State of Alaska
FY2010 Governor's Operating Budget

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

Regional Support Services Results Delivery Unit

Contribution to Department's Mission

Provide leadership and accountability of regional activities and to support regional operations with quality procurement 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 regionally-located staff of Headquarters, 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 Result	Strategies to Achieve End Result
A: Increase cost efficiency of the department. Target #1: Reduce the ratio of administrative overhead to total department costs by 3%. Status #1: There was a 4.5% decrease in the department's administrative overhead rate between 2008 and 2009.	**A1: Improve procurement processing.** Target #1: Reduce procurement processing time by 10%. Status #1: The time from receipt of stock request to issuance of an order increased from 1.29 days to 2.06 days in 2008. Target #2: No major procurement violations. Status #2: There were no procurement violations noted in 2007 which was an improvement over the 1 violation identified in 2006.

| Major Activities to Advance Strategies |
|---|
| • Expand use of credit card purchases to reduce the number of small procurement requests.
• Analyze activities to determine if there is a better way of doing business.
• Create on-line stock requests and better define the item or service requested on the stock request. |

FY2010 Resources Allocated to Achieve Results		
FY2010 Results Delivery Unit Budget: $3,287,100	**Personnel:**	
	Full time	35
	Part time	3
	Total	38

Performance

A: Result - Increase cost efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.
Status #1: There was a 4.5% decrease in the department's administrative overhead rate between 2008 and 2009.
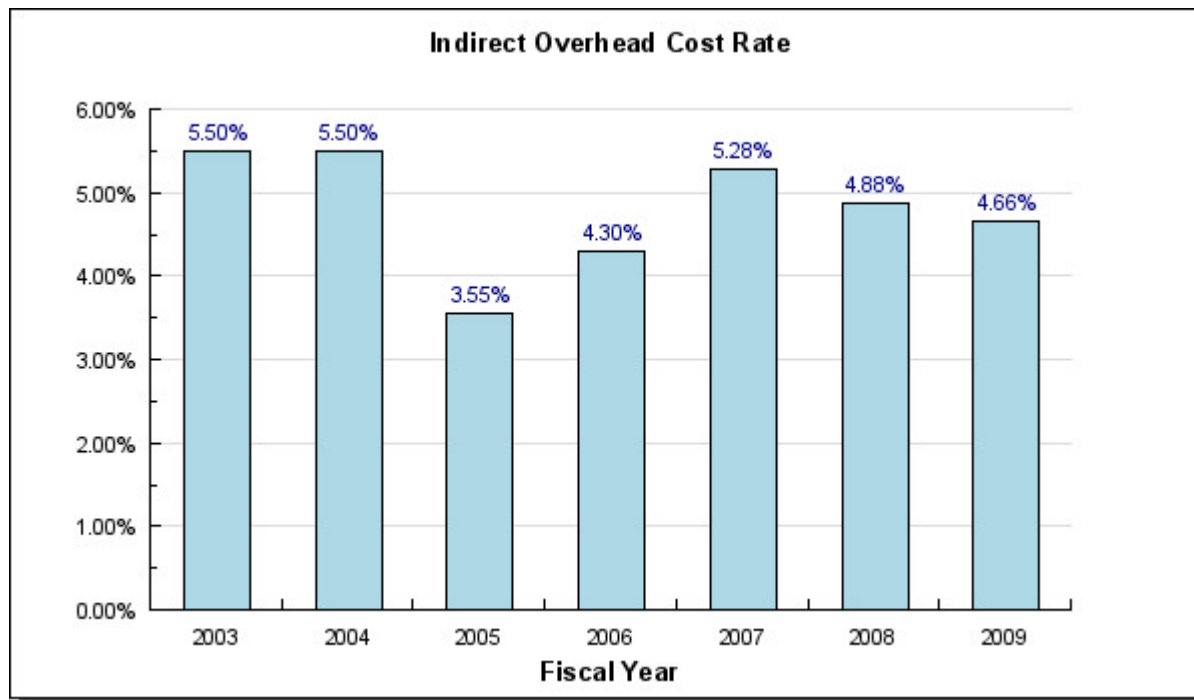
Indirect Overhead Cost Rate

Fiscal Year	YTD Total	% Change
FY 2009	4.66%	-4.5%
FY 2008	4.88%	-8%
FY 2007	5.28%	+23%
FY 2006	4.30%	+21%
FY 2005	3.55%	-36%
FY 2004	5.50%	0%
FY 2003	5.50%	

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 FY08 vary between 1% for harbor projects to 4.66% for highway projects. The federal highway project rate is used for year to year comparisons. FY08 rates were developed based on FY06 actual expenditure data.

The 2009 reduced rate reflects a slight increase in direct charges to Federal Highway funded capital projects.

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 the department 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. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

A1: Strategy - Improve procurement processing.

Target #1: Reduce procurement processing time by 10%.
Status #1: The time from receipt of stock request to issuance of an order increased from 1.29 days to 2.06 days in 2008.

Average Days Taken to Process Purchase Requests

Fiscal Year	Central Region	Northern Region	Southeast Region	Department-wide
FY 2008	1.9	2.48	1.8	2.06
FY 2007	0.51	1.82	1.25	1.29
FY 2006	4.0	3.8	5.0	not available
FY 2005	4.0	3.6	4.8	not available
FY 2004	4.5	3.7	4.5	4.25
FY 2003	not available	not available	not available	9.8
FY 2002	not available	not available	not available	6.1

Methodology: Results are reported on a state fiscal year basis.
FY2006 Southeast Region data identifies only Pilot Program procurements processed through the contractor, Alaska Supply Chain Integrators.
FY2007 results were calculated using data since the transition to the e-procurement system.

