

**State of Alaska  
FY2005 Governor's Operating Budget**

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

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**Regional Support Services Results Delivery Unit**

**Contribution to Department's Mission**

The mission of the Regional Support Services BRU is to provide leadership and accountability of regional activities and to support regional operations with quality procurement, current information technology and budgetary services.

**Core Services**

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

End Results	Strategies to Achieve Results
<p><b>(1) Increase cost efficiency of the department.</b></p> <p><u>Target:</u> Reduce the ratio of administrative overhead to total department costs by 3%.</p> <p><u>Measure:</u> Ratio of total administrative overhead funding as compared to total department costs.</p>	<p><b>(1) Improve procurement processing.</b></p> <p><u>Target:</u> Reduce procurement processing time by 10%.</p> <p><u>Measure:</u> Percent change in time from receipt of request to issuance of order compared to prior year.</p> <p><u>Target:</u> Reduce procurement violations by 1/3.</p> <p><u>Measure:</u> Percent change in the number of procurement violations compared to prior year.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> <li>• Create training for project managers on proper charging to capital projects.</li> <li>• Expand use of credit card purchases to reduce # of small invoices.</li> <li>• Reduce AMHS operational costs thru contract negotiations</li> <li>• Shift wide area network (WAN) responsibility to DOA/ITG.</li> </ul>	<ul style="list-style-type: none"> <li>• Analyze activities to determine if there is a better way of doing business.</li> <li>• Assure supervisory training is provided to all new supervisors.</li> <li>• Create on-line stock requests and better define the item or service requested on the stock request.</li> <li>• Find means of simplifying notification of invoice payment.</li> </ul>

FY2005 Resources Allocated to Achieve Results							
<p>FY2005 Results Delivery Unit Budget: \$4,276,800</p>	<p><b>Personnel:</b></p> <table> <tr> <td>Full time</td> <td>56</td> </tr> <tr> <td>Part time</td> <td>3</td> </tr> <tr> <td><b>Total</b></td> <td><b>59</b></td> </tr> </table>	Full time	56	Part time	3	<b>Total</b>	<b>59</b>
Full time	56						
Part time	3						
<b>Total</b>	<b>59</b>						

**Performance Measure Detail**

**(1) Result: Increase cost efficiency of the department.**

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

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

#### Indirect Overhead Cost Rate

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2003	not available	not available	not available	not available	5.5%
2004	not available	not available	not available	not available	5.5%

**Analysis of results and challenges:** The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines which is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY04 vary between 4.4% for harbor projects to 8.5% for planning projects. The federal highway project rate of 5.5% is used for year to year comparisons.

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

The department will continue to review methods of reducing overhead costs. Such a reduction will increase the amount of federal funds available for road and airport construction.

### (1) Strategy: Improve procurement processing.

**Target:** Reduce procurement processing time by 10%.

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

#### Average Days Taken to Process Purchase Requests

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2002	not available	not available	not available	not available	6.1
2003	not available	not available	not available	not available	9.8

**Analysis of results and challenges:** The amount of time it takes to process a purchase order varies widely due to their complexity and required methods of procurement based on the dollar value of the items. The following are statutory factors that impact performance measures in the purchase of commodities and services for the State of Alaska:

"Reasonable and adequate" competition is required at \$5,000 or less. This involves contacting only one potential vendor in appropriate circumstances. At least 3 verbal quotations are required between \$5,000 and \$25,000; but often required in writing for purposes of clarity and conformance to specifications. The written Request for Quotation (RFQ) process is required between \$25,000 and \$50,000 which requires issuance of the State's standard terms and conditions, written bid responses from vendors. The formal Invitation to Bid (ITB) process is required at \$50,000 and above which includes formulating specifications, advertising the State's requirements in at least 3 publications, allowing 21 days for bid circulation and a ten-day protest period prior to award of a contract.

Generally, the time required for a procurement increases with the monetary value and/or complexity of the particular item being purchased. For this reason, it is difficult to accurately measure and set performance standards with regard to procurement. Additionally the geographic remoteness throughout Alaska affects communication, approval processes, and delivery issues because of inclement weather conditions, vessels that are underway, and changing crews.

The implementation of BuySpeed procurement software has allowed for more efficient processing of stock requests and tracking subsequent purchases. Further efficiencies in processing stock requests will be obtained with monitoring of problem orders and addressing individual issues.

Southeast Region is being looked at as a potential area for outsourcing in conjunction with Chapter 51, SLA 2003 pilot procurement project.

**Target:** Reduce procurement violations by 1/3.

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

#### Number of Procurement Violations

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2002	not available	not available	not available	not available	4
2002	not available	not available	not available	not available	3

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

## Key RDU Challenges

- Continue to streamline the procurement process through the use of such tools as the department's BuySpeed Purchasing Program to efficiently provide goods and services while complying with all state, federal and local guidelines.
- Continue to test the software, Citrix, in expectation that it will enhance connectivity and speed issues inherent with having the BuySpeed database located in Juneau. Tests have shown great promise in the early stagesBuySpeed.
- Study enhanced uses of technology during this period of increased federal programs and no comparable growth in support functions. Systems that rely on information can benefit from technological solutions.
- Work continues on the BuySpeed System to allow end users to submit purchase requests through a web requisitioning program. This may have some initial loss of productivity but should ultimately increase the department's procurement efficiency.
- The implementation of the SE Alaska Transportation Plan continues to be of paramount importance over the next several years as significant resources will be used to design and construct the infrastructure for improved movement of people and commodities throughout the region. Decisive management and articulate leadership are essential to successfully implement this plan.

