



**BGS Tiger Team
Final Report**

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Table of Contents:

1. Background and Context
2. Methodology
3. Results and Findings
4. Conclusion and Recommendations

List of References

Information Centers:

“A New Service Model”- September 2008 Right-Sizing Report
2004 Survey of U.S. State & Territory Tourism Office Travel Information Center Programs

Fleet:

Attachment D FY2008 High Mileage Drivers sort by miles.xls
FY2009 High Mileage Drivers 08-26-09.xls
Departments Mileage Reimbursement FY03-09 DHR.xls
Agency of Administration Bulletin No. 2.3

Fee for Space:

Special Report to the Joint Fiscal Committee
FY2010 Space Allocation Worksheet-A.xls

Background and Context:

The Department of Buildings and General Services (BGS) provides a number of “internal services” to other agencies within Vermont State Government, including: a print shop, fleet management services, and the operation and maintenance of state-owned buildings through the fee-for-space program. In addition, BGS also provides services directly to the public, including the operation and maintenance of a network of information centers.

The overall purpose of this Tiger Team (“the Team”) project is to:

- Evaluate the cost-effectiveness of four cost centers –print shop, fleet management services, information centers, and fee for space – managed by BGS.
- Where appropriate, compare the services provided by these cost centers with what might be delivered by a comparable private sector program or other alternative.
- Identify potential efficiencies within these cost centers that merit further investigation and/or immediate implementation.

The outcomes of this project may be used by the Agency of Administration (“the Agency”) to:

- Evaluate the level of service the state can afford relative to these cost centers.
- Adjust the delivery model for services provided.
- Improve state agency utilization of these services.
- Propose any legislative changes needed to implement the Team’s recommendations.

Schedule

The timeframe for the work of the Team was relatively short, spanning little more than six weeks. During that time, the Team delivered the following work products to the Agency:

- *August 28th* - progress report delivered
- *September 15th* - technical work completed
- *September 30th* - final report and recommendations delivered
- *early October* - the team is prepared to meet with the Governor and share recommendations

Methodology:

The Team undertook the following activities:

- Received presentations on existing operations from key BGS staff (Ed VonTurkovich, Deb Ferrell, Kevin Moore, Terry Lamos, Tom Sandretto, Robin Orr, and Deb Baslow).
- Gathered information via question and answer documents with key BGS Staff.
- Solicited input from key BGS staff to identify recommendations and opportunities believed to exist within the programs currently.
- Reviewed information regarding other state's frameworks for similar cost centers, to identify best practices and challenges.
- Interviewed select "users" of the services within state government to help identify perceived shortcomings of the existing programs.
- Analysis of reports created and provided by program staff (see "List of References" section for key reports used).

Results and Findings:

The Team offers the following observations:

- None of the programs have glaring inefficiencies, and, by-in-large, they appear efficiently run given their constraints and expectations. BGS directors and management have obviously put significant thought into the way that they manage their programs and continue to challenge themselves to find new efficiencies.
- Visitor counts at different information centers vary widely, and thus so do costs per visitor.
- Significant changes have recently been made and are currently being implemented throughout Vermont's network of information centers, and it is therefore difficult to evaluate current conditions and compare them to other states.
- It is unclear if the state can afford the current level of service that it provides 1) to tenants in state-owned space through the fee for space program and 2) to the traveling public through its network of information centers.
- It is unclear if the Fleet Management model is as appropriate for non-passenger vehicles (e.g., service and seasonal-use vehicles) as it is for cars.
- Restructuring mileage reimbursement could yield significant savings, and create greater incentive to utilize fleet vehicles. Allowing greater flexibility for limited personal use of state vehicles would need to be part and parcel of the restructuring, and would likely

require a methodology to record personal use as a taxable fringe benefit or alternatively require employees to have a regular payroll deduction to compensate the State for personal use.

- Fleet management services and the print shop both suffer from “incomplete implementation” in that it appears potentially significant usage that could be cost-effectively directed through these centers is currently not. Working through managers throughout state government, the Agency should actively recommend, and enforce, the use of these services.
- Although heat and electricity currently account for more than 40% of BGS’ annual operating budget, the state is not as well-positioned as it could be to promote conservation, space consolidation and effective measurement for accurate cost allocations in the Fee for Space cost center.
- Opportunities are missing for departments to “manage” their costs by minimizing their space or pursuing other efficiencies. The current fee for space program is unable to pass savings derived by consolidating operations or reducing costs through conservation to individual agencies or departments, rather the savings are spread across all tenants in a particular geographic area.
- The methodology used by the Department of Finance and Management (relying on the Budget Development System to determine the funding sources available) to establish the fee for space allocation for each agency/department does not include sufficient input from the agencies/departments on their ability to find the funding to cover the allocation.
- The print shop appears to contain opportunity to grow its share of the states printing needs. Opportunities to increase the smaller print and assembly runs show the most promise for creating efficiencies and cost savings to departments utilizing the print shop.
- It appears that there is a disconnect between purchasing and the services provided by the print shop, as the print shop is required to respond to print requisitions as any vendor would.

