FY 2011–12

Department of General Services

PERFORMANCE MEASURES

Annual Report

VISION

Excellence in the business of government.

MISSION

We deliver results by providing timely, cost-effective services and products that support our customers.

GOALS

1. We are Customer Centered
2. We Deliver Efficient and Effective Results
3. We Work as One Enterprise
4. We Are a Strong Organization

VALUES

INTEGRITY

We do the right things for the right reasons.

ACCOUNTABILITY

We hold ourselves and each other responsible for all we do.

COMMUNICATION

We listen and share information openly and honestly with the goal of mutual understanding and transparency.

EXCELLENCE

We strive for the best for each other and our customers.

INNOVATION

We cultivate ideas and implement improvements throughout our organization.

TEAMWORK

We value our organizational diversity and work together to achieve great results.

DEPARTMENT OF GENERAL SERVICES

PERFORMANCE MEASURES FISCAL YEAR 2011–12

At all levels of our organization, we strive to streamline processes and eliminate unnecessary steps. Program efficiency has become increasingly important due to prolonged fiscal pressures. Department of General Services (DGS) employees continue to identify and implement ways to reduce operating costs while maintaining or improving the quality of products and services; this sometimes means doing business in entirely new ways. Through a performance-based approach, our customers will ultimately benefit from streamlined processes and obtain products and DGS' services that provide the best value.

July 2011 marked the mid-point of DGS' five-year strategic plan, and Executive Management directed divisions to revisit and refine their existing business plans. Division and office managers must ensure their plans include key measurements and align with the current environment and organizational priorities. It is the ultimate goal of all DGS divisions and offices to keep rates and fees as low as possible while providing departments with quality goods and services. Due to the state's fiscal situation, DGS staff and resources have been diverted to the most critical functions. To successfully address the continuing reality of "doing more with less," we must focus on streamlining our processes, delivering quality services and products, and the timely tracking of the success of those efforts. Therefore, Executive Management directed the nine DGS revenue-generating divisions and/or offices to develop data-driven performance measures for Goal #2 – Efficient and Effective Results.

This report contains a summary of program performance against stated targets for fiscal year 2011–12. This report will be used to monitor program progress and aid management in making informed decisions.

Key Efficiency Achievements

- Private Sector Lease Savings - $26 million in 2011–12 and more than $136.9 million in total savings over the terms of the leases.
- Implementation of Online Defensive Driver Training - $209,000 in savings for 2011–12.
- Expansion of the Equipment Maintenance Insurance Program – More than $1.04 million in savings through elimination of multiple service agreements.
- Centralized Travel Services – Refunded more than $1.1 million in contracted refundable airline tickets and returned $800,000 in voided transactions for the state.
- Fuel Consumption – reduced the overall fuel consumption by 13 percent through the execution of initiatives to eliminate the state's most fuel inefficient vehicles as well as the implementation of policies that promote alternative fuel usage.
- Surplus Property Program - sold $1.6 million in surplus property to state agencies (reutilization) as well as members of the general public. Surplus property items included used vehicles, desks, chairs, computers, cell phones, and other disposed goods.
- Garage Closures – by closing the Fresno, Oakland, and Los Angeles state garages and the San Diego fleet office, and discontinuing on-site preventive maintenance services in Oakland and Sacramento, the state will save approximately $2.5 million beginning in 2012–13. Despite the unique skills associated with fleet and garage operations, DGS was able to avoid employee layoffs associated with the closures due to employee placement efforts and retirements.

Reporting Entities:

Real Estate Services Division
Division of the State Architect
Procurement Division
Interagency Support Division:
- *Office of Fleet and Asset Management*
- *Office of Public School Construction*
- *Office of State Publishing*

Office of Administrative Hearings
Office of Legal Services
Office of Risk and Insurance Management

REAL ESTATE SERVICES DIVISION

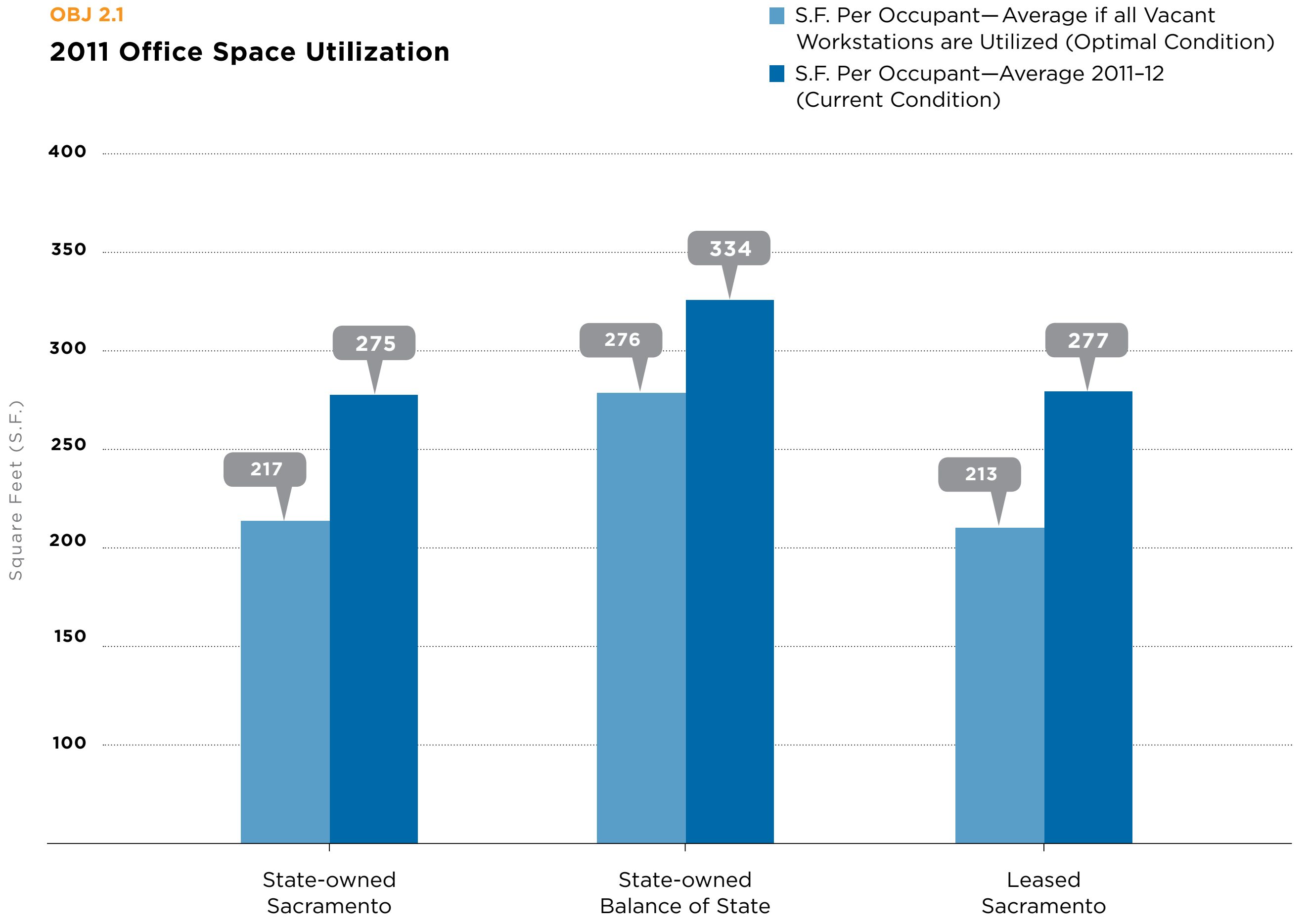
The DGS Real Estate Services Division (RESD) is an integrated, multifunctional organization designed to deliver and coordinate real estate services to state agencies that do not have their own independent authority for leasing, acquisition, construction and other real property functions. DGS has authority over only 1.7 percent of the total acreage of all state-owned real property holdings, but does oversee and operate the largest portfolio of state-owned, general purpose office space. The largest of all DGS divisions, RESD's staff of more than 2,000 are organized into five operational branches, with a combined annual budget of $452.7 million. The branches are charged with asset planning, real property sales and acquisition, project management, architectural and engineering services, leasing and planning, property management and building maintenance, construction management, energy efficiency and on site power generation programs, and environmental assessments.

RESD manages 19.1 million square feet of state facilities, including over 16 million square feet of office space. State agencies pay an annual rent of $315 million for state-owned space. The division negotiates and oversees 1,863 leases totaling 20.3 million square feet of private sector office space. The private sector space costs the state $447 million annually.

RESD utilizes numerous performance indicators for its many branches and offices. RESD's key performance measures for fiscal year 2011–12 are focused on right-sizing departmental office space assignments, annual measurement of building rental rates, and the cost of operating DGS-controlled state office buildings.

OBJ 2.1

2011 Office Space Utilization



Strategic Plan Objective 2.1: By June 30, 2014, reduce the square feet per occupant in state-owned offices by effectively and efficiently eliminating vacant space in state-owned buildings.

Target: Backfill 1,000 current unoccupied workstations (10% of total vacant workstations based on 2011 surveys.)

Note: only 750 workstations were located in continuous vacant suites based on the surveys.

Status (6/30/12): 568 vacant workstations have been backfilled in DGS-controlled office buildings.

RESD uses data from the annual space utilization surveys of state-owned office buildings throughout the state. RESD also reviews state-leased space over 50,000 square feet in Sacramento where many departments have large headquarter operations which provides a significant opportunity to help achieve its goal of greater efficiencies in space utilization. By backfilling vacant workstations, RESD can reduce the average square footage per occupant.

The 2011 workstation surveys of state-owned buildings included 50,308 total workstations, of which 10,172 were vacant. This represents a 20.22% vacancy factor. This “point in time” survey data provides the average square foot per occupant (dark blue) and compares the current condition to the optimal utilization possible (light blue). RESD works with the occupying state agencies to maximize the space utilization by minimizing the number of unoccupied workstations and reducing the amount of square footage needed per occupant.

State-owned space calculations are based only on assigned space, not building common or shared space such as conference rooms, training rooms, etc. Leased space calculations are based on all usable space that is part of the lease, including conference rooms, training rooms, etc. Many of these spaces are shared in state-owned buildings. The costs of these shared spaces is factored into rental rates charged to tenants.

Strategic Plan Objective 2.2: By August 15, 2011, and annually thereafter, RESD will regionally measure and compare its average total cost of operation of state-owned DGS buildings with the private sector to ensure operating costs are within industry standards.

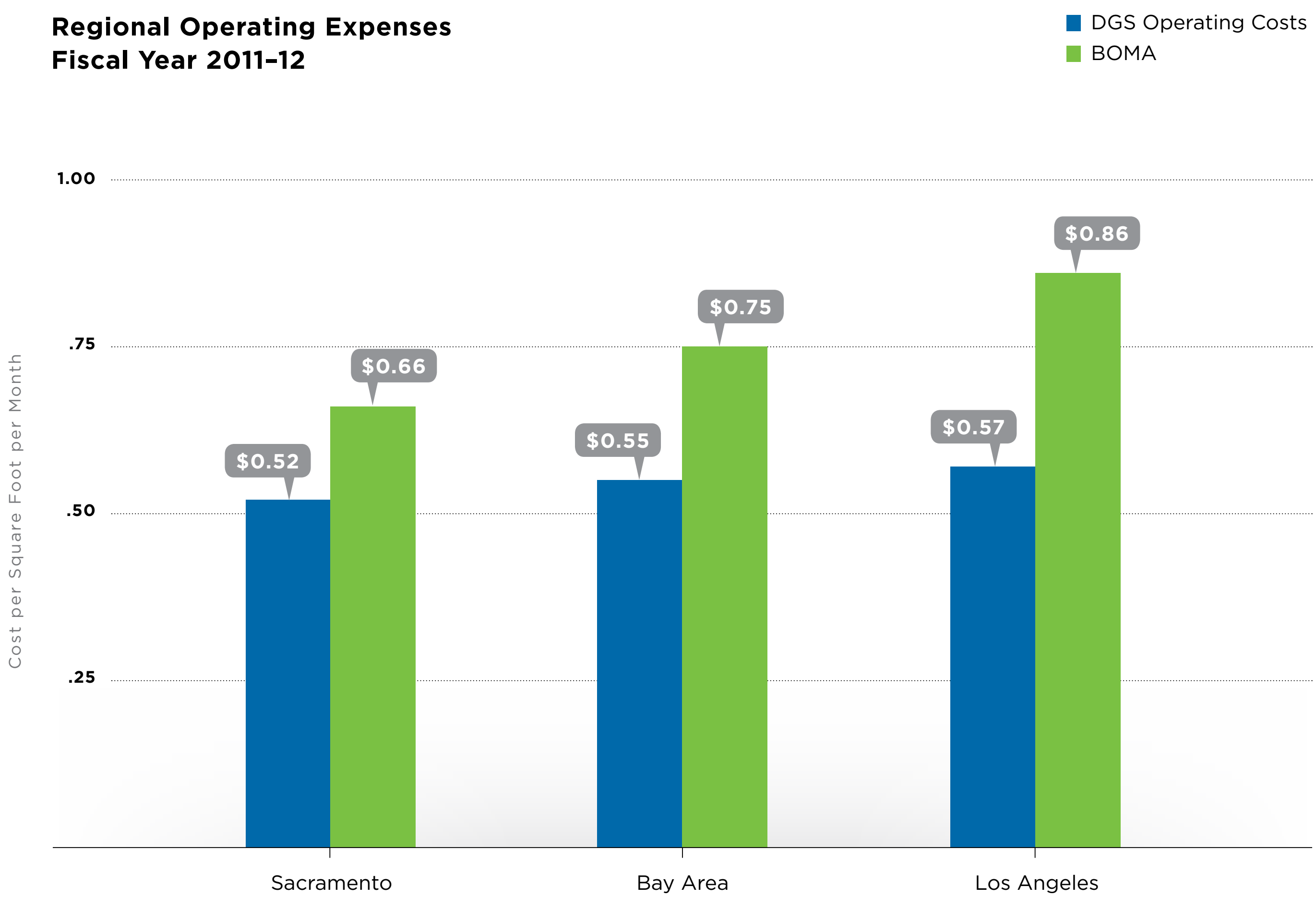
Target: Maintain building operating expenses within the industry standard as established by the Building Owners and Managers Association (BOMA) Experience Exchange Reports.

Status (6/30/12): At the time the initial measurement was taken in August 2011, RESD's cost of operating state-owned buildings was lower than private sector markets in the three major urban markets for which the state operates office buildings, with the following percentages:

- Sacramento, 21.1 percent below market
- Bay Area, 26.7 percent below market
- Los Angeles, 33.7 percent below market

OBJ. 2.2

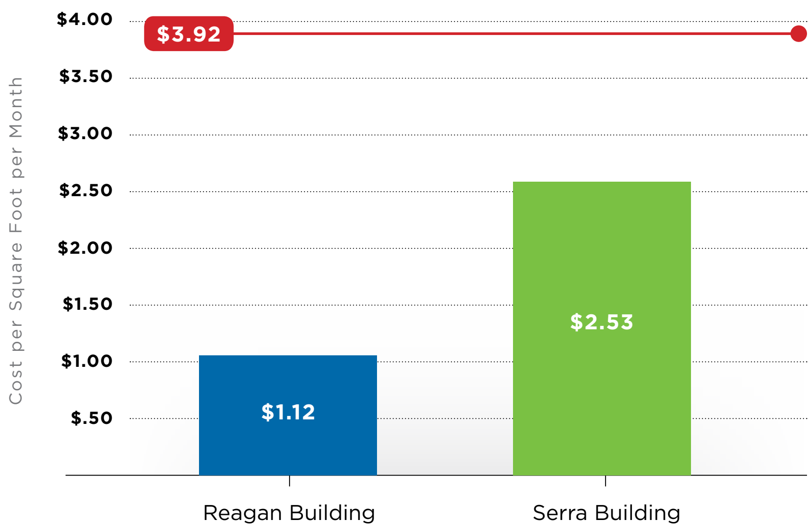
Regional Operating Expenses Fiscal Year 2011–12



DGS and BOMA operating expenses include the same elements: labor costs and supplies for building management, cleaning, general repair and maintenance of the facility, building systems and grounds, routine maintenance contracts on such equipment as elevator and fire and life safety systems, security costs, and utilities.

Additional RESD Performance Indicators

Although not linked to a specific objective, RESD monitors its program performance by utilizing multiple measurements.



DGS Rental Rates vs. Private Sector Lease Rate Fiscal Year 2011–12

Los Angeles

- DGS Building Rental Account (BRA) Building
- DGS Individual Rate (IR) Building
- Private Sector

DGS Rental Rates vs. Private Sector Lease Rate Fiscal Year 2011–12

San Francisco/Oakland

- DGS Building Rental Account (BRA) Building
- DGS Individual Rate (IR) Building
- Private Sector

RESD routinely compares its leasing rates for state-owned buildings against the private sector in order to ensure best value for customers. As the bond debt is paid off, the charges are significantly lower as indicated in the Los Angeles Reagan, San Diego, and Sacramento state office buildings.

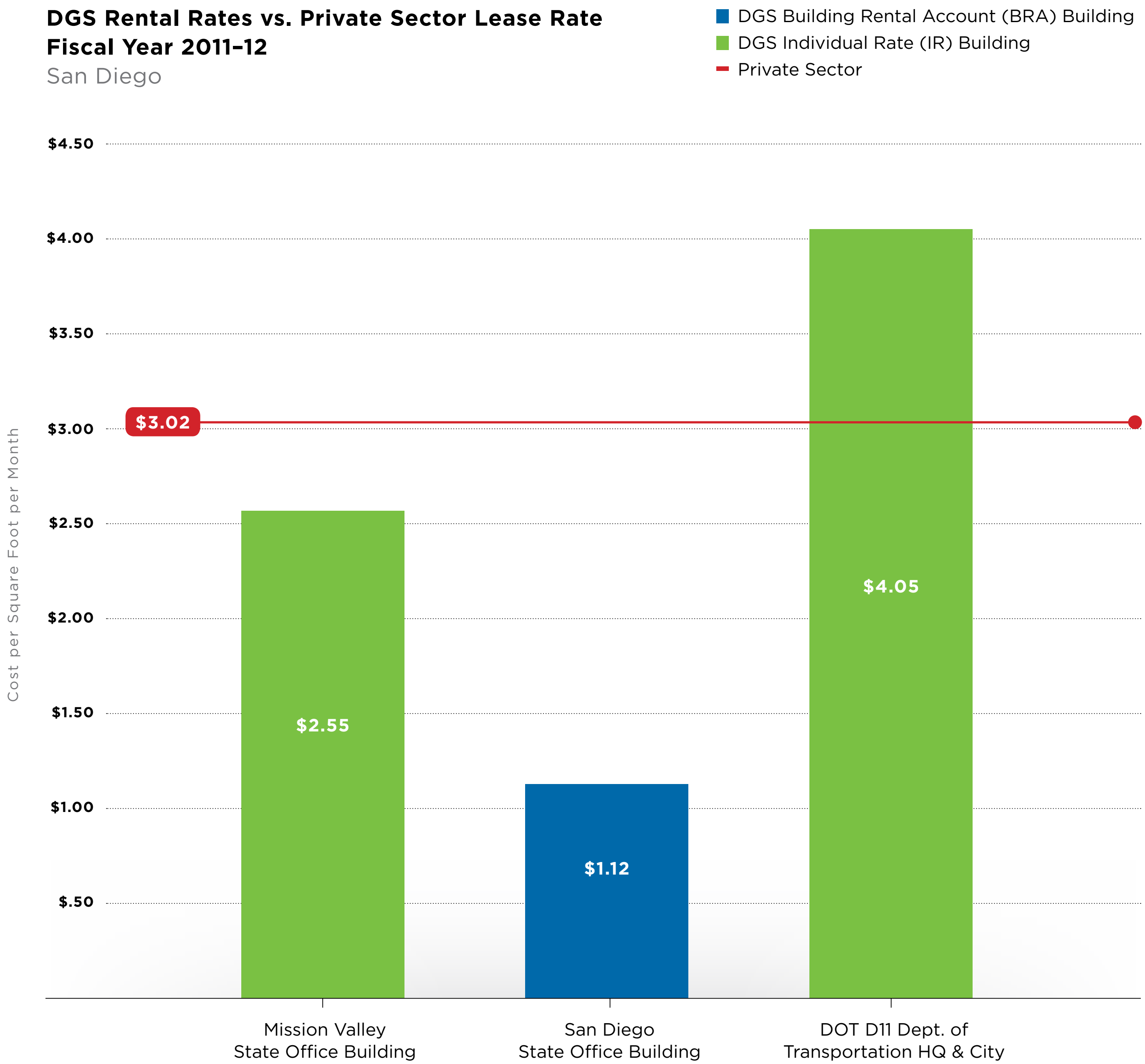
Source:

1) DGS Rental Rates: Summary of Proposed Rental Rates 2011–12
2) Private Sector Lease Rate Information provided by DGS consultant CB Richard Ellis

Notes: BRA Buildings typically have no bond debt against the facility. IR Buildings are typically financed with 25-year bonds; rental rates include debt service costs. IR Buildings have a stand-alone calculated rate based on the cost to operate each building, including debt service, utility costs, repairs, maintenance and staffing. IR buildings are typically financed with 25-year bonds; however, depending on circumstances (e.g. a bond refinancing) the Department of Finance or the State Treasurer's Office may determine that a bond term be shortened. The BRA rate is a single rental rate charged for a portfolio of DGS-controlled buildings. These buildings do not have any associated debt service. The operating costs for these buildings are pooled, with tenants in each building paying a single rate.

DGS Rental Rates vs. Private Sector Lease Rate Fiscal Year 2011–12

San Diego



Source:

1) DGS Rental Rates: Summary of Proposed Rental Rates 2011–12
2) Private Sector Lease Rate Information provided by DGS consultant CB Richard Ellis

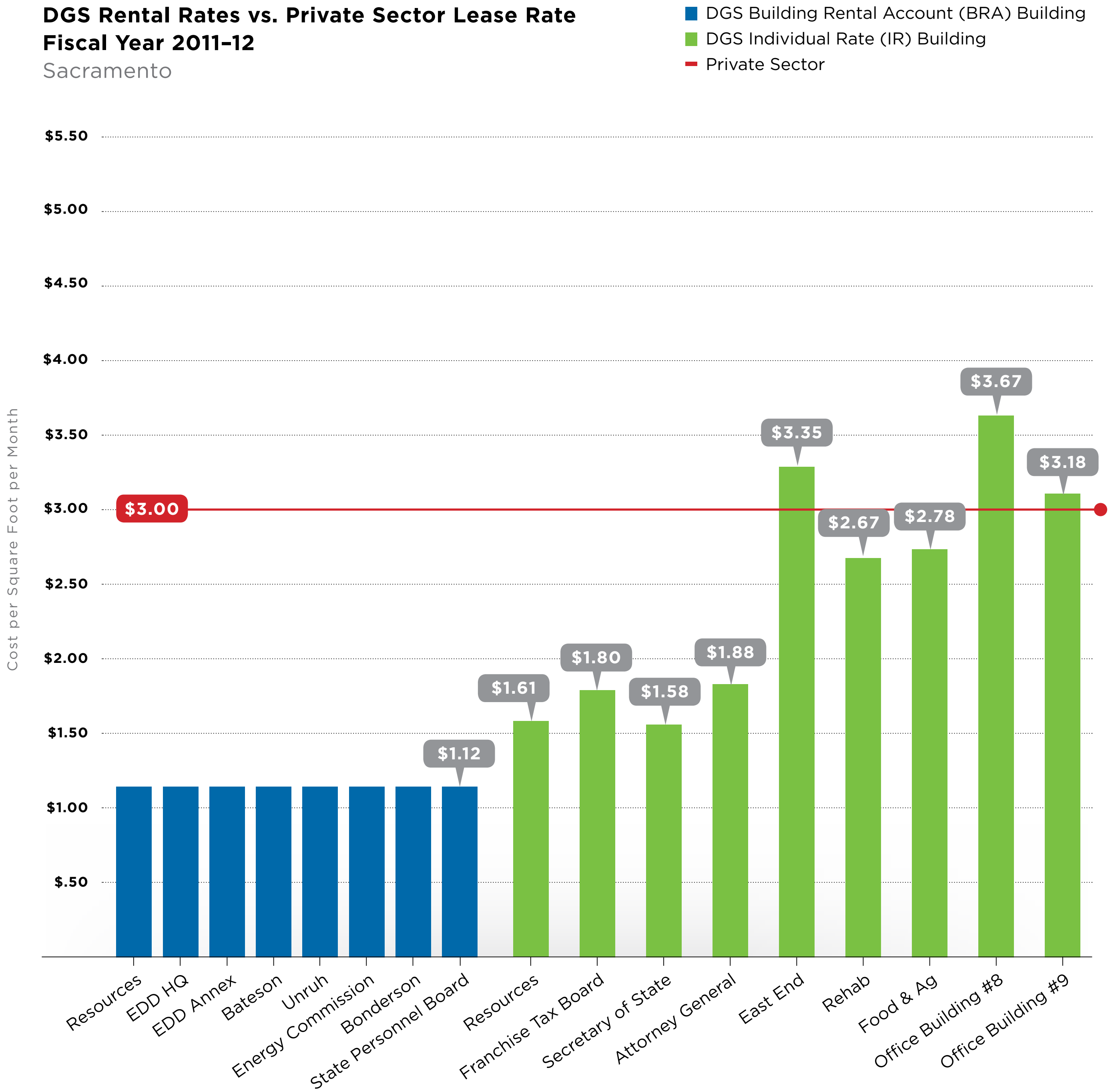
Notes:

- BRA Buildings typically have no bond debt against the facility. IR Buildings are typically financed with 25-year bonds; rental rates include debt service costs.
- The DOT D11 Building was completed in 2009 and the current rental rate includes debt service for the revenue bonds used to finance the project.

RESD routinely compares its leasing rates for state-owned buildings against the private sector in order to ensure best value for customers. As the bond debt is paid off, the charges are significantly lower as indicated in the Los Angeles Reagan, San Diego, and Sacramento state office buildings.

DGS Rental Rates vs. Private Sector Lease Rate Fiscal Year 2011–12

Sacramento



Source:

1) DGS Rental Rates: Summary of Proposed Rental Rates 2011–12
2) Private Sector Lease Rate Information provided by DGS consultant CB Richard Ellis

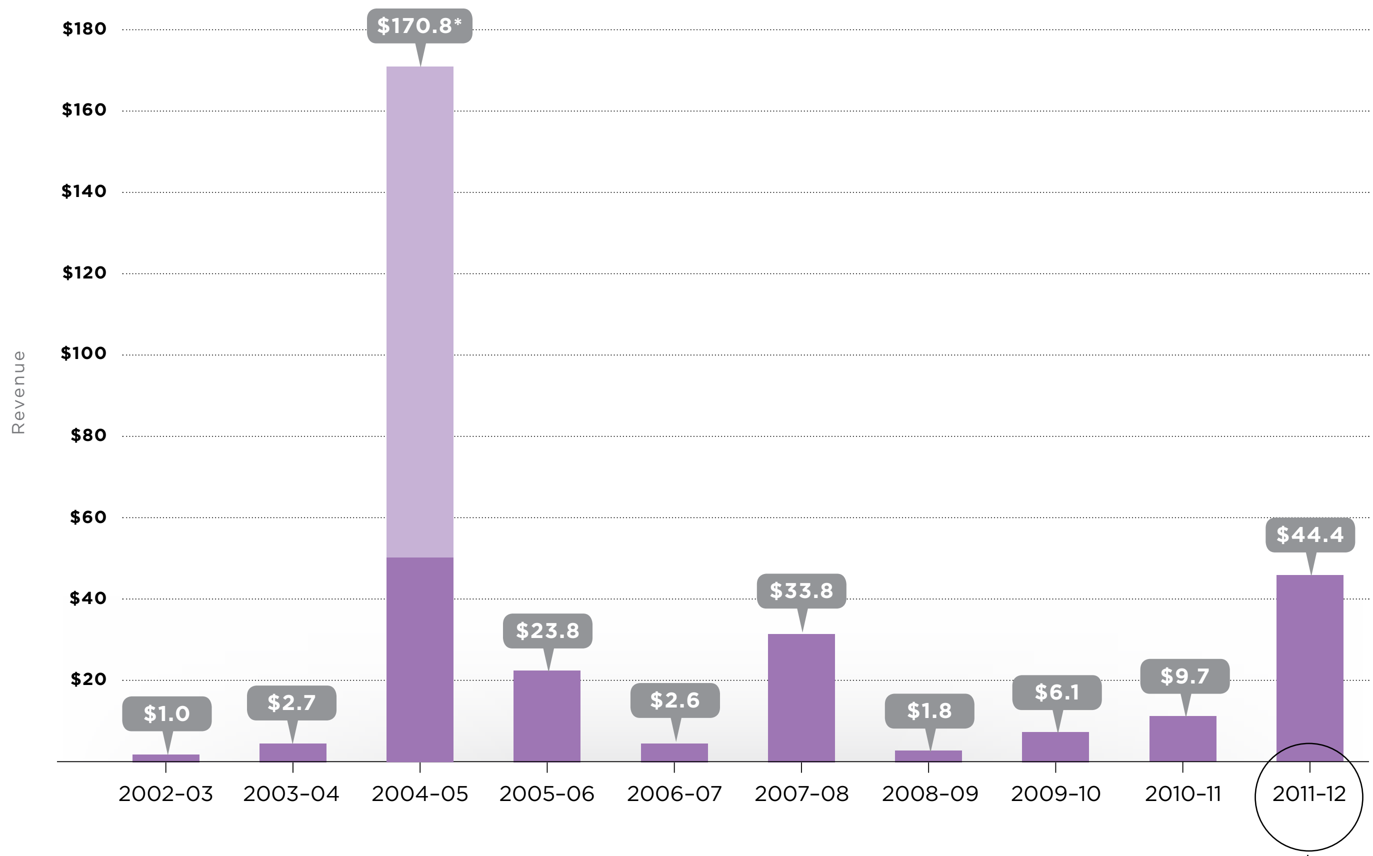
Notes:

- BRA Buildings typically have no bond debt against the facility. IR Buildings are typically financed with 25-year bonds; rental rates include debt service costs.
- In Sacramento and in addition to the BRA rental rate, DGS assesses a $0.60 surcharge per square foot per month on buildings that receive heating and cooling from the new Central Heating and Cooling Plant in order to cover the bonds used to finance the plant.
- The lease revenue bonds used to finance the Secretary of State (SOS) Building will be retired during fiscal year 2012–13. The rental rate for SOS in 2013–14 is proposed to be $1.58 per square foot per month. This rate will be significantly less than the private sector benchmark because the bonds will be required.

RESD routinely compares its leasing rates for state-owned buildings against the private sector in order to ensure best value for customers. As the bond debt is paid off, the charges are significantly lower as indicated in the Los Angeles Reagan, San Diego, and Sacramento state office buildings.

Surplus Property Sales Revenues by Fiscal Year

Shown in Millions



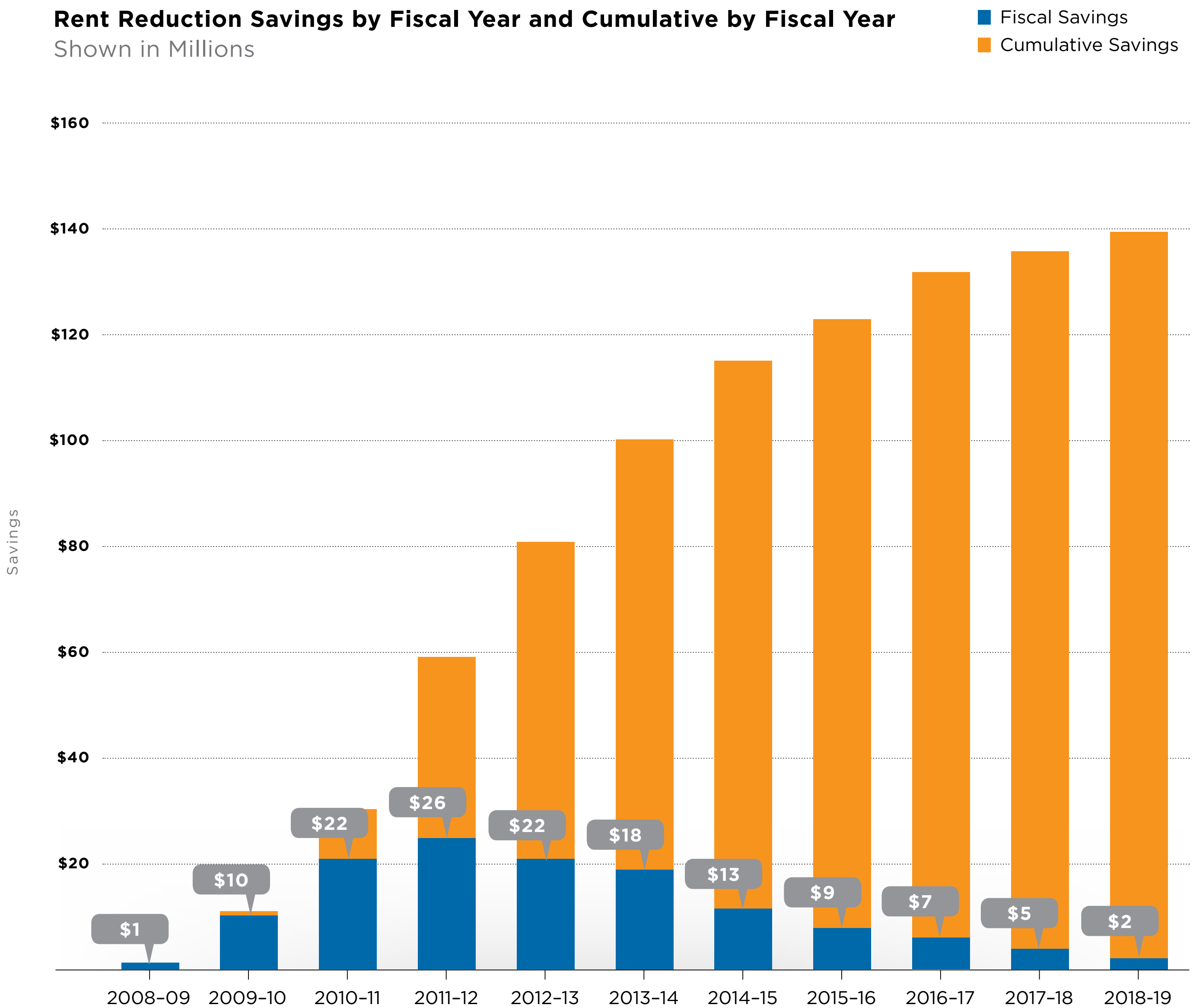
Fiscal Year 2011–12 Sales

Hesperia Forest Fire Station	San Bernardino	11/10/11	$80,000
Valley Center Forest Fire Station	San Diego	11/30/11	$256,000
Bay Area Research Extension Center	Santa Clara	12/22/11	$32,000,000
Bay Area Research Extension Center	Santa Clara	1/6/12	$12,000,000
Harts Mill Forest Fire Station	Butte	6/14/12	$75,000
			$44,411,000

Each year, state departments are required to identify property that is excess to their individual program needs, but only the Legislature can declare properties to be "surplus" and authorize DGS to sell those assets on behalf of the state.

Proceeds from the sale of surplus real property are used to pay the principal and interest on the Economic Recovery Bonds (ERBs) of 2004. Once the ERBs are fully paid, the proceeds from the sale of surplus real property are deposited in the Special Fund for Economic Uncertainties.

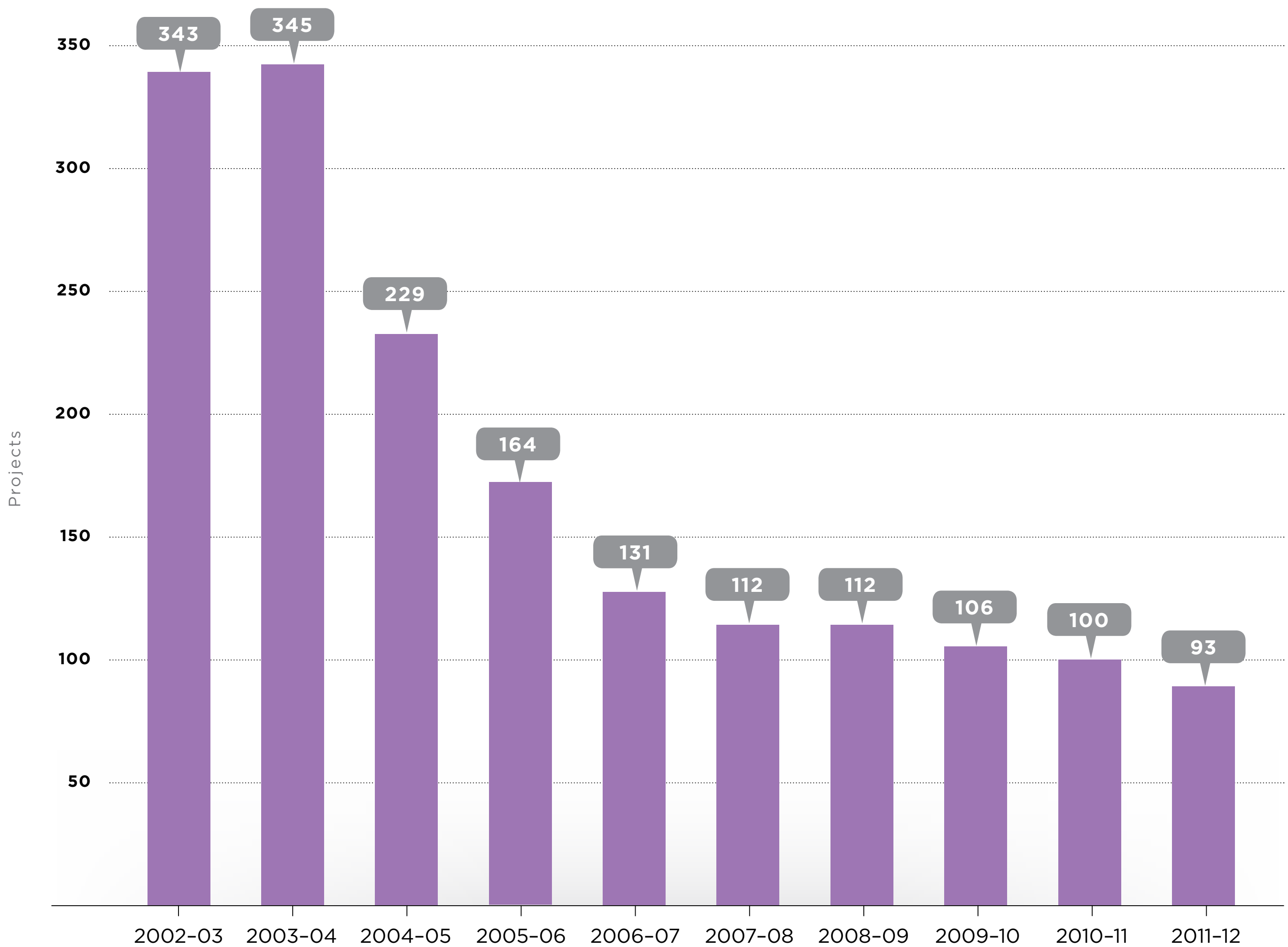
* The revenue for fiscal year 2004–05 includes the sale of 710 acres of surplus property at the California Institution for Men-Chino with a sales price of $120,250,000.



DGS manages more than 1,800 leases, comprising 15.6 million square feet of office space and 4.5 million square feet of storage and other space, totaling over $447 million in annual rent. As of July 23, 2012, DGS has renegotiated and/or terminated 313 commercial property leases resulting in rent reductions totaling $138.9 million in savings to the state over the cumulative terms of the leases.

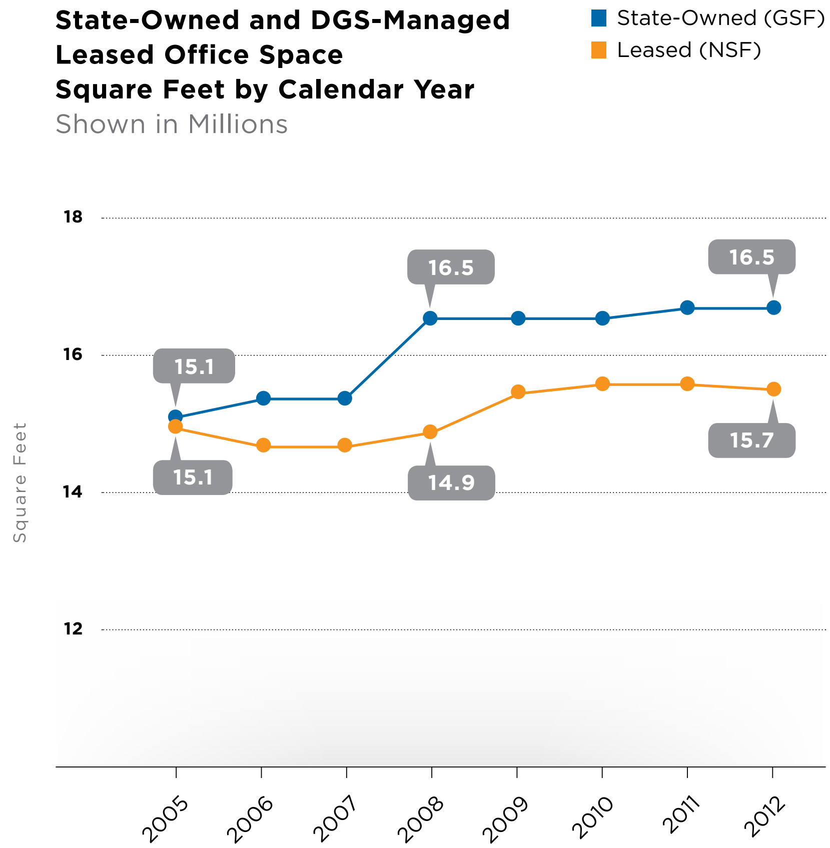
DGS created a team, the California Facilities Assessment Team (C-FAT), in March 2009 to meet with the client agencies and offer assistance in exploring opportunities for savings on the leased facility portion of the agencies' budgets. Initially the team met with the larger client agencies individually to review their lease portfolios, educate them on current market rent, discuss their facility objectives, and explain the parameters for this rent reduction program. DGS has subsequently reviewed the balance of the lease portfolios for the smaller client agencies. This proactive review process assists agencies in ascertaining where savings opportunities may be achieved due to current market conditions and regional vacancy rates, determining the lessors desire to strengthen financial portfolios, and identifying other market opportunities or limited financing availability. The team then renegotiates, consolidates, or terminates leases where market savings can be achieved.

Major Capital Outlay Projects by Fiscal Year
Shown in Number of Projects



The Project Management Branch (PMB) provides project management services for complex real estate projects. PMB manages the design and construction process on behalf of state agencies and departments. PMB assists state agencies and departments in developing conceptual documents for cost and budget control, programming, site planning and master planning, and other documents for conceptualizing capital outlay projects that are necessary to obtain legislative authorization and funding for projects. Currently, there are 93 major capital outlay projects in various stages of design and construction. Of the 93 projects, 25 are in suspension due to the stoppage of interim funding for bond funded projects during the design and construction process. The state is not pursuing bond funds for new capital outlay projects due to the state's fiscal condition.

State-Owned and DGS-Managed Leased Office Space Square Feet by Calendar Year
Shown in Millions



DGS is responsible for 79 state-owned properties totaling almost 19 million square feet. This portfolio consists of 58 office buildings totaling 16.5 million square feet. DGS manages more than 1,800 leases totaling almost 15.7 million square feet. Other agencies also hire DGS to provide partial building management services. Through effective space utilization strategies and working with each state agency customer, DGS strives to minimize costs and space requirements, while ensuring its customers have appropriate building space to perform their mission.

GSF = Gross Square Footage
NSF = Net Square Footage

Improvements & Accomplishments:

- Private Sector Leases—Reduced rental costs by $26 million in 2011–12 with more than $139 million in total savings projected over the term of the leases.
- Energy Efficiency Projects—Implemented $25 million in energy efficiency projects in 62 state-owned facilities, generating an estimated 271 jobs.
- Central Utility Plant—Achieved the U.S. Green Building Council's highest certification of Leadership in Energy & Environmental Design (LEED) Platinum certification for energy efficient and environmentally friendly design and construction.

DIVISION OF THE STATE ARCHITECT

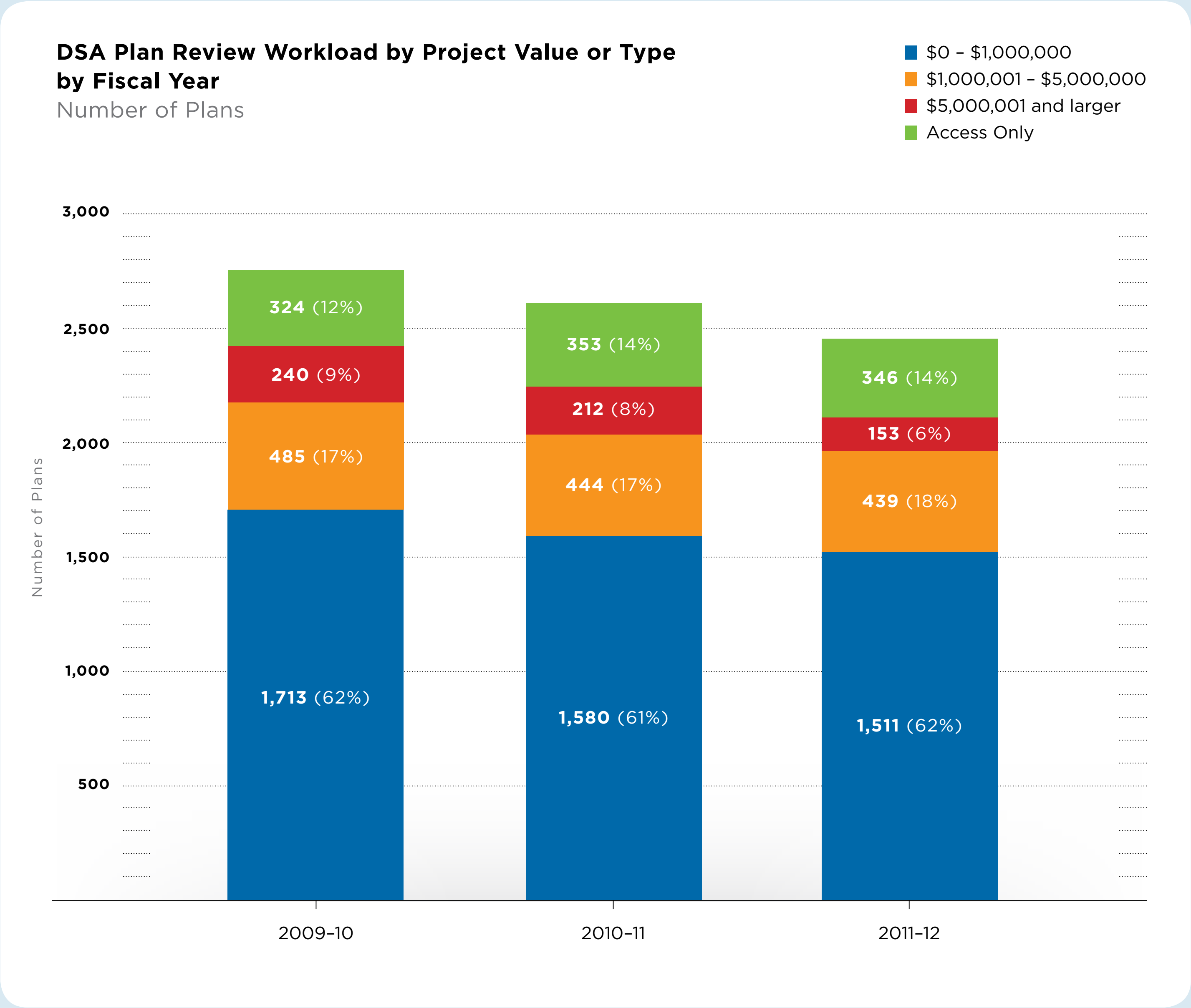
The DGS Division of the State Architect (DSA) provides design review and construction oversight for K–12 schools and community colleges, and accessibility design review for buildings owned by the state, California State University, and the University of California. DSA's duties involve plan reviews, on-site inspections, closing out of projects, and initiatives such as writing new regulations. Every school project is required by law to be certified by DSA, including upgrades and additions. However, current statutes also allow school districts to occupy uncertified completed facilities.

