

\$100 Million Savings

GOAL COUNCIL 5:

EFFICIENT AND ACCOUNTABLE GOVERNMENT



Cost Reduction

Quick Wins - Find and Deliver the Cash



Foundational Improvements – Lasting Change

Cost Reduction Levers

- Focus on both Rate and Consumption
- Prioritize with biggest opportunities
- Re-specification
- Workforce optimization
- Supplier consolidation
- Sourcing / Reverse Auctions
- Re-negotiations

Foundational Improvements

- Process design
- Metrics
- Organization Design
- Tools/Technology
- Sourcing strategy
- supplier management
- Negotiation planning
- Service level definition
- Controls and compliance

Procurement
Advisors



\$100M Priority Cost Savings









Rank	Projects	Opportunity (\$M)	Owner	Timing/Plan
1	Procurement	50	Seth	In flight
2	Fleet	5.8	Henderson	Q1-Q2 2017
3	State Prison Refinancing I	8.2	Romero	Q1 2017
4	Risk	4.4	DiCiccio	In-Flight FY 2017 -2020
5	Statewide Print & Mailing Services	8.4	Edgar	Q1 2017 ADOA, BOE, Lottery, SOS
6	Online Services	\$\$\$\$	Reed	Q1 2017 Launch ++ ADOA-ASET
7	Cyber Security	10.0	Lettman	Q1 2017
8	Early Payment Discounts	\$\$	SPO/GAO	Q3 2017 SPO, GAO
9	Furniture - Inventory Mgmt.	3.5	Barnes	Q3 2017 ADOA_ GSD
10	Energy	\$\$	Brown/Donnellan	Q3 2017
11	DoC/DES - 1 Big Item - Top 10	\$\$	ADOT, AHCCCS, DCS, DHS	Q4 2017
12	Fleet 2.0 Heavy Duty (design)	\$\$	Henderson	Q4 2017
13	State Prison Refinancing II	7.0	Romero	Q1 2018

\$97.3M PROJECTED TOTAL

Schedule



Work In Progress



Work Begins (Fiscal Year)

Savings

\$ < \$1M
 \$\$ 1-10M
 \$\$\$ 10-25M
 \$\$\$\$ 25M+



Fleet

PROBLEM STATEMENT

Arizona's Light Duty Fleet costs are 20% greater than other Best in Class states.

SCOPE

From identification of the need for a Light Duty Fleet vehicle to the time to retire the vehicle. All transportation alternatives.

GOAL

Reduce Light Duty Fleet costs from \$31M to \$26M by FY2018.



Fleet – Progress, Projects

Legend
Ongoing
Completed
Developing
In - Flight
Coming Soon

	Project	Status
1	Right-sizing	~60 of 143 vehicles (more coming soon)
2	Metrics	2 months of data
3	MVD Title & Registration	DONE
4	Policy Guidelines	DONE
5	PM Support	DONE
6	Replacement Methodology	Developing criteria
7	Process Owner - Gemba	Beginning October '16
8	POV Reduction	DCS pilot on track to save 50%
9	GPS	Pilot underway in numerous agencies
10	Vehicle Disposition Process	Coming Soon
11	Employee Training	Coming Soon



Administrative Services

PROBLEM STATEMENT

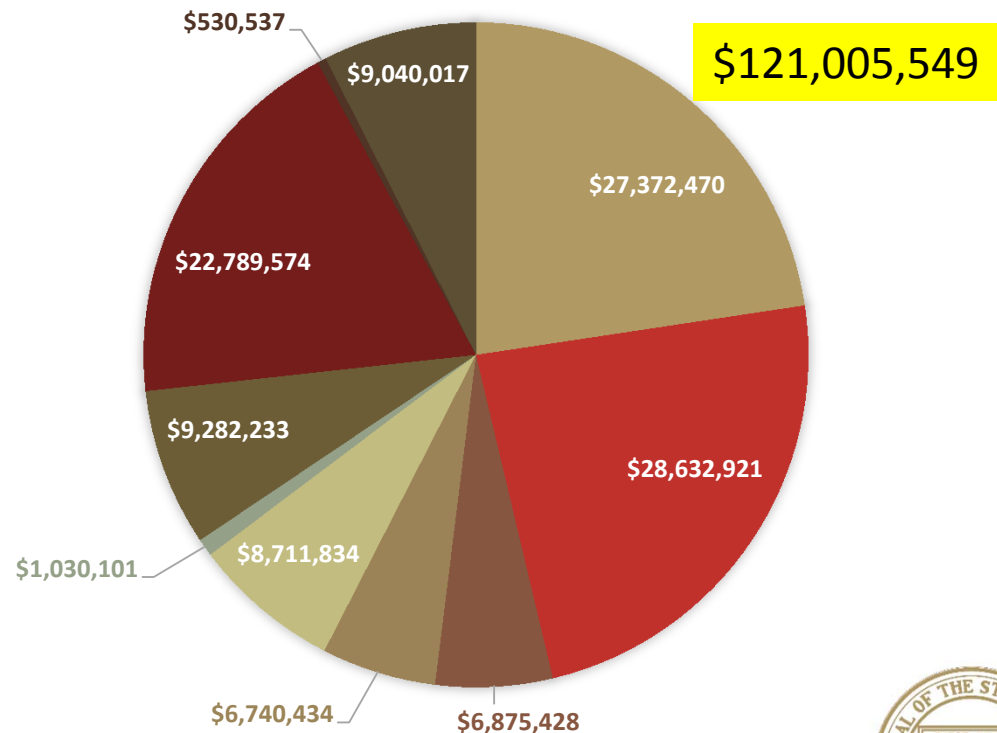
The State of Arizona has not developed a statewide standard of work to leverage the power of its volume usage of key commodities, which is resulting in an increase cost for Administrative products and services.

GOAL

To create standard work across agencies to lower costs by 15% or more.

MEASURES & ANALYSIS:

