

Commonwealth Competition Council
Wednesday, September 19, 2007, 10 a.m.
General Assembly Building,
3 East Conference Room
Richmond

Members present:

Senator Emmett W. Hanger, Jr., Chairman
Christopher Andreano
Robert A. Archer
Beverly B. Davis
Kim Y. Farrar
Barry R. Green
Delegate Timothy D. Hugo
Roger E. Ortega, Sr.
Marian Pegram
Delegate Thomas D. Rust
Geoffrey Segal
David Von Moll

Members absent:

Senator J. Brandon Bell
Lana Ingram Digges
Sara Redding Wilson

Notice of the meeting appeared on the Commonwealth Calendar on the Internet. A quorum was present. Senator Hanger presided over the meeting.

Public Comment

None

Staff

Newly appointed executive director, Jerry J. Gentile was formally introduced to the Council. New Council members, Robert A. Archer, Christopher Andreano, and Geoffrey Segal were welcomed by Senator Hanger and other Council members.

Minutes

The minutes of the January 3, 2007, meeting of the Council were approved as distributed. In addition, draft minutes appear on the Internet as soon as possible but not later than ten working days following the meeting in accordance with § 2.2-3707.1 of the Code of Virginia. In addition, Commonwealth Competition Council minutes are being posted in accordance with the above to the Council web page at <http://www.egovcompetition.com>.

Operational Reviews in the Commonwealth

Mr. Tim Bass, Special Assistant to the Governor, was invited to speak with the Council on Operational Reviews in the Commonwealth. His presentation papers are attached and made a part of the minutes.

The concept of operational reviews was first initiated in February 2007. The reviews were inspired by the efforts of the Commonwealth Competition Council, the Virginia General Assembly Cost Cutting Caucus (<http://vacostcutting.blogspot.com/>) and Executive Branch in formalizing and implementing performance management throughout the Commonwealth (www.vaperforms.virginia.gov). The “Founding Fathers” include Governor Timothy M. Kaine, Chief-of-Staff William H. Leighty, Delegate Christopher B. Saxman and Senator Walter A. Stosch.

The review teams have legislative co-chairs and are staffed by volunteer experts from the Executive Branch and the private sector. The goal of the reviews is to drive higher levels of performance. Reviews are scheduled for six months, but they have actually been taking about eight months. Teams are not necessarily bringing forth ready projects, but they are getting the information on the table.

Eleven reviews were initiated in February 2007: Energy, Water, Solid Waste, Real Estate, Fleet Mgt, Travel, Communications, Return-to-Work, Printer/Copier/Paper, Mail, and Receivables. Mr. Bass noted that they did not go into the review of Receivables with the goal of saving money. The goal was to try to get things to come our way instead. Bass added that the review items are ones that crosscut all institutions and agencies across the state. All of the topics are ones that could make a difference at the enterprise level. He stated, “We want to influence our bargaining power to leverage our size so we asked the experts, ‘What would you do to improve these items?’”

Each review results in a “Report” to the oversight committee. This “Report” includes overall costs and drivers, use (or lack) of best practices, how the Commonwealth leverages its size as a customer in the market, and overall recommendations for change to make the Commonwealth higher performing and more cost effective.

Mr. Bass provided an example of an operational review by providing an overview of the energy review process. The energy review ties in with Executive Order 48 which suggests that we create a Virginia Energy Management Program and create a team that helps folks implement best practices. When the federal government reviewed their energy costs, they saw a 19 percent reduction in costs. The experts think that we [the Commonwealth of Virginia] could see a \$20 million reduction in energy costs. Note: The estimated cost of energy between 2002 and 2006 was \$1.3 billion.

The Co-chairs for this review were Delegate Morgan and Senator Hanger. Stephen Walz, Senior Advisor for the Department of Mines, Minerals & Energy, coordinated the review. The review asked:

- What is our aggregate spending?
- What is our spending for specific energy sources (Coal, Electricity, Gasoline, Natural Gas, Oil, Steam, Wood, and Fuel)?
- Are all agencies sharing information and making use of “best practices?”
- Are we leveraging our enormous size as an energy consumer at the bargaining table?
- Machinery, infrastructure – do we have the most efficient?
- How do we buy?
- What portions of our energy costs can we control?

