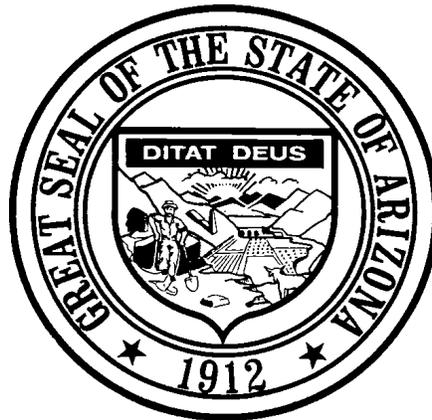


# ARIZONA DEPARTMENT OF ADMINISTRATION

## STRATEGIC PLAN

FISCAL YEARS 2004-2008



J. ELLIOTT HIBBS  
DIRECTOR

## ARIZONA DEPARTMENT OF ADMINISTRATION

The Arizona Department of Administration (ADOA) is comprised of the Director's Office and eight divisions: Financial Services, General Services, Human Resources, Information Services, Management Services, Internal Technology Services, Arizona Governor's University and Capitol Police. These divisions provide a range of services to state agencies such as: accounting services; human resource services, including the administration of the state's health insurance programs; telecommunication and mainframe services; security for the Phoenix Capitol Mall and Tucson Office Complex; management of the state's fleet; and the administration of the state's property and liability self-insurance program.

### VISION

ADOA: A great place to work that delivers “knock-your-socks-off<sup>®</sup>” service.

### MISSION

To provide effective and efficient support services to enable government agencies, state employees and the public to achieve their goals.

#### *Our Values*

- Employee Focus:* We care about each other, encourage personal growth and recognize accomplishments.
- Customer Focus:* We strive to understand and anticipate our customers needs and deliver services that exceed their expectations.
- Quality:* We provide exceptional value and vigorously pursue improvement.
- Integrity:* We accept personal responsibility and behave ethically.
- Teamwork:* We achieve our greatest success by working together.

## AGENCY GOALS

- To increase customer satisfaction
- To develop a high performance workforce
- To improve organizational effectiveness and efficiency

## STRATEGIC ISSUES

- Attract, Retain, and Educate Employees
- Information Technology Efficiencies
- Cost-Efficient and Effective Public Facilities
- Productivity, Cost-Effectiveness, and Customer Service
- Security and Safety

## BUDGET

### Funding and FTE Summary (Thousands)

	FY 2002 Actual	FY 2003 Estimate
General	24,789.9	23,319.3
Other Appropriated	136,284.6	169,404.4
Other Non Appropriated	434,373.5	522,370.1
Federal	<u>241.2</u>	<u>212.6</u>
Program Total.....	595,689.2	715,306.4
FTE Positions	1,070.5	1,020.3

## Strategic Issue #1 Attract, Retain, and Develop Employees

**Problem:** Alarming statistics: 47.2% of new employees voluntarily leave Arizona state service within the first year of service, and 69.4% voluntarily leave Arizona state service within 1 to 3 years of service. The state's excessive turnover can be attributed to low starting salaries, insufficient and sporadic pay increases, lack of development and education opportunities, a dysfunctional position classification system, and the lack of financial support for career development and advancement of state employees.

The financial impact of turnover is staggering, and according to the Harvard Business Review, frequent estimates of turnover costs can span \$10,000 to \$40,000 per person, depending upon their position, including search fees, training costs and more. Agencies, according to some experts, may experience costs of up to two-and-a-half times the former employee's salary.

Indirect costs such as loss of knowledge, breakdown in relationships with customers, and inefficiencies in productivity must also be considered, as well as the impact on remaining employees' morale. In addition, employee stress caused by unmanageable workloads can create negative work environments, service interruptions or delays, and added customer frustration, leading to even greater problems retaining talented employees.

Clearly finding ways to attract and retain high quality staff must be a focus for Arizona State government.

**Changes in Separations from State Service by Wage and Salaried Employees 1997 - 2002**

Year	Total Employees	Retirements		Resignations		Terminations		Other		Total Turnover		
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
1997	Wage	2,360	11	0.5%	327	13.9%	58	2.5%	735	31.1%	1,131	47.9%
	Covered	31,942	334	1.0%	3,301	10.3%	732	2.3%	342	1.1%	4,709	14.7%
	Uncovered	1,960	20	1.0%	318	16.2%	45	2.3%	59	3.0%	442	22.6%
1998	Wage	2,248	19	0.8%	363	16.1%	54	2.4%	820	36.5%	1,256	55.9%
	Covered	32,261	273	0.8%	3,332	10.3%	712	2.2%	282	0.9%	4,599	14.3%
	Uncovered	2,193	16	0.7%	197	9.0%	23	1.0%	44	2.0%	280	12.8%
1999	Wage	2,344	7	0.3%	374	16.0%	66	2.8%	787	33.6%	1,234	52.6%
	Covered	32,306	323	1.0%	3,692	11.4%	835	2.6%	298	0.9%	5,148	15.9%
	Uncovered	2,761	20	0.7%	273	9.9%	52	1.9%	86	3.1%	431	15.6%
2000	Wage	2,308	13	0.6%	407	17.6%	81	3.5%	861	37.3%	1,362	59.0%
	Covered	32,072	309	1.0%	3,904	12.2%	838	2.6%	244	0.8%	5,295	16.5%
	Uncovered	3,469	18	0.5%	397	11.4%	63	1.8%	72	2.1%	550	15.9%
2001	Wage	2,473	8	0.3%	245	9.9%	57	2.3%	506	20.5%	816	33.0%
	Covered	31,957	267	0.8%	3,647	11.4%	717	2.2%	233	0.7%	4,864	15.2%
	Uncovered	4,058	24	0.6%	434	10.7%	69	1.7%	57	1.4%	584	14.4%
2002	Wage	2,160	7	0.3%	120	5.6%	45	2.1%	390	18.1%	562	26.0%
	Covered	31,986	249	0.8%	2,897	9.1%	638	2.0%	292	0.9%	4,076	12.7%
	Uncovered	4,360	19	0.4%	284	6.5%	67	1.5%	63	1.4%	433	9.9%