Concerns have been raised about the adequacy of DSA's operations and procedures to ensure public schools meet seismic and structural safety standards as envisioned by the Safety of Design and Construction of Public School Buildings Act, commonly known as the Field Act.

In particular, there are questions regarding the safety of 16,386 school facilities (legacy projects) not certified by DSA and whether they meet Field Act requirements, as well as the adequacy of DSA's oversight of the project inspectors hired by school districts to oversee construction projects. Legacy projects are projects closed without certification prior to January 1, 2011 (16,386 projects). Therefore, for fiscal year 2011–12, DSA focused on two performance areas to better address these issues: categorization of legacy projects and site visits.

DSA conducts plan reviews on construction projects in the following categories:

- Structural Safety
- Fire and Life Safety
- Accessibility



DSA reviews projects for K–12 school and community college districts, the University of California, California State University, state buildings, and "essential" buildings (structures that are designed to remain functional after a disaster). Projects vary widely in size and scope. In some cases, projects may be submitted "over-the-counter" to DSA and reviewed immediately. Some projects are reviewed only for accessibility compliance. During fiscal year 2011–12, DSA received 2,265 school construction plans for review and approval, with an estimated construction cost of $4.3 billion.

Strategic Plan Objective 2.1: By June 30, 2012, categorize 100 percent of projects according to Project Class and School District. (16,386 projects closed without certification prior to January 1, 2011)

Target: Review and categorize all uncertified projects (100 percent). Uncertified projects fall under two categories:

1. Those that may have potential structural safety risk (Type 4); or
2. Those that do not present potential structural safety issues and are uncertified primarily due to missing documents or procedural omissions (Type 3). Though DSA's goal is to resolve all uncertified projects, those determined to have potential structural safety risk receive increased attention.

Status (6/30/12): 15,854 (97 percent) of the projects were categorized according to Project Class and 16,386 (100 percent) were categorized by School District.

OBJ 2.1

Uncertified Projects: Class Categorized and School Districts Identified

Project Classification:

Different school facilities' construction projects fall under four specific classes. Each class has its own requirements for certification. Reviewing and classifying legacy uncertified projects allows DSA to develop and plan the most effective methods to resolve certification issues.

New projects that house students and staff fall under Class 1 or 2, and modernization projects or pre-manufactured structures are designated as Class 3 or 4. DSA reviewed the files of the 16,386 uncertified projects (non-compliant with the Field Act) and properly classified each project.

Project Type:

Completed school facilities' projects fall under four primary project types. Certified projects are designated as Type 1 or Type 2. Uncertified projects closed are identified as Type 3 or Type 4:

- Type 3 projects cannot be verified that construction has been completed in accordance with the applicable codes and regulations (such as missing reports).
- Type 4 projects contain unresolved safety related deficiencies specifically identified in submitted documentation related to structural, fire and life safety, and/or access compliance.

DSA assessed all uncertified projects, and as of June 30, 2012, determined only 50 projects are Type 4 (may have structural or life safety deficiencies).

As of June 30, 2012, 1,464 of the 16,386 uncertified projects have been certified.

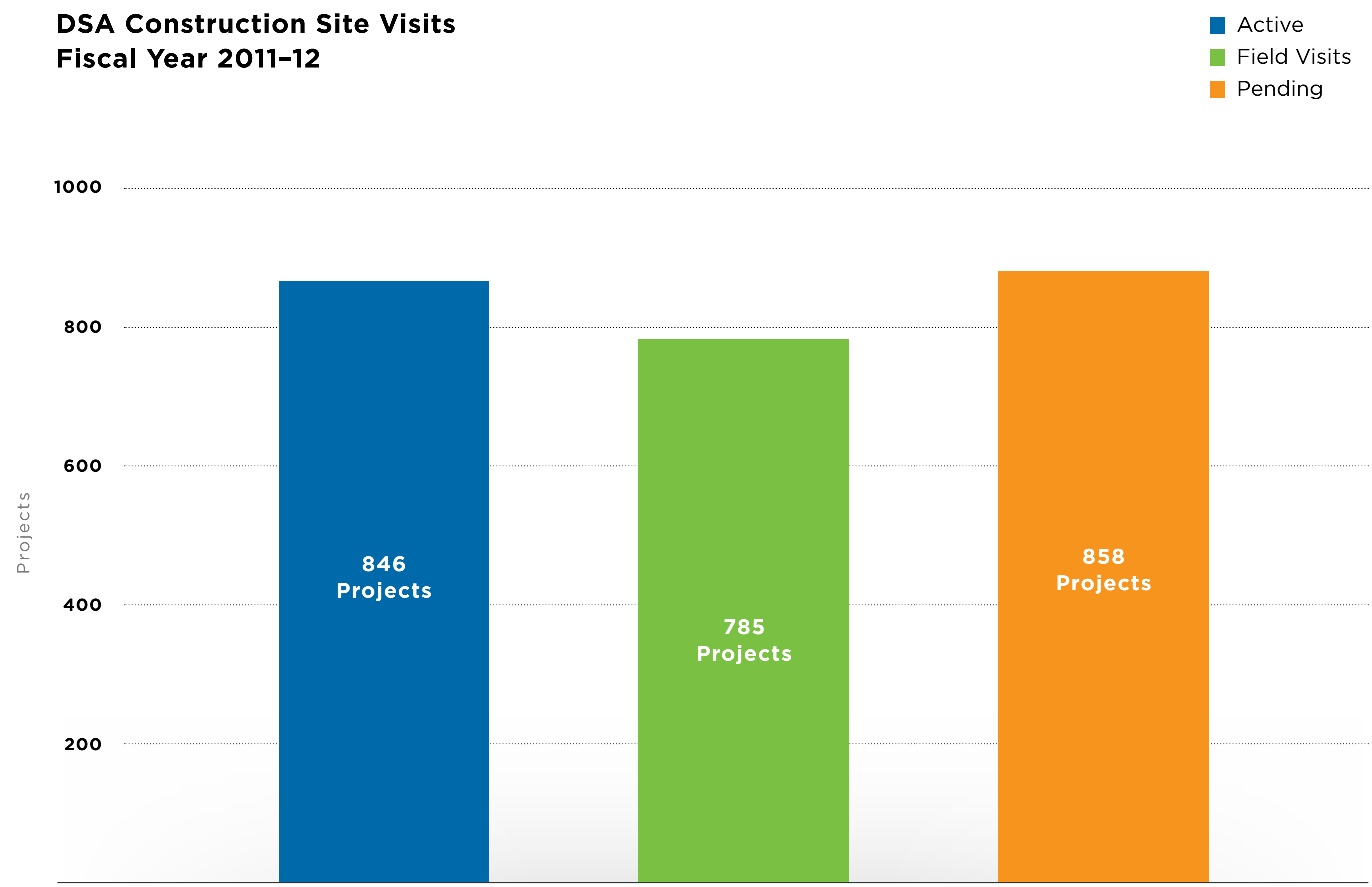
Strategic Plan Objective 2.2: By June 30, 2012, DSA field engineers will visit 100 percent of Class 1 and 2 school projects under construction. In the past, due to resource constraints, DSA has not visited all construction sites and relied on reports from the project inspector (hired by the school district). By visiting all sites, DSA ensures project inspectors fulfill inspection and documentation requirements, and that inspectors verify that projects are being constructed according to approved plans.

Target: Document 100 percent of Class 1 and 2 projects to be visited

Status (6/30/12): DSA is able to document that 93 percent of Class 1 and 2 projects have been visited

OBJ 2.2

DSA Construction Site Visits Fiscal Year 2011–12



DSA conducted site visits on 93 percent of the active Class 1 and 2 projects during fiscal year 2011–12. Active projects are those that have begun their construction phase. In most instances, project sites not visited were those that recently began construction. As of June 30, 2012, DSA had an additional 858 "pending" projects valued at $3.2 billion that have not entered the construction phase, but may soon be initiated.

Additional DSA Performance Indicators

Although not linked to specific objectives, DSA monitors its program performance by using multiple measurements.

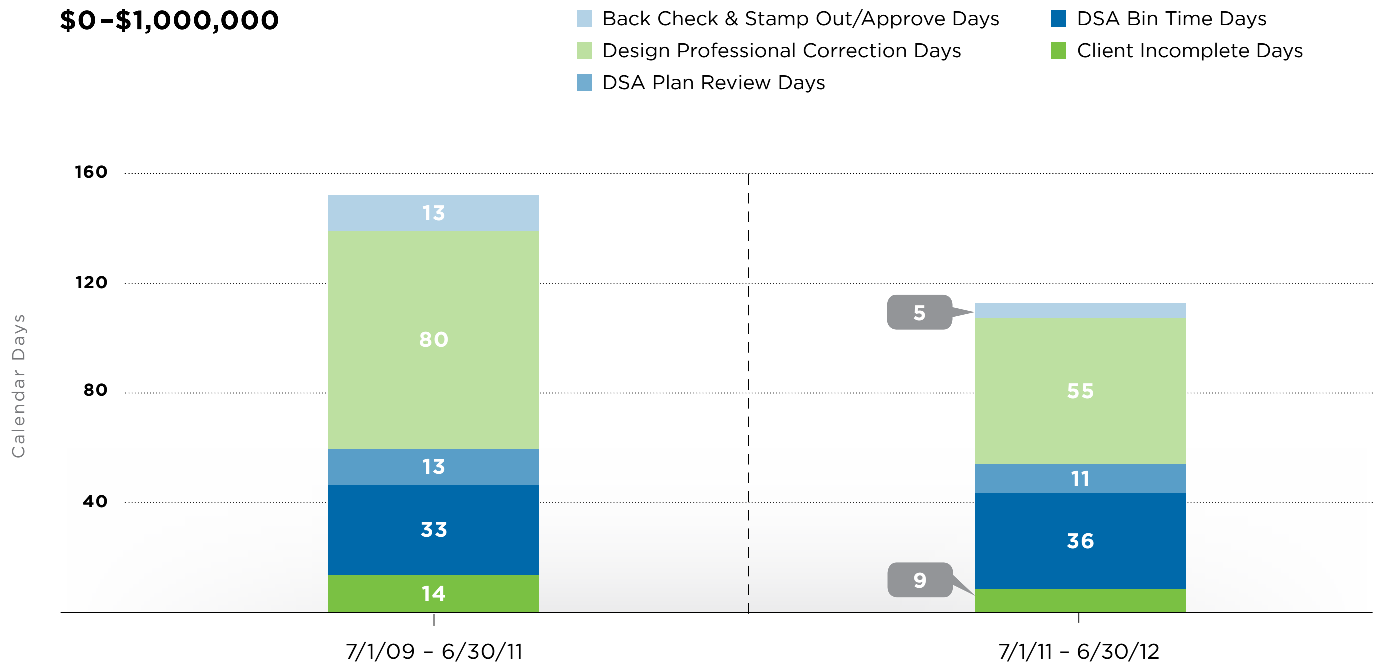
The following charts depict the average number of days to complete the phases of the project plan review cycle for the review categories and compare the fiscal year 2011–12 timeframes with the preceding two fiscal years' performance.

DSA monitors its plan review timeframes to ensure timely processing of plan review and approvals. The blue shaded areas represent DSA timeframes and green shaded areas represent the client timeframes. DSA has improved its average review time in recent years by implementing process improvements and efficiencies. DSA believes these improvements are sustainable over time and will continue to post its progress on its website so clients can have immediate access to this information.

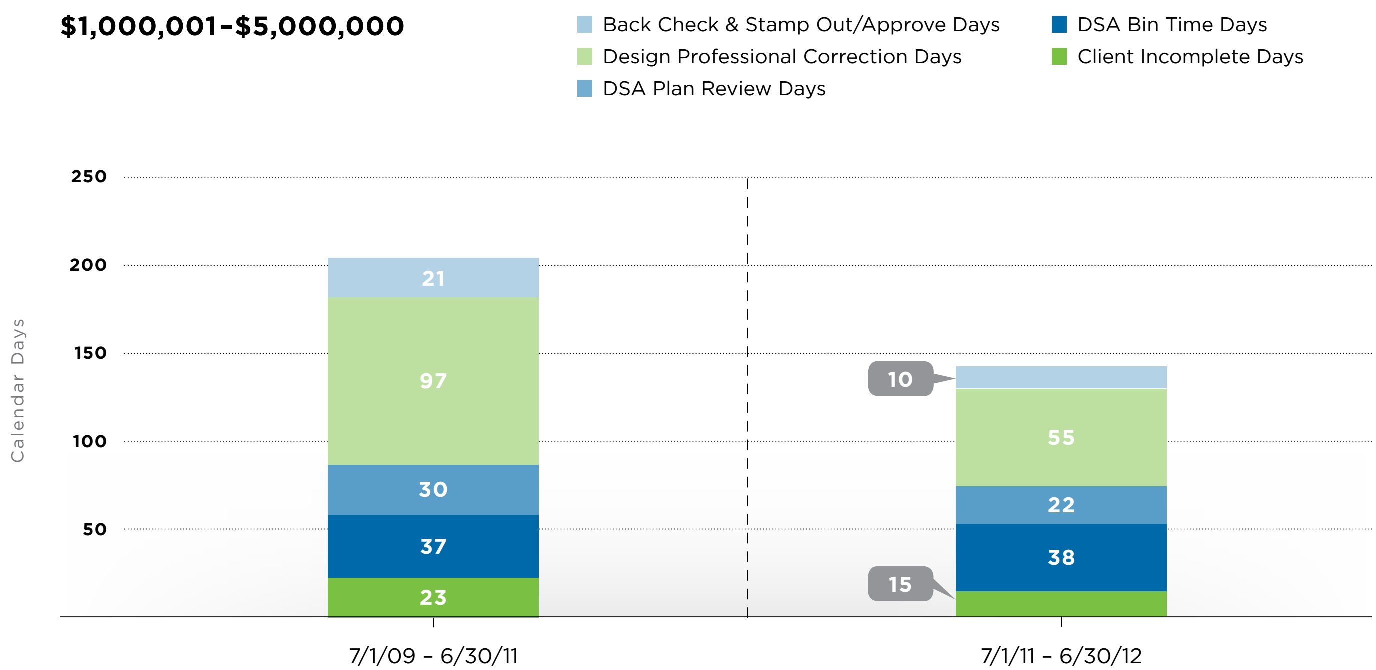
Chart Category Descriptions:

- **Client Incomplete Days—** The average number of days a project is placed on hold until the project is resubmitted and deemed complete. DSA assigns a project application number and performs an intake evaluation for completeness and correctness of the construction documents. If the plan submittal is determined to be incomplete, DSA notifies the design professional and the district (project owner) of the required documentation and the project is placed on hold until DSA receives a complete submittal to begin plan review.
- **DSA Bin Time Days—**The average number of days that elapsed from the date a project is considered a complete submittal to the start of plan review.
- **DSA Plan Review Days—**The average number of days the DSA plan reviewers perform their reviews to ensure all appropriate codes and standards are met until the project is returned with comments to the project design professional.
- **Design Professional Correction Days—**The average number of days for the project design professionals to prepare responses to the DSA plan check comments, schedule a back check appointment (i.e., a review with the DSA plan review staff of changes made by the project design professionals) with the DSA plan reviewers, and begin back check process.
- **Back Check and Stamp Out/ Approval Days—**The average number of days needed for a face-to-face back check meeting conducted between the project design professionals and the DSA plan reviewers to resolve all plan review comments. This includes the time for the DSA review and approval stamp and issuance of an approval letter.

$0–$1,000,000

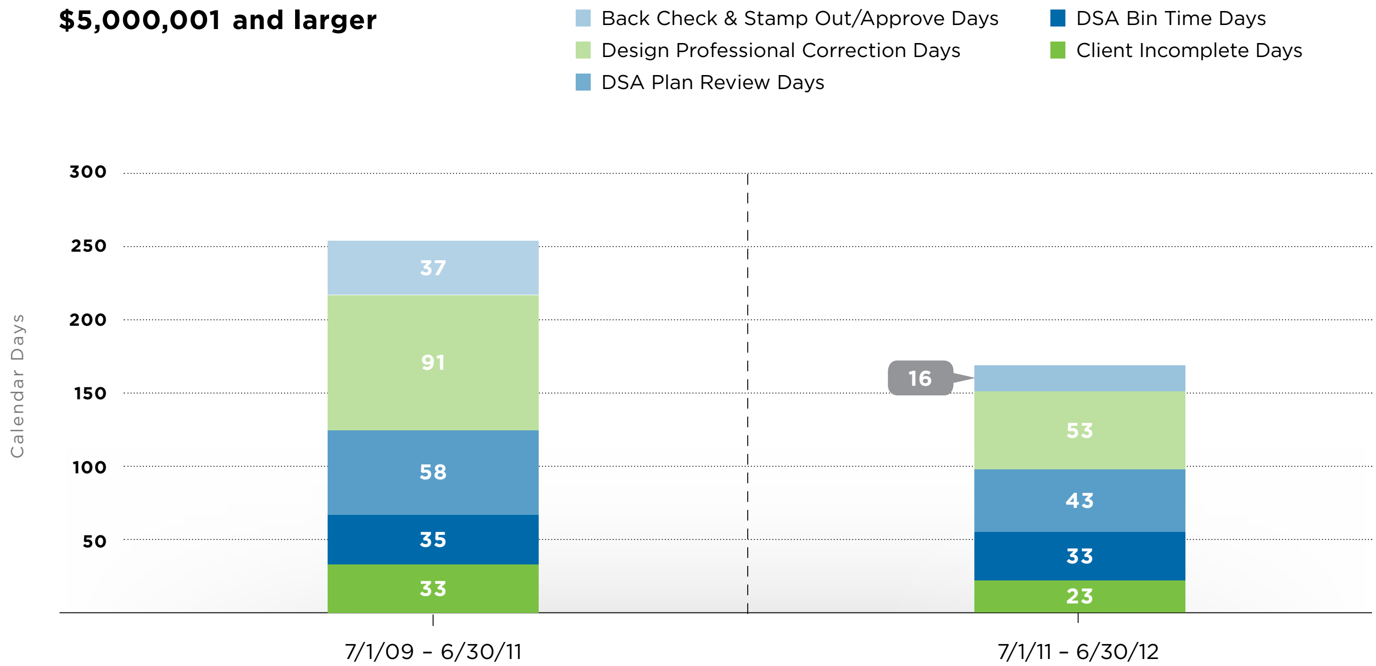


$1,000,001–$5,000,000

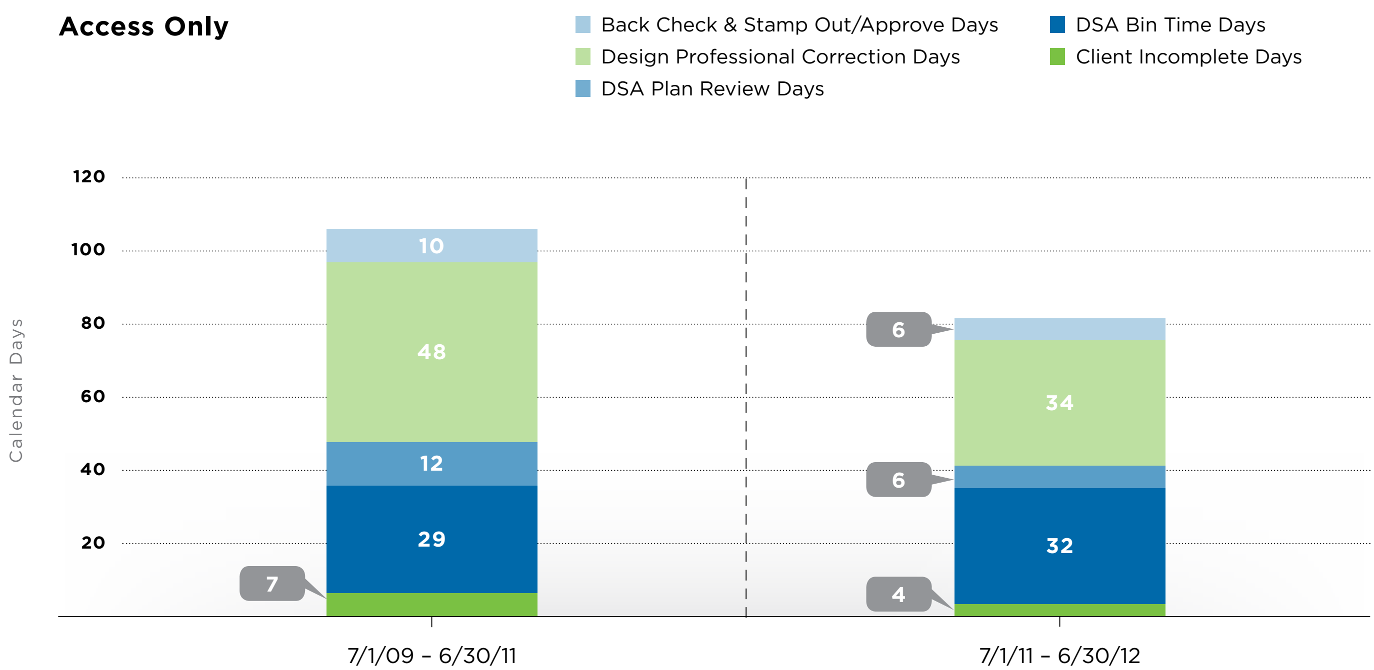


DSA monitors its plan review timeframes to ensure timely processing of plan review and approvals. The blue shaded areas represent DSA timeframes and green shaded areas represent the client timeframes. DSA has improved its average review time in recent years by implementing process improvements and efficiencies. DSA believes these improvements are sustainable over time and will continue to post its progress on its website so clients can have immediate access to this information.