Mr. Bass provided an overview of the Operational Review Oversight Committee which includes Delegate Saxman, Senator Hanger, and Secretary of Finance Wagner. Some final reports (Energy, Fleet, Return-to-Work, Mail, and Print/Copier/Paper) are currently in the hands of the oversight committee. After the reviews

are conducted, the oversight committee can ask for and has asked for additional information i.e. outsourcing. In addition, the process needs to fall under Virginia's laws and procedures i.e. technology laws and regulations.

He also noted that the Oversight Committee can initiate reviews. Staff augmentation is a review item that was recently identified because \$500 million is spent using temporary staff across the Commonwealth. This equates to 1,000 full-time employees (FTEs) so this idea was worthy of implementing. This review has already kicked off, and Sara Wilson is coordinating it.

Mr. Bass stated that the Print/Copier/Paper Report was sent out last night [September 18, 2007]. He added that this report identified a major issue – some agencies have a lot of printers i.e. the Department of Social Services has 9,300 printers. He added that some of these agencies need a “print czar.” Mr. Bass added that if we consolidate mail operations, the Commonwealth of Virginia can save millions of dollars.

Mr. Geoffrey Segal asked, “Is there power to implement the recommendations that result from the reports?” Mr. Bass responded that it depends on the resources needed to implement the recommendation. He added that some recommendations do not need financial support. Mr. Segal remarked that it would be valuable for the committee to see that actual recommendations. He also asked, “Is there staff working on these reviews, is this a long-term lessons learned, or is this a centralized group? Will the same group be involved in the future?” He remarked that his experience in working with other states is that they have been housed in administration so the staff gains the expertise. Mr. Bass responded that “management is centralized and it includes me.” He added that he is leaving state government. Senator Hanger remarked that we actually have an overlap with the activities of this Council. He stated that a lot of these issues have been on our agenda. He added that now that we [the Council] have staff at the Department of Planning and Budget (DPB), we may want to ensure that this work continues.

Mr. Bass concluded his presentation by stating that in the process of the operational reviews, they got their peers together; picked hot topics and parameters; and established an oversight committee that can make recommendations happen. He added that the studies are no different from what a management team can do.

Ms. Marian M. Pegram asked, “How do these reviews fit in with the other reviews initiated by the Warner administration? Were you collecting information from these prior reviews and using it?” Mr. Bass responded “Yes” that they are not reinventing the wheel. They are considering the existing data pool.

Ms. Pegram asked, “How do we justify so many temporary staff?” Mr. Bass responded that he did not know how was could justify so many temporary staff but this is something that we need to look at. Senator Hanger added that because it is sometimes less expensive to employ temporary positions instead of full-time employees. Ms. Kim Farrar added that the individuals who are utilized under contract are often highly specialized individuals so we need to consider if it is more advantageous to bring them on as state employees or as temporary consultants. She added that Sara Wilson was one of the people who found that bringing in temporary consultants would be less expensive.

Ms. Farrar asked, “Has there been any conversation about VITA staff? Is it on the table?” Mr. Bass responded that there was nothing to be studied at this time because JLARC was getting ready to study VITA.

Robert A. Archer asked, “Do you get good cooperation with the reviews?” Mr. Bass responded that they received a super response although some turned them down, most want to help.

Mr. Archer also asked, “Will you be successful year after year?” Mr. Bass responded that the reviews will be successful if the recommendations are implemented. Senator Hanger remarked that the issue of politics gets in the way some time. He added that, “we have had the support in the past.” It's good to have continuity. He commented that it is a good group here at CCC because we can jump up and say we're responsible for continuity. Senator Hanger graciously thanked Mr. Bass for his presentation and for putting forth his time.

For more information on operational reviews click: <http://www.egovcompetition.com/ppt/egov1.ppt>

Update on Fleet Management, Real Estate, Mail Services and Surplus Property Initiatives

Mr. Joe Damico, Deputy Director of the Virginia Department of General Services (DGS), was invited to provide an update on Fleet Management, Real Estate, Mail Services and Surplus Property Initiatives. Through a recommendation made by the Commonwealth Competition Council in 2005, former Governor Mark Warner charged the Department of General Services with coordinating a review of these areas. Mr. Damico's presentation papers are attached and made a part of the minutes.

