ALASKA DEPARTMENT OF ADMINISTRATION

DISCUSSION OF CONSOLIDATION/PRIVATIZATION, ALASKA LAND MOBILE RADIO, ENTERPRISE TECHNOLOGY SERVICES, RECAPTURE OF EXCESS FUNDS, AND UNIVERSAL SPACE STANDARDS

Presentation to

Senate Finance Subcommittee

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CONSOLIDATION/PRIVATIZATION

CENTRALIZATION VS. DECENTRALIZATION

Division of Personnel and Labor Relations - HR Decentralization

(recently partial decentralized)

- In 2004 Governor Murkowski initiated centralized services across state government
- Many were successful, but the HR centralization was **not** well received
- Many departments complained it was inefficient to centralize all HR functions
- In 2011/2012 many HR functions were moved back to departments to allow agency staff to become more nimble and knowledgeable about their workforces
- Duties transferred back to the departments:
  - Discipline
  - Recruitment
  - Performance/Behavior Management
  - Grievance/Complaint Responses
  - Providing guidance to managers
- Duties kept at the Department of Administration
  - Payroll
  - Classification
  - Labor Relations
  - Statewide recruitment
  - EEO
  - Training

CENTRALIZATION VS. DECENTRALIZATION

Office of Administrative Hearings – Medicaid cases from DHSS

(centralized in 2012)

- Prior to July 1, 2012, public assistance and Medicaid appeals were handled by an in-house unit at DHSS. The H&SS unit hearing unit had four hearing officers and one staff member
- July 2012– this function is consolidated at OAH, and the hearing officer staff was reduced by one.
- Up until 2008, the annual caseload in the H&SS unit was 600-1100 cases per year. In early 2008, this caseload began to be artificially depressed by a series of court injunctions against DHSS.
- After assuming the cases from DHSS in 2012, the caseload related to this work began to drive an increase in OAH's caseload
  - Caseload tends to be driven by benefit reduction/denials of Medicaid Waiver services and PCA services
- Medicaid Services Case Intake, Selected Years:

2007	2009	2012	2014
1091	314	453	1493

IRIS - PROCUREMENT SAVINGS

Integrated Resource Information System (IRIS) Procurement Savings

- **Warehouse Inventory** – Provides the ability to acquire, disperse, and restock commodity items in a controlled and consistent manner that allows for annual reconciliation.
- **Vendor Self-Service** – Allows vendors to manage their account information, initiate invoices, research payment history, and review business opportunities with the State.
- **Electronic Funds Transfer** – Secure program for transfer of funds and eliminates warrant printing and handling.
- **Accounts Receivable** – Monitor and facilitate timely receipt of outstanding accounts receivable.
- **Accounts Payable** – Requisition to payment workflow within a single system greatly improves accuracy, accountability, and internal controls.
- **Security and Workflow** – Internal control for document access and approval process based upon business role and responsibility

PRIVATIZATION: DMV

- The Division of Motor Vehicles contracts with 32 DMV-services storefronts who conduct title and registration transactions.
- The private contractors charge fees for the service—whatever the market will bear.
- In FY2014 storefronts processed 335,340 transactions and DMV processed 810,0615 transactions.
- To process the same number of transactions as the storefronts, the state would have to hire approximately 36 additional state employees at a cost of approximately $2.3 million.
- We would like to expand the number of contractors but for now we are constrained by staff for oversight.
- No other states completely privatize DMV services. Because of federal and state regulations and statutes, vehicle and driver information must be collected and stored in a way to safeguard privacy.

PRIVATIZATION: CENTRAL MAIL

- Central Mail Service (CMS) operates only in Juneau.
- Rates are trued up to customer agencies twice a year to make sure they are not over-charging.
- CMS pays the lowest postage available from the USPS.
- CMS provides pickup and delivery multiple times a day to 77 customer agencies in Juneau.
- CMS provides courier services and delivers both USPS and inter-office mail .
- Because of the consolidation, individual agencies do not have to:
  - Purchase postage machines
  - Use staff for courier services
  - Purchase or use state vehicles for mail delivery
  - Pay post office box fees
  - Pay extra for the work required for bulk mailings (Retirement and benefits, payroll, PFD, etc)
- Division of General Services has reached out to large scale private sector vendors in Juneau and Anchorage to see if there is interest in providing CMS services.
- There was some interest but vendors were not inclined to provide full cost models without an RFP.
- Before we could move forward, under our agreements with the unions representing the workers at CMS, we would need to do a feasibility study.

ENTERPRISE TECHNOLOGY SERVICES

ENTERPRISE TECHNOLOGY SERVICES - OVERVIEW

A Suite of Centralized Services

- **Enterprise services are those for historical reasons are deemed to be core services needed by a majority of departments.**
  - Mainframe Services*
    - Grew out of necessity, agencies adopted solutions many years ago
  - Network, WAN, Internet
    - Optimized delivery ensures reliable core networking
  - Telephone/VoIP
    - Utilizes the enterprise network delivered via the same infrastructure
  - FlexPod/Cloud*
    - Hosting services for agencies – migration enabler (ex. IRIS from Mainframe to FlexPod)
  - Videoconference
  - SATS/ALMR
    - Interoperable nature allows service to multiple customer demographic (first responder, police, fire, agencies)
  - Enterprise Application Development (i.e. myAlaska, Online Public Notice System)
  - State Security Office (lead for executive branch)
  - Email Hosting*

** Under review for consolidation and/or privatization*

ENTERPRISE TECHNOLOGY SERVICES – RECENT WINS

CORE CONTRACT "UNBUNDLING"

- Worked in cooperation with the Division of General Services to take a "Best Value" approach to bidding Enterprise-wide service delivery of certain services that were previously provided by one vendor.
- Realized best outcome with better service for a lower price
- Estimated potential savings to agencies over the life of the five-year contract:

Service Bundle	Contractor	Base Amount	Potential Amend	Potential Total	Total Budgeted (RFP)	Difference
1. Wired Telephony	GCI	$14.8 million	$2.25 million	$17.05 million	$25.0 million	**($7.95 million)**
2. Network Management	Alaska Comm.	$2.4 million	$5 million	$7.40 million	$12.5 million	**($5.10 million)**
3. Video Conferencing	GCI	$3.2 million	$350,000	$3.55 million	$5.0 million	**($1.45 million)**
4. Help Desk	GCI	$972,000	$350,000	$1.32 million	$7.5 million	**($6.18 million)**
			Total	$29.32 million	$50 million	**($20.68 million)**

Note: The budget presented in the RFP was based on past budgets, historic usage, and billings to ETS and all state agencies

- Instead of having telephone circuits, data circuits, internet provision all provided by one vendor, the contract was offered flexibly to allow vendors with ability to deliver one of the component services less expensively the opportunity to bid in on that service.

IT CONSOLIDATION – INTELLIGENT INTEGRATION

How could Intelligent Integration work?

- Catalog all IT services to identify "Commodity Services"
- Key criteria:
  1. Has this service lost its "uniqueness" to the business unit?
  2. Will savings be realized if the service is centralized?
  3. Decision to buy or build: What's the best option? In house centralization? Whole or partial outsource?
  4. Periodically refresh the catalog (yesterday's "unique" is today's commodity

Centralization/standardization may require investment, especially when if central service provider is providing a substantially better service.

IT CONSOLIDATION – POTENTIAL COST SAVINGS

Short and Mid-term commodity candidates

- Email hosting and storage
- Data storage
- Mainframe computing
- Standard Business Applications (MS Office Suite)
- Telecom
- Data Center Consolidation
- Desktop Support
- Security

Potential Long Term candidates

- Business Applications
- Development Platforms

Reinvestment of a portion of the savings in IT is a key to continued success

RECAPTURE OF EXCESS FUNDS

RECAPTURE OF VARIOUS FUND BALANCES

Below is a list of funds that meet the criteria of having a balance of $50 million available:

1) Statutory Budget Reserve Fund — **$2,122,657,391** ***(as of 1/28/15)***
2) School Construction Grant Fund — ***(TBD)***
3) Public Education Fund — **$1,247,979,897** ***(as of 3/4/15)***
4) AK Higher Education Investment Fund — **$444,138,789** ***(as of 2/27/15)***
5) Community Revenue Sharing Fund — **$172,061,877** ***(as of 2/27/15)***
6) Power Cost Equalization Endowment Fund — **$947,459,125** ***(as of 3/4/15)***
7) Alaska Gasline Development Corporation's (AGDC)
   In-State Natural Gas Pipeline Fund — ***(SEE ATTACHED)***
8) Alaska Industrial Development and Export Authority's (ADIEA)
   Sustainable Energy Transmission and Supply Development Fund (SETS Fund)
   $88,375,202 ***(as of 2/28/15)***

NOTE: The balances above take into consideration cash, liabilities, reserves for encumbrances and continuing appropriations, and any uncollected restricted revenue reported in AKSAS.