Recommendations:

The Team offers the following recommendations, based on the teams' analysis and meetings with administrators from BGS and review of program documents.

Information Centers:

1. Over the next year, carefully monitor the most recent program changes - the closing of four rest areas and the recent issuance of the pilot project for privatization of information centers at Georgia N/S and Alburg – and evaluate the impact. Encourage future privatization, if savings are significant.
2. Pursue development of a Traveler Information Model at highway exits without rest areas/info centers and/or to provide more services to the traveling public, even in areas with facilities close by.
 - Begin with an assessment of key resources at each exit along I-89/I-91 and other major state highways.
 - Issue an RFP to the key resources identified, inviting them to compete for the privilege of participating in the program. An improved understanding of the resources available at each interchange would then be able to inform future decisions as to whether to close or repair a particular information center in order to meet the needs of the travelling public in the most cost-effective manner. Incentivize the program with enhanced signage directing the traveler to the assigned businesses. Review the annual billing to businesses for existing brown sign placement, to determine impact of new signage.

Fleet:

1. Restructure mileage reimbursement to create stronger financial incentives for staff to utilize fleet vehicles. Potential options include (note: some or all may be bargaining issues):
 - Set the state reimbursement rate equal to the cost of a fleet operated vehicle (currently \$0.36) instead of the federal reimbursement rate (currently \$0.55) – *potential savings approximately \$1.5 million per year*. Other states employ this technique.
 - Cap the number of reimbursable miles that can be paid to an individual employee over the course of a month or year – potential savings approximately \$300K per year;
 - Provide employees a per diem for vehicle use when travelling more than a specified number of miles (for example, for the first 50 miles the employee is reimbursed at \$0.55 per mile, with the maximum reimbursement not to exceed \$30/day) – potential savings approximately \$200K per year;

2. Revise Administrative Bulletin 2.3 in order to allow greater flexibility relative to passengers, limited ancillary use, and reimbursing personal miles. The State's insurance policy currently provides coverage for the casual transportation of employee dependents and limited personal miles; it is Administrative Bulletin 2.3 that prohibits this use. Many employees cite the rigidity of the current policy as a barrier to using a fleet vehicle. Revisions would need to define specific criteria for transporting dependents and allowing for reimbursement of personal miles driven on a fleet vehicle.
3. Clarify and improve the justification and approval process required for getting a fleet SUV or pick-up, in order to "right-size" the vehicles that are currently in the Fleet. There should be clear, consistent process for evaluating the need for what, over time, are significantly more expensive vehicles to operate.
4. Evaluate potential efficiencies/cost-savings that could be derived from:
 - Pursuing a lease-only model, and eliminating the motor pool component of Fleet Management Services;
 - Establishing additional motor pool locations at a site (or sites) in Burlington;
 - Having a third party administer the motor pool. For example, Zipcar recently launched a "FastFleet" program which utilizes technology developed Zipcar's consumer "fleet" for government operations. The program is currently being piloted in the District of Columbia.

Fee for space:

1. Evaluate & improve space utilization.
 - Inventory potentially inefficient use of space by evaluating square feet / employee by Department, or other appropriate metric.
 - Focus first on those tenants whom BGS knows to have ample space yet have recently resisted consolidation.
 - Develop incentives for (or direct) tenants to reduce and/or consolidate space, with a goal of getting staff out of leased space and into state-owned space.
 - Target first those with excess space that could be filled by others looking to vacate leased space (BGS can help identify those tenants).
 - In future budgets, fund fee-for-space based on objective assessments of a Department's space needs (including targets for square feet / employee), not on what those tenants currently occupy.
2. Aggressively pursue energy efficiency.
 - Support ongoing and piloted BGS energy programs; the fee-for space program already provides the mechanism for achieved savings to be reinvested in new energy efficiency improvements.

- Continue to better measure & manage energy usage at individual locations.
 - Continue the installation and monitoring of energy meters at individual locations.
 - Involve tenants in energy usage monitoring and develop incentives to reduce usage (see “tenant committees” below).
- 3. Develop tenant committees at each cost center for input (e.g. quarterly meetings) on appropriate levels-of-service and other potential efficiencies.

Printshop:

1. Give the print shop the ability to set and adjust print rates, annually, based on paper and service costs.
2. Create a mechanism to directly provide the print shop all state print requisitions rather than requiring the print shop to view and respond to print requisitions as if they were a vendor.
3. Require all business managers and executive assistants attend a brief presentation regarding the use of the print shop to learn about all the services that are offered for large and small print jobs. It appears that the greatest efficiencies associated with the print shop are for smaller jobs (<\$3500) that don't go through formal purchasing. The presentation should be required annually for any agencies/departments that exhibit high annual payments for print services to vendors other than the print shop.
4. Lower the ceiling for the requirement of a state department to produce a print bid from \$3,500 to \$1,000, or less, in order ensure that the print shop is given the opportunity to “see” more of the print requisitions.
5. Have the print shop develop a simplified online tool (for the print jargon illiterate) that allows state employees to quickly and efficiently submit jobs for quotation. If the print shop cannot sufficiently manage the submitted project, staff from the print shop should assist with publicly seeking vendors to complete the project.