He provided a brief overview on DGS's mission and stated that for many years DGS maintained the status quo by conducting business as they had done for the past 20 years. He added that DGS now is reinventing how they conduct business.

Fleet Management

Prior to beginning these initiatives, the Commonwealth did not have good data on its vehicles. He referred to the 2004 JLARC report, "Review of the State's Passenger Fleet" and the 2004 APA Report, "Statewide Review of Agency-Owned Vehicles."

Mr. Damico stated that the Commonwealth owns about 4,000 state vehicles. He added that no oversight or management of repair was being done, and they used many different contractors. As a result, in Phase One, DGS developed an information system for tracking maintenance and vehicle data for all state vehicles. They also contracted with maintenance providers to establish vehicle maintenance rates for contracted work. Eight maintenance technicians were put into operation to oversee the maintenance work – to assure that work was only being conducted when it was necessary. In addition, 200 vehicles that were not permanently assigned were sitting on the lot when they were not being used so they added these 200 to the permanently assigned fleet and initiated a contract with Enterprise Rent-a-Car to replace the use of the unassigned fleet. They also developed a statewide fuel management system. They found that the state was getting charged retail price minus taxes when state employees used the fuel card and were getting better prices when they bought in bulk.

In Phase Two, DGS looked at how the state purchased vehicles. They also looked at statewide safety and found that we are not doing a good job in the safety program – using seatbelts, using cell phones while driving, locking cars, etc. One-half a million (\$500,000) in accident repairs were made in FY2006.

In the fall of 2005, DGS addressed the need for improving statewide vehicle maintenance services by implementing a "best practice" Vehicle Maintenance Control Center (VMCC). Prior to implementation of the VMCC, if a vehicle needed repair, the state employee took the vehicle to a maintenance shop where the repair was made without any oversight of a vehicle technician regarding the actual necessity of the repair. The VMCC reviews the vehicle history and determines if the work really needs to be done. Maintenance technicians now challenge the need for services and established rates are used. Additionally, the Commonwealth of Virginia is now purchasing fuel at wholesale cost.

Mr. Barry Green remarked that DGS is measuring savings in relationship to the actual fleet. Having stuff more manageable saves my time. More local fleet and filling station sites are now available. This is not addressed here – we pick up savings in the added productivity of state employees.

Mr. Jerry Gentile said that his team at DPB worked on a school review where the school division could get details from their fleet management system that projected vehicle needs. He asked, "Is the state's software capable of this kind of projection?" Mr. Damico responded that he did not know if the software has the logic to actually project the needs of the vehicle.

Mr. David A. Von Moll asked, “Does the system consider the specific repair shop’s costs?” Mr. Damico responded that they make their decision based on the cost of the repair.

Mr. Robert A. Archer asked, “How is automobile insurance addressed?” Mr. Damico responded that when there is an accident, it is sent to risk management. They determine who or what should be paid based on the report provided by the state police. The state police are required to file a report on all accidents involving state vehicles.

Ms. Beverly B. Davis asked, “Is personal insurance ever involved?” Mr. Damico responded that personal insurance is not involved. Roger E. Ortega asked, “Who pays for the insurance for the Enterprise vehicles?” Mr. Damico responded that these claims are sent to risk management.

Senator Hanger asked, “Is the Virginia Department of Transportation (VDOT) part of DGS’ efforts to improve fleet management?” Mr. Damico responded that their passenger vehicle fleet is with DGS. They are very sophisticated about how they manage their vehicles. However, Executive Order 89 extends to non-passenger vehicles. The operational review talks to pulling agencies with non-passenger vehicles together. DGS currently provides no oversight except with their own vehicles that are located in other agencies. Senator Hanger remarked that we have looked at the VDOT fleet.

Delegate Thomas Davis Rust brought up vehicle efficiency and asked if it was on the table – types of vehicles and horsepower. Mr. Damico responded that their primary focus is on compact vehicles and that they do consider miles per gallon. However, there is always a need for some mid-size vehicles. There are also about 1,100 flex fuel vehicles that burn ethanol, and DGS has established ethanol fuel storage tanks to fuel these vehicles. Mr. David A. Von Moll asked about the cost of ethanol fuel and Damico stated that it was almost \$3 per gallon.