RECAPTURE OF VARIOUS FUND BALANCES

We excluded the following types of funds from the analysis:

- retirement trust funds
- bond or debt service funds
- funds that were established with federal funding and have specific federal requirements for use (examples-- Alaska Drinking Water and Clean Water Funds)
- constitutionally dedicated funds (examples-- Fish and Game Fund, Public School Trust Fund)
- revolving loan funds
- University and Railroad funds

Additional Information on funds:

- The most current Constitutional Budget Reserve Fund balance can be found at http://treasury.dor.alaska.gov/Investments/ConstitutionalBudgetReserve.aspx.
- The most current Permanent Fund Earnings Reserve Account balance can be found at http://www.apfc.org/_amiReportsArchive/APFC201412.pdf.

UNIVERSAL SPACE STANDARDS

WHY UNIVERSAL SPACE STANDARDS (USS) WERE IMPLEMENTED

- To reduce the amount of square feet leased by the State.
- Relocate Agencies to less expensive State owned facilities or reduce the size of leased properties.
- To ensure the state utilizes owned and leased space in the most efficient manner possible with consideration of agency missions and special needs.
- To consolidate resources such as copiers, printers, and faxes in central office locations allowing all space to be used more efficiently.
- To ensure all employees have access to more natural light.
- To provide a more ergonomic work stations and office environment.
- Reduce electrical consumption from personal appliances located in cubicles such as mini fridges, coffee machines, fans, heaters, etc. by providing fully equipped cafes on different floors.
- Provide improved ventilation of work areas (open concept vs. multiple walls)

RECENT HISTORY OF LEASE COSTS

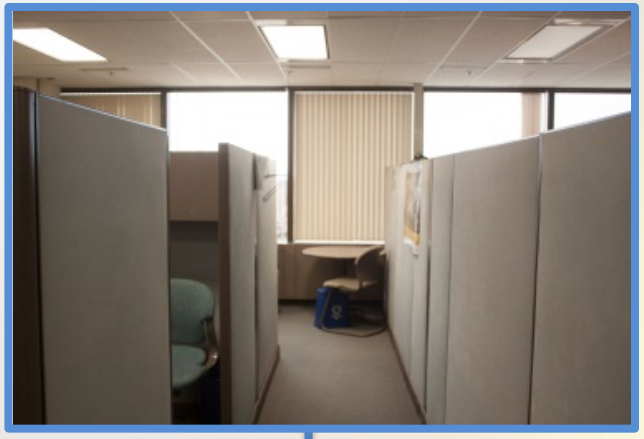
The state has experienced a steady increase in private lease costs as a result of the following factors:

- Local utility increases
- Commercial real estate supply and demand
- Property insurance increases
- Local property tax and downtown business improvement assessment increases
- Increases in services contracts, i.e., janitorial, elevator

	Total Square Footage	Total Annual Lease Cost
Office	1,388,767	$36,425,929
Office & Warehouse or Clinic combo	502,159	$10,343,080
TOTAL	**1,890,926**	**$46,769,009**

	Private Lease FY15			Public Bldg. Fund - State Lease FY15		
City	**Lease #**	**Dept.**	**Cost per sq ft**	**PBF Building**	**Dept**	**Cost per sf**
Anchorage	2382	LAW	$3.29	Nome State Office Bldg.	Multiple	$2.50
Nome	2299	HSS	$3.00	Fairbanks Reg. Office Bldg.	Multiple	$2.25
Juneau	2208	DCCED	$2.78	Juneau State Office Bldg.	Multiple	$2.21
Fairbanks	2666	DMVA	$2.65	Anch Atwood	Multiple	$1.53
				LPPG	Multiple	0.31

BEFORE/AFTER – ATWOOD 4TH FLOOR



Before New Standards

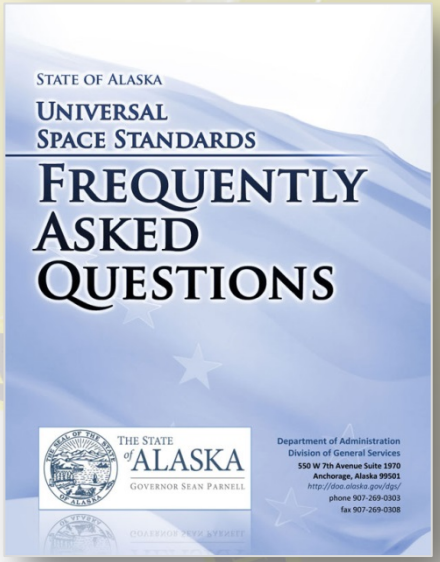
After New Standards

ADDITIONAL INFORMATION ONLINE

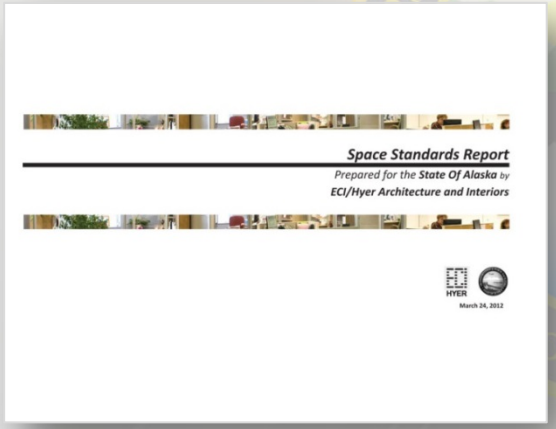
"Space Standards" page on www.Doa.Alaska.gov/DGS

Space Standards Quick Guide (PDF)

Space Standards Manual (PDF)



Space Standards FAQ (PDF)



Space Standards Analysis Report (PDF)

ALASKA LAND MOBILE RADIO

OVERVIEW OF ALASKA LAND MOBILE RADIO (ALMR)

ALMR is a 24-7-365 communications system, providing public safety radio communications in Alaska

- Daily operations, DPS, DOT, municipalities, others
- Interoperable emergency use across multiple users and organizations
- Secure
- Compliance with FCC and other requirements, such as
  - Narrowbanding
  - Statute, security
  - Multi-frequency waiver

ALASKA LAND MOBILE RADIO (ALMR): WHAT IT IS AND IS NOT…

ALMR IS:

- VHF (very high frequency 30mhz – 300mhz)
- Line of sight, efficient over long distances
- Both daily and interoperable communications
- Not limited to proprietary radios

ALMR IS NOT:

- Not intended to be a wireless data network
- 700 MHz, but is fully interactive with AWARN
- Better building penetration

INTEROPERABLE IMPORTANCE

Interoperable:

- True incident command; coordinated multi-agency disaster response
- Ability to work with national agencies in times of disaster - Division of Homeland Security and Emergency Management

- **EXAMPLE:** Alaska fire season allows firefighters from lower 48 to help respond to fires in AK with standardized, interoperable communications equipment, and vise versa for responding to fires during Alaska's off season

WHO USES ALASKA LAND MOBILE RADIO?

Typical Users (select examples):