## Significant Changes in Results to be Delivered in FY2005

Service delivery reductions will be seen in some procurement processing and levels of administrative travel and legal advice requested.

## Major RDU Accomplishments in 2003

- The department continued efforts to resolve database connectivity issues and training for the BuySpeed Purchasing Program. This program is designed to streamline the procurement process by establishing and automating a procurement database, expanding reporting capabilities and enhancing management oversightBuySpeedBuySpeed. The contracting and procurement section has been aggressively exploring electronic commerce tools and electronic requisitioning for all customers, vendors and service providers. This e-commerce module would tie into BuySpeed, the procurement database software used by the department. In turn, the e-commerce module will reduce the number of steps in the procurement process.
- Advancements have been made with the AMOS Maintenance Management System, which provides the automated scheduling of maintenance and repairs for AMHS vessels. Likewise, the Management Information unit has made advancements in forecasting AMHS revenue. During the first quarter of FY03, the revised model forecasted total projected revenue to within one percentage point of the actual total revenue for FY03.
- Substantial improvements were made to the AMHS wireless bridges to enhance network connectivity. All of the Solectek units in southeast and southwest Alaska were replaced with Cisco 350 bridges. In addition, new antennas were installed on the vessels and at the ferry terminals. These modifications have produced the highest quality network connectivity that the AMHS has experiences to date.

- A virtual private network (VPN) solution has been implemented for AMHS vessels, which allows these ships to remain part of the state network while vessels are in layup status or during federal refurbishment projects. Additionally, the Computer Services Group is half way through the roll out process for upgrading all work stations/operating systems and applications throughout the AMHS fleet.
- Training continues to be provided to DOT&PF employees at least twice a year on property management and procurement processes. This training continues to increase efficiency and improves techniques of the requesting process by the customers of the procurement section.
- The Procurement section established annual (3 - 5 year) Construction Contracts for the Maintenance and Operations sections. These contracts, which are mainly utilized during the peak season has improved performance and has effectively controlled administrative costs. Some of the newly established contracts are equipment rentals, crushing contracts, fence repair, etc.
- Construction contracting has become a larger responsibility of the procurement section. Mandatory training has been attended by all procurement staff with one class remaining in FY 04. Once completed all procurement staff will hold a Construction Contracting Warrant certification.
- All Department of Administration mandated training requirements for small procurement related transactions, were fulfilled by the regional procurement staff. Each staff member holds level rated (Level I, Level II or a Level III) Procurement Officer Certifications.
- Emergency procurements due to icy road conditions in FY03 were handled expeditiously. The work required some procurement staff to handle life-threatening situations after hours and on weekends during the emergency. Even with changing conditions, solutions were effectively met.
- The department provided on-going state accounting system GENEVA and AKSAS training courses to departmental and other state agencies' employees.
- The department continued to ensure full regional participation in and commitment to the Commissioner's program to improve the department's management performance through University courses directed toward first line supervisors.
- Implementation of the SE Alaska Transportation Plan is on track. The plan encompasses construction of new roads, ferries, and terminals to enhance transportation in SE Alaska. As part of the plan, the first fast vehicle ferry M/V Fairweather is expected to begin revenue service May 1, 2004. The second FVF M/V Chenega is expected to begin revenue service May 1, 2005. The M/V Lituya is a new shuttle ferry that is expected to begin revenue service between Ketchikan and Metlakatla in May 2004.

### Contact Information

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

*All dollars shown in thousands*

	FY2003 Actuals				FY2004 Authorized				FY2005 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b>												
None.												
<b>Non-Formula Expenditures</b>												
Central Support Svcs	676.5	0.0	122.6	799.1	555.3	0.0	190.8	746.1	506.0	0.0	301.6	807.6
Northern Support Services	751.3	0.0	279.2	1,030.5	615.1	0.0	384.5	999.6	615.1	0.0	514.7	1,129.8
Southeast Support Services	420.9	0.0	1,739.2	2,160.1	346.6	0.0	1,822.6	2,169.2	317.4	0.0	2,022.0	2,339.4
<b>Totals</b>	<b>1,848.7</b>	<b>0.0</b>	<b>2,141.0</b>	<b>3,989.7</b>	<b>1,517.0</b>	<b>0.0</b>	<b>2,397.9</b>	<b>3,914.9</b>	<b>1,438.5</b>	<b>0.0</b>	<b>2,838.3</b>	<b>4,276.8</b>

**Regional Support Services  
Summary of RDU Budget Changes by Component  
From FY2004 Authorized to FY2005 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2004 Authorized</b>	<b>1,517.0</b>	<b>0.0</b>	<b>2,397.9</b>	<b>3,914.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Central Support Svcs	-49.3	0.0	85.1	35.8
-Northern Support Services	0.0	0.0	19.7	19.7
-Southeast Support Services	0.0	0.0	79.4	79.4
<b>Proposed budget decreases:</b>				
-Southeast Support Services	-29.2	0.0	0.0	-29.2
<b>Proposed budget increases:</b>				
-Central Support Svcs	0.0	0.0	25.7	25.7
-Northern Support Services	0.0	0.0	110.5	110.5
-Southeast Support Services	0.0	0.0	120.0	120.0
<b>FY2005 Governor</b>	<b>1,438.5</b>	<b>0.0</b>	<b>2,838.3</b>	<b>4,276.8</b>