Analysis of results and challenges: In 2007 a web based e-procurement system was implemented in all three regions of the Department of Transportation and Public Facilities (DOT/PF). Requisitions are now submitted electronically which allows procurement staff the ability to respond many times faster to completed and approved requisitions. As such, it may now be appropriate to measure procurement response time in hours instead of days

The amount of time it takes to process a procurement varies due to the complexity associated with the dollar limits of various procurements. Generally the majority of procurements fall in the range of $5,000 or less requiring Reasonable and Adequate competition. This area accounts for the greatest decrease in time to process.

"Reasonable and Adequate" competition is required for each expenditure valued at $5,000 or less and involves contacting only one potential vendor in appropriate circumstances. At least three verbal quotations or proposals are required between $5,000 and $25,000; but are often required to be submitted in writing for purposes of clarity and conformance to specifications or scope of services. The Request for Quotation (RFQ) process or Informal Request for Proposals (IRFP) is required for expenditures valued at $25,000 to $50,000 and also requires issuance of the State's Standard Terms and Conditions or General Provisions and written responses from vendors. The formal Invitation to Bid (ITB) or Request for Proposals (RFP) process is required at $50,000 and above, which involves formulating specifications, advertising on the Online Public Notice (OPN), allowing 21 days for solicitation, receiving sealed bids or proposals and providing a ten-day protest period prior to award of a contract.

Construction related procurement processes are more complex and require additional time for processing. Most construction procurements are federally funded which require staff to be knowledgeable of federal regulations.

The e-procurement purchasing and inventory web based software was implemented statewide in February 2007 to produce greater efficiencies in the contracting, procurement and warehouse environments in the Southeast, Central and Northern Regions. Further efficiencies will be obtained by increasing the number of Stock Requests that are submitted and approved online, monitoring problem orders, and addressing individual issues timely.

Target #2: No major procurement violations.
Status #2: There were no procurement violations noted in 2007 which was an improvement over the 1 violation identified in 2006.

Number of Procurement Violations

Fiscal Year	YTD violations	Change from prior year
FY 2008	1	+1
FY 2007	0	-1
FY 2006	1	+1
FY 2005	0	0
FY 2004	0	-3
FY 2003	3	-1
FY 2002	4	not available

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. 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 issues 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

- Streamlining the department's procurement process is essential so that goods and services continue to be provided in a timely and efficient manner in accordance with all state and federal guidelines. Through the use of the department's automated procurement system, BuySpeed, we are able to improve information gathering and reporting. The department has implemented a new BuySpeed web-based procurement system that allows end users to submit purchase requests online. The system also allows online approvals, financial coding, solicitation, receiving and record keeping.
- With broader delegation of purchase authority through purchase cards and the implementation of the electronic procurement system, continued training is required for all DOT&PF staff to ensure all procurement rules are being followed. This will have a positive impact to the Procurement Offices by reducing the number of purchasing violations needing to be addressed.
- Increased use of technology is being aggressively pursued to enhance efficiency in order to accommodate growth in the department's construction and maintenance efforts with no commensurate increase in funding for support functions.

Significant Changes in Results to be Delivered in FY2010

No significant changes are anticipated.

Major RDU Accomplishments in 2008

Implemented BuySpeed Online (the new electronic procurement system) and trained all region staff on its use.

Provided training to regional department employees at least twice a year on property management and procurement processes. This training continues to increase efficiency and improve service to customers.

Contact Information

Contact: Nancy J. Slagle, Director, Division of Administrative Services
Phone: (907) 465-3911
Fax: (907) 465-3124
E-mail: Nancy.Slagle@alaska.gov

Regional Support Services
RDU Financial Summary by Component

All dollars shown in thousands

	FY2008 Actuals				FY2009 Management Plan				FY2010 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
Formula Expenditures None.												
Non-Formula Expenditures												
Central Support Svcs	724.4	0.0	369.2	1,093.6	1,007.7	0.0	339.0	1,346.7	700.4	0.0	340.8	1,041.2
Northern Support Services	719.5	0.0	565.0	1,284.5	973.4	0.0	380.8	1,354.2	995.1	0.0	382.6	1,377.7
Southeast Support Services	211.5	0.0	467.5	679.0	312.8	0.0	571.7	884.5	330.8	0.0	537.4	868.2
Totals	**1,655.4**	**0.0**	**1,401.7**	**3,057.1**	**2,293.9**	**0.0**	**1,291.5**	**3,585.4**	**2,026.3**	**0.0**	**1,260.8**	**3,287.1**

Regional Support Services
Summary of RDU Budget Changes by Component
From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2009 Management Plan	**2,293.9**	**0.0**	**1,291.5**	**3,585.4**
Adjustments which will continue current level of service:				
-Central Support Svcs	-307.3	0.0	1.8	-305.5
-Northern Support Services	21.7	0.0	1.8	23.5
-Southeast Support Services	18.0	0.0	-34.3	-16.3
FY2010 Governor	**2,026.3**	**0.0**	**1,260.8**	**3,287.1**