The majority of employees hired with the State of Arizona are considered salaried employees, including covered and uncovered employees. Wage employees are those employees who are hired on a temporary basis and earn an hourly wage. This table represents filled positions only – it does not include vacant positions. The distinction is made between "covered" employees (employees in positions covered by the ADOA personnel rules) and "uncovered" employees (employees in positions not covered by the ADOA personnel rules).

## Attract, Retain, and Develop Employees Strategies

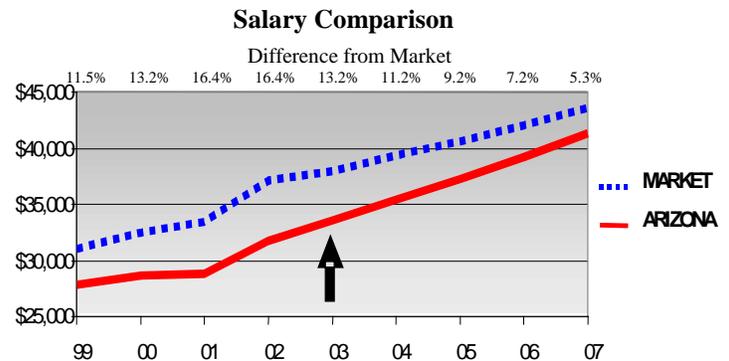
**Strategy: Improve compensation levels for state employees:**

- Establish a compensation plan to provide for annual adjustments to an employee's base salary until they reach the midpoint of their range.
- Establish a salary component to provide for performance or merit increases, which will be distributed only to high performing employees.
- Establish a component to ensure all salaries keep pace with projected market movements over the next five years
- Continuation of some salary market adjustment monies to address situations where a particularly class of positions is further behind the market and in an inequitable compensation position compared to other state jobs.

**Description:** The plan outlined in the 2002 Annual Salary Recommendation incorporates all current thinking regarding compensation plan design. It will fulfill the Legislature's stated goal in 1998: "That employee compensation be considered competitive if it is within five percent of market compensation, including salary and benefits." (Laws 1998, Chapter 292, § 17). This plan will also improve the state's investment in human capital to improve retention of key employees, reduce costly turnover, and most importantly, improve customer service. Finally, it will close the gap that relentlessly grows between the average compensation of state service employees and the overall public and private labor markets in Arizona.

*In order to establish a competitive stance in the Arizona labor market, it is essential that an aggressive, 21<sup>st</sup> century compensation plan be established. The job market currently exceeds the average employee's salary by 16.4% according to the latest Joint Governmental Salary & Benefits Survey (JGSS). Furthermore, it currently takes an average of 10 years for a state employee to reach their pay range midpoint, even though most employees are trained and fully proficient after 4 or 5 years of service. Increases in health care premiums in the last 10 years have absorbed some of the employee compensation increases, negatively impacting buying power and living standard expectations for employees, particularly those in the lower salary brackets and who select the Point of Service plan option. Clearly, the state must adopt a pay philosophy that provides a sound approach to compensation programs. This sound approach will result in a more effective allocation of salary dollars.*

As can be seen from the accompanying chart, this plan will close the gap between state salaries and the market. Five years from now, state salaries will still be below the market, however, the gap will have closed to within five percent. Further adjustments to compensation levels in ensuing years will be necessary to ensure that salaries remain competitive with the market.



**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
<b>Total</b>	\$70,220.0	\$74,012.0	\$78,009.0	\$82,221.0	\$86,661.0
FTE Positions	0	0	0	0	0

\*Estimates based on an average salary increase of 5.4% per employee.

**Attract, Retain, and Develop Employees  
Strategies continued**

**Strategy: Offer an attractive, competitive, and comprehensive benefits package to state employees:**

- **Maintain the current offerings of a robust and comprehensive suite of benefits**
- **Offer a self-insured medical and dental plan that offers more choice at a lower cost**

**Description:** ADOA has been legislatively mandated to develop and implement self-funding of the health and dental insurance programs. Three primary elements are necessary to ensure the success of this initiative:

- Establish an appropriated claim liability reserve to ensure fund stability.
- Establish appropriate administrative functions (e.g. claim appeals, stop-loss insurance coverage).
- Establish appropriate staffing to ensure a quality service is delivered to employees.

*Increases in health care premiums in the last 10 years have absorbed some of the employee compensation increases, negatively impacting buying power and living standard expectations for employees, particularly those in the lower salary brackets and who select the Point of Service plan option. When asked of their most important factor when choosing a health plan, 38% of employees responded cost (premium and co-pays) and 19% responded doctor choice.*

The advantages of self-insurance include:

- 1) Self-insurance allows large organizations to better control costs and insulate themselves from drastic fluctuations in the insurance market.
- 2) Many employees and states have already switched to self-insurance to gain more control over their health care data, which is necessary to base quality policy and financial decisions.
- 3) Finally, focusing on employee long-term health will offer the state the opportunity to improve the health of its' workforce, not just meet the immediate health care needs for a specific contract period.