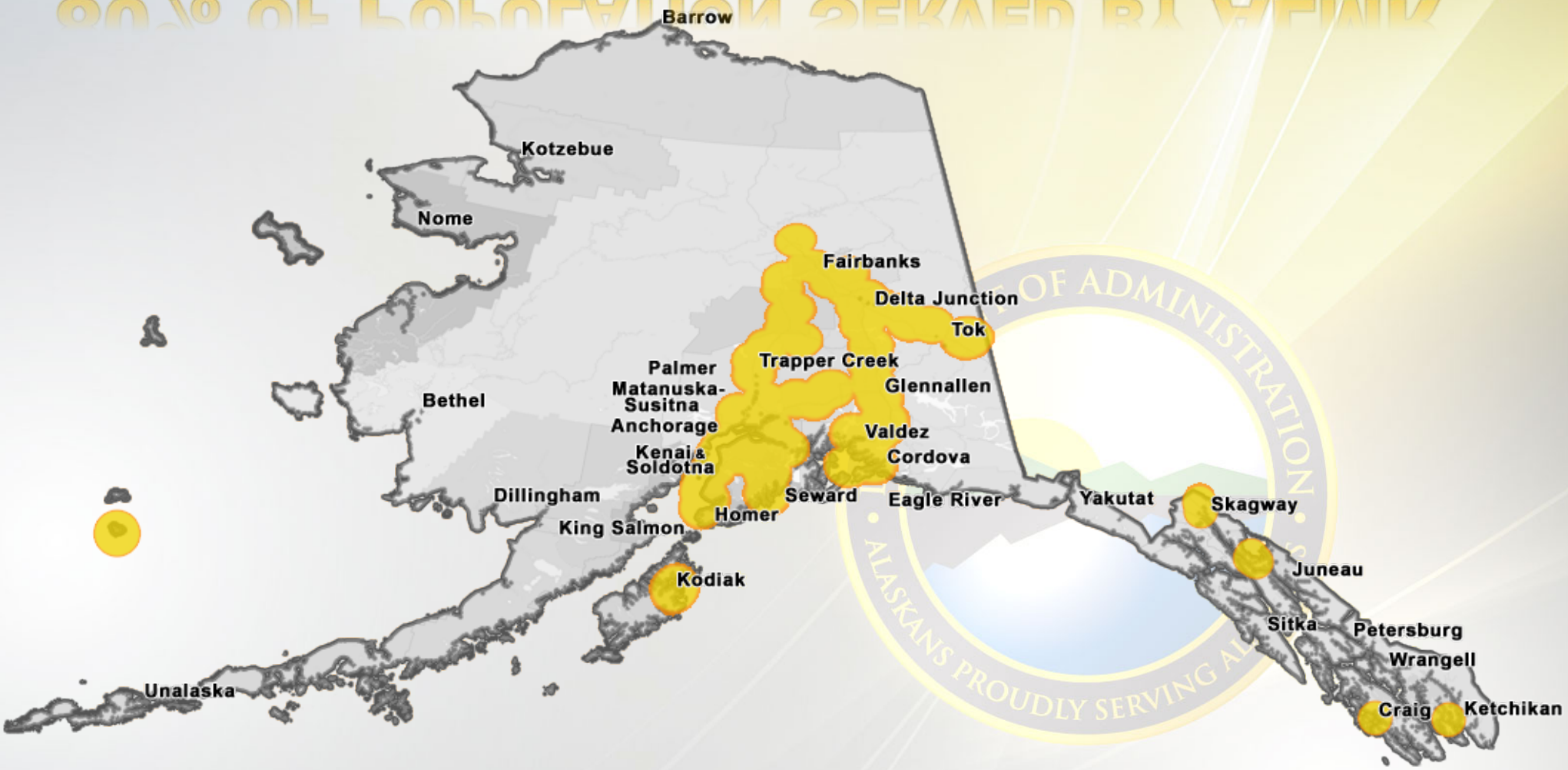
- Anchorage Municipal Light and Power
- Fairbanks Fire Department
- North Star Volunteer Fire Department
- Manley Volunteer Fire Department
- Providence Seward Medical & Care Center
- Mt. Sanford Tribal Consortium
- Central Peninsula Hospital
- Delta Rescue Squad (Delta Junction)
- Department of Public Safety (Alaska State Troopers)
- Department of Natural Resources (fire season)
- Department of Transportation
- US Bureau of Land Management

CORE TO PUBLIC SAFETY COMMUNICATIONS

- **122 public safety agencies currently use as core of their daily communications**
- Today's ALMR system connects more than 1.2 million calls monthly
- 23,000+ Public Safety Radios
  - State of Alaska: 6,859
  - Department of Defense: 7,238
  - Federal Agencies: 906
  - Municipalities / NGOs: 8,270
- 82 ALMR Sites / 12 AWARN Sites
  - Covers most of the Parks, Seward, Richardson, Glenn and Alaska Highways, as well as Juneau, Skagway and portions of Kodiak Island.

ALMR COVERAGE

80% OF POPULATION SERVED BY ALMR



ALTERNATIVES?