$5,000,001 and larger

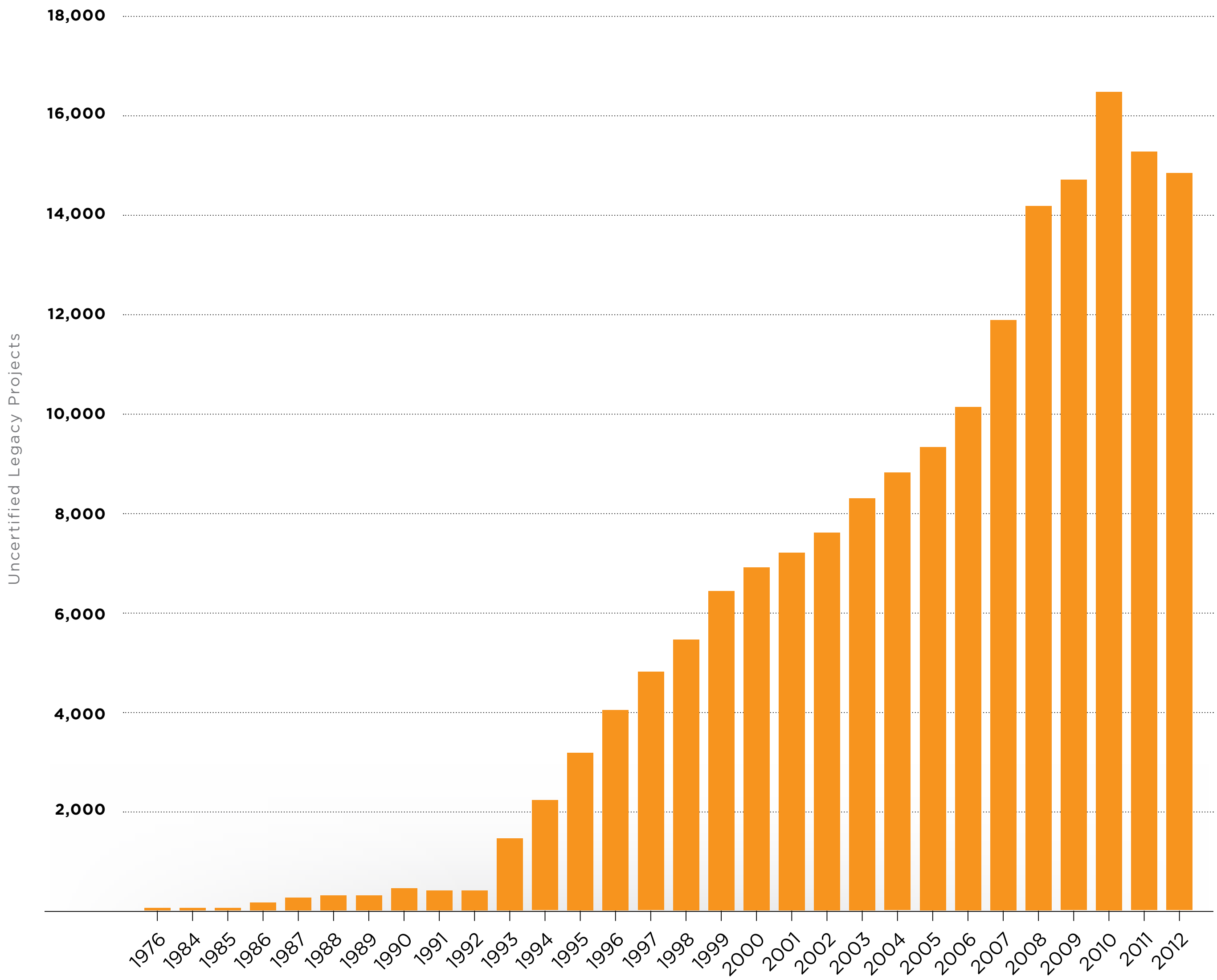


Access Only



DSA monitors its plan review timeframes to ensure timely processing of plan review and approvals. The blue shaded areas represent DSA timeframes and green shaded areas represent the client timeframes. DSA has improved its average review time in recent years by implementing process improvements and efficiencies. DSA believes these improvements are sustainable over time and will continue to post its progress on its website so clients can have immediate access to this information.

Cumulative Uncertified Legacy Projects as of June 30, 2012



In 2011, DSA initiated efforts to specifically address uncertified legacy projects. Legacy projects are school construction projects closed without certification prior to January 1, 2011 (16,386 projects). DSA dedicated staff to review project records and identify the outstanding issues that were necessary for certification. Based on project file reviews and resolution of issues, DSA was able to certify a number of projects.

Project file reviews continued in 2012, along with increased communication to school districts. DSA also developed a certification guide for legacy projects that helps districts achieve certification for older projects.

In 2013, DSA will implement a new field inspection process for school facility construction that is similar to procedures used by virtually every building inspection authority in the country. Use of this process will ensure that every school facility project attains DSA certification. DSA will also continue to review project files of uncertified projects and work with school districts to address issues that have prevented certification.

Improvements & Accomplishments

- DSA amended construction change regulations to clarify and streamline the approval process. This should simplify the submittal process for construction change documents related to structural safety, fire and life safety, and access compliance.
- DSA identified all uncertified projects and provided each district with a copy of the original project closing letter identifying specific missing items (e.g., documents, test results, fees). In most cases, the project can be certified and closed once the missing project documentation is submitted. The success of this outreach effort will be indicated by a reduced number of uncertified projects. The number of uncertified projects is tracked and evaluated on a continuous basis.
- The DSA maintained "bin time," the time that elapses from submittal date of complete project documents at DSA until plan review begins, at a level of six weeks or less. In 2010–11, bin times were as high as 12 weeks.
- In June 2012, DSA submitted proposed regulatory changes to the California Building Standards Commission that consolidate special inspection functions. The consolidation will improve the level of project certification by requiring the managing engineer of the laboratory be responsible for approving all special inspections in lieu of the current process which requires each individual inspector's signature. (Note: The Building Standards Commission approved this change on December 12, 2012.)


Announcement
New Record Set Policy #06-01
Policy 06-01

PROCUREMENT DIVISION

The DGS Procurement Division (PD) sets state procurement policies and provides purchasing services that help state agencies and departments achieve their missions. With a budget of $28 million and 195 staff, the division is responsible for delegating purchasing authority, training state purchasing professionals, resolving contract disputes, outreach, and certifying small and disabled veteran-owned businesses to receive state purchasing preferences, and managing and overseeing the state agency purchasing processes of up to $5.72 billion annually in non-information technology (IT) goods and IT goods and services. PD has also certified more than 20,181 small businesses and 1,328 disabled veteran-owned businesses to receive state contracting preferences.

PD administers procurement vehicles that serve as master contracts used by state departments as well as local governments. These vehicles include 47 Statewide Food Contracts, more than 1,400 California Multiple Award Schedules (CMAS) Contracts, 200 Master Agreements, 29 Pharmaceutical Contracts, approximately 198 Statewide Commodity Contracts, 2 State Price Schedules, 103 Software Licensing Program (SLP) Agreements, and 70 Western States Contracts Alliance (WSCA) Contracts. Additionally, PD completed 152 One-Time procurements and 28 large/complex IT procurements, and reviewed and processed 260 Non-Competitive Bid (NCB) contracts that included 31 non-IT goods, 75 IT goods and services, and 154 non-IT services.

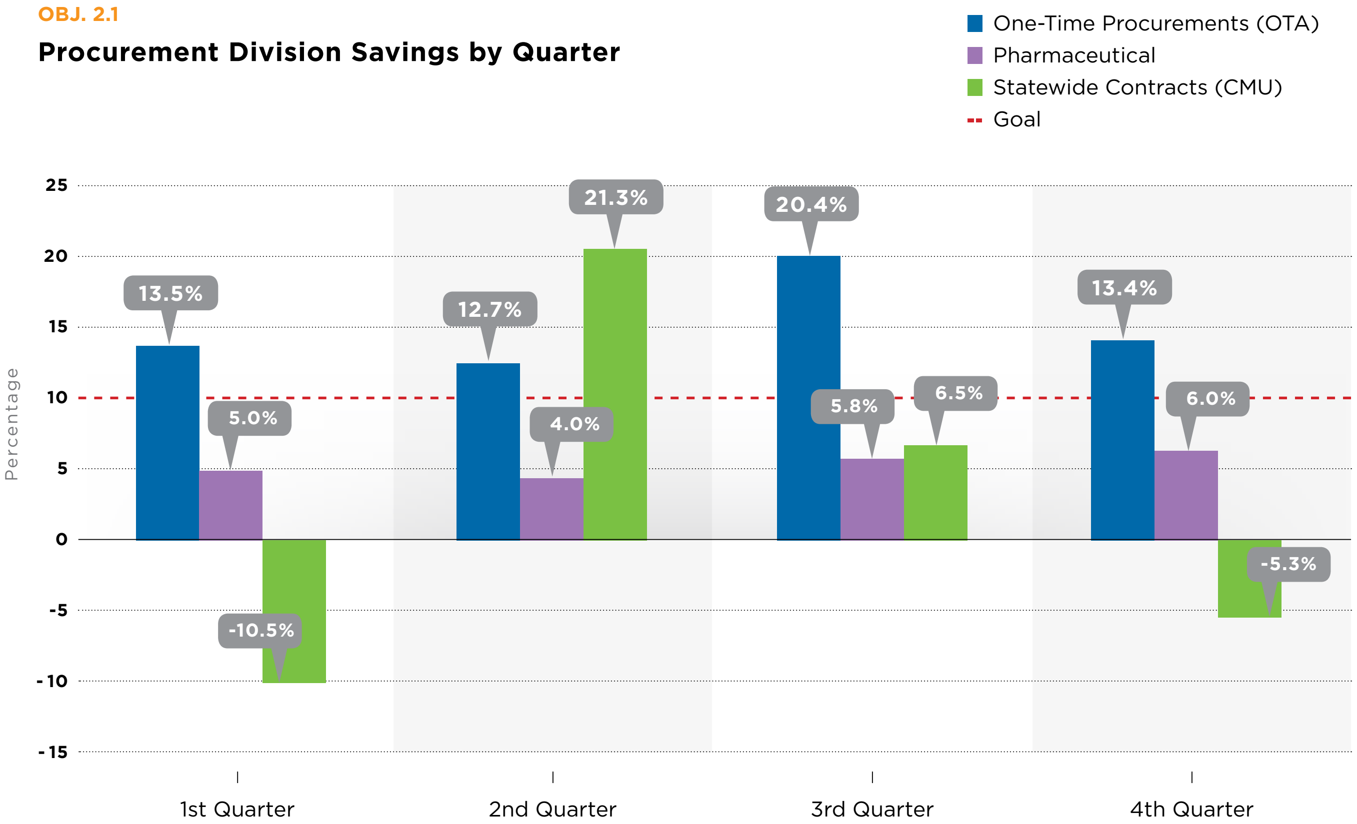
PD is focused on steps to increase cost-effectiveness, environmentally preferable purchasing, and achieving better value for goods and services. Cost-effectiveness is best achieved within PD by focusing procurement on competitive specifications, accurate historical spend analysis, and estimated quantities. Environmentally preferable purchasing is achieved through specifications that consider performance, the environment, and cost.

PD strives to promote competition and encourages greater economic opportunity among small businesses and Disabled Veteran Business Enterprises (SB/DVBEs). The Governor has set a goal for contracting with these entities that include a 25 percent small business contracting rate and a 3 percent disabled veteran business enterprise contracting rate. Being certified as a SB/DVBE not only provides visibility but also several opportunities that may not be available otherwise, including bidding preferences. PD attempts to level the playing field for SB/DVBEs by conducting

statewide outreach, workshops, and webinars, and identifying best practices to improve participation goals departmentwide. Also, NCB contracts continued to decline, while the SB/DVBE Option and off-ramp policies provided new opportunities for departments to meet their SB/DVBE goals.

OBJ. 2.1

Procurement Division Savings by Quarter



Strategic Plan Objective 2.1: By June 30, 2012, achieve a 10 percent savings across One-Time procurements, Pharmaceutical Contracts, and Statewide Commodity Contracts.

Target: 10 percent

Status (6/30/12): 7.7 percent (average of three programs)

PD experienced some significant savings on the statewide printer/copier contract with an average savings of 65 percent, but experienced cost increases due to the pricing during volatile raw material cycles on certain commodities such as biodiesel, grocery bags, and newsprint. PD will continue to monitor its program savings and use this data to help its customers maximize best value purchasing.

Measured Programs:

- One-Time Acquisitions (OTA) include special purchases that exceed a department's delegated purchasing authority or those that are initiated in support of a complex purchase on behalf of a department. When a department submits a purchase estimate, they encumber funds that they believe the purchase price will be. Savings are realized when OTA is successful in awarding below the amount encumbered.
- Pharmaceutical purchases include the Primary Pharmaceutical Wholesaler, Secondary Pharmaceutical Wholesaler, Pharmacy Benefit Manager, Pharmaceutical Group Purchasing Organization, Reverse Distribution and Destruction of Pharmaceuticals, Vaccinations, Pharmaceutical Pricing Agreements, Medical and Surgical Supply Agreements, and emergency service drug purchases. Currently, purchases through the Primary Pharmaceutical Wholesaler (includes drug pricing agreements and the Pharmaceutical Group Purchasing Organization) and the Pharmaceutical Benefit Manager Agreements are being tracked for savings. Savings are achieved when the spend of the new contract is less than the spend of the previous contract for the same goods or services.
- Statewide contracts are established to simplify the purchasing of goods that are used by multiple departments and leverage best value by volume purchasing. Savings are achieved when the cost of the new contract is less than the cost of the previous contract for the same goods or services.

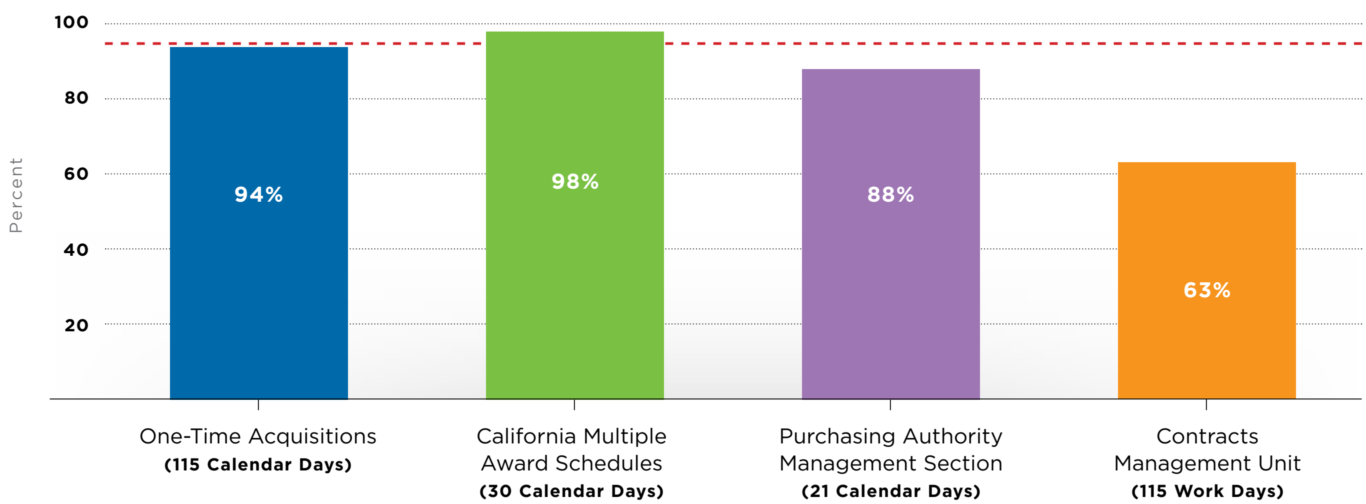
Strategic Plan Objective 2.2:
Achieve a 95 percent on-time completion rate across all measured programs.

Target: 95 percent

Status (6/30/12): 86 percent

OBJ. 2.2

Percentage On-Time Completion Fiscal Year 2011–12 By Program



The above chart measures purchase orders, contracts, applications, and solicitations, respectively. Although PD was able to meet its target of a 95 percent on-time completion rate for some of the measured programs, it experienced significant negative impact in the Contracts Management Unit due to unforeseen administrative issues that required resolution before award of the statewide contracts could be made. PD will continue to monitor the timeliness of service delivery and implement efficiencies to increase its performance.

Measured Programs:

- One-Time Acquisitions (OTA) include special purchases that exceed a department's delegated authority or those that are initiated in support of a complex purchase on behalf of a department. OTA measured 152 purchase orders for this reporting period.
- The California Multiple Award Schedules (CMAS) are contracts established to offer a wide variety of commodities, non-information technology (IT) services and IT products and services at prices that have been negotiated, competitively assessed or cost compared, and are currently in effect with other government agencies. California contract terms and conditions, ordering procedures, procurement codes, and policies and guidelines are incorporated with each CMAS agreement. CMAS measured 838 contracts for this reporting period.
- The Purchasing Authority Management Section (PAMS) is responsible for managing and approving departments' delegated authority requests, coordinating resolution of protests and disputes for internal and external customers, Contract Advertising Exemption and non-IT services NCB contract justifications, and the Preference Program. PAMS processed 157 non-IT service NCB applications for this reporting period.
- The Contracts Management Unit (CMU) manages the implementation of statewide contracts that are established to simplify the purchasing of goods that are used by multiple departments and leverages best value by volume purchasing. CMU measured 8 category solicitations resulting in 32 contracts for this reporting period.

Strategic Plan Objective 2.3:
By June 30, 2012, support state agencies and departments to ensure the annual Small Business and Disabled Veteran Business Enterprise (SB/DVBE) goals are met.

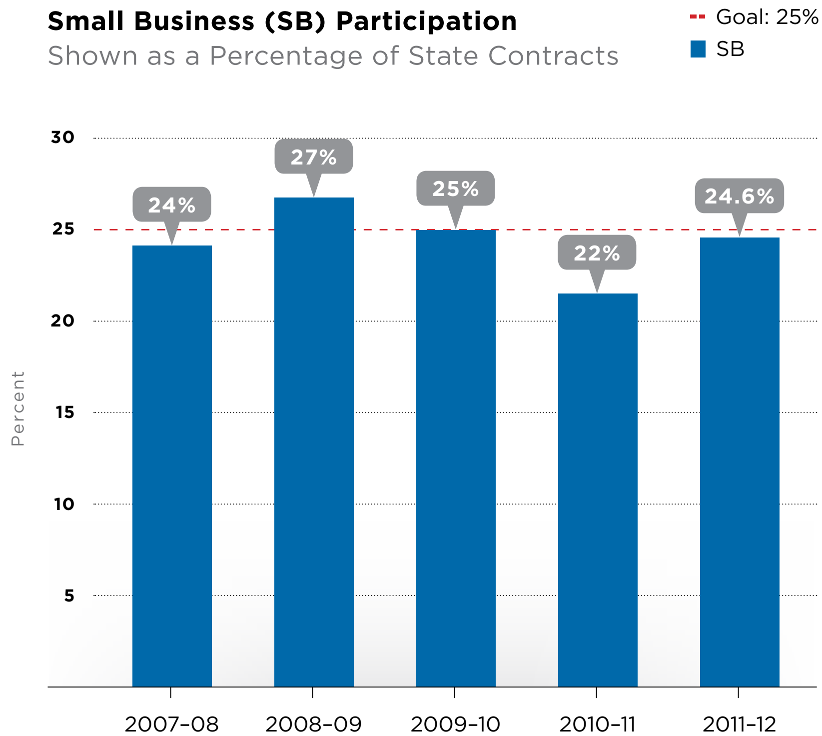
Target: 25 percent for SB; 3 percent for DVBE

Status (6/30/12): Achieved 24.6 percent for SB and 5 percent for DVBE during fiscal year 2011-12.

Governor's Executive Order S-02-06 sets a goal of at least 25 percent of all state contracting dollars go to certified small businesses and that a minimum of 3 percent goes to DVBE firms. When these firms, who make up nearly 99 percent of all California businesses, gain state business, they grow and create jobs. PD has implemented a comprehensive outreach program, streamlined its certification and procurement processes, and developed laws, policies and regulations that promote the use of SB and DVBE firms in nearly all facets of purchasing. Since fiscal year 2007-08, DVBE participation has increased by 150 percent and the state has averaged over $2 billion annually in spend with SB firms.

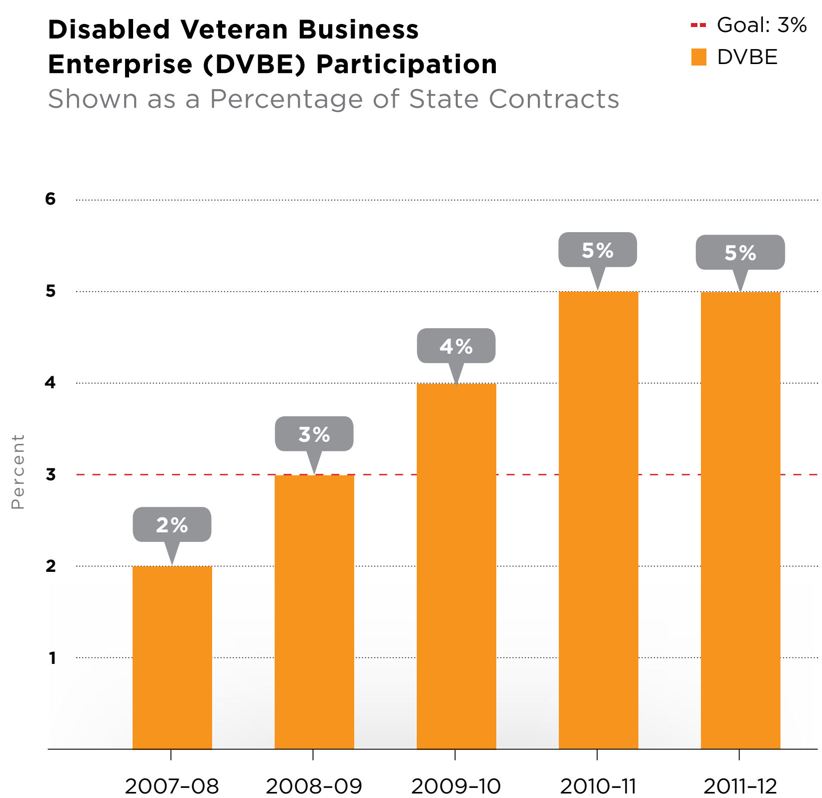
OBJ. 2.3

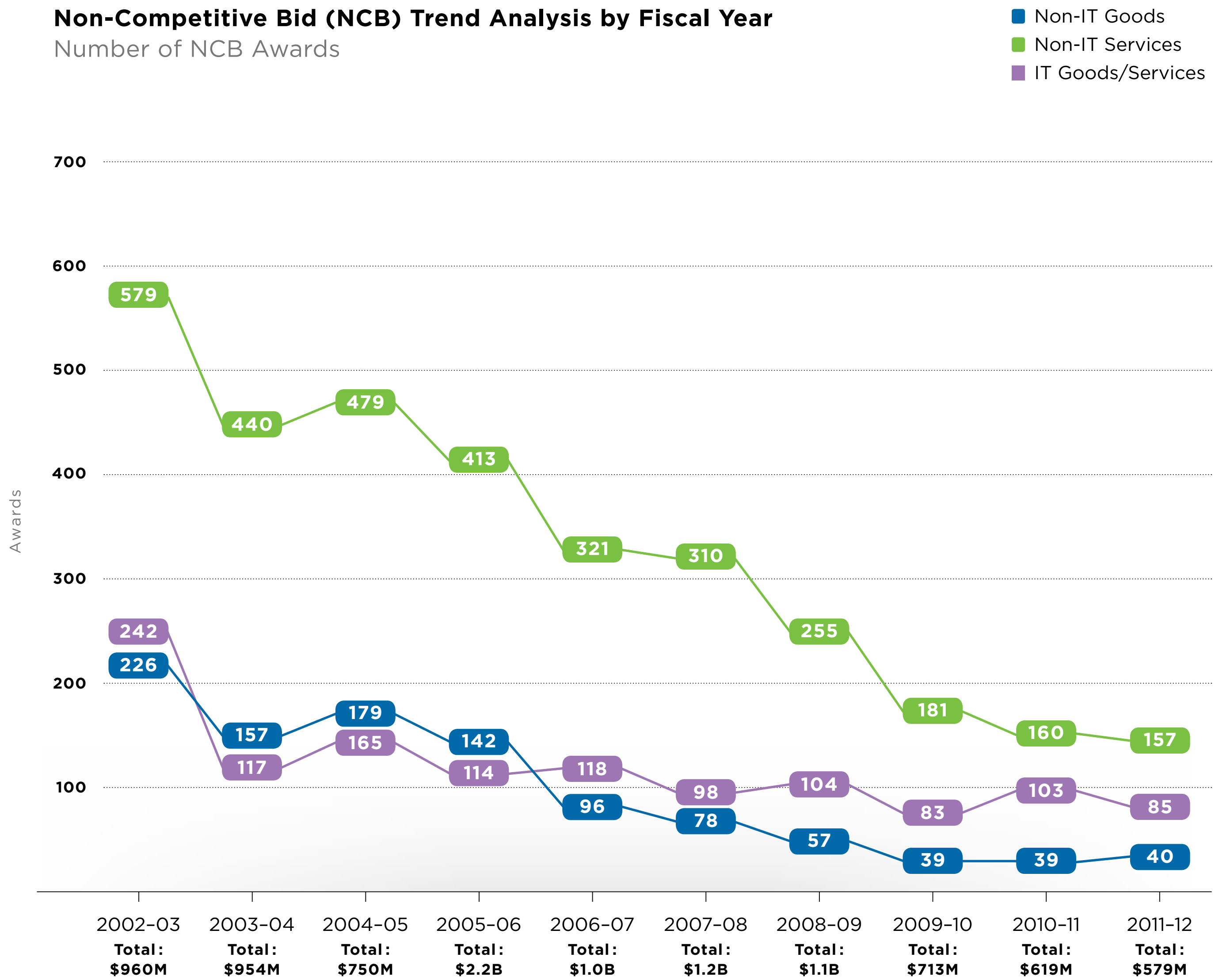
Small Business (SB) Participation
Shown as a Percentage of State Contracts



OBJ. 2.3

Disabled Veteran Business Enterprise (DVBE) Participation
Shown as a Percentage of State Contracts





Improvements & Accomplishments:

- Achieved $2.7 million in savings in 2011 on contracts for the California Highway Patrol's Enhanced Radio System equipment by leveraging the state's purchasing power through the competitive bidding process.
- Facilitated the successful award of a revenue sharing contract for the Franchise Tax Board which could yield $1.6 to $2.6 billion of incremental tax revenue to the state.
- Achieved $9.2 million savings for Caltrans Contract Management System through negotiations during 2011–12.