Mail Services

Mr. Damico stated that consultants were hired to state mail services operations. They found that state agencies were doing their own thing. There was no consistency with how mail was processed. There were no consistent policies and procedures regarding mail security. Virginia Acts of Assembly – Chapter 3; Item 73E ordered that DGS consolidate and pull together with other agencies to provide mail services. They received Homeland Security grant funding to relocate mail operations within the walls of warehouses. This new space offered a place for mail to be opened under bio-hoods. They also hired a state manager and hosted and coordinated meetings with other state agencies to make sure that they were informed. DGS currently meters mail for 34 agencies. They are currently looking into the idea of print to post which is when a letter is sent to be posted automatically from the printer.

Mr. Damico stated that they are also providing drop boxes for inter-agency (mail from one state agency to another) in the Richmond area. Marian M. Pegram inquired about the location of the drop boxes, and Mr. Damico replied that they are located in secure buildings. Ms. Pegram asked about how DGS handles overnight packages, and Mr. Damico responded that the packages are sent directly from agency to agency. If an agency receives a suspicious package, they can notify DGS and have them x-ray the package. He added that if they established a policy that all overnight packages would come through the resource center that DGS would not have the resources to handle the volume. Ms. Farrar noted that she has had DGS hold a suspicious package before. Mr. Segal asked about how many contractors are hired, and Mr. Damico responded that contractors are hired to pre-sort mail and to provide the postage meters. He added that the majority of the postage meters are from one vendor. He stated that DGS has looked into using one vendor to do all mail services and that they have attempted to compete out all that their employees do, but they have found it more cost effective to use existing employees. Mr. Green stated that Florida was not centralized – we could look at providing a centralized contract for state mail services in the Capitol square area and obtaining separate contracts for other areas of the state such as Tidewater.

Ms. Farrar asked if DGS was currently monitoring state agencies purchase of mail meters. Mr. Damico responded that are not formally monitoring the purchase of mail meters. Mr. Robert A. Archer asked how we would mandate the use and purchase of mail meters if it is proven that they are not efficient. Mr. Damico responded that they would need to study the efficiency of mail meters before monitoring of mail meters was implemented.

Surplus Property

Mr. Damico stated that it did not make sense to move heavy equipment across the Commonwealth so DGS contracted with a Richmond contractor (Motley's) and a Harrisonburg contractor (Harrisonburg Auto Auction) to minimize agencies' direct labor associated with sales; while awaiting sales, minimize long-term storage and security of surplus vehicles and equipment; and explore opportunities to increase sales revenue by reducing depreciation and holding costs. Auctions are held once a month in Richmond and every other month in Wytheville. Items sold at auctions are ones that are not needed by the Commonwealth or its localities. They are sold to the public. Senator Hanger commented that these auctions were something that they had advocated for. He also stated that there was a small matter with Wytheville and the Virginia Department of Transportation regarding how something was to be sold. Mr. Damico stated VDOT would like small items to also be offered through the auction process, however, the contract with Wytheville was designed for large items. Small items are to be transported by the state agency to the warehouse. In addition, often the types of equipment that VDOT provides for sale are items that are wanted and needed by localities so DGS is not quick to offer them to the public. Mr. Damico added that DGS needs to study this issue further and plans to meet with VDOT tomorrow [September 19, 2007] to discuss it. Ms. Farrar added that she had spoken with the Deputy Commissioner of VDOT, but the issue was not yet resolved.

Ms. Davis asked, "What does the sales i.e. \$36,762.50 represent?" Mr. Damico responded that it was general revenue. He added that the \$111,753.28 was for state and federal equipment sold over a thirty day period, whereas the \$36,762.50 was general revenue sold in just one day. Mr. Damico stated that they have had Internet sales for a year or two. They did have a contract for the Internet sales, but the vendor backed out because it was not profitable enough.