**Resource Assumptions:** Dollars reflect increases in the cost of health and dental care, which will be higher if self-insurance is not implemented.

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds	11,155.1	14,519.6	14,519.6	14,519.6	14,519.6
Other Non Appropriated Funds	61,273.1	61,273.1	61,273.1	61,273.1	61,273.1
Federal Funds					
<b>Total</b>	<b>\$72,428.2</b>	<b>\$75,792.7</b>	<b>\$75,792.7</b>	<b>\$75,792.7</b>	<b>\$75,792.7</b>
FTE Positions	7.0	7.0	7.0	7.0	7.0

**Attract, Retain, and Develop Employees  
Strategies continued**

**Strategy:** Consolidate and improve statewide training (Arizona Government University) by:

- Establish a statewide tracking of training
- Establish a web-based calendar and scheduling system
- Consolidate and automate registration
- Standardize all curricula
- Design and implement a vendor management system (STARS)
- Design and implement a standardized evaluation instructor/vendor system

**Description:** Across all of state government there has been a downward trend in employee satisfaction with agency support of participation in training opportunities to improve job skills (63% agreement in 1999 down to 59% agreement in 2001). Furthermore, employee satisfaction with agency support of education and professional development opportunities is even lower and is also exhibiting a downward trend (57% in 1999 down to 55% in 2001). One of the strategies that state government is pursuing to address this challenge is to develop Arizona Government University (AzGU).

*Arizona is the first state to take a corporate university model and build a collaborative, across agency boundaries, systemic approach to workforce development. AzGU is the centralized administration for training activities of the 127 agencies in the state of Arizona with a decentralized delivery system. AzGU's purpose is to deliver a cost efficient, cost effective employee development program that assures access to all 42,000 employees of the state of Arizona.*

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
<b>Total</b>	0.0	0.0	0.0	0.0	0.0
FTE Positions	0	0	0	0	0

**Notes/Assumptions:** Through partnerships with the 10 community college districts AzGU now provides college credit for 33 of the state training courses in indemnity, management, leadership and basic skills at no cost to the student or the State of Arizona. The development of these 33 courses for college credit caused a complete re-model of the state's indemnity courses (ethics, sexual harassment, diversity, etc.), and the leadership program to a higher standard as well as the inclusion of tests for all courses. It is anticipated that a minimum of 20 additional courses will be developed for college credit in the upcoming year.

## Attract, Retain, and Develop Employees Strategies continued

**Strategy: Improve workforce planning:**

- **Replace the existing HR/Payroll application.**
- **Design to fulfill business and technical requirements.**
- **Interface with Arizona Financial Information System (AFIS) or a future financial application that can support interfaces with other external systems.**
- **Provide a user-friendly ad-hoc reporting tool.**

**Description:** The current human resources management system is unable to provide timely and pertinent information to HR managers to enable them to proactively plan for changes in the workforce. The new Human Resources Information Solution (HRIS) will use state of the art information technology to help the agency and the state more fully realize their business goals.

*The State of Arizona is facing a serious challenge with fewer resources available but a higher demand for state services. The state workforce is shrinking, state salaries continue to be significantly below the market (10% below the average Arizona worker), overtime costs are rising, and 42% of the state workforce has 4 years or less of experience. This information demonstrates the difficulty we are facing in attracting and retaining employees. Within the next few years, the first wave of baby-boomers will be reaching retirement age. In the federal government, estimates are that 30% of the workforce will be eligible to retire in five years. If the state's workforce is at all comparable, agencies must start planning now for the workforce of the future. This type of planning, however, requires an information system that supports management and analysis of the state's workforce.*

- Outcomes Expected...**
- Reduce HR/Payroll technical support effort and software maintenance effort.
  - Provide a solution that is flexible, scalable, and supportable.
  - Improve HR/Payroll processing reliability.
  - Eliminate duplicate automated systems and processes within the State of Arizona.
  - Provide the foundation for e-government.

**Resource Assumptions:** All additional resources (monies and FTEs) required to implement the new HRIS will be offset by savings in efficiencies and reductions in workload. It is estimated that \$43.4 million over the next 10 years in hard dollar savings will accrue to ADOA. This estimate does not include productivity gains and other agency savings.

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
Total	0.0	0.0	0.0	0.0	0.0
FTE Positions	0	0	0	0	0

## Strategic Issue #2

### Information Technology Efficiencies

**Problem:** Current thinking and action by public and private organizations envision that a single provider of data, voice and video platforms is often the most cost-effective means to technology efficiency. It is imperative that opportunities to consolidate the delivery of technology support for business solutions and to provide outstanding service delivery be continuously explored and utilized whenever possible.

It is the belief of ADOA that current approaches to telecommunications in particular, and to a lesser extent data technologies, consist of unnecessary duplication, overlap and waste. We are in the process of working with the state agencies to identify opportunities for consolidation. Once potential opportunities are identified for increased cost effectiveness, it is critical that all potential solutions be thoroughly researched, analyzed, and compared to other business systems' needs prior to implementation. This type of comprehensive infrastructure should provide the highest level of quality and cost effectiveness, allow maximum return on the state's valuable resources, ensure effective, affordable state-of-art business solutions, and identify exceptions requiring unique business systems.

It is vital that these efforts be continued and built upon. Therefore, adoption of standards and processes for delivering innovative solutions, development of deeper specialties and proficiencies in areas of "core competency," and identifying the demand for clearly defined services and business functions that require a technology solution are needed. Additionally, by defining services, initiatives, and applications in terms of their value to the enterprise, rather than satisfying independent agency requirements, and by measuring and evaluating services regularly for quality, customer satisfaction, and volume will ensure maximum benefit potential for all state agencies. In addition, while acknowledging that some systems are unique and will require specialized design and operation, there will continue to be a substantial need to protect the integrity of these systems and equipment in a cost effective way. This will require adequate security mechanisms that can only be attained through adherence to security architecture standards established and controlled through a centralized security monitor.

Finally, by constantly evaluating whether privatization would improve outcomes and/or reduce costs will maximize the state's potential buying power, enable higher levels of technology, and ensure that the most secure, efficient and effective technology systems are utilized statewide. Having consolidated the functions that are appropriately and cost effectively operated in such a way will provide a better ability to evaluate whether further savings could be achieved through privatizing part or all of the functions.

## Information Technology Efficiencies Strategies

**Strategy: Consolidate statewide voice, data and WAN services and components:**

- **Telephone systems**
- **Capital Mall and Tucson Complex data networks**
- **Carrier provided services**
- **Staffing**

**Description:** The Legislature in House Bill 2706 requires ADOA and GITA to develop a plan for JLBC review on any options, including privatization, for improving service delivery and increasing the fiscal efficiency of Arizona telecommunications services. The figures contained in the Resource Assumptions section below represent a range dependent upon the option selected.

***Benefits to Consolidation:***

- \* *Minimize, and potentially reduce by 10 to 15 percent, statewide telecommunication costs.*
- \* *Eliminate duplication, over-capacity and non-standardization to increase efficiency and productivity, both in the area of telecommunications as well as data services.*
- \* *Encourage enterprise-oriented applications to facilitate e-government and improve customer service.*
- \* *Empower the customer to complete business without direct government involvement.*
- \* *Incorporate the increased priorities of security, disaster recovery and emergency response.*

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds	\$(6,214.7) to \$(6,832.0)	\$(1,514.8) to \$(2,235.0)	\$2,225.7 to \$2,431.4	\$4,754.8 to \$4,960.6	\$6,433.4 to \$6,639.2
Other Non Appropriated Funds					
Federal Funds					
Total	\$(6,214.7) to \$(6,832.0)	\$(1,514.8) to \$(2,235.0)	\$2,225.7 to \$2,431.4	\$4,754.8 to \$4,960.6	\$6,433.4 to \$6,639.2
FTE Positions	TBD	TBD	TBD	TBD	TBD

Notes/Assumptions: This proposal provides support for all state of Arizona employees (42,000) excluding the university system, local governments and school districts. Services to these state agencies are provided through fees for service. The estimates shown reflect statewide savings, excluding the university systems, and do not imply governance by ADOA or any specific entity.

**Information Technology Efficiencies  
Strategies continued**

**Strategy: Upgrade the following statewide components:**

- **Printing and storage services**
- **IBM mainframe Z900**
- **System and application software**

**Description:** In order for the enterprise operations center to provide maximum efficiency, and best value, the additional processors and memory upgrade must be completed.

*The proposed upgrades will:*

- *Allow the enterprise to maintain pace with the ongoing demands of the enterprise user and the customer base.*
- *Facilitate consolidation efforts and large-scale application development.*
- *Enable the rollout of new activities (i.e., HRIS), business and service integration activities and simple development growth of large agency customers.*

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds	1,410.0	693.0	730.0	455.8	501.7
Other Non Appropriated Funds					
Federal Funds					
<b>Total</b>	<b>1,410.0*</b>	<b>693.0</b>	<b>730.0**</b>	<b>455.8**</b>	<b>501.7**</b>
FTE Positions	0	0	0	0	0

\* Includes one time software upgrade charges.

\*\*Additional upgrades, that are not included in these figures, may be required. ADOA believes that it is premature to include costs for additional upgrades at this time since the Department of Revenue, AHCCCS and others are considering changes in their mainframe strategies.

**Notes/Assumptions:** Historically growth in customer services has required the upgrade of the ADOA mainframe annually. These figures include an upgrade for FY 2004, specifically, the z900 mainframe must be upgraded from a Model 104 to a Model 106. Additionally, a two-gigabyte memory upgrade will be required concurrent to the Model upgrade.

## Strategic Issue #3

### Cost Efficient & Effective Public Facilities

**Problem:** A 40% population increase in the State of Arizona over the past decade has significantly increased the demand for state services and the facilities to house state employees to provide those services.

The ADOA building system consists of over 2700 structures with a replacement value of over \$2 billion. Of those, 2.5 million square feet of office buildings are located on the Capitol Mall. The inability to build facilities to keep pace with the rapid growth in demand has increased the state's reliance on leasing private sector office space in the Phoenix area to over 560,000 square feet.

This has resulted in fragmented management and delivery of services to the public at higher costs and inefficiencies in operation. Studies have also shown that long-term cost savings in excess of \$70 million can be realized over the life of a typical 100,000 square foot office building by state ownership over leasing in the private sector.

In addition, lack of funding for maintenance, according to the statutory formula, has resulted in the accumulation of over \$100 million of deferred maintenance in structures in the existing inventory. According to a University of Wisconsin report, "every dollar spent on preventative maintenance programs results in reducing the future repair and replacement costs by five dollars."

There is a need to decrease the state's dependence on high cost private sector leases by continuing to build new office buildings on the capitol mall and to adequately maintain the physical condition of the existing building inventory. Doing so will improve the quality of service delivery to the public, improve operating efficiencies and save significant costs over the long term. Additionally, projects to relocate agencies within the capital mall, and whenever possible within singular structures, enables the state to provide the general public with quick and easy access to numerous state services within a centralized location.

## Cost Efficient & Effective Public Facilities Strategies

**Strategy: Implement the Ten Year Capitol Mall Master Plan developed by ADOA.**

**Description:** Design and construct facilities identified in the Capitol Mall Master Plan for FY2004 through FY2008.

*Building vs. renting improves customer service, increases operational efficiency and provides long-term cost benefits to the taxpayers. Leasing has cost \$79 million over the last ten years with no residual value to the state. Therefore, we need to:*

- *Continue to revert private sector leases by building new office buildings on the Capitol Mall according the Master Plan.*
- *Utilize Privatized Lease to Own (PLTO) or Certificate of Participation (COP) financing to fund new office building construction.*
- *Use cash flow from existing leases to offset payments for the new buildings.*

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds	\$4,682.0	\$1,300.0			
Other Appropriated Funds					
Other Non Appropriated Funds (*see note)		\$15,000.0	\$54,300.0	\$6,400.0	\$36,900.0
Federal Funds					
<b>Total</b>	<b>\$4,682.0</b>	<b>\$14,000.0</b>	<b>\$54,300.0</b>	<b>\$6,400.0</b>	<b>\$36,900.0</b>
Projected PLTO Savings	(\$431.2)	(\$317.0)	(\$325.5)	(\$330.6)	(\$338.0)
Projected DHS PLTO Savings	(\$804.4)	(\$312.7)	(\$306.6)	(\$308.8)	(\$309.8)
Projected Nat. Res. PLTO Savings					(\$200.0)
Total Savings (**see note)	(\$1,235.7)	(\$629.7)	(\$632.1)	(\$639.4)	(\$847.8)
FTE Positions (Work driven, Project Funded)	2	2	3	3	3

2004	Estimate includes relocation costs for the new DHS Building (PLTO II), land acquisition costs for the 2006 project, Security Assessment Project Improvements, Pedestrian Safety and Security Lighting Projects. Continue two project funded FTE's.
2005	Backfill of former Health Lab (\$1,300.0) to be funded from general fund. Legislative Office Addition (\$15,000.0), an 88,000 s.f. plus 250-car addition to DHS parking structure (2-year project). Propose COP or PLTO funding. Continue two project funded FTE's.
2006	Natural Resource and Department of Corrections buildings, 340,000 s.f. with 1020 car parking structure (2-year project). Propose COP or PLTO funding. Continue two project funded FTE's and add one new project funded FTE.
2007	Capitol Mall Parking Structure, 900 car ( 1-year project), propose COP funding and continue three project funded FTE's.
2008	Banking, Insurance and Real Estate Building, 200,000 s.f. with parking for 900 cars (2-year project). Propose COP or PLTO funding coupled with sale of the 44 <sup>th</sup> Street facility. Continue three project funded FTE's.
2009	Polly Rosenbaum Archive Center shifted in priority due to operating cost impact.

\*Note: Privatized Lease-to-Own (PLTO) process or COP process assumed, only funds to offset yearly costs above current appropriations is needed. All estimates are conceptual and based on 2002 dollars.

\*\*Note: Savings projected are based on the projected cost difference between projected private, market driven, lease and PLTO lease rate.

## Cost Efficient & Effective Public Facilities Strategies continued

**Strategy: Obtain full formula funding for Building Renewal.**

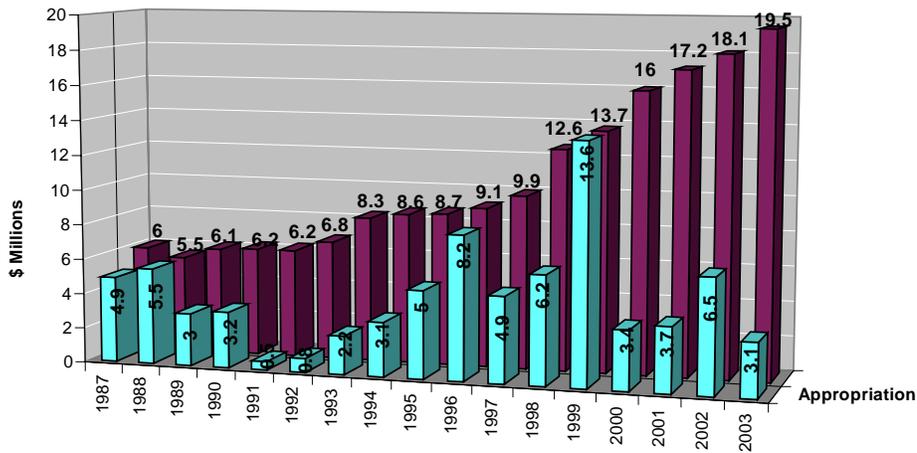
**Description:** Obtain and efficiently utilize statutory Building Renewal Formula funding for major maintenance of facilities in the ADOA Building System.

- ⇒ Institutionalize the importance of building renewal full formula funding.
- ⇒ Identify and prioritize projects by order of importance.
- ⇒ Efficiently allocate funding to projects of highest importance.
- ⇒ Monitor and implement processes to efficiently manage building renewal projects.

**Building Renewal:** The building renewal program defines building renewal as “major activities that involve the repair or reworking of a building, including the upgrading of systems which will result in maintaining a building’s expected useful life.” Today, the building renewal funding supports over 2,700 structures comprising 19,400,000 square feet of space with a replacement value of over \$2 billion.

The legislation established a formula for the amount of annual funding that should be appropriated for building renewal. The methodology results in approximately 1% of the building asset value being recommended for major maintenance activities for the entire building system. The building renewal formula for the past sixteen years recommended total appropriations of \$172,448.9; however, only \$73,103.2 was actually appropriated. Thus, the total deferred major maintenance for all structures is \$99,345.7. All agencies have received insufficient funds to maintain the useful life of most buildings in the ADOA Building System.

### \$100.7 Million in Deferred Maintenance



**Cost Efficient & Effective Public Facilities  
Strategies continued**

**Building Renewal - Long Term Impact**

Building’s operating systems, such as mechanical (hvac, plumbing, electrical, fire suppression and alarms, and security, elevators, external shell (exterior paint, roofs, windows, and doors), infrastructure (water and sewer lines, roadways and parking lots, sidewalks, exterior lighting, and water and sewage treatment plants) and interior finishes, carpets, floors, interior paint, bathroom counters and fixtures) need regular scheduled and systematic repairs and replacement. In addition, building codes and legislative mandates continuously change without prior notice and have required the use of building renewal funds to meet the new legal requirements. For example, building renewal funds have been used to meet the American with Disabilities Act and the fire marshal’s mandate for installing fully addressable class A fire alarms.

Currently, only the critical life, health and safety needs and minimal preservation of assets can be addressed with the funds provided. However, the cost to maintain the useful life of the buildings in the ADOA Building System is increasing due to the average age of buildings increasing, which is now approximately 23 years. Major building systems have reached their useful life and many components are no longer operating at their original efficiency. The current level funding restricts projects to the replacement of failed components rather than the often-needed system replacement. This leads to higher unit repair costs and leaves inefficient systems still in operation. Without full funding, the building system will have to continue to wait for components to break before their replacement can be funded. It is more costly to replace broken components in an emergency rather than replacing them according to a planned schedule. All of the building systems will continue to deteriorate, and over time will eventually end up failing without adequate funding for building renewal.

**Preventative Maintenance**

**Studies have shown that every dollar spent on preventative maintenance will save five dollars in cost avoidance over the long term. It is difficult to quantify savings in the short term. However, since the inception of the Preventative Maintenance Program in 1999, emergency repairs have decreased from an average of 63 per week to less than 1.2 per week.**

**Resource Assumptions:**

**Building Renewal Formula Forecast  
FY 2004-FY 2008**

(Thousands)

<b>Fund Source</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Funds	\$19,744.1	\$21,183.8	\$22,415.3	\$23,666.2	\$24,936.4
Other Appropriated Funds	\$3,000.0	\$3,000.0	\$3,000.0	\$3,000.0	\$3,000.0
Other Non Appropriated Funds					
Federal Funds					
<b>Total*</b>	<b>\$22,744.1</b>	<b>\$24,183.8</b>	<b>\$25,415.3</b>	<b>\$26,666.2</b>	<b>\$27,936.4</b>
<b>FTE Positions**</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Total equals full building renewal statutory formula funding.

\*\*Keep 5 current authorized, work driven, Building Renewal projected funded FTE’s in place.

## Strategic Issue #4

### Maximizing Productivity, Cost Effectiveness and Customer Satisfaction

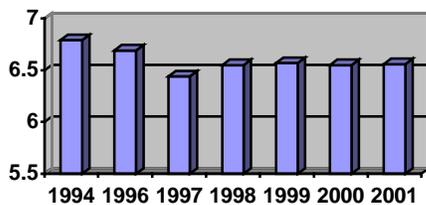
**Description:** The mission of the Arizona Department of Administration (ADOA) compels it to provide support services to state agencies, state employees, and the public, enabling them to achieve their goals. Further, ADOA is committed to providing services that are valued by its customers, while meeting or exceeding its customers' needs. ADOA currently offers up to 76 services to a customer base that includes approximately 9,000 retirees and over 62,000 active state employees from over 100 state agencies, boards and commissions and 3 state universities. The available services include statewide financial services, facilities management, human resources management, information services, fleet management, administrative management services, and police services for the capitol mall in Phoenix and the state mall complex in Tucson. The value of each service provided by ADOA should meet or exceed the value of a comparable service from any other source. Because this issue is of strategic importance to the mission of ADOA, and of critical importance to state government overall, it is essential for ADOA to maximize the productivity and cost effectiveness of its services while achieving the highest possible level of customer satisfaction.

#### Customer Satisfaction

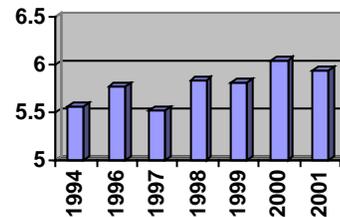
**Importance** – In the annual external survey, customers were asked to consider all of the services ADOA provides and to give an overall rating. In 2001, customers gave an average importance rating of 6.56, which, as the chart indicates, has remained relatively stable over the past four years.

**Satisfaction** - Customers also provided an overall rating of satisfaction for the agency. The average rating was 5.94, which is a slight decline from last year's all time high of 6.04, however this was the second-highest mark ever achieved, and suggests a continuation of the long-term trend of improvement.

**Average Importance**



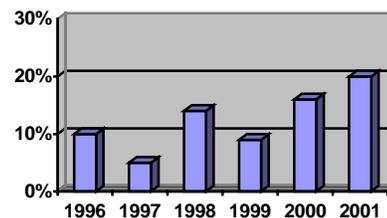
**Average Satisfaction**



#### Other 2001 Agency-level Indicators

- 34 of 71 services (48%) showed an increase in customer satisfaction; highest ever achieved
- 14 services (20%) received satisfactory ratings over 6.5; highest ever achieved
- 37 services (52%) received satisfactory ratings over 6.0; highest ever achieved
- 5 services (7%) received overall dissatisfactory ratings (less than 5)
- Of those services that had satisfaction scores less than 6.5 last year (sample size of 63), 35 (56%) showed an increase in satisfaction

#### Services w/ Sat >6.5



**Maximizing Productivity, Cost Effectiveness and Customer Satisfaction Strategies**

*Non-Financial Impact Strategies*

- For each service, enhance the performance measures for productivity and cost effectiveness to balance the existing, effective measures of customer satisfaction.
- On the ADOA intranet, post balanced scorecard data for ADOA’s programs; and productivity, cost effectiveness and customer satisfaction data for each service.
- Use the analysis of performance data to identify opportunities for improvement in under-performing programs and/or services.
- Prioritize the identified opportunities for improvement based on the importance of the service(s) to the customer base.
- Improve the productivity, cost effectiveness, and customer satisfaction of under-performing services through process improvement, re-engineering, or outsourcing.

*Financial Impact Strategies*

**Strategy:** Develop and implement an AFIS data warehouse.

**Impact:** A data warehouse would provide a database to allow customers a more efficient avenue for extracting data for projections, analytical checks, comparisons of payroll and AFIS data, trend analysis, multiple year analysis, “what if” scenarios and budget scenarios.

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds		500.0	350.0	350.0	350.0
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
<b>Total</b>	<b>0.0</b>	<b>500.0*</b>	<b>350.0</b>	<b>350.0</b>	<b>350.0</b>
FTE Positions	0	3**	2	2	2

\*Costs include ongoing license fees in FY 2006 – FY 2008.

\*\*Three FTE’s would be needed initially for development and implementation of the system, however, in subsequent years only two FTE’s would be needed to maintain the data warehouse.

**Maximizing Productivity, Cost Effectiveness and Customer Satisfaction  
Financial Impact Strategies continued**

**Strategy:** Implement through local community coordinators the 9-1-1 program to include wireless:

- Complete the Phase I wireless network deployment;
- Begin the Phase II wireless deployment; and
- Provide public education, management training, and supply mapping and addressing information.

**Description:** The 9-1-1 program is charged with providing guidance and direction and acting as a liaison to ensure when a citizen dials 9-1-1, the call goes to the right 9-1-1 Center the first time. Funding oversight is done on a statewide basis. Two additional technical personnel are required to provide mission critical assistance to the communities/political subdivisions for furthering the development of enhanced 9-1-1 and to support the deployment of Wireless Phase II. Monies in FY 2004 are necessary to meet the operational requirements of more than 100, 9-1-1 centers statewide.

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds					
Other Non Appropriated Funds	7,662.5	TBD*	TBD*	TBD*	TBD*
Federal Funds					
Total	\$7,662.5	TBD	TBD	TBD	TBD
FTE Positions	2.0	TBD	TBD	TBD	TBD

\*FY 2005 through FY 2008 funding: currently soliciting data from communities for their requirements.

**Strategy:** Obtain alternative funding for non-enterprise related costs (Telephone and Technology Fund).

**Description:** The current burdening of Enterprise rates with non-enterprise related costs are effectively placing a tariff on customers. This drives individual state agencies to seek specific solutions to avoid this defacto tariff. It also allows vendors a means to increase rates to compete with the burdened rate rather than the true rate. The end result has been a net increase in the total cost to state government.

Alternative funding mechanisms for Non-Enterprise Related Expenditures and Infrastructure Costs are requested in order to unburden rates. This action will facilitate competitive rates, encourage consolidation, and reduce the overall costs to State government.

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds	*	*			
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
Total	N/A	N/A	N/A	N/A	N/A
FTE Positions					

\*No additional funding is required but the mix of funding will change. Based upon FY 2001 information, customers paid for services as follows: General Fund - 57%, Federal Funds - 9%, All Other Funds - 34 %. Using that split, the proposed alternative funding mechanism versus the current structure of including the charge in the rates will save the General Fund \$317.5 in FY 2004 and \$326.5 in FY 2005.

**Notes/Assumptions:** This issue involves spreading the non-enterprise related costs across all of state government that is benefiting from these services instead of just against customer agencies.

**Maximizing Productivity, Cost Effectiveness and Customer Satisfaction  
Financial Impact Strategies continued**

**Strategy: AFIS Programmers – shift costs to direct expenditure**

**Description:** The shifting of the AFIS programmers from a billable to a direct expenditure eliminates a redundancy in the budget process for ADOA. It simplifies the budget process so only one area needs to prepare a budget instead of the current two areas. In affect, the current methodology budgets the same dollars twice. It eliminates the billing processes between divisions and the duplicated accounting needed to support the two areas, reducing both clerical and administrative costs.

**Resource Assumptions:**

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds	0	0	0	0	0
Other Appropriated Funds	(676.8)	(676.8)	(676.8)	(676.8)	(676.8)
Other Non Appropriated Funds					
Federal Funds					
<b>Total</b>	(\$676.8)*	(\$676.8)	(\$676.8)	(\$676.8)	(\$676.8)
FTE Positions	(11.3)*	(11.3)	(11.3)	(11.3)	(11.3)

\*The FTE's and cost savings represent a reduction in the Technology and Telecommunications (T&T) fund appropriation; these expenditures are now made from the General Fund.

## Strategic Issue #5 Safety and Security

**Description:** Personal, workplace and information systems safety and security are essential in conducting the day-to-day activities of government. It is the obligation of the ADOA to provide the most feasible level of security and safety for people, workplaces, and information systems. There are currently three critical areas of safety and security that need to be addressed: Information Technology, Business Continuity Plans, and Building Security Assessments.

Information Technology: ADOA is assigned the responsibility of providing information technology protection for over 100 state agencies, as well as its own systems. Today, each agency addresses its own perceived technology security needs without centralized coordination. This creates a silo effect that results in unnecessary duplicated expenses and ineffective, short-lived security solutions. An approach is needed to ensure the consistent application of security policy throughout state government. Over the next several years changes in the information technology configuration that will improve and increase the security of the State's infrastructure will need to be addressed and implemented.

Business Continuity Plans: In November 1999, Harris Disaster Recovery Associates, Inc. completed a business impact analysis on the services of ADOA. The report includes a thorough examination of each service and provides recommended recovery strategies for each of ADOA's business processes. Implementation of this plan will ensure the timely reestablishment of the most critical business processes that will be required following a disaster.

Building Security Assessments: ADOA formed a Building Assessment Team to review the overall security at each of the State's facilities within the Capitol Mall area. The team identified security objectives that included access control, perimeter security, HVAC protection, lighting and training. The team conducted site visits and developed recommendations based on the security objectives; specifically focusing on those which would have the greatest impact on the overall protection and safety of each facility. Some of the buildings were found to have much of the infrastructure in place, while others will need extensive modification. The implementation of the recommendations will be needed in order to achieve an optimum level of security necessary to ensure the buildings and occupants' safety.

**Safety and Security  
Strategies – Information Technology**

**Strategy 1: Establish adequate security for Information Technology (IT) protection.**

**State of Arizona Cyber Attacks\***

Average attacks per hour: 508  
 Average per day: 12,192  
 Average per month: 365,760  
 Average per year: 4,389,120

These attacks include random (automated system random calling) and direct and intentional (external hackers attempting to obtain data through our systems.

\*Based on 20 day survey.

**Failure to Secure Data Puts Taxpayers at Risk**

If medical data is captured from a state system the following could happen under HIPAA:

The State of Arizona would be held liable or negligent for not security the data. Federal fines could be as much as \$50,000 per personal record. The victim could sue the state for civil damages, which could possibly be millions of dollars plus court costs.

**Description:** We must be able to detect, deter, assess, warn, respond and investigate unlawful acts involving computer and information technologies. The existence of ongoing network security vulnerabilities can present an increasing risk of legal liability regarding due diligence, therefore, the implementation of the following will improve and increase security in State business practices:

FY03/04 redesign and secure the state information technology infrastructure. Establishing a state infrastructure protection center to be “first responder to cyber-attacks” and apply security technology gateways, that reduces the overall risk exposure to both external and internal entities.

FY04/05 continue to apply enterprise wide and automated as much as possible security management collection tools to centrally monitor while decentralize the day-to-day security administration to the individual state agencies where requested. While at the same time implementing technology that collects and archives information dispersed to desktop systems for rapid restoral diminishing the time to resume business activities in all state agencies.

FY05/06 implement a “state-owned” disaster recovery strategy and recovery center for use for all public sector entities to include state, county and local government systems. Resource requirements are to be determined at a later date.

FY06/07 implement statewide public key infrastructure and lightweight directory access protocol for authentication and protection of public information from modification during information exchange between the state government and all interested parties. Resource requirements are to be determined at a later date.

**Resource Assumptions:** ADOA is in the process of meeting with the state agencies to design the appropriate infrastructure, identify staff and equipment needs, and determine how to best implement into the overall state system.

(Thousands)

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Funds					
Other Appropriated Funds*					
Other Non Appropriated Funds					
Federal Funds (Dept. Homeland Security Grants)					
Total	TBD	TBD	TBD	TBD	TBD
FTE Positions	TBD	TBD	TBD	TBD	TBD

**Safety and Security  
Strategies – Business Continuity Plans & Emergency Operations Center**

**Strategies:**

- Establish and maintain an Emergency Operation Center (EOC) that is capable of supporting the emergency needs of the ADOA and the agencies that it serves.
- Train all employees regarding their role in Business Continuity Plans.
- Test Emergency Operations Center annually.

**Emergency Operations Center (EOC)**

The EOC is a major component of the security of the Capitol Mall as the majority of state agencies that provide essential governmental services are physically located within this area. In the event of an emergency or catastrophic event, it is crucial that priority services continue to be delivered with minimal interruption. The EOC was developed to assist agency efforts at mitigation, recovery, and business continuity response in case of such an event. The EOC provides a secure work environment, communications and computer capabilities, access to media outlets, first-line emergency responders and many other services. In addition, the EOC will enable centralize leadership and decision making, assist in coordination efforts of large-scale incidents, consolidate resources and improve communications.

**Resource Assumptions:**

(Thousands)

Description of funding source required	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Fund					
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
Total	0.0	0.0	0.0	0.0	0.0
FTE	0	0	0	0	0

**Safety and Security  
Strategies – Building Security Assessments**

**Strategy: Implement the priority one and two recommendations of the 2001 Capitol Mall Security Assessment of ADOA operated facilities.**

**Description:** In October and November of 2001 the Capitol Police and Risk Management staff assessed 62 buildings within the Capitol Mall and Tucson Complex for safety and security. This resulted in approximately 1000 recommendations needed to improve the safety and security for employees, visitors and elected officials. The implementation of these critical recommendations is essential to the day to day activities of government.

**Resource Assumptions:**

(Thousands)

Description of funding source required	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
General Fund (COSF)	\$1,700.0	\$210.0	\$45.0	11.7	0.0
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
<b>Total</b>	<b>\$1,700.0*</b>	<b>\$210.0</b>	<b>\$45.0</b>	<b>11.7</b>	<b>0.0</b>
FTE	0	0	0	0	0

\*General Services Division will incorporate the funding request into the Capital Improvement Plan and will oversee the completion of the recommendations through internal assets and external contractors