PD continues to focus on steps to increase cost effectiveness and achieve better value for goods and services by reducing the number of contracts that are not competitively bid. The slight increase in information-technology (IT) goods and services during fiscal year 2010–11 was due to proprietary software maintenance renewals and contract amendments to either extend the maintenance or add additional services required by legislation/mandates. PD continues to make great progress in this area as the use of the NCB process is at an all-time low.


Sell your
Products
and
Services
to the State

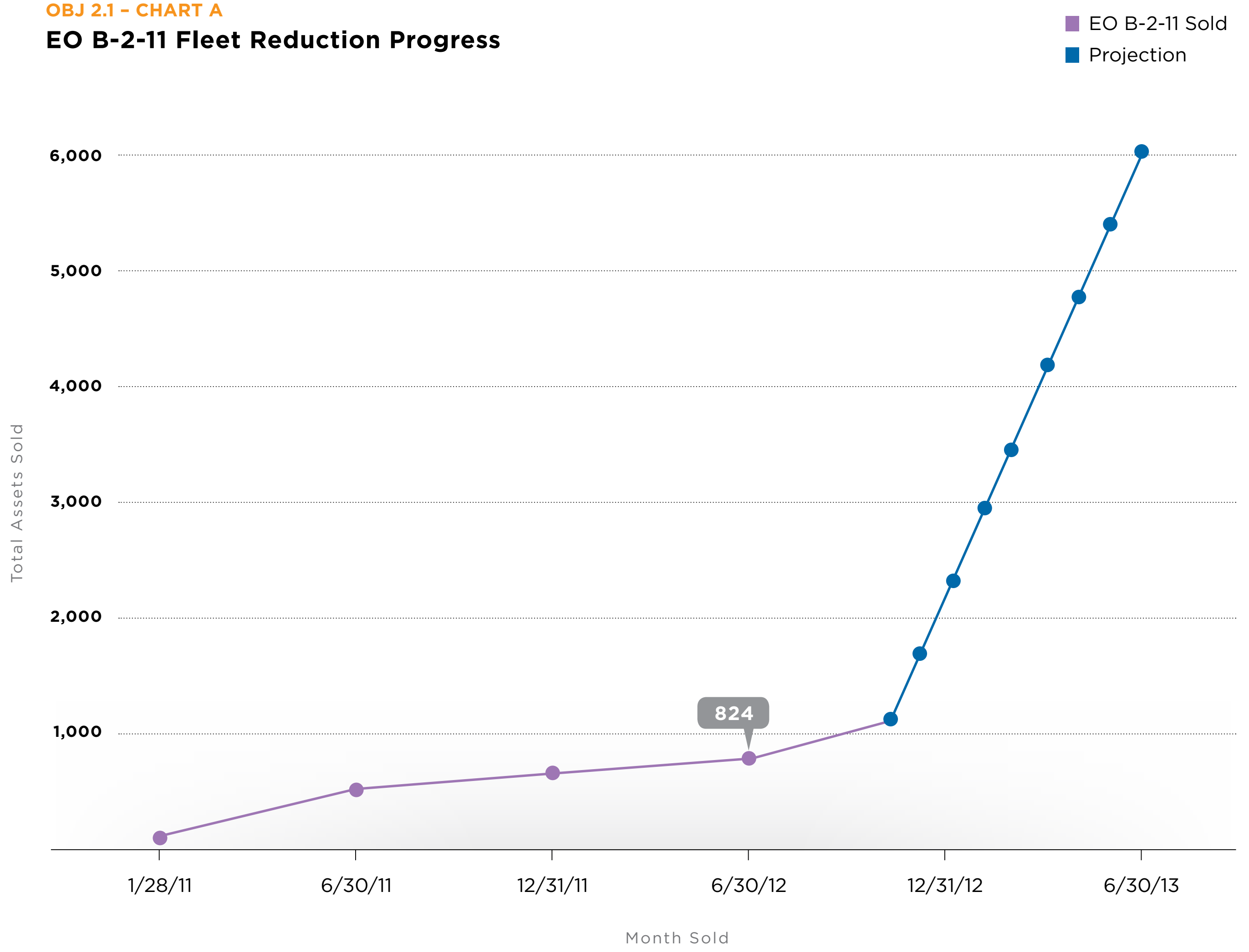
OFFICE OF
FLEET AND ASSET MANAGEMENT

A component of the Interagency Support Division, the 113 employees of the DGS Office of Fleet and Asset Management (OFAM) provide a multitude of cost-effective services to its state government customers. These services include oversight of the state's vehicle and mobile equipment fleet; daily and monthly vehicle rentals; vehicle inspection and consultation services; transit storage services; state and federal surplus property services; and management of approximately 30 state parking lots. OFAM also oversees the reusing of surplus property by placing state and federal surplus items with other state and local government agencies, auctioning items to the general public, and maintaining warehouse storage. Additionally, OFAM operates the Statewide Travel Program (STP) which assists government travelers by obtaining the most economical rates and fares available through the use of contracted travel-related services.

In fiscal year 2011-12, OFAM focused on carrying out Executive Order B-2-11 that requires DGS to assist state agencies in eliminating all non-essential and cost-inefficient vehicles and vehicle home storage permits. OFAM also focused on increasing operational efficiencies in its fleet and garage operations. Under the Governor's stated priorities of reducing waste, saving money, and operating cost-effectively, OFAM anticipates eliminating more than 6,000 vehicles and mobile assets from the state fleet by December 31, 2013, and reducing costs in garage operations by approximately $2.5 million beginning in fiscal year 2012-13.

OBJ 2.1 – CHART A

EO B-2-11 Fleet Reduction Progress



Strategic Plan Objective 2.1: By June 30, 2013, analyze, identify and dispose of all non-essential and cost-inefficient mobile assets from the state fleet (pursuant to Executive Order B-2-11).

Target: Dispose of all vehicles identified (estimated 6,000*) by June 30, 2013.

Status (6/30/12): 824 vehicles disposed (14 percent)

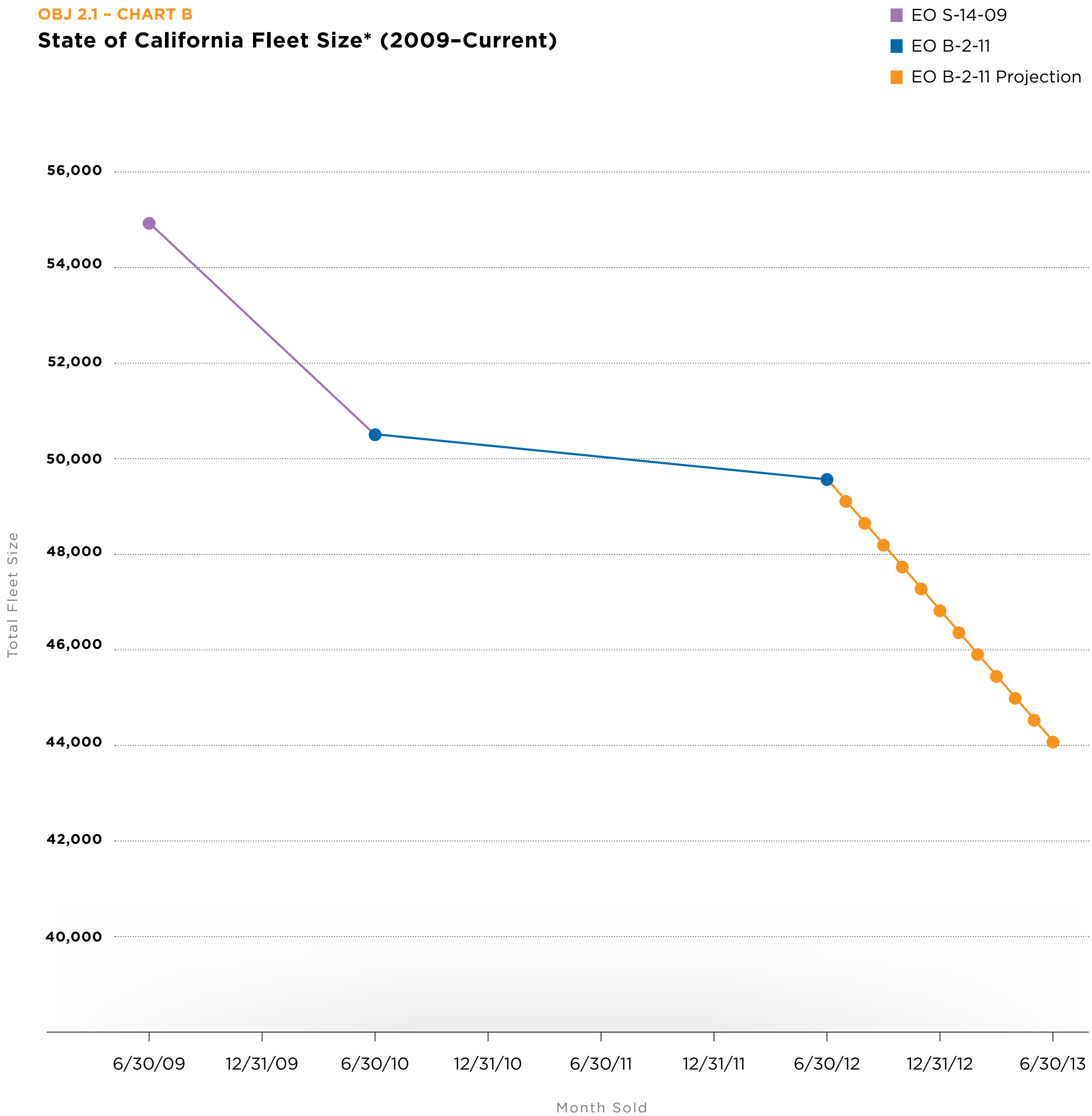
* Subject to change upon receipt of information from late-reporting departments.

In 2012, OFAM focused on executing Governor Brown's fleet reduction Executive Order (EO) B-2-11. Under this EO, OFAM analyzed over 50,000 vehicles in the state fleet in order to help state agencies eliminate non-essential and cost-inefficient vehicles. OFAM undertook the same analysis to help departments cut similar non-essential vehicle home storage permits. In line with the governor's stated priorities of reducing waste, saving money, and operating cost-effectively, OFAM estimates that it will eliminate more than 6,000 vehicles and mobile assets from the state fleet by June 30, 2013.

It is important to note that DGS' ability to meet its reduction target will depend on a number of factors including the timeliness of the California Department of Corrections and Rehabilitation's ability to surplus its reduction vehicles as it proceeds with its own realignment efforts (transferring specified services from the state to counties).

OBJ 2.1 – CHART B

State of California Fleet Size* (2009–Current)



* Fleet is defined as any asset that is mobile and/or registered with the DMV.

Governor Brown's Fleet Reduction Executive Order directed DGS to perform an unprecedented top to bottom analysis of the state fleet and eliminate those assets that were determined to be non-mission critical or cost-ineffective.

This Executive Order built upon fleet reduction efforts of the past Administration which is evidenced by the decline of the size of the state fleet over the past five years. In 2008, OFAM established a statewide fleet database that is continually updated by all fleet owning Executive Branch agencies. This is important as it allows OFAM to continually evaluate statewide fleet usage to ensure that vehicles are appropriately used and tax-payer dollars are not wasted.

Strategic Plan Objective 2.2:
By June 30, 2012, close the Fresno, Oakland, and Los Angeles state garages and the San Diego fleet office, and discontinue on-site preventive maintenance services in Oakland and Sacramento.

Target: 100 percent closure by June 30, 2012

Status: 100 percent

Cost Savings Expected for 2012-13

GARAGE CLOSURES	
Fresno	**$226,551**
Los Angeles	**$964,470***
Oakland	**$456,395**
San Diego	**$106,568**

PREVENTIVE MAINTENANCE DISCONTINUANCE	
Oakland	**$306,096**
Sacramento	**$257,316**

* Full savings from the Los Angeles Garage closure will not be achieved until OFAM is able to sub-lease its Los Angeles garage facility.

DGS closed the Fresno, Oakland, and Los Angeles state garages and the San Diego fleet office, and discontinued on-site preventive maintenance services in Oakland and Sacramento. This effort has reduced costs and improved efficiencies in garage operations, thereby saving the state approximately $2.5 million beginning in fiscal year 2012–13.

OFAM's fleet services generate approximately $40 million in annual revenue and equates to approximately 73 percent of OFAM's overall $55 million budget. Reducing OFAM's costs helps enable DGS to reduce the rates charged to departments, ultimately reducing costs statewide. (OFAM was able to avoid employee layoffs associated with the closures through significant employee placement efforts and retirements.)

Within its Oakland and Sacramento state garage facilities, OFAM provided in-house vehicle maintenance services (oil changes, tune-ups, tire rotations, etc.) for its fleet customers within those regions. In 2011, OFAM conducted an operational evaluation of the services and determined that they were underused and cost-inefficient to operate at both locations. By eliminating these services, OFAM was able to achieve $563,412 in savings.

Additional OFAM Performance Indicators

Although not linked to specific objectives, OFAM monitors its program performance by using other performance indicators, such as rate comparison and fuel consumption. Through the execution of initiatives to eliminate the state's most fuel-inefficient vehicles, as well as the implementation of policies that promote alternative fuel usage, the state has reduced its overall fuel consumption by 13 percent.

Rental Rate Comparison

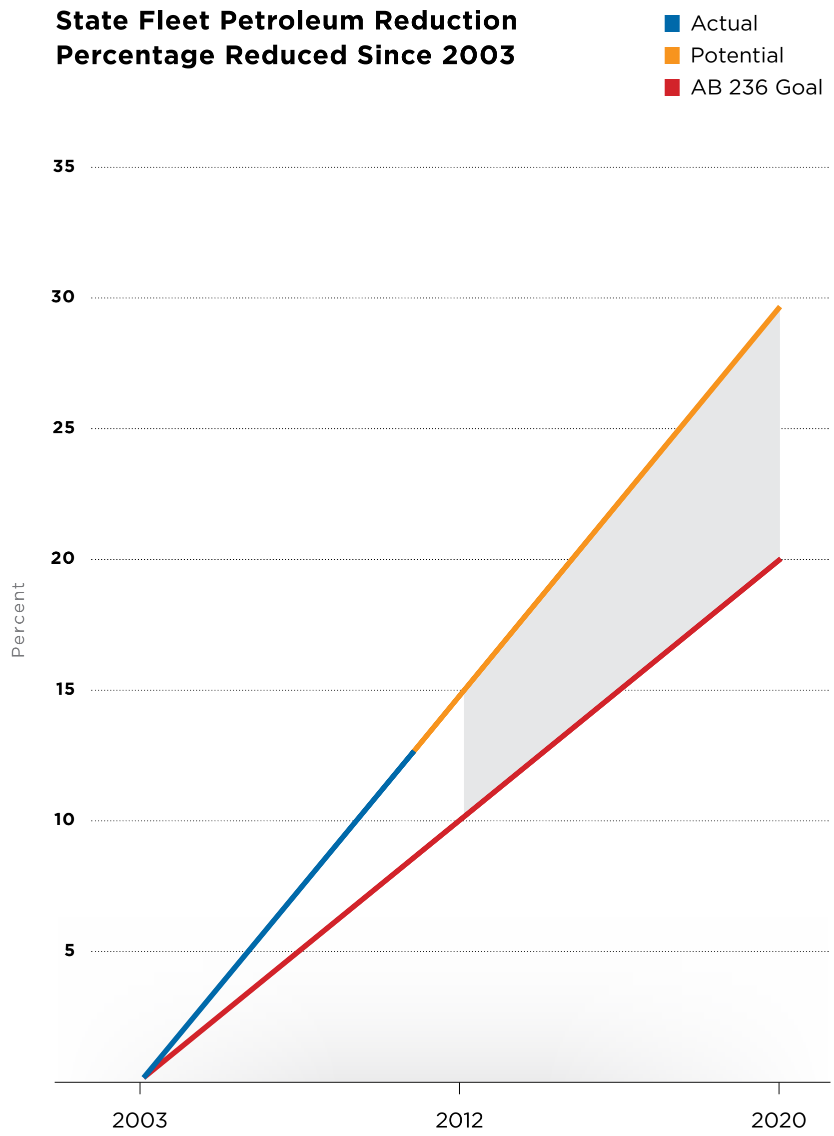
In order to ensure that OFAM continues to provide value to its state customers, OFAM frequently compares its rental rates against the competitively bid Statewide Rental Vehicle Contract. As of fiscal year 2011–12, OFAM's vehicle rental rates continue to be the most competitive in its vehicle class offerings (Compact, Midsize, SUV, Passenger Van, and Pick-up Truck class rates are provided below).

Comparison of Monthly Vehicle Rental Rates as of July 1, 2012

	ENTERPRISE	OFAM	DIFFERENCE
Compact	$560.30	$350.00	$210.30
Midsize	$560.30	$390.00	$170.30
SUV	$808.13	$400.00	$408.13
Pass Van	$1,023.63	$340.00	$683.63
Pick-up Truck	$808.13	$390.00	$418.13

OFAM provides its customers options of using either the commercial car rental (CCR) contract or DGS leased vehicles to best meet their transportation needs. Based on the location, availability, and frequency of rental vehicles, departments may choose which option is most convenient and cost-effective.

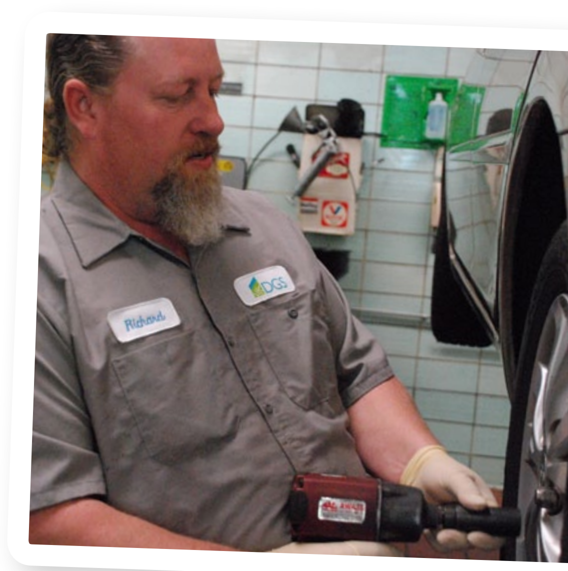
State Fleet Petroleum Reduction
Percentage Reduced Since 2003



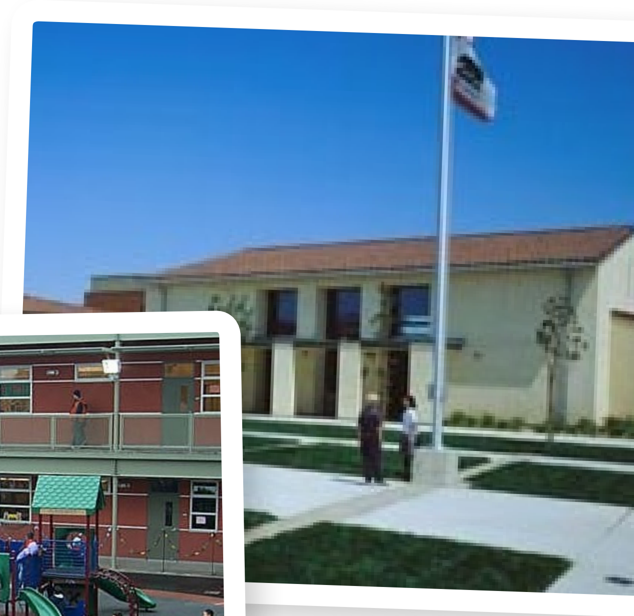
OFAM monitors petroleum fuel consumption and establishes statewide policies and initiatives to meet or exceed petroleum reduction guidelines established by Chapter 593, Statutes of 2007 (AB 236 – Lieu). By disposing of fuel-inefficient vehicles, reducing miles traveled, and purchasing more efficient and alternative fuel vehicles, statewide petroleum fuel consumption has decreased over time. As of December 31, 2010, statewide petroleum consumption had been reduced by 13 percent, exceeding statutory guidelines for this timeframe (10 percent by January 1, 2012); this is a trend that OFAM will continue to monitor and support as it proceeds to meet or exceed the 2020 goal of a 20 percent overall reduction.

Improvements & Accomplishments:

- Increased by 550 percent the placement of surplus property with state and local government agencies. Providing government agencies to access the state's surplus property allows those agencies to avoid the cost of buying new materials, while increasing the useful life of state property.
- In 2011–12, OFAM Surplus Property Program sold $1.6 million in surplus property to state agencies (reutilization) and members of the general public. Surplus property items included used vehicles, desks, chairs, computers, cell phones, and other disposed goods.



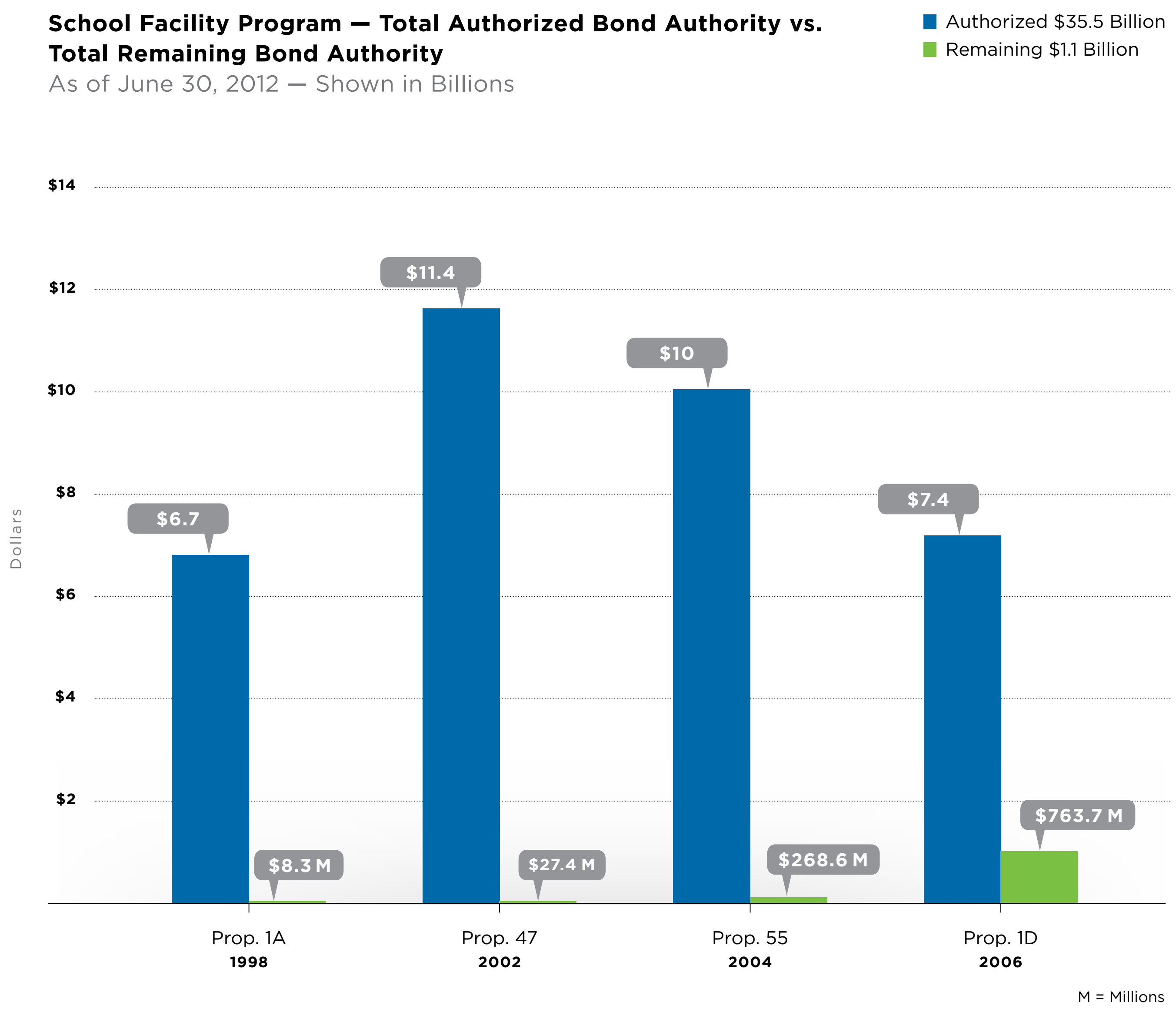
OFFICE OF PUBLIC SCHOOL CONSTRUCTION



The DGS Office of Public School Construction (OPSC) implements and administers the $35 billion voter-approved school facilities construction program on behalf of California's public school system and serves as staff to the State Allocation Board (SAB). With a budgeted staff of 148 (117 filled) and budget of $15.2 million, the office processed 329 new applications worth approximately $1.04 billion in unfunded approvals for school construction funding in fiscal year 2011-12. In addition, OPSC's work allowed the SAB to award funding for more than $1.2 billion in projects at 206 districts, allowing for potentially 22,650 jobs to be created.