Real Estate

Mr. Damico stated that one of DGS' performance measures in Virginia Performs is leased square feet per full-time employee (FTE). It was 210 to 215 square feet per person and is now down to 205 square feet. He noted that federal government's square feet per FTE is 190 to 195. He added that DGS recently leased a building in Henrico for five agencies. DGS determined its meeting space needs and as a result were able to eliminate 6,000 square feet of meeting space. He noted that the \$31.8 million in cost avoidance mentioned on slide 28 was calculated based on yesterday's lease costs compared to today's lease costs and projected it over 7.4 years. Mr. Robert A. Archer asked if the cost savings/avoidance included colleges and universities, and Mr. Damico responded that it did include state colleges and universities – all state agencies and institutions. Delegate Hugo asked if DGS was looking at "hoteling." Mr. Damico responded that some folks who are on the road share cubes. He added that we should think about it more, especially for people who are in the office for short periods of time. Mr. Green stated that we could reutilize space if people could telecommute. Delegate Hugo stated that the Department of Tax eliminated their Northern Virginia offices by having employees telecommute. He reported that employees are happier. Mr. Green stated that there is a lot that state employees could do from home. Delegate Hugo responded that the big advantage is the quality of life of state employees. Mr. Damico added that we could do more to save work space. Delegate Hugo asked, "What do we need to do to push these issues?" Mr. Green stated that telecommuting reduces staff turnover, traffic on the highway, and parking costs. He remarked that we (DJJ) have not looked at it as saving space per FTE, but more from the perspective of travel and time savings. He added that there is a big difference between most of us [sitting at the table] and those coming into the workforce today. We can reduce training costs and would see a benefit. Senator Hanger stated that their meeting room may look like it's in good condition but that the General Assembly building as a whole is obsolete. It will cost \$200 million to replace it. He stated that perhaps they have evaluate leasing a

building instead. Senator Hanger thanked Mr. Damico for his update and stated that the Council will need to revisit some ideas.

For more information on these initiatives click on the following link:

<http://www.egovcompetition.com/ppt/egov2.ppt>

New Business

Senator Hanger introduced Mr. Michael W. Thompson, Chairman and President of the Thomas Jefferson Institute for Public Policy. Mr. Thompson stated that he was in front of the Council today to request use of the Council's COMPETE software program in order to promote the idea to localities. He stated that full credit of the software would be given to the Council. Senator Hanger stated that he saw it as an opportunity for the Council since they have been downsized and have not had a lot of opportunity to do things like this. He added that it would be good to partner with them on this. Ms. Farrar stated that we would need to check into the licensing agreement to see if state resources were used, and we would need to run it through the Attorney General's Office. Senator Hanger asked if there was a motion to proceed so long as all licensing issues were resolved. The motion to proceed was made by Delegate Hugo, and all Council members unanimously approved the motion.

Mr. Thompson stated that he developed an umbrella maintenance agreement with contractors of large machinery in another state and was able to save the state millions of dollars. Mr. Damico responded that DGS had attempted this concept once before and the contractor thought it was cost prohibitive. Senator Hanger asked Mr. Gentile to add the umbrella maintenance agreement to the list of potential Council projects.

Senator Hanger stated that there are other items of business. He said that the Council typically has a rotation of four meetings per year. He proposed a November and January meeting, and all members agreed. He stated that he would like to reflect back to the minutes of the last meeting to address the laundry list of issues in developing the agenda for the next meeting. He added that perhaps the Council should look at new priorities as well, but that the Council should also revisit the prior list. The Council will be polled for the next meeting in October 2007.

Election of Chairman and Vice Chairman

Senator Hanger reminded the committee that elections were held in the November 14, 2006 meeting for chairman and vice chairman where he was elected chairman and Mr. Edgardo Marquez was elected vice chairman. Since Mr. Marquez is no longer a member of the Council, his position is vacant. Mr. Hanger asked the Council if anyone wanted to declare their candidacy for vice chairman, and Mr. Segal responded that he was interested in declaring his candidacy. Senator Hanger asked if anyone else wanted to declare their candidacy, and there was no response. He then asked if there was a motion to accept Mr. Segal as vice chair. The motion was second by Ms. Davis, and all council members approved the motion.

Adjournment

Senator Hanger expressed excitement about the members of the Council. Senator Hanger asked if there was anything to add and since there was no response, the meeting was adjourned.

Next meeting

The Council will be polled for the next meetings tentatively scheduled for November 2007 and January 2008. The CCC would like to thank Cari Corr of the Department of Planning and Budget who was instrumental in the success of the meeting and the primary author of the meeting notes.

Jerry J Gentile
Department of Planning and Budget