Cell Phones

- No incident command capability, one-to-one only
- Congestion risk proven

Radio Systems

- Large capital re-investment
- Unnecessary duplication, complexity
- Loss of frequencies
- Loss of interoperability

Satellite

- Need more than one – several
- High initial cost, relative high risk

ALTERNATIVES: 2011 FEASIBILITY STUDY

- The Commissioner of Administration delivered the Alaska Land Mobile Radio (ALMR) Feasibility Study to the 27th Legislature in 2012.
- The report addresses anticipated operating and capital costs of sustaining the current system and the sources of funds that will be used to fund those costs.
- The report also considered alternatives to the ALMR network and projected their costs.
- **RESULT OF STUDY:** Feasibility study found that ALMR is the most cost effective communication for the State of Alaska daily operations with the essential capability of multi-agency, multi-jurisdictional disaster response (interoperability).

REQUIREMENTS OF AN ALTERNATIVE

Table 10: Requirements Compliance Matrix for Public Safety Communications

	Public Switched Telephone Network / GETS[32]	Cellular Nationwide Wireless Priority Service (WPS)	Public Safety LTE network	Commercial Satellite Phone Service	IEEE 802.16m Mobile Wireless Networks (WiMAN[33])	High-frequency (HF) and Low-band VHF	Motorola iDEN System[34]	**Existing ALMR**
LMR backbone infrastructure								
Operating mode primarily for voice communications								
Dispatch capability								
Wide Area capability								
Communications across State, Federal, DOD and local jurisdictions								
Secure communications								
Compatibility with disparate radio systems, both digital and analog								
Interface capability to aviation, maritime, and legacy LMR systems								
High level of redundancy								
P25/TIA-102A standard compliant								

Compliance Color Index: YES | | NO

[32] Government Emergency Telecommunications Service, http://gets.ncs.gov/index.html
[33] commercially known as WiMAX
[34] Used for Prudhoe Bay wide area communication (discontinued by manufacturer)

SOURCE: 2011 ALMR Feasibility Study

ALMR – FY 15 FUNDING AND FED RECEIPTS

- Non-DoD Feds $84,000
- DoD (paid direct contractors) $233,000
- DoD (paid direct to state) $54,000
- On-Behalf Munis / NGOs $500,000
- Maintenance and operations $3,857,000

(M&O is SATS and ALMR funds)

FY 16 Governor Amended Budget - No new funding requests and proposed reductions of:

- ($770,700) State of Alaska Telecommunications System (SATS)
- ($375,800) Alaska Land Mobile Radio (ALMR)
- ($340,000) Political Subdivisions (Poli-sub)

BUDGET QUESTION: FUTURE FUNDING

ALMR will require future requests for funding that may include:

CAPITAL COSTS

- System maintenance - required for major periodic upgrades to both equipment and the software system the operates the system – the same as for any SOA digital infrastructure from email to system security.
- Rural access - as terrestrial fiber backhaul expands into rural Alaska (e.g. the new GCI SW Terra Project across the Y-K Delta), capital costs could be required to extend the system into those areas if a policy decision is made to do so. Public safety officials in rural Alaska are currently without any interoperable form of communication outside of the major communities and villages.

OPERATING COSTS

- Short-term - possible state assistance would be required if ALMR experiences Federal agency funding cuts
- Long-term - there will be operational costs outside standard inflationary increases for any expansion into rural Alaska.

EXAMPLE: FUNNY RIVER FIRE

- Consumed an estimated 195,858 acres when finished
- Reported issues on ALMR busy signals during critical fire response

An audit of the ALMR usage was conducted for the **96 hour period** from May 23, 2014 to May 26, 2014 and covered the seven (7) ALMR sites closest to the fire suppression activities

- Firefighters battling the blaze using ALMR
- Evacuation of residents and involved the Alaska State Troopers (AST) further increased ALMR usage
- The seven sites "processed" 84, 945 "conversations" for a total of 213 hours of talk time
- A total of 765 "busies" were reported by the System amounting to a total of 63 minutes
- **"Busies" accounted for less than 1% of calls during busiest period of the Funny River Fire**

Thank you!

Visit **www.DOA.alaska.gov**

for more information about our department.

Questions?