In 2011-12, OPSC focused on increasing the quality of close-out compliance reviews and reducing the timeframe for financial hardship reviews. Education Code Section 17076.10 and School Facility Program (SFP) Regulation 1859.106 mandate OPSC to audit SFP projects to ensure funds received are expended in accordance with program requirements. In regard to the financial hardship program, OPSC was able to significantly reduce the time necessary to review the requesting district's finances and assess if they qualify for state assistance which can reduce or eliminate the financial match requirement. This allowed OPSC to operate the program more efficiently and provide the districts the ability to apply for grant funding in a timely manner.

The SFP is funded by voter-approved General Obligation bonds. Most of the previously approved bond funds have been allocated. Unless a new school facilities funding bond is submitted to and approved by the voters, the work of OPSC will be winding down substantially over the next couple of years.



Since 1998, OPSC has administered more than $35.5 billion in California voter-approved School Facility Program (SFP) bonds. The SFP includes 12 grant programs that support the construction, modernization, and maintenance of local public school facilities.

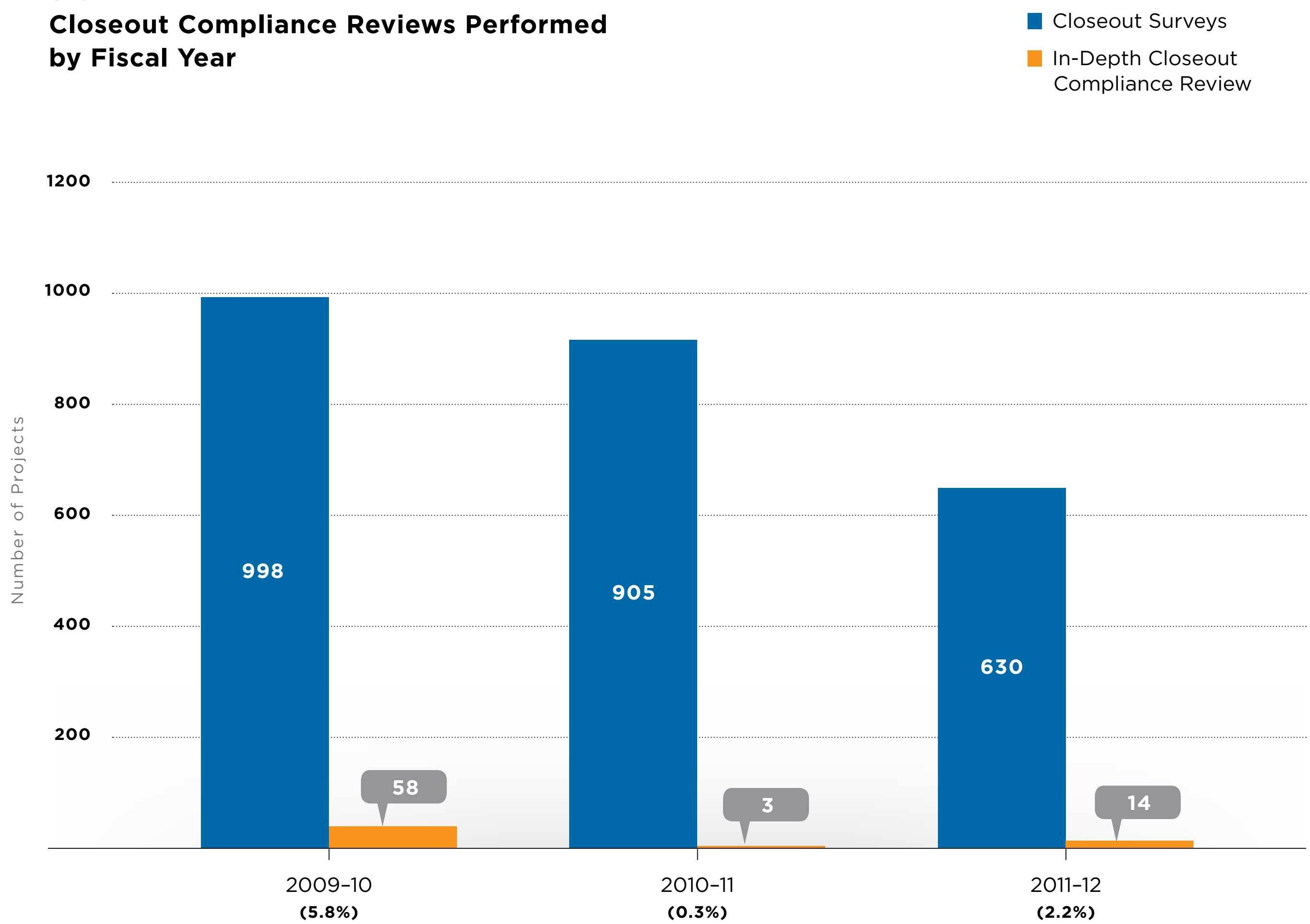
Strategic Plan Objective 2.1:
By June 30, 2012, ensure that OPSC conducts an in-depth closeout compliance review on at least 10 percent of the total number of School Facility Program (SFP) projects.

Target: 10 percent (63 projects)

Status: 2.2 percent (14 projects)

OBJ 2.1

Closeout Compliance Reviews Performed by Fiscal Year



OPSC requires that all SFP projects complete a closeout survey or use a risk-based assessment to determine the projects selected for the in-depth closeout compliance review. The OPSC closeout process ensures voter-approved bonds are expended for their intended purpose and in a manner consistent with applicable laws and regulations.

Due to a number of competing priorities in 2011-12, OPSC was not able to meet its target of 65 closeout compliance reviews. However, for 2012-2013 OPSC will be reallocating resources and implementing process improvements to ensure next year's target is reached.

Strategic Plan Objective 2.2:
By June 30, 2012, reduce by 50 percent the number of days to process a Financial Hardship (FH) package.

Target: 50 percent reduction (116 day reduction from previous fiscal year)

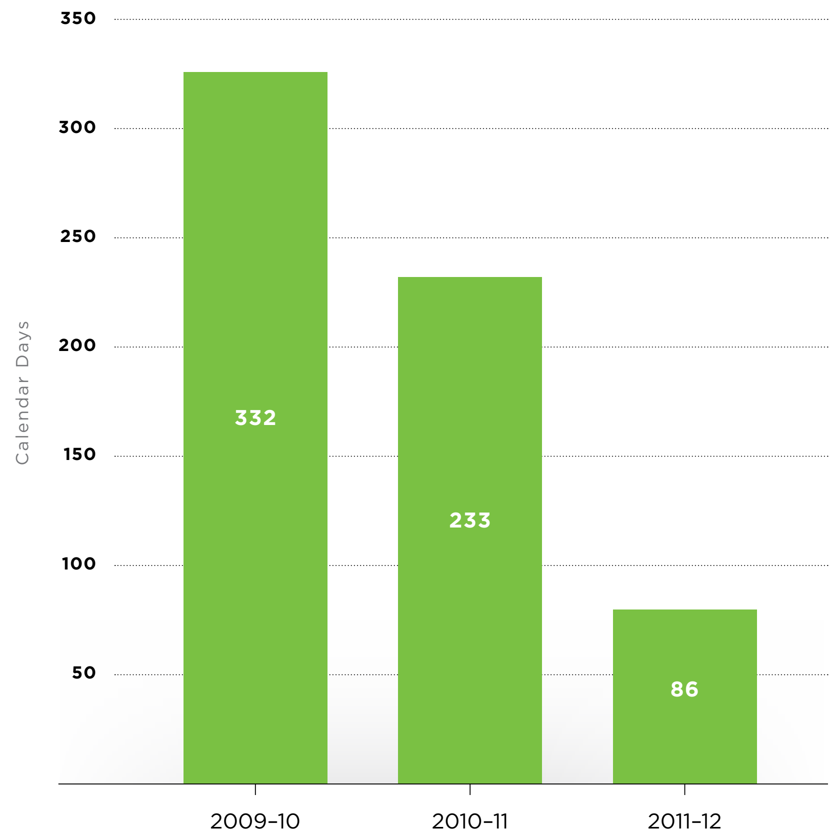
Status (6/30/12): 63 percent (147 day reduction)

Financial Hardship assistance is available for those districts that cannot fund all or part of their share of a school facility project. Qualifying districts may receive state funding up to 100 percent of the project costs. Education Code and California Code require a district to have made all reasonable efforts to impose all levels of local debt capacity and development fees prior to requesting financial assistance. It is the responsibility of OPSC to validate that these efforts have been made by the district. OPSC has made significant improvement in the timely review of these applications and exceeded the target for this year.

OBJ 2.2

Average Review Time for Financial Hardship Packages

Shown in Calendar Days



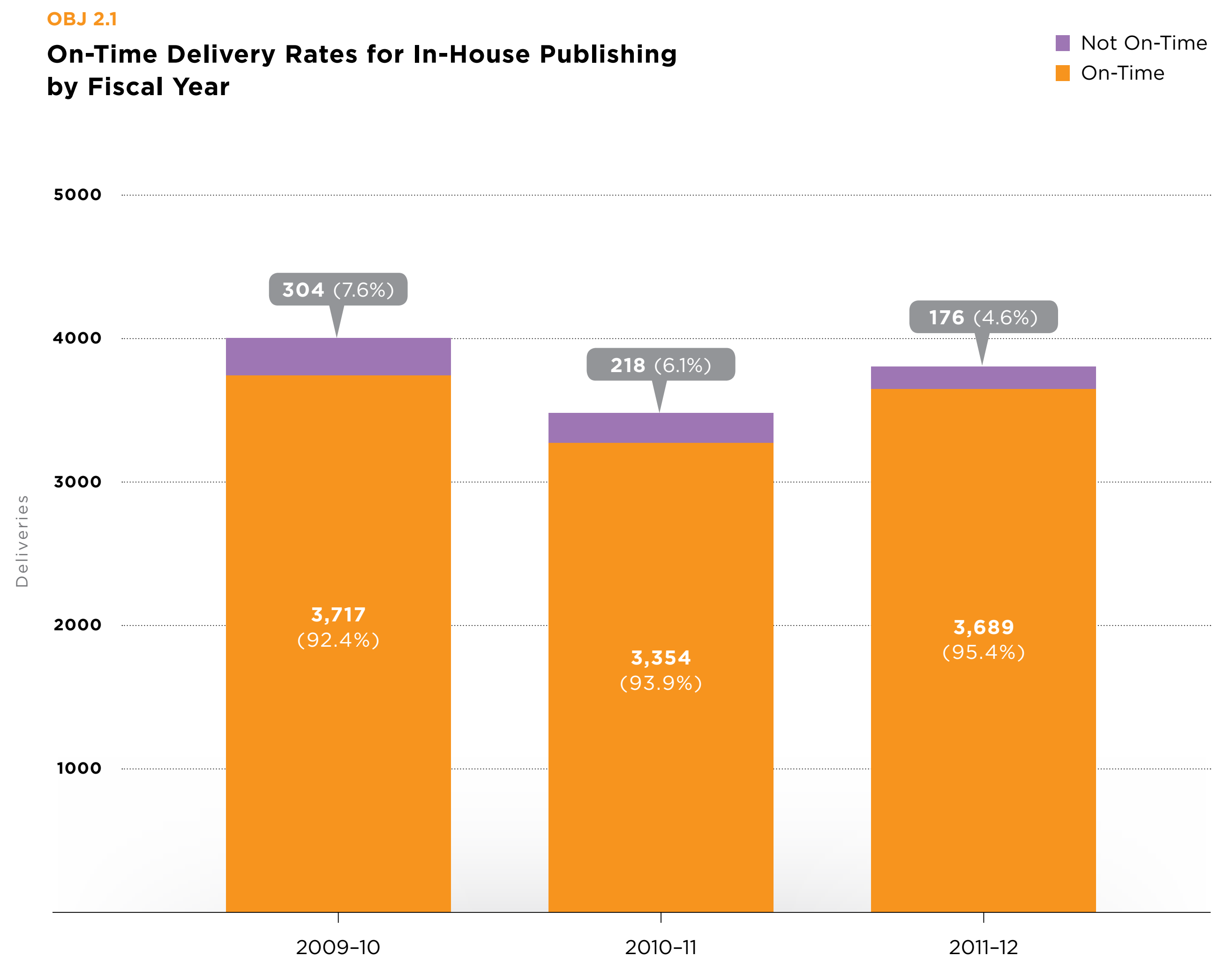
Improvements & Accomplishments:

- Established a transparent and standard 90-120 day process for school district appeals.
- Implemented changes to the Seismic Mitigation Program to increase access to funds for the repair, reconstruction, or replacement of the most vulnerable school facilities. However, as of June 30, 2012, OPSC did not have any funding requests for the Seismic Mitigation Program.
- Implemented a new SFP funding process which has greatly expedited the availability of construction funds to school districts with projects that will move forward quickly. The new process allows districts to receive funding if the project is “shovel ready” and the district can have local funding and construction contracts in place within 90 days. Previously, districts had 18 months to establish contracts and begin construction.

OFFICE OF
STATE PUBLISHING

The DGS Office of State Publishing (OSP) employs 300 staff and provides printing and communication solutions including offset and digital printing, mass mailing, graphic design, video production and multi-media services to state agencies. In business since January 1850, OSP annually prints an extensive array of publications, forms and program correspondence including 3.3 million tax booklets and forms, 7 million Department of Motor Vehicle handbooks, 11.5 million voter guides, and 3,000 legislative bills for the California Legislature.

In order to address the decrease in customer demand for hard-copy print volumes, increasing fixed costs, and a fluctuating revenue stream, OSP is continuing an in-depth analysis of its business operations and fiscal situation. In coordination with the DGS Executive Office, and with support from DGS Office of Audit Services and industry resources, OSP developed a series of detailed objectives and metrics that evaluated its operational and fiscal performance. OSP's report focuses on the following key priority areas: 1) on-time delivery, 2) spoilage rate, 3) employee utilization, and 4) job volume.



Strategic Plan Objective 2.1: By June 30, 2012, maintain an on-time delivery rate of no less than 95 percent for all in-house publishing services.

Target: 95 percent

Status (6/30/12): 95.4 percent

On-Time Delivery

On-time delivery is used as a metric to assess the ability of a business to fulfill delivery orders or other transactions within the period of time promised to a client or customer. Timely delivery is generally expressed as the percentage of transactions and is often an area of focus for process improvement initiatives and customer satisfaction. Late deliveries can cause customers to miss deadlines and incur additional costs, and create business interruptions. OSP vends out production on behalf of its customers if OSP cannot meet the required delivery date or does not have the equipment required to produce the product. Of the 4,132 print jobs measured for fiscal year 2011-12, OSP printed 3,865 jobs in-house and 267 were procured and produced by outside vendors. OSP maintained a 95.4 percent on-time delivery rate for the in-house publishing jobs. OSP works closely with its customers and vendors to ensure timely delivery of products while maintaining the highest standard of quality.

Strategic Plan Objective 2.2:
By June 30, 2012, maintain OSP's spoilage rate at less than 2.25 percent of revenue.

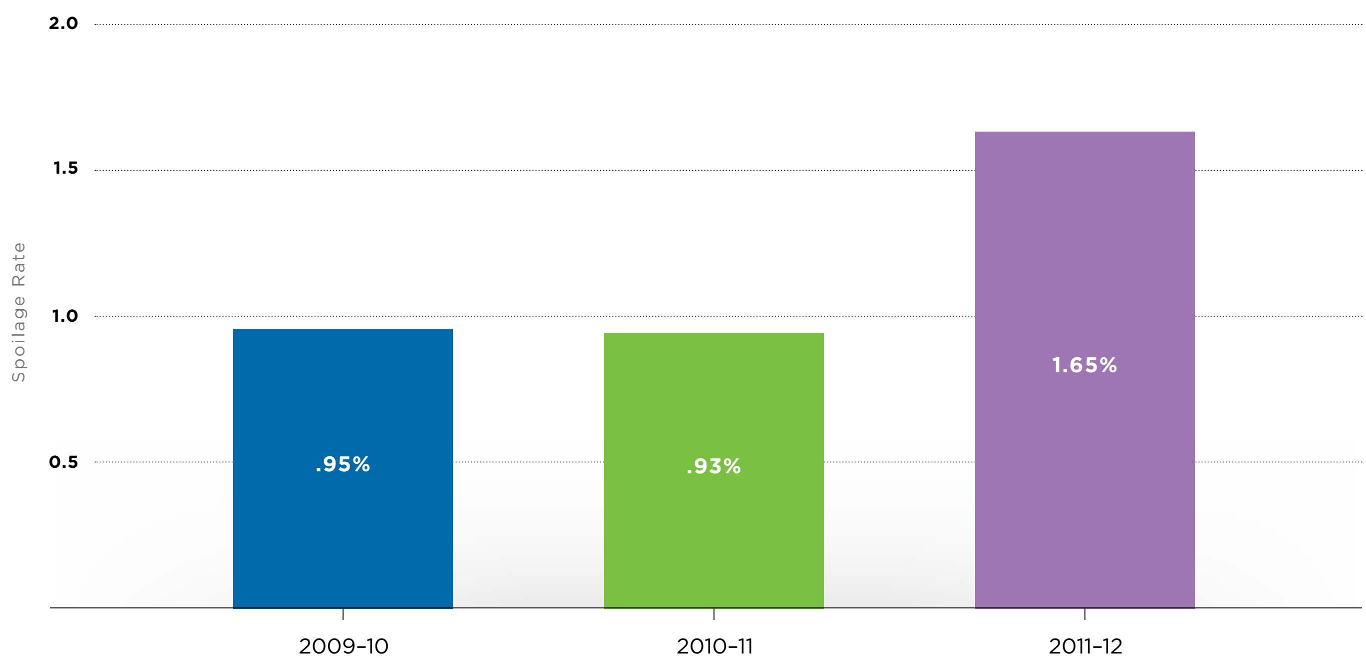
Target: 2.25 percent of revenue or less

Status (6/30/12): 1.65 percent of revenue

OBJ 2.2

Spoilage Rate by Fiscal Year 2011–12

Shown as a Percentage of Revenue



Spoilage

Spoilage is defined as wasted materials and labor consumed as a result of avoidable errors. The industry standard average is approximately 1.5 to 3.0 percent of total revenue. It is important to measure spoilage in order to identify inefficiencies and areas of needed improvement.

By identifying accurate levels of spoilage, management can take appropriate steps to improve processes, purchase and/or repair equipment, and increase employee training that can reduce spoilage and increase efficiencies. Spoilage can increase expenses and decrease revenues if reprinting is required. It can also cause schedule delays, disrupt business operations, and most important, it can damage customer relationships. OSP will continue to monitor its spoilage rate and implement efficiencies to reduce the amount of spoilage within its operations.

In 2010-11, OSP conducted an in-depth analysis of its spoilage tracking system and identified improvements to increase the accuracy of its tracking process and reflect actual levels of spoilage. OSP implemented the new process in 2011-12, resulting in expanded and comprehensive reporting on spoilage by which current baseline and target levels are measured.

Strategic Plan Objective 2.3:
By June 30, 2012 increase OSP's Employee Utilization Rate for revenue-generating employees to 75 percent or above.

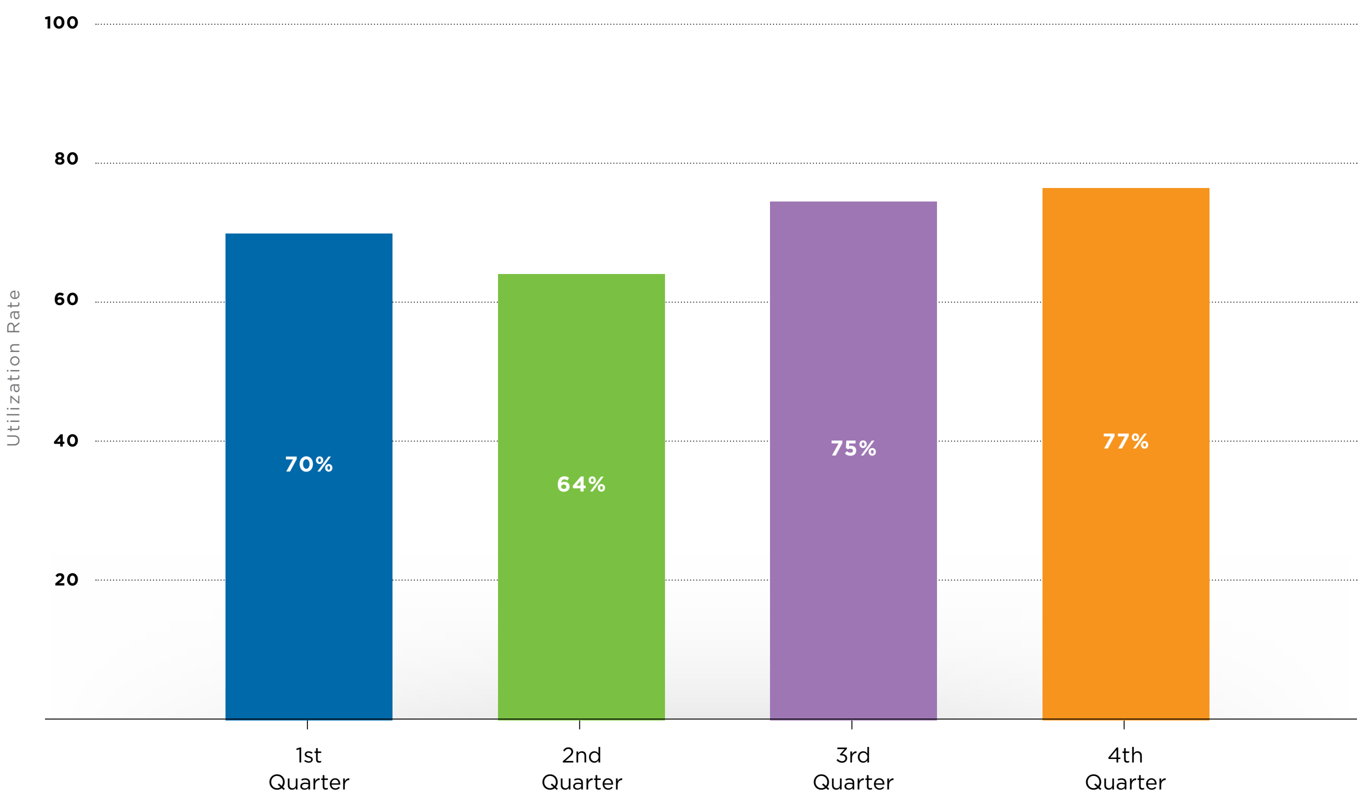
Target: 75 percent

Status: 72 percent

OBJ 2.3

Employee Utilization by Quarter Fiscal Year 2011–12

Shown as a Percentage



Employee Utilization

The Employee Utilization is a reflection of how efficiently a company uses its staff by measuring their chargeable hours as a percentage of their available time.

The use of these figures provides an objective measurement when considering hiring, training, and equipment decisions. Within the printing industry the average percentage of employee utilization is 65 percent to 85 percent. In fiscal year 2011-12, OSP print production had 230,406 available hours and charged 166,463 for an annual average of 72 percent.

Other Key Indicators and Accomplishments:

New Cost Reduction Initiatives

OSP initiated the following measures to reduce the costs of products and improve services to its customers.

- Use permanent intermittent employees to better manage fluctuating workloads and control costs of its customers' products.
- Implement an electronic Web Store that will provide a portal to submit and approve projects electronically to shorten the production cycle.
- Upgrade OSP's Print Management System to generate financial reports which will assist OSP management in improving business efficiencies.
- Reduce material costs by an additional $2 million to reflect average workload trends rather than historical trends of peak workload, thereby reducing overhead costs.

Once these measures are fully implemented, OSP will be able to monitor improvement and determine which ongoing efforts are needed to meet its goals.

Improvements & Accomplishments

- Implemented a new presorting mail system, saving OSP customers an estimated $600,000 in postage annually.
- Upgraded the state printing plant's largest press to a closed-loop color and register control system, saving approximately $750,000 annually in labor costs and avoided paper waste.
- Upgraded the current fleet of folding equipment which increased efficiency by 30 percent.
- Relocated the Legislative Bill Room Annex, saving more than $15,000 per month.
- Reduced the overproduction of copies of legislative bills delivered to the Capitol, saving $165,000 annually in material and labor costs.

OSP monitors its job volume to assess trends and plan workload allocation. The majority of OSP's workload volume is in offset printing which is the traditional printing method generally using a letterpress to transfer text and images from a roller to paper which is cost-effective for large volume printing.

Number of Jobs vs. Value by Digital and Offset Publishing by Fiscal Year

	DIGITAL PUBLISHING		OFFSET PUBLISHING	
	Jobs	Value	Jobs	Value
2008–09	1,767	$17,752,185	3,892	$49,082,818
2009–10	1,218	$19,965,255	3,242	$41,535,209
2010–11	831	$15,158,071	3,150	$36,723,877
2011–12	1,055	$9,606,212	3,391	$35,624,972
Grand Total	**4,871**	**$62,481,723**	**13,675**	**$162,966,876**

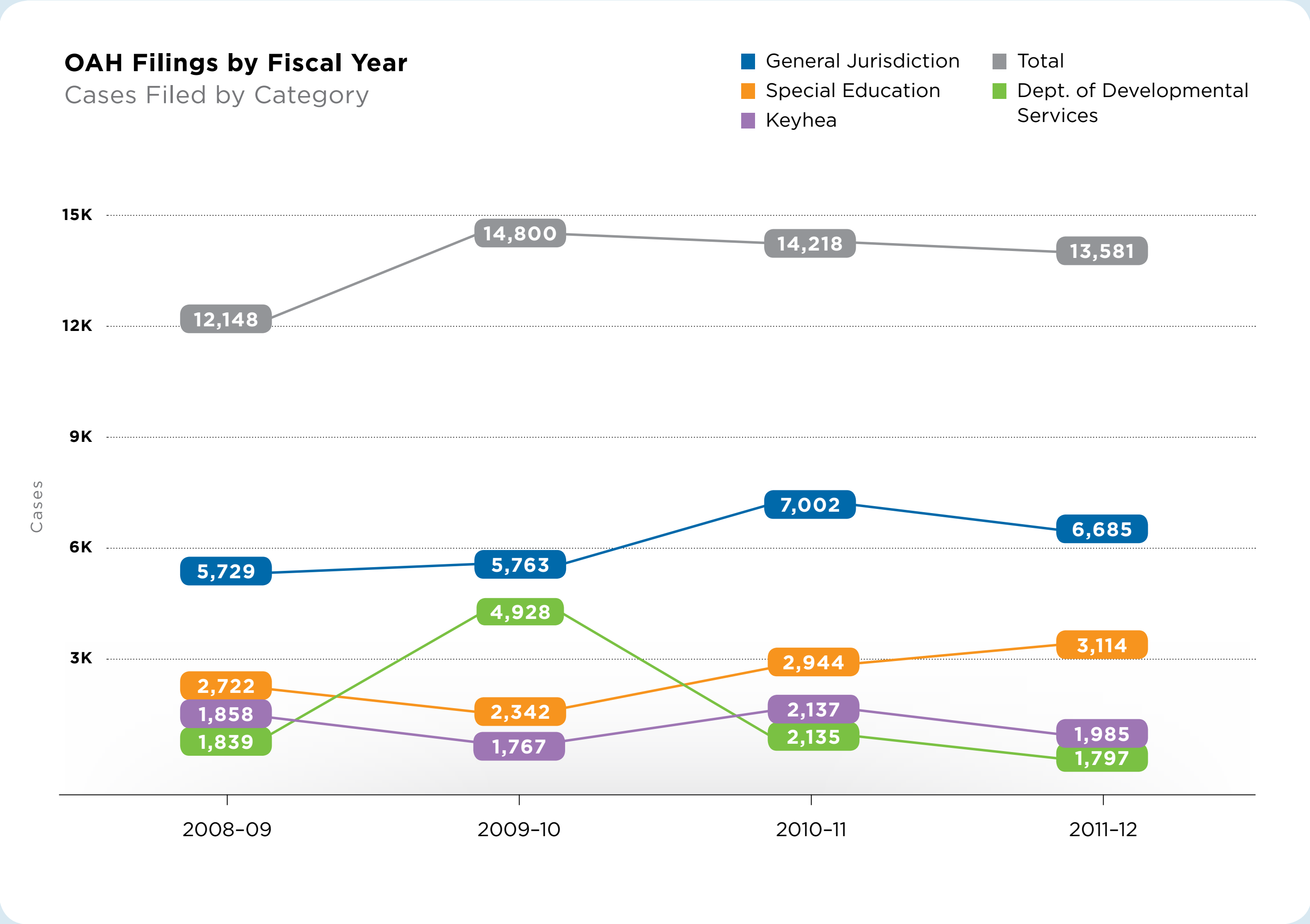

WESTERN
X01-51 SOYA PANTONE RUBINE RED
(SLOW SKIN) T-14 BATCH # 83477
10/24/05 5 LB
CONTAINS SOYOIL
BRADEN SUTPHIN
INK COMPANY
PMS Violet Eco-Pride UVC
X23-13 SOYA PANTONE YELLOW
(SLOW SKIN) T-15. BATCH #48347
10/02/02 5 LB
T-15 PO 5904 S/N 0007-510-0107-6
07/18/00 5 LB

OFFICE OF ADMINISTRATIVE HEARINGS

The DGS Office of Administrative Hearings (OAH) is the nation's oldest state adjudicatory agency; it receives more than 16,000 administrative disputes annually from approximately 1,400 government agencies. OAH is comprised of experienced and knowledgeable Administrative Law Judges (ALJs) who preside as neutral judicial officers at hearings, settlement conferences, and mediations. As a quasi-judicial agency, OAH conducts hearings involving administrative disputes in a wide variety of areas.

OAH identified key efficiency targets within both the general jurisdiction and special education areas: reduce the time to close case files and issue timely decisions. Both program areas are governed by statutory and policy guidelines. Compliance with the legal requirements not only meets parties' expectations, but also resolves sensitive cases that impact lives and professions in a timely manner.

As a result of the reductions made in the budget to the services provided by the Department of Mental Health and the Department of Developmental Services, OAH saw an increase in the number of fair hearing requests, especially in the Los Angeles office. The number of teacher layoff hearings decreased this fiscal year. Looking forward, OAH may see an escalation in workload due to increases from new clients; and new legislation; increases in teacher disciplinary cases; and impacts associated with budgets cuts to OAH's client agencies and school districts.



General Jurisdiction Hearings: OAH provides hearings, mediations, and alternative dispute resolution services to state and local governmental entities. The majority of hearings conducted are governed by the Administrative Procedure Act (APA); all other hearings, mediations, and alternative dispute resolution services are provided as a result of interagency agreements, using the statutory and regulatory authority of the department, agency or local entity.

Special Education Hearings: OAH contracts with the California Department of Education (CDE) to handle the special education due process hearing and mediation program for California school districts.

Department of Developmental Services Hearings: OAH contracts with the Department of Developmental Services (DDS) to provide due process hearings and mediation services for: California Early Intervention Services Act; Lanterman Developmental Disabilities Services Act; Audit Appeals; Residential Care Appeals; and Provider Employee Exclusions.

Keyhea Hearings: OAH contracts with the Department of Corrections and Rehabilitation (CDCR) to administer the Keyhea program. The Keyhea program was established because CDCR is under a court order and is statutorily required to provide administrative hearings before it can involuntarily administer antipsychotic drugs for the safety and protection of both the inmate and personnel at an institution.

Strategic Plan Objective 2.1(A):
By June 30, 2012, decrease the average time from general jurisdiction case filing to closure to 121.5 days.

Target: 121.5 days (average of fiscal years 2006-07 through 2009-10.)

Status (6/30/12): 121.5 days

Strategic Plan Objective 2.2(A):
By June 30, 2012, decrease by 5 percent the number of general jurisdiction decisions that are issued beyond the statutory time requirement.

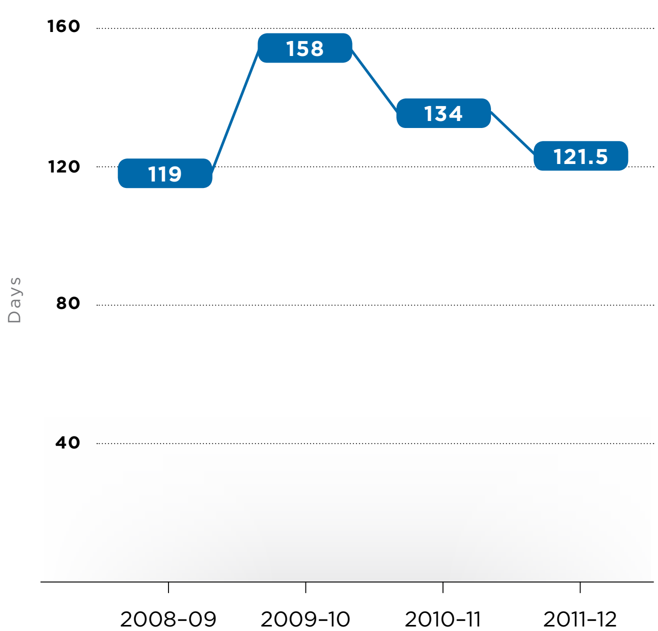
Target: 95 percent on time days

Status (6/30/12): 93 percent

OBJ. 2.1(A)

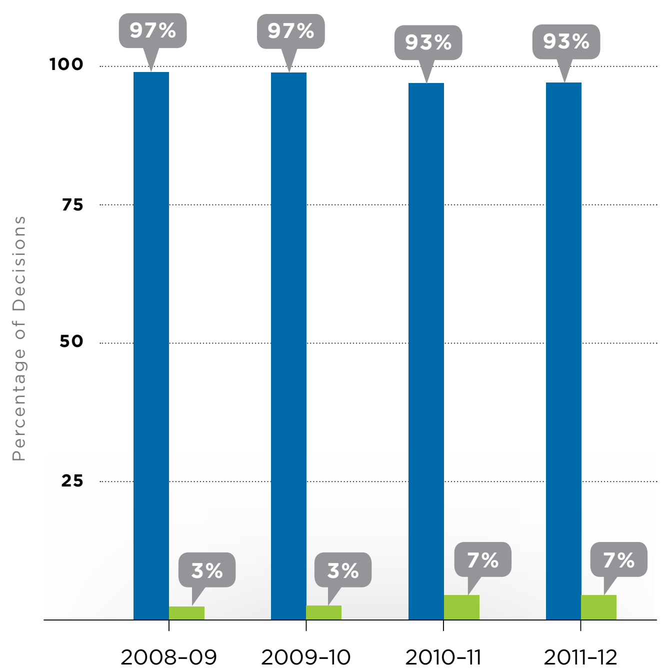
General Jurisdiction Average Case Life by Fiscal Year

In Calendar Days



OBJ. 2.2(A)

Timeliness of General Jurisdiction Decisions



General Jurisdiction Case Life: General jurisdiction cases include hearings governed by the Administrative Procedure Act (APA) and other hearings, mediations, and alternative dispute resolution services provided as a result of interagency agreements, using the statutory and regulatory authority of the department, agency or local entity. OAH received 6,685 filings for general jurisdiction cases in fiscal year 2011–12. This number is slightly less than the previous fiscal year; however, it is significantly more than the previous three-year average (6,164). OAH met its target and will continue to implement improvements to its processes and increase efficiencies.

General Jurisdiction Decisions: OAH issued 3,242 general jurisdiction decisions in fiscal year 2011–12. Of that, only 238 were issued past the targeted timeframe, with 56 decisions within 10 days of the target. Due to the volume and complexity of workload, OAH was not able to meet its target but will continue to implement improvements to its processes in order to meet its target in 2012–13.

Strategic Plan Objective 2.1(B):
By June 30, 2012, decrease by 5 percent (4 days) the average time from special education case filing to closure.

Target: 77 days (5 percent decrease from the average of fiscal years 2006-07 through 2009-10 which was 81 days)

Status (6/30/12): 65 days (8% decrease)

Strategic Plan Objective 2.2(B):
By June 30, 2012, ensure that the Special Education Division issues timely decisions 100 percent of the time.

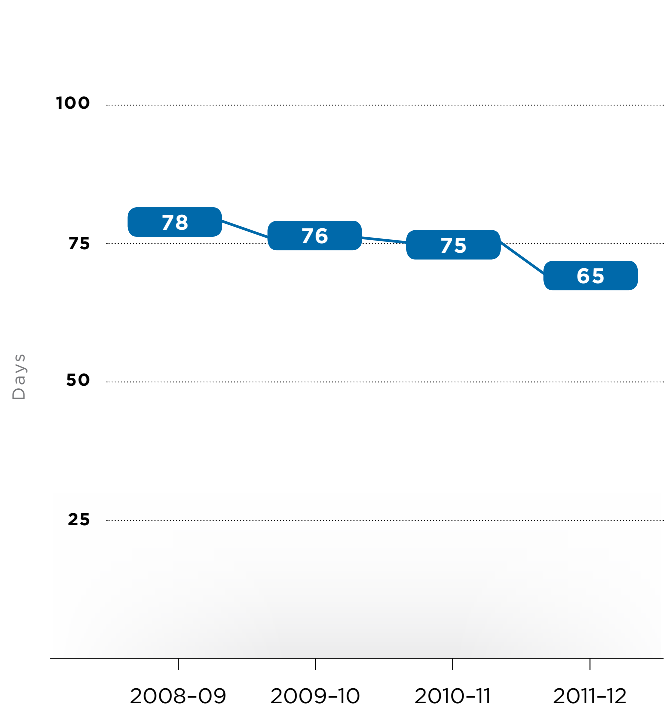
Target: 100 percent

Status (6/30/12): 99 percent

OBJ. 2.1(B)

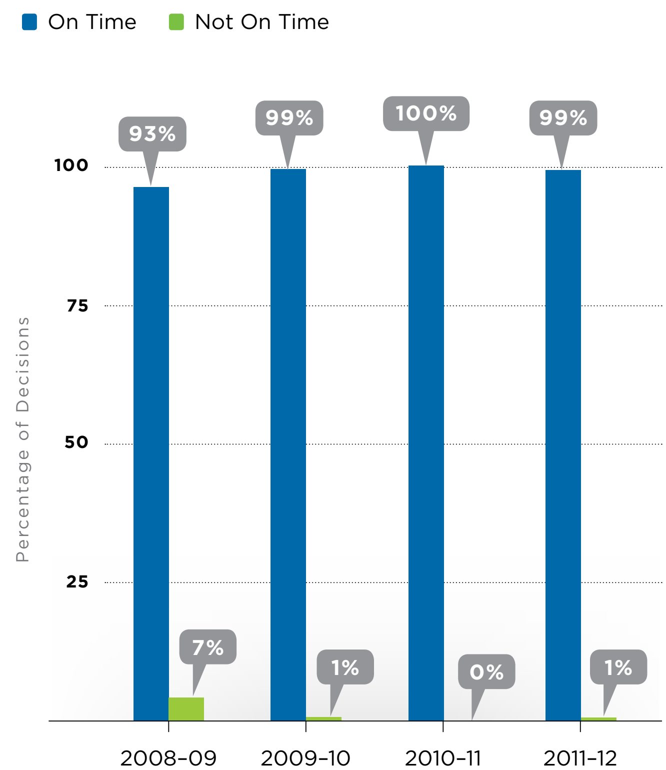
Special Education Average Case Life

In Calendar Days



OBJ. 2.2(B)

Timeliness of Special Education Decisions



Special Education Case Life:
OAH contracts with the California Department of Education (CDE) to handle the special education due process hearing and mediation program for California school districts. OAH received 3,114 filings for special education cases in fiscal year 2011–12, which is 170 more cases than the previous fiscal year. Despite the increased volume of cases, OAH met this target. As of July 25, 2012, OAH has 536 open special education matters and expects an increase in the average number of days as additional cases are closed, but not beyond the target.

Special Education Decisions:
OAH issued 113 special education decisions in fiscal year 2011–12. Of that, only one decision was issued eight days past the targeted timeframe. OAH maintains a target of 100 percent for special education decisions and will continue to monitor workload and implement improvements to its processes in order to meet this target in 2012–13.

Improvements & Accomplishments:

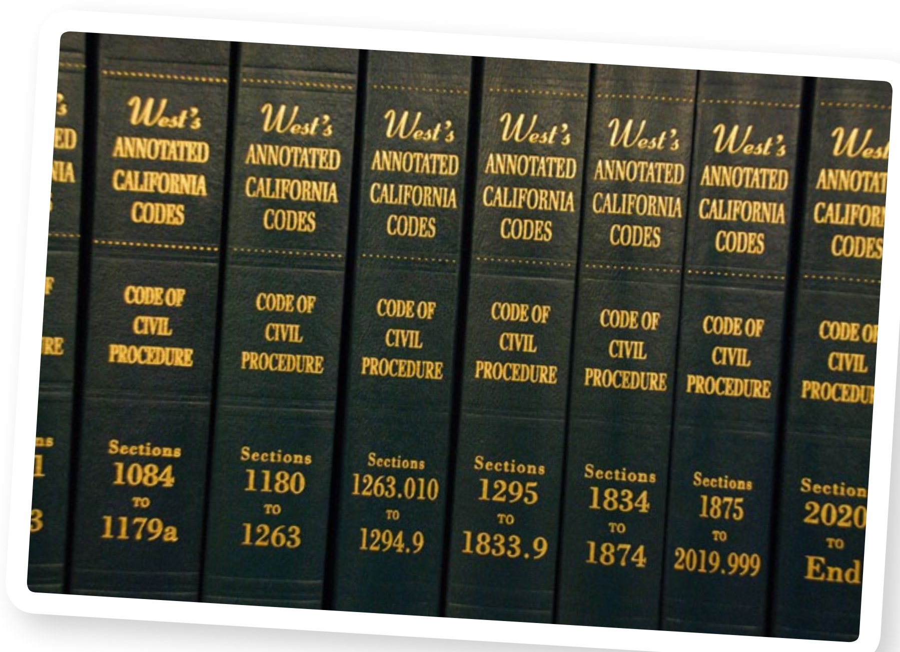
- The Special Education Division utilizes an alternate dispute resolution process, which resulted in 96 percent of cases being resolved without a hearing and 66 percent settled through mediation.
- The closure of the OAH Laguna Hills office saved the department $360,000 annually.
- The General Jurisdiction Division created a pilot project to electronically deliver notices of assigned hearing dates — a first step toward reducing costs and improving efficiency of external communications.


CALIFORNIA APPELLATE REPORTS
APPENDIX CALIFORNIA SUPPLEMENT

OFFICE OF
LEGAL SERVICES

The DGS Office of Legal Services (OLS) assists state departments by providing leadership and guidance on the state's contracting laws and policies. In addition to serving as house counsel for DGS, OLS provides legal advice to state agencies and other public entities to help ensure those departments are successful in executing state purchasing contracts. OLS reviews service contracts, but does not handle information technology contracts. OLS also exercises the contract review and approval function for DGS. During fiscal year 2011–12, OLS focused on improving the review timeframe for contracts and bid protests.

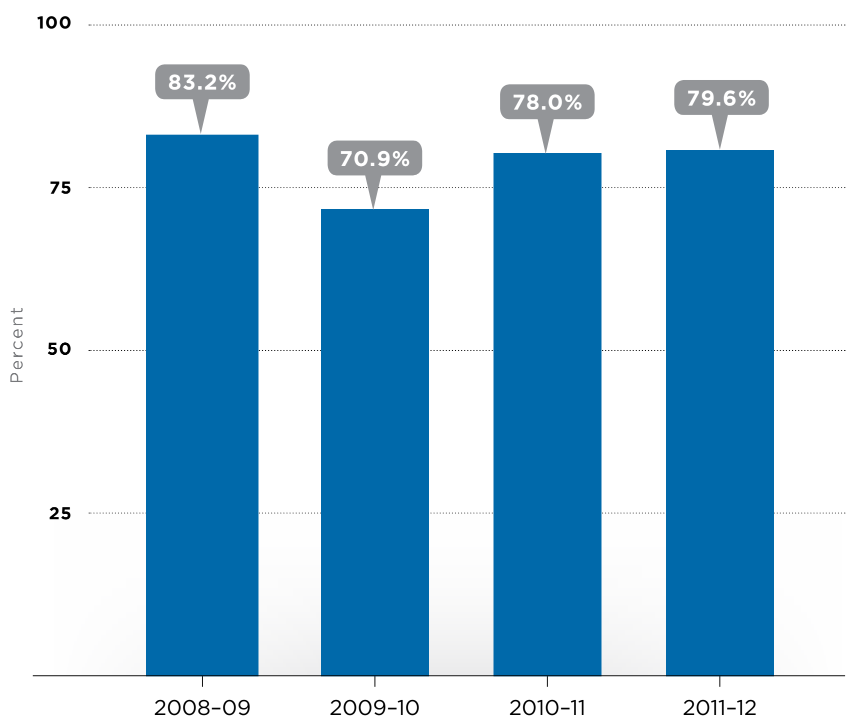
Based on data from the previous three fiscal years, OLS receives on average 7,700 non-information technology contracts per year from state agencies and departments. It is critical for OLS to conduct timely contract reviews in order for customers to appropriately contract for goods and services and reduce delays in the timely expenditures of their funds. Additionally, OLS performs a critical function in determining jurisdiction for bid protests. If a contractor believes a violation of the legal contract process has occurred, they can file a protest requesting a review and determination. Although only a small percentage of contracts require this determination, they can be very time-consuming and significantly delay or nullify a contract award.



OBJ 2.1

Historical Performance — Contract Review Submitted for Approval by Fiscal Year

Percentage Reviewed/Approved within 10 Work Days



Strategic Plan Objective 2.1: By June 30, 2012, ensure that 80 percent of all contract reviews are completed within 10 work days.

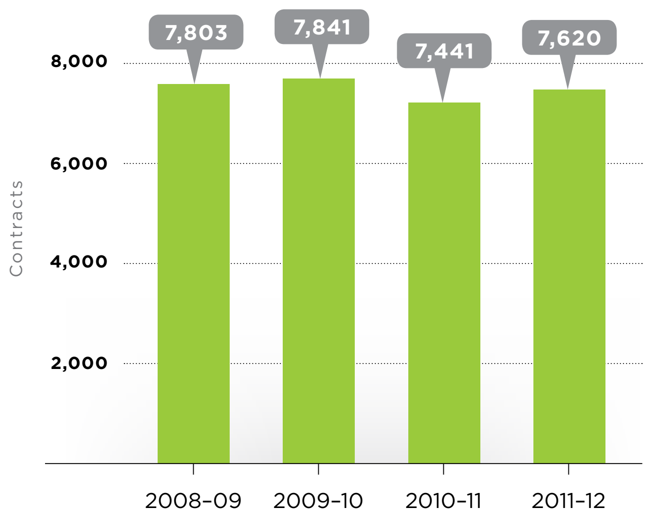
Target: 80 percent within 10 work days

Status (6/30/12): 79.6 percent in 10 work days

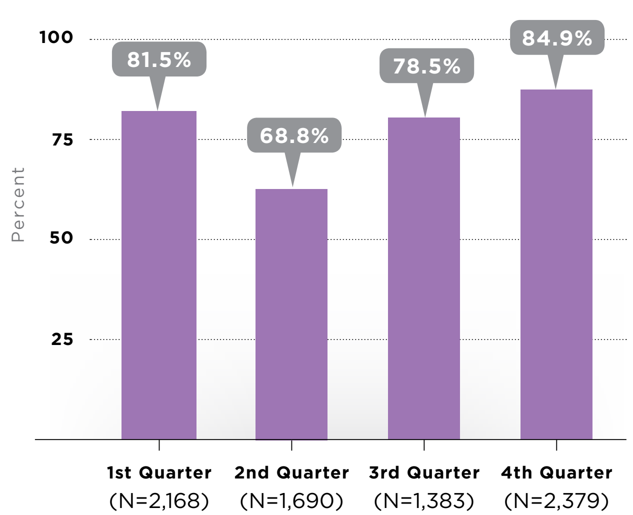
Status (9/30/11): 81.5 percent in 10 work days

Although OLS missed the projected target for its contract review process of 80 percent within 10 work days for fiscal year 2011–12, the average for the last quarter of the year was 84.9 percent. OLS made great progress in the latter part of the year as newly hired attorneys rapidly learned the contract review process.

OLS Contracts Received by Fiscal Year



Contract Review Submitted for Approval Fiscal Year 2011–12 Percentage Reviewed/Approved within 10 Work Days



Strategic Plan Objective 2.2:
By June 30, 2012, ensure that 80 percent of all bid protest reviews for jurisdiction are completed within 10 work days of receipt of detailed statement.

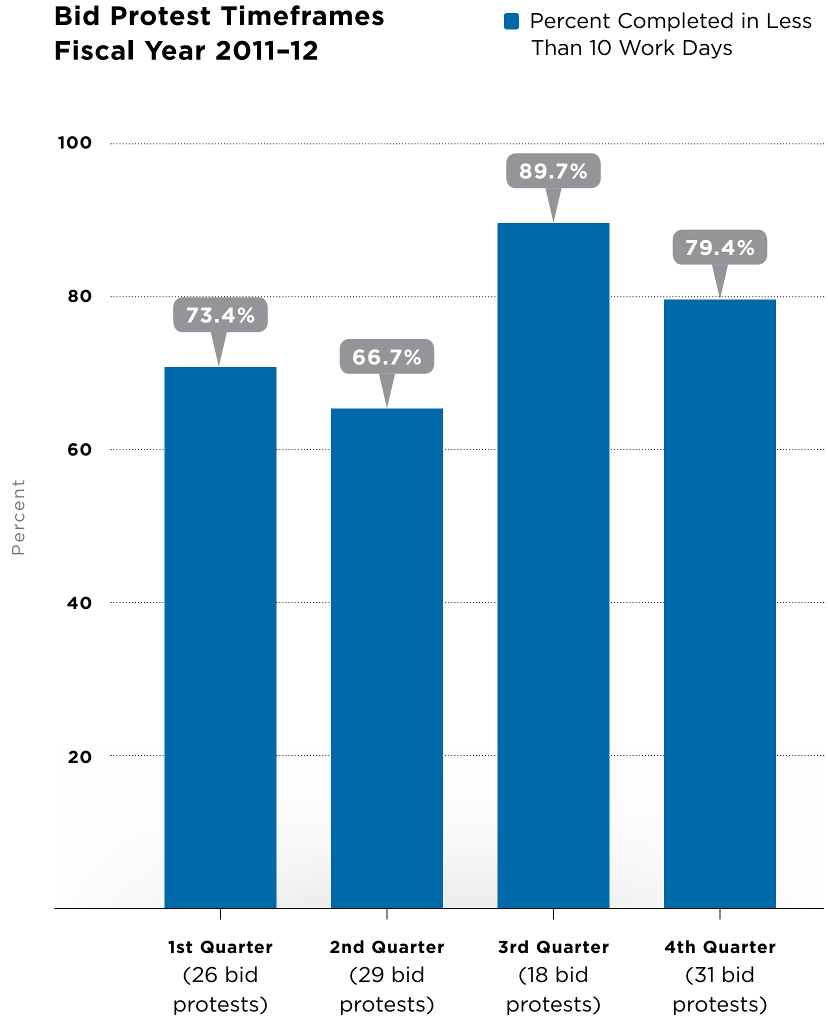
Target: 80 percent in 10 work days

Status (6/30/12): 77.3 percent in 10 work days

OLS fell slightly short of meeting its stated target for its bid protest review process of 80 percent within 10 work days for fiscal year 2011-12. This was mainly due to staffing shortages in the first and second quarter of the year. OLS will continue to monitor workload and implement improvements to this process and seek to meet the target for 2012–13.

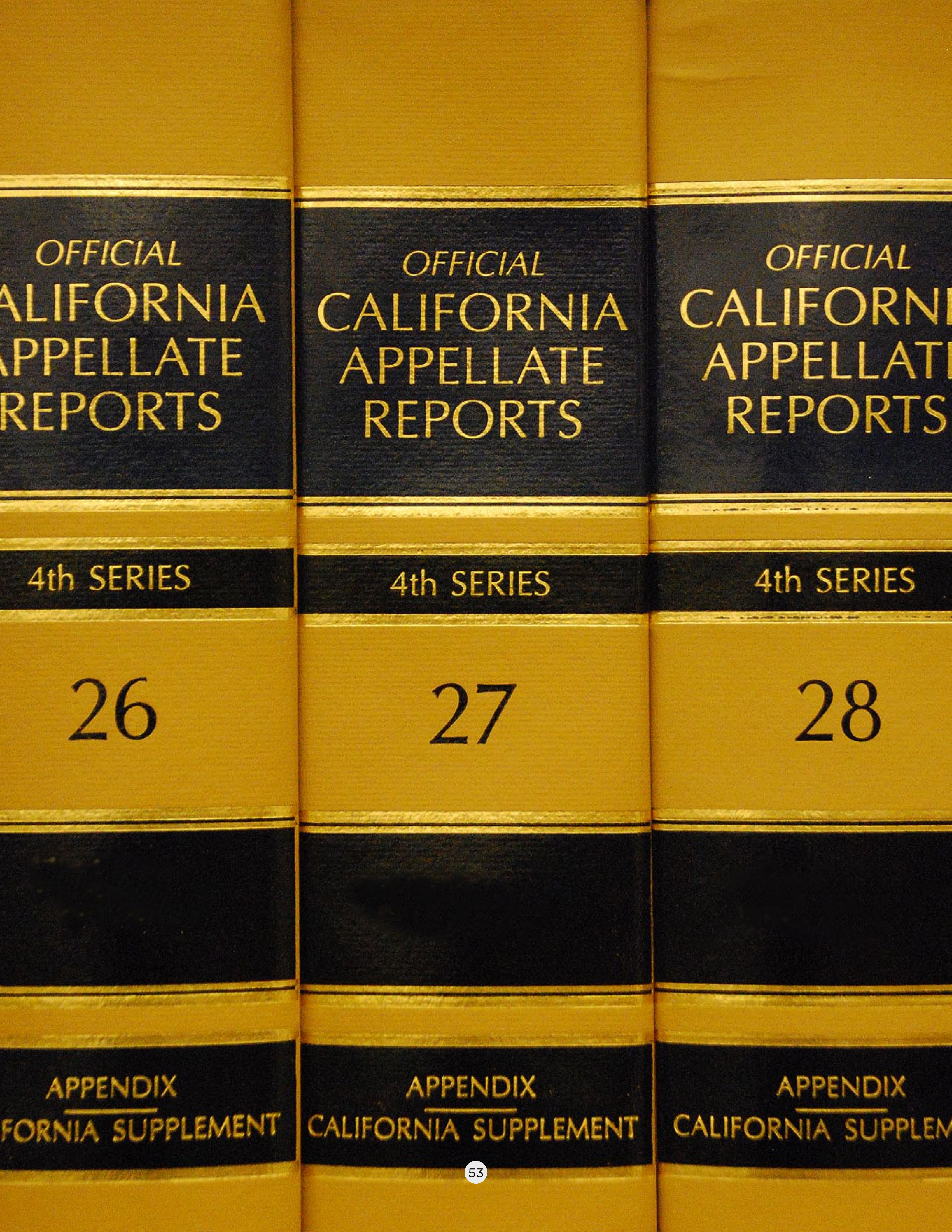
OBJ. 2.2

Bid Protest Timeframes Fiscal Year 2011–12



Improvements & Accomplishments:

- Reviewed more than 7,600 contracts in 2011-12.
- Processed more than 100 bid protests.
- Worked with state agencies to reduce the number of contracts returned unapproved from 12.5 percent in 2010–11 to 11 percent in 2011–12.


OFFICIAL
4th SERIES
26
APPENDIX
OFFICIAL
CALIFORNIA
APPELLATE
REPORTS
4th SERIES
27
APPENDIX
CALIFORNIA SUPPLEMENT
OFFICIAL
REPORTS
4th SERIES
28
APPENDIX

OFFICE OF RISK AND INSURANCE MANAGEMENT

The DGS Office of Risk and Insurance Management's (ORIM) 31 employees provide risk management and insurance services to state and other public entities. With a budget of more than $327 million, ORIM's goal is to assist agencies in managing exposures to accidental losses that result from general operations, employment, motor vehicles, property ownership and risk financing.

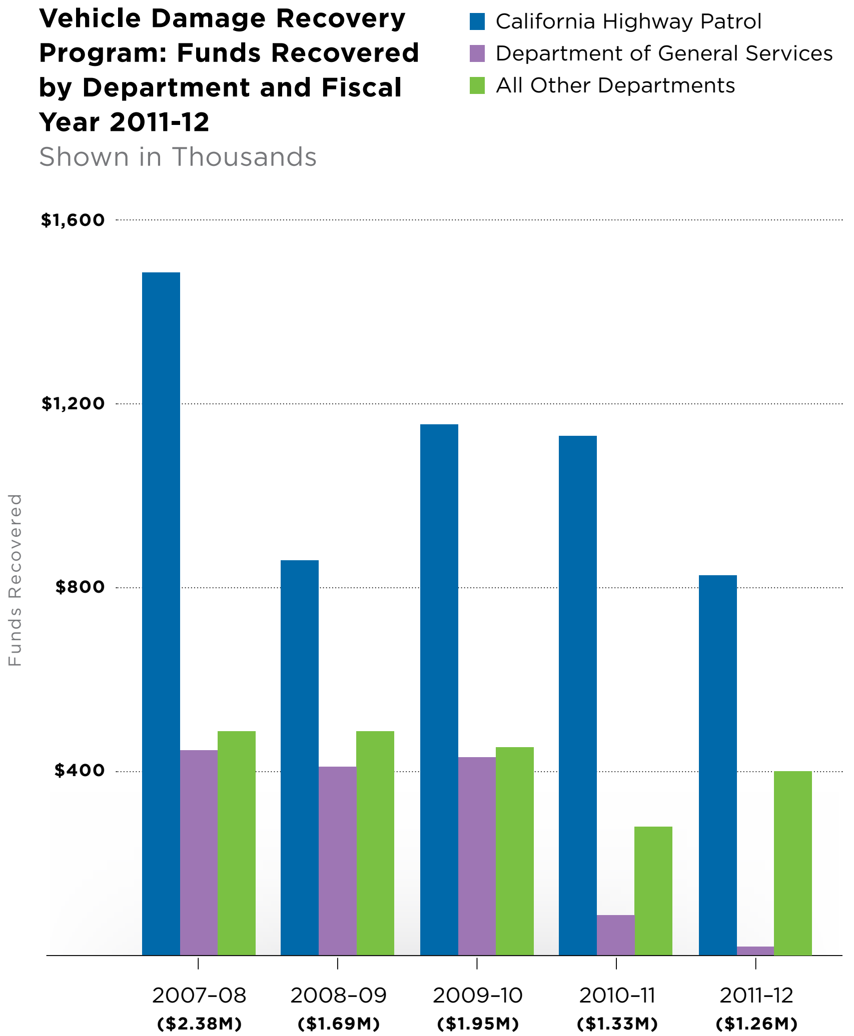
In addition to its risk and insurance management services, ORIM administers the state's Natural Gas Services (NGS) program, which is responsible for natural gas procurement for a wide range of state and other public sector organizations. The program helps agencies more effectively plan their energy budgets by managing energy price volatility through the use of a combination of financial risk management strategies. The NGS program delivered 34.7 billion cubic feet of natural gas to customers with a value of $183 million, which is about 1.5 percent of all the natural gas used in California.

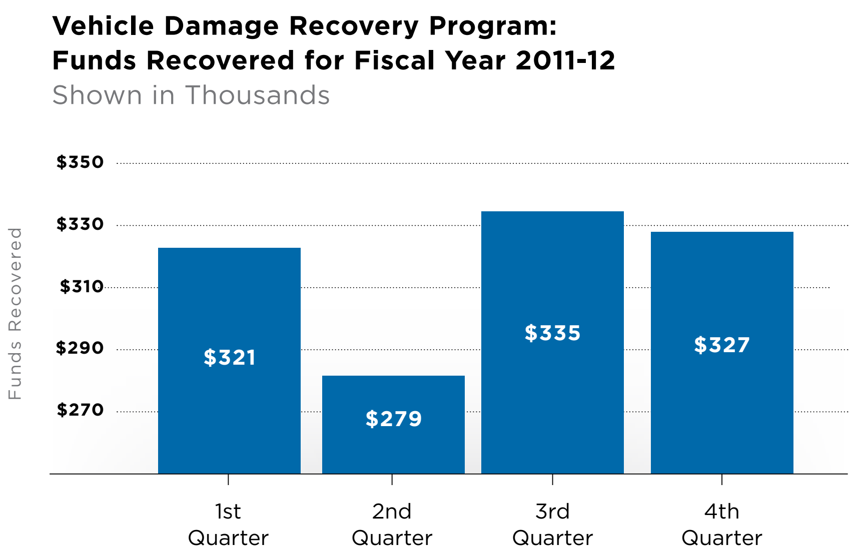
While maintaining a large portfolio of claims adjusting, insurance oversight, natural gas program administration, and statewide health and safety efforts, ORIM identified two areas in which to improve fiscal efficiencies: maximizing the Vehicle Damage Recovery Program (VDRP) and expanding the Equipment Maintenance Management Insurance Program (EMMP).

On behalf of state agencies, the VDRP collects payments for damages sustained to state-owned vehicles where the driver of the other vehicle is at fault. Over the last five years, ORIM has collected more than $8.5 million on behalf of state agencies.

The EMMP replaces existing individual maintenance contracts by consolidating them into one master insurance program. Departments maintain their vendor of choice and same service levels while saving approximately 25 percent in direct costs, as well as reducing administrative costs for processing multiple contracts and invoices by paying an annual premium.

OBJ 2.1





Strategic Plan Objective 2.1: By June 30, 2012, increase the funds recovered through the Vehicle Damage Recovery Program (VDRP) by 5 percent.

Target: 5 percent ($1.40 million)

Status (12/31/11): -10 percent ($1.26 million)

The Vehicle Damage Recovery Program pursues and collects funds for the costs of damages to state vehicles where the driver of the other vehicle is at fault. The funds collected on behalf of all departments are returned to each respective department. Due to staffing restrictions during the second quarter, ORIM missed the projected target of $1.40 million by approximately $140,000. There is a direct correlation between the number of staff working on this program and the amount of funds recovered. In fiscal year 2007-08, ORIM had two fulltime staff, two student assistants, and two retired annuitants dedicated to this program, which resulted in significant fund recovery. In 2011-12, ORIM had two fulltime staff assigned to this function. ORIM will continue to monitor its recoveries and seek to implement efficiencies that maximize fund recovery for all departments.

Strategic Plan Objective 2.2: By June 30, 2012, increase amount of cost-savings by 75 percent through statewide participation in the Equipment Maintenance Management Insurance Program (EMMP).

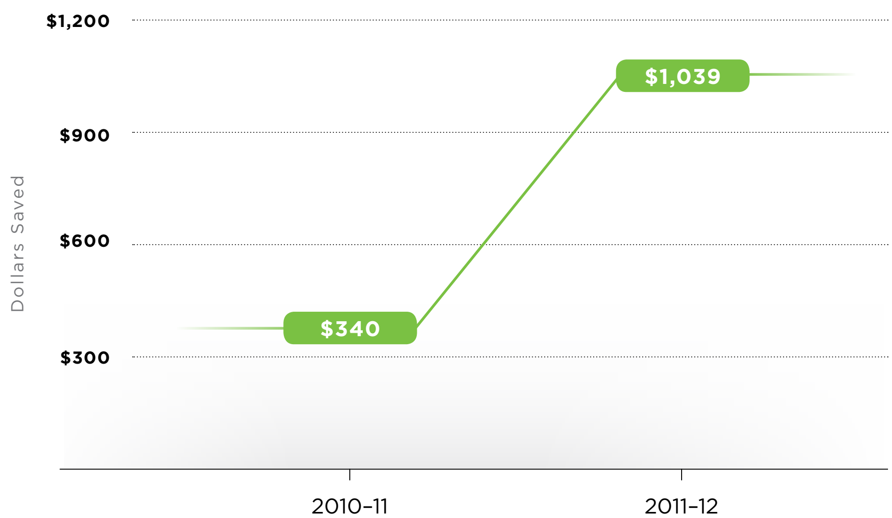
Target: 75 percent ($595,000)

Status (6/30/12): 206 percent ($1.04 million)

OBJ 2.2

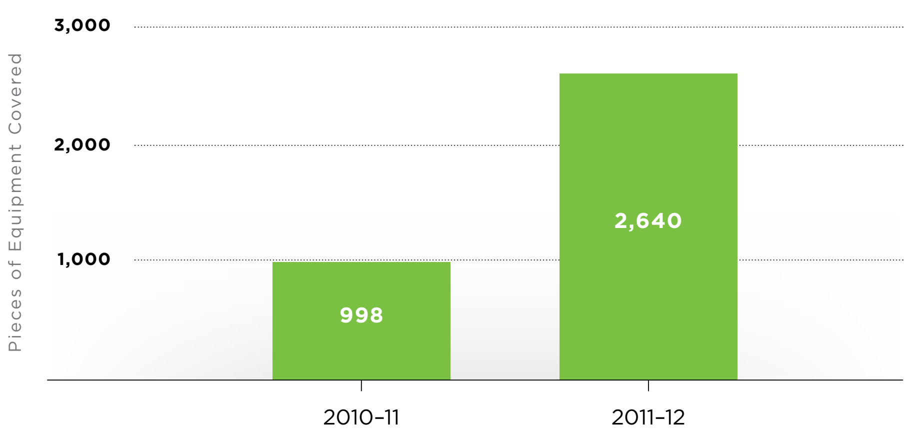
Equipment Maintenance Management Insurance Program Cost Savings as of 6/30/2012

Shown in Thousands



The Equipment Maintenance Management Insurance Program was imple-mented as a cost-effective program that replaces multiple service contracts with a comprehensive equipment maintenance insurance program. California annually spends approximately $43 million in equipment maintenance contracts, and this program has proven to save the state a minimum of 25 percent by reducing contract expenditures and administrative burdens associated with equipment maintenance. Due to the ease of administration and significant cost savings, additional equipment was enrolled during the fiscal year and ORIM saved the state far more than originally projected.

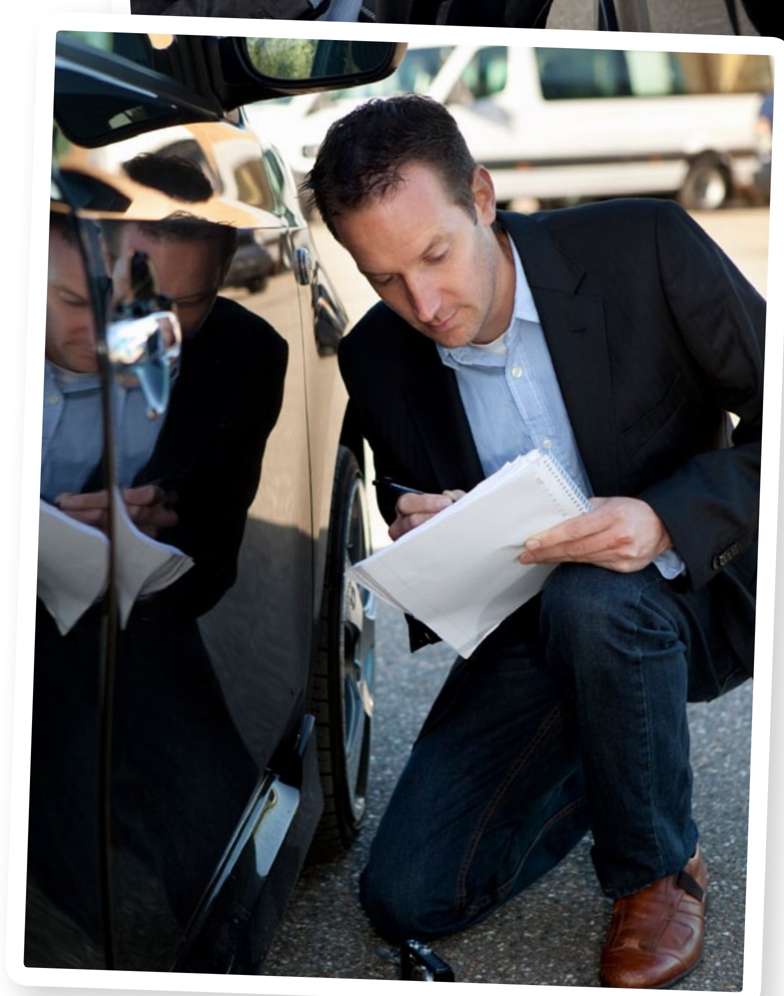
Equipment Maintenance Management Insurance Program Equipment Count



Currently ten state departments are participating and have covered equipment such as computers, servers, printers, copiers, as well as laboratory, medical, and dental equipment. ORIM plans to expand this program over the next fiscal year which will increase the overall statewide savings.

Improvements & Accomplishments:

- Administered and adjusted approximately 1,646 third party liability claims totaling more than $24.2 million.
- Many NGS customers are interested in purchasing biomethane to meet AB 32 (Chapter 488, Statutes of 2006, Nunez) requirements to reduce statewide greenhouse gas emissions to 1990 levels by 2020. Biomethane is a biogas produced by decaying plant and animal waste in the absence of oxygen that has been cleaned of impurities. It is a renewable energy source; however, regulations are not yet clear, so purchasing biomethane is still an uncertain business. Current court rulings limit where biomethane can be purchased in California. The supply of biomethane is extremely limited in California, so current prices are far beyond what most public agencies are prepared to pay. NGS has one project in the San Diego area where it provides transportation services for biomethane, but it did not buy the gas for the customer. NGS continues to develop its expertise in this area.



Governor Edmund G. Brown. Jr.
Anna Caballero, *Secretary, State & Consumer Services Agency*
Fred Klass, *Director, Department of General Services*