive procurement process, a second procurement process under the new parameters would be warranted.

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Printing and Imaging Services – Basis for Recommendation

Bulk printing was subject to a competitive procurement during the last biennium. OFM made a determination that bulk printing could be provided at a lower cost and greater efficiency in the private market. The remaining services include quick copy (copy orders of 5,000 copies or less), posters, signs, mounting and laminating, graphic design, and fulfillment. For these jobs, DES calculates the cost of the labor necessary to complete the job, and adds the cost of the materials involved.

Rapid changes are occurring in the printing and imaging industry. The industry has been moving away from standard paper print jobs. According to the Printing and Imaging Association of MidAmerica, the growth sectors within this industry include digital printing, packing, and mail and fulfillment services.

The vast majority of services that constitute printing and imaging services are already contracted out to private vendors. A significant private market exists throughout the state to perform the remaining functions.

Conclusion

Based on the review, we believe one or more of these four services can be selected for a competitive process to test the private market. If you have any questions, please contact me or Jay Balasbas.

Attachments

Review of Programs and Services at the Department of Enterprise Services

2013-15 Biennium

TECHNOLOGY SERVICES						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Enterprise Systems Support	This activity provides enterprise financial and administrative systems to state government. DES currently supports 90+ applications of various size, complexity and user base, including the state's general ledger accounting system, HR/payroll system, budget development and allotment systems, fiscal note system, travel and expense management system, procurement and contracts systems, and enterprise reporting and business intelligence tools. This activity helps reduce the total cost of government by providing systems that all agencies can use, reducing the need and cost for individual agency applications. System support activities include user training, system-related infrastructure, data management, system integration, geospatial portal, Jindex, statewide payee desk and help desk support.	163	Business office setting & equipment with extensive specialty computer systems infrastructure (software and hardware).	Maximize the value of the state's investments in financial and administrative systems. Streamline business processes to make it easier for state employees to perform their jobs. Provide easy, timely access to valuable information to improve decision making and operational effectiveness. Drive an enterprise-wide framework that supports the cost-effective delivery of a modern, secure and integrated suite of financial and administrative systems.	Most employees are maintaining legacy-based systems. Therefore, opportunities to contract with third parties are low without changing the underlying IT infrastructure of each system. As part of the movement to implementing new core systems, the state could explore the use of managed application services to operate systems that would be decommissioned once the transition is complete.	Future refinement and development of an enterprise resource planning (ERP) system for state government will allow the exploration of procuring these services as Software as a Service, hosted service, or managed application. Most Fortune 500 companies use one of two application vendors, and then implement system management in many different ways. The Office of the Chief Information Officer (OCIO) is charged with strategic IT planning and should partner with Consolidated Technology Services (CTS) and DES to explore opportunities to contract with private sector for system development, implementation and maintenance.
Network, Desktop and Application Support Services to State Agencies	DES provides desktop, helpdesk and network support to OFM, Governor's Office, CTS and a small number of small agencies. The resource support for these organizations was consolidated within DES. In the long term CTS will be the provider of enterprise desktop and network support services to state agencies. DES also supports applications used by DES, CTS, OFM and the Governor's Office that are not considered enterprise systems.	49.3	Business office setting & equipment with extensive specialty computer systems infrastructure (software and hardware).	To reduce the cost of information technology support.	DES performs the functions of an outside service provider to these state agencies.	There is a market to perform these functions. In addition, the larger agencies could provide these services for themselves.
Support for the State's Web Portal	State government's Access Washington web portal http://access.wa.gov , the Ask George search tool and the state's intranet portal "Inside Washington" are developed and supported in this activity. The statewide web portals deliver the single face of Washington state government.	4	Business office setting & equipment with extensive specialty computer systems infrastructure (software and hardware).	Access Washington receives approximately 8 million visits per year. Usage of the statewide portal continues to increase. Ask George serves, on average, over 6,000 search queries a day. The 24x7 customer help center in Access Washington serves, on average, 6,500 support sessions a month.	The majority of state governments contract out Web portal management. Contracting with the private sector would allow agencies to focus on content. Could lead to opportunities to standardize agency websites leading to more rapid delivery of e-government services.	National Web portal development and management is a strong market. There are over 30 firms listed in the Olympia area that perform Web design and support services. Website design and maintenance services was a selected activity in the 2011-13 biennium. The competitive process resulted in contracting this activity with private vendors.

ACQUISITION, DISPOSAL & MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Contracting Support Services	The Master Contracts & Consulting team leads master contract procurements, vendor relationship management and contract performance tracking for all master contracts for goods and services. A master contract is a contract established and administered by the Department of Enterprise Services (DES) for use by state and local government entities, institutions of higher education, tribal governments and qualifying nonprofits to purchase products and services directly from contractors. Agency Contracts, Consulting and Oversight oversees compliance with procurement reform, Chapter 39.26 RCW, including reviewing and approving sole source contracts, developing and providing required contracts training for state agencies, and overseeing the annual contract data reporting requirements. Legal Services provides contract review, responds to vendor protests, audits master contracts, and assists with customer and market research to identify opportunities to procure master contracts that will help our customers reduce costs, optimize resources and meet their contracting needs. They also provide training on contracting best practices.	75	Business office setting & equipment	This activity provides contracting services to customers to lower costs of goods and services.	<p>A 2011 State Auditor's Office performance review recommended that DES conduct a performance review of master contracting to increase agency participation. The review also recommended further centralization of this function into DES.</p> <p>A comprehensive reform to state procurement for goods and services was enacted in the 2012 legislative session and was effective January 1, 2013. It consolidated all state procurement under the authority of DES, and instituted new processes, procedures and requirements. This regulatory function cannot be assumed by the private sector.</p>	Government procurement laws are unique to each state. Private industry does not operate within the same environment, and thus, no market exists for this service.
Surplus Property Operations	<p>The Surplus Program handles used goods from state and federal government programs ranging from furniture and computers to vehicles and equipment that are made available for sale to government agencies, nonprofit entities, and the public. Proceeds from the sales pay for the program and also result in financial returns to state.</p> <p>Goods can be purchased in person or via the Internet. Online auctions are popular, especially for used vehicles, and the warehouse is open six days a week. Interested buyers can check out the goods through the program's Facebook page and get updates via Twitter. Surplus also works with the Department of Corrections (DOC) and the Superintendent of Public Instruction to refurbish computers for use by school districts across the state. The sale, reuse and recycling of goods also keeps hundreds of thousands of pounds of materials from being dumped in landfills.</p>	24	Warehouse space; office space; paved acreage for parking; forklifts; pallet jacks; box trucks; tractor trailers; trailer vans; equipment trailers; and car trailer.	<p>Redistribute surplus property in an efficient, cost-effective manner for reuse by state agencies, political subdivisions, nonprofit entities and the public. Increase sales to priority customers by five percent.</p> <p>Overall sales of goods returned more than \$17 million to state and local government agencies over the past three fiscal years.</p>	The state has already made the investment in warehouse facilities and a surplus store.	The agency already contracts with a private third-party vendor, Public Surplus, LLC, to manage its online auctions.
Real Estate Services	Real Estate Services is responsible for providing real estate services to state elected officials, state agencies, boards, commissions and educational institutions in accordance with chapter 43.82 RCW. State agency housing functions include comprehensive leasing and architectural services, including construction management, the purchase or sale of state-owned properties, and various other real estate transactions.	23	Business office setting & equipment	Provide lease rates that are 15 percent below the average market rate throughout the state.	<p>A 2011 SAO performance review recommended that the state engage commercial real estate brokers to help with negotiations. The review also stated that DES lacks data to assess the competitiveness of the state's lease performance.</p> <p>OFM established some performance measures for this activity.</p>	There is a large market of real estate brokers. The state currently has a master contract for specific real estate activities, including disposal of surplus real property.
Capital Project Management	This activity supports the design, construction and maintenance needs of public facilities for more than 20 state agencies and the state's 33 community and technical colleges through comprehensive, professional project	50.2	Business office setting & equipment	Completion of public works projects on time, within budget and of high quality.	This function consolidates capital project design and delivery for all state agencies, except WSDOT, DOC, Department of Fish & Wildlife (DFW, and higher education. Many	There is a large market for engineer and architectural services. The agency currently advertises for these services for projects where consultant

ACQUISITION, DISPOSAL & MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
	management services and energy management. Licensed architects and engineers manage the design and construction of projects. They are assisted by contract specialists, dispute resolution, claims mitigation, cost engineering, and other technical and administrative support.				staff are essentially contract managers, ensuring that projects are constructed according to state law and regulations. Decentralization could increase costs and decrease internal controls over location, design, budgeting and delivery.	fees are expected to exceed \$150,000. Projects at point of construction are performed by private third-party vendors.
Office Facilities Management	This activity serves as the landlord for office facilities on the Capitol Campus and other state-owned locations in Thurston, Cowlitz, Pierce, Skagit, King and Yakima counties. The activity is responsible for overall property management, providing direction, long-range planning, space planning, stewardship, rate setting and quality assurance. It is responsible for efficiently and cost-effectively housing state government in 3.5 million square feet of owned office and support facilities. Operations and maintenance of Thurston County facilities is detailed in the "Facilities Operation and Maintenance" and "Custodial Services" activities.	29	Business office setting & equipment. (Has several touch points to the capital needs of the Facilities Operation & Maintenance activity as well.)	Through effective facilities management, provide productive, safe and efficient office spaces to tenant agencies that are at least 15 percent below private market rent.		Property management service is a competitive market in the state. Private third-party vendors generally, as a facility manager, also assume the functions of operations and maintenance of the facility. General repair work, maintenance, landscaping and other services likewise have a robust market.
Facilities Operation & Maintenance	This activity provides maintenance and operation, environmental and building support system services for state-owned and managed facilities within Thurston County, including the Capitol Campus. Services include preventive building maintenance (including electrical, carpentry and HVAC), cleaning and preservation of historical building exteriors, care of Capitol Campus grounds and state-owned parks within Olympia, painting, signage, and management of mechanical/electrical locks, asbestos and hazardous waste, building control systems, and the powerhouse, campus utilities, campus fire protection and Washington State Patrol security.	101.5	Carpentry, paint, signage, electrical, & other specialized trades shop facilities & equipment for maintenance, fabrication, and repair; storage facilities; electric vehicles; powerhouse steam plant & extensive underground heating, water, and electrical utilities; soils shed and grounds maintenance sheds; dispatch and monitoring centers; security and access systems; construction and maintenance of lay-down areas; Fifth Avenue dam; 200+ acres of park and lake areas.	Maintain campus buildings in good working order. Preventive maintenance work and repairs to prolong the life of the facilities and to provide a safe, healthy environment for public employees. Campus grounds and parks are maintained to agreed-to standards, and a clean, safe environment is provided for all citizens.		Further review is required to assess retention of the operations and maintenance functions.

RISK MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Risk Management	<p>Provides services to reduce harm, prevent losses and fairly compensate those who are injured by the state, including:</p> <ul style="list-style-type: none"> ▪ Loss Prevention Practice Group; ▪ Risk Management Program identifies, controls and reduces the financial impact of general liability, vehicle and property losses to the state; ▪ Receiving, processing, delegating and investigating state agency tort claims and legislative relief claims; ▪ Resolution of personal injury and property loss (tort) claims against state agencies; ▪ Maintaining a comprehensive master database of all tort claims and lawsuits; ▪ Medical Malpractice Closed Claim Reporting; ▪ MMSEA Section 111 Mandatory Reporting for Medicare; ▪ Developing programs to finance the state's exposure to risk; ▪ Administering self-insurance program to finance tort losses; and ▪ Purchasing commercial insurance on behalf of state agencies and colleges, including excess, property, marine, workers' compensation for out-of-state employees, boiler and machinery, aviation, sports camps and student medical insurance, to name a few. 	24	Business office setting & equipment	Claims processing and resolution, if appropriate. Procure appropriate levels of insurance at a cost-effective rate. Assist agencies in reducing risk and lowering exposure to litigation.	<p>Enterprise risk management (ERM) is a tool used by a variety of businesses. However, most risks incurred by government are unique (prisons, child welfare, highways, etc.). Centralized risk management also allows early identification of loss and tort trends, better coordination with the Attorney General's Office and development of expertise in managing government risk.</p> <p>The process to investigate, adjust and resolve damages resulting from motor vehicle accidents is not unique to government. his activity in the program is conducted by Risk Management for all state agencies, except that the Department of Transportation processes and resolves its own motor vehicle claims.</p> <p>Loss prevention reviews conducted by DES Risk Management are not admissible in court.</p>	<p>There is a market for ERM training. Private third-party vendors do provide training on general ERM principles and techniques through DES' training and development services.</p> <p>Although there is also a market for tort and loss investigators, the privilege provided to DES loss prevention reviews cannot be replicated.</p> <p>There is a large market for claims processing and resolution for damages resulting from motor vehicle accidents.</p>
Regulating Local Government Self-Insurance (LGS) Programs	<p>Provides approval and oversight of joint self-insured local government property/liability programs and individual and joint self-insured local government employee health/welfare (medical) benefit programs. The mission of LGS is to protect taxpayer resources by ensuring that the local government owner/members are informed about the program's financial condition, participate in decisions which affect insurance services for entities they represent, and ensure compliance with laws and regulations designed to foster financially sound management practices.</p>	1.5	Business office setting & equipment	Local government self-insurance pools are fiscally sound and operate in compliance with the law.	This is a regulatory activity that cannot be assumed by the private sector.	There is no market for this activity.

STATEWIDE HUMAN RESOURCES MANAGEMENT						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Training and Development Services	Responsible for developing, providing and monitoring training for state employees. The primary focus is on leadership development and state mandatory subjects. Services include classroom instruction, e-learning opportunities and course development. Maintains the statewide learning management system and training archives.	12	Business office setting & equipment; classroom & computer training facilities	The state workforce attains the knowledge and skills to effectively deliver services to the public. Present and future supervisors and managers have the skills needed to successfully manage the workforce and state operations.	In 2010, the Department of Personnel (DOP) moved to private third-party vendors (118 vendors) to supply the state employee training and development services and eliminated its instructor staff. Existing staff administer these contracts. Some specialized training is still provided, but is limited to HRMS and state-mandated training, such as ethics, diversity and sexual harassment. This unit is also transitioning the state to the new Learning Management System, developed and hosted by a private third-party vendor, to track employee training.	A private market exists and is being fully utilized by the agency.
Recruitment Support Services	Provides expertise, training, tools and assistance to help state agencies attract, recruit and select diverse, qualified candidates for state jobs. The Department's services include recruitment outreach and consultation, workforce diversity support, candidate search assistance, maintenance of statewide layoff lists and the general government transition pool, and job seeker support. The Department also maintains the state's single point of entry for job seekers to find state employment opportunities.	17	Business office setting & equipment	Agencies are competitive in attracting, hiring and retaining qualified candidates for state government employment.	In 2010, DOP fully transitioned to NEOGOV, a private third-party vendor, to host its online recruitment system. Staff administer that contract, populates its content and respond to public requests. Staff also provide recruitment services for specialized positions. Retention staff have been repurposed to assist agencies with layoffs, consolidations and other reductions in force.	Major opportunity to utilize private sector has been implemented. Further investigation is needed to determine if other recruitment activities could be transitioned to private market vendors.
Employee Assistance Program	Personal or work-related problems may affect job performance. The agency's Employee Assistance Program (EAP) offers employees free, confidential and professional help. Managers and supervisors can also contact EAP for workforce and performance problems. When critical or traumatic events occur, EAP is often called upon to assist agencies and individuals.	8	Business office setting & equipment	The EAP supports and enhances employee performance, and promotes a safe and productive work environment by assisting the employee to address personal problems impacting their employment.	In 2010, the state's EAP program migrated to a network of private third-party vendors. Staff administer these contracts.	A private market exists and is being utilized by the agency.
Small Agency Support Services	DES provides support services, particularly small agencies, in the areas of human resources, finance, payroll and budget. Economies of scale provide DES an affordable way to offer a full range of financial and human resource management expertise to small agencies. (This activity does not include support to CTS.)	5 in HR 19 in Finance	Business office setting & equipment	DES provides model policies, standardized letters and forms, and promotes consistent application of personnel and finance standards across small agencies. These services promote economies of scale and free up resources in small agencies to focus on their mission-critical activities.	This function is intended to enhance efficiency by reducing the back-office functions of multiple small agencies.	There is a wide market for human resource and financial services. With DES reorganization of this service, more investigation is required to determine if this function is needed, should be maintained in DES or contracted to private third-party vendors.

FINANCE SERVICES						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Technology Equipment Leasing	Provides professional support in the acquisition and leasing of information technology equipment.	3	Business office setting & equipment	To ensure that the client acquires the most economical and efficient information technology equipment in a way that meets their budget and cash flow constraints.	Employees are administrators providing lease program for computer equipment. Performance of the actual good or service is contracted to the private sector. Efficiencies already achieved through collective purchasing power and centralized support.	A private market exists.

STATEWIDE SHARED SERVICES						
Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Printing and Imaging Services	Services include traditional offset and digital printing, on-demand copy services, variable data and direct mail services. The activity hosts warehousing and distribution of printed products and promotional items for government organizations through our website applications. Print technology-consulting services assist agencies with unique printing needs for major agency applications and for assistance in managing their office convenience printing resources. The main plant, located in Tumwater, houses the offset and digital presses, the fulfillment program, inserting and ink-jetting equipment, envelope manufacturing operation and administrative offices. Other copy centers are co-located with customers in the Olympia/Lacey/Tumwater areas. These products and services are provided to state and local government organizations, Indian tribes and public organizations.	51	Warehouse space; office space; forklifts; pallet jacks; printing presses; envelope converter; hydraulic press; vans; software/hardware; roll feeder; emergency generators.	Provide efficient and effective government printing and related services to enable agencies to focus on core mission work.	Per ESSB 5931, a competitive process was initiated for bulk printing, resulting in approval to contract with a prequalified pool of vendors to provide these services. With moving these services to the private sector, it may not be cost efficient or efficient to maintain equipment and staff to perform the remaining functions in this activity. There is a market throughout the state to perform these functions. The risk is that if the entire activity is contracted with the private sector, there may be a loss due to the equipment already procured and the state would lose its capacity if emergency or essential services are needed for a time-sensitive project.	
Production Services	Located in a secure facility on the Capitol Campus, this service prints sensitive materials, including unemployment checks, warrants, license renewals and other confidential documents, 24 hours a day, seven days a week. The production and delivery of these documents is under the requirements of state and federal laws.	22.5		Monthly production averages between 6 million and 8 million pages per month.	These are highly confidential materials governed by federal law. Mistakes or mishandling could result in liability to the state and hardship to the citizens. If capacity is removed, it would be difficult to rebuild that capacity. Essential service.	A more detailed review would need to be done to determine if the private sector could perform this function.
State Capitol Visitor Services	Provides event management and public information and access for the Capitol Campus, including information about state agencies, the Legislature and tourist attractions on campus, in the local area and throughout the state. Educational tours are provided to the visiting public, school children and dignitaries. Free speech and assembly events, such as rallies, demonstrations and other formal gatherings, are permitted and coordinated by Visitor Services.	15 (8 seasonal)	Business office setting & equipment; electric cart.	Provides educational tour experiences to the visiting public, school children and dignitaries. Tours will be conducted in the Legislative Building, state Capitol Campus grounds, capitol conservatory and the Temple of Justice. Public tour reservations are coordinated for the Executive Mansion.	Staff is primarily composed of seasonal workers and volunteers. Consequently, few efficiency opportunities exist. A portion of this work involves appropriate permitting, consideration and accommodation of First Amendment activities.	A market does not exist for this unique state service.
Custodial Services	Provides daily custodial services for over 3 million square feet of building space. Custodial services include the cleaning of all office space, public and common-use areas, restroom sanitizing and stocking of supplies, special floor and carpet care, emergency and urgent cleanup, building locking and unlocking, and support for First Amendment activities and special events on and around the Capitol Campus. In addition, the program manages the collection of solid waste, refuse and recyclable materials at 25 Capitol Campus facilities, 12 off-campus facilities and 12 interagency agreements.	103.4	Maintenance supply rooms and sheds; OS1 System cleaning equipment and products	Provides custodial service for over 3 million square feet of building space so that facilities provide a clean, healthy environment for our tenants.	Low risk to the state from contracting out service for buildings other than those of historic quality. State currently contracts with private third-party vendors for custodial services outside Thurston County. Solid waste, refuse and recyclable materials are the most contracted out service in state and local government.	Large competitive market for services. A market review indicates ample private sector vendors that can offer commercial, industrial waste collections and disposal services. Regional and national firms serving Thurston County include Waste Management, Lemay, Republic Services and IESI; as well as smaller businesses with local ownership. However, it appears that an Olympia city ordinance prevents contracting out.
Energy Services	Provides engineering services to agencies on a fee-for-service basis to assist agencies in conserving energy and reducing their energy costs. Engineers also conduct energy life cycle cost reviews, assist with sustainable design and support building commissioning. Agencies incur no direct costs as all costs are paid for with energy savings.	13.7	Business office setting & equipment	Projects reduce energy consumption for customers, thus reducing costs for public agencies and saving taxpayer dollars. Reductions in energy consumption also have a positive impact on the environment.	Staff are employed as contract consultants and project managers to state agencies, schools, colleges and local governments to engage in and finance energy performance contracts. Delivery of the contract is performed by pre-qualified list of private third-party contractors.	Agency is currently effectively using private third-party contractors.

STATEWIDE SHARED SERVICES

Sub-Activities	Mission	Est. FTEs	Capital Needs	Performance	Risk/Opportunity	Market
Consolidated Mail Service (CMS)	State government's internal mail service, which processes interagency, incoming and outgoing mail pursuant to U.S. Postal Service requirements. CMS provides site-to-site distribution for most state agencies and some political subdivisions in western Washington, serving 47 agencies outside Thurston County with 279 delivery points. Agencies have identified this as a mission-critical, vital business service because it distributes warrants and laboratory samples.	74	Office space; warehouse space; generators; mail tracking systems; inserters; pre-sort equipment and bins; X-ray inspection equipment; metering machines; mobile dock; forklifts; pallet jacks; software/hardware; box trucks; and vans.	CMS provides customers with reduced postage and campus mail rates.	Selected activities in the 2011-13 biennium. The competitive process resulted in a finding that Consolidated Mail provides the services with greater efficiency at a lower cost than the private sector.	
Fleet Operations	Fleet operations manage more than 2,500 vehicles assigned to agencies on a permanent basis for staff use and a vehicle trip fleet for short-term rental. The program maintains and repairs trip vehicles and many permanently assigned vehicles, as well as vehicles owned by various state agencies.	21.9	Office space; vehicle maintenance shop and maintenance equipment; parking lot; and vehicles (sedans, vans, light trucks).	Supply vehicles to agencies at least 30 percent below contracted rental vehicle rates.	<p>On November 4, 2011, the Governor issued a directive to:</p> <ul style="list-style-type: none"> ▪ Consolidate all vehicles not under professionally managed fleets into the Department of Enterprise Services (DES) motor pool; ▪ Reduce the number of cars in the state fleet by an additional 300 cars for a total reduction of 500 through consolidation efforts; ▪ Expand the pilot "key drop program" which has demonstrated the fleet can be reduced through more efficient vehicle assignment; and ▪ Direct agencies to use telephone or web conferencing as a substitute for travel whenever possible and appropriate. <p>Implementation of these reforms would create a better platform for potential use of a private third-party vendor.</p>	There is a market for short-term and long-term rentals.
Parking Management	Provides direction, long-range planning, stewardship, rate setting, quality assurance, overall property management and assignment of parking spaces and fees. Manages more than 7,000 parking spaces at the state Capitol and other facilities located around the state, providing parking to agencies, employees and the visiting public in the support of conducting state business. Parking is provided on a monthly, hourly and special-permit basis. This activity also includes cleaning and maintenance of parking garages at the state Capitol Campus.	5.5	Business office setting & equipment; surface parking lots; multi-level parking structures	GA parking rates will meet the best value statement of 15 percent below private market parking rates.	<p>Transition to private management would require developing an inventory of parking assets and setting clear expectations of outcomes (revenue versus cost of enforcement).</p> <p>As a specialty industry, a private vendor could bring advanced technology and industry practice to maximize revenue and minimize enforcement costs.</p> <p>Parking rates may require legislative approval pursuant to I-960/I-1053. This could prevent a contract in 2011-13.</p>	Parking management is a function with many private sector providers. A market review identified a broad range of regional and national parking management companies including Diamond parking, AMPCO parking systems, Standard Parking, Central parking systems, Republic Parking, International Parking Management and ABM Industries Inc. Tacoma currently contracts for parking management for six city garages and nine city parking lots.

Exhibit 2 - Real Estate Services Fees

New Lease Services (for Offices and Warehouses)

All leasing and design services requested for new leases will be funded through a project-based fee. This is based on the square footage of the space requested, at either the hourly reimbursable rate (\$117 effective as of October 1, 2010) or the commission rate of 2.5% of the total value of the lease. Laboratory and school fees are negotiated on a case-by-case basis.

The fee schedule is:

Size	Project-Based Fee
1 - 5,000 square feet	Hourly
5,001 - 10,000 square feet	At the discretion of the Chief Property Officer, either an hourly fee or commission at 2.5% for years 1-5; and 1.25% for years 6 and beyond of the total value of the lease.
Over 10,000 square feet for 5 years and under	Commission at 2.5% of total value of the lease.
Over 10,000 square feet for more than 5 years	Commission on leases over five years charged at 2.5% for years 1-5; and 1.25% for years 6 and beyond of the total value of the lease.

Commission on leases over five years is charged at 2.5% for years 1-5, and 1.25% for years 6 and beyond of the **total value** of the lease.

New Lease Services include, but are not limited to:

- Site/facility search, evaluation of potential sites, preparation of letters of interest/intent, and negotiation of lease terms and conditions.
- Preparation of lease documents and related correspondence.
- Planning and design assistance, including schedules; development and review of exhibits, plans, performance specifications, and addenda; and oversight of new space build-out.
- Review, negotiation and approval of construction costs. Construction management, including site inspections; ensuring compliance with lease terms and conditions; communications with the lessor, agency, and contractors; and close-out of project.

Lease Renewal Services

For lease renewals, the facilities and services allocated charge that agencies pay on a quarterly basis fund related leasing and design services. This allocation is based on a formula related to an agency's inventory of active leases, total square footage, and lease value at biennial budget preparation.

Lease Renewal Services include, but are not limited to:

- Facility inspection, deferred items list, and review of upgrades required by RES's leased space requirements (specifications).

Exhibit 2 - Real Estate Services Fees

- Lease renewal negotiations and document preparation, including related correspondence.
- Monitoring of lessor's compliance for completion of the deferred items list and any upgrade requirements.

Reimbursable Services

All services not listed under New Lease Services or Lease Renewal Services are reimbursable services and are invoiced monthly at the rate of **\$117** per hour (effective October 1, 2010).

Reimbursable services include, but are not limited to:

- Alterations to existing leased space requested at renewal and during the lease term.
- Request for assistance during the lease term (e.g., technical assistance, conflict resolution, lease modification, property management, and implementation of the withholding of rent clause).
- Change orders.
- Acquisition and disposal of property, lease development projects, easements, appraisals, rights-of-way, etc.

Cancellations

If an agency decides to cancel or terminate a project, the agency will be charged a cancellation fee as follows:

1. Projects conducted under a commission rate will be charged for the complete billing phase in which the cancellation takes place as well as an additional cancellation fee of five (5) percent of the next billing phase as shown in the billing procedures.
2. Projects conducted under the hourly rate will be charged for services provided to the cancellation date and/or costs incurred at the current reimbursable hourly rate, as well as a cancellation fee of five (5) percent of the estimated remaining costs.

As a self-sustaining program, this fee is to ensure that all costs are fully recoverable. The cancellation fee is approximately equivalent to the administrative cost of closing out a project at our current fully allocated cost rate.

Delegations

Delegation of authority to negotiate and execute agreements to lease and/or rent offices, classrooms, and other spaces are charged a one-time fee of \$250 for maintaining, overseeing, and updating the central registry's database. This one-time fee also applies to agreements to purchase, dispose, or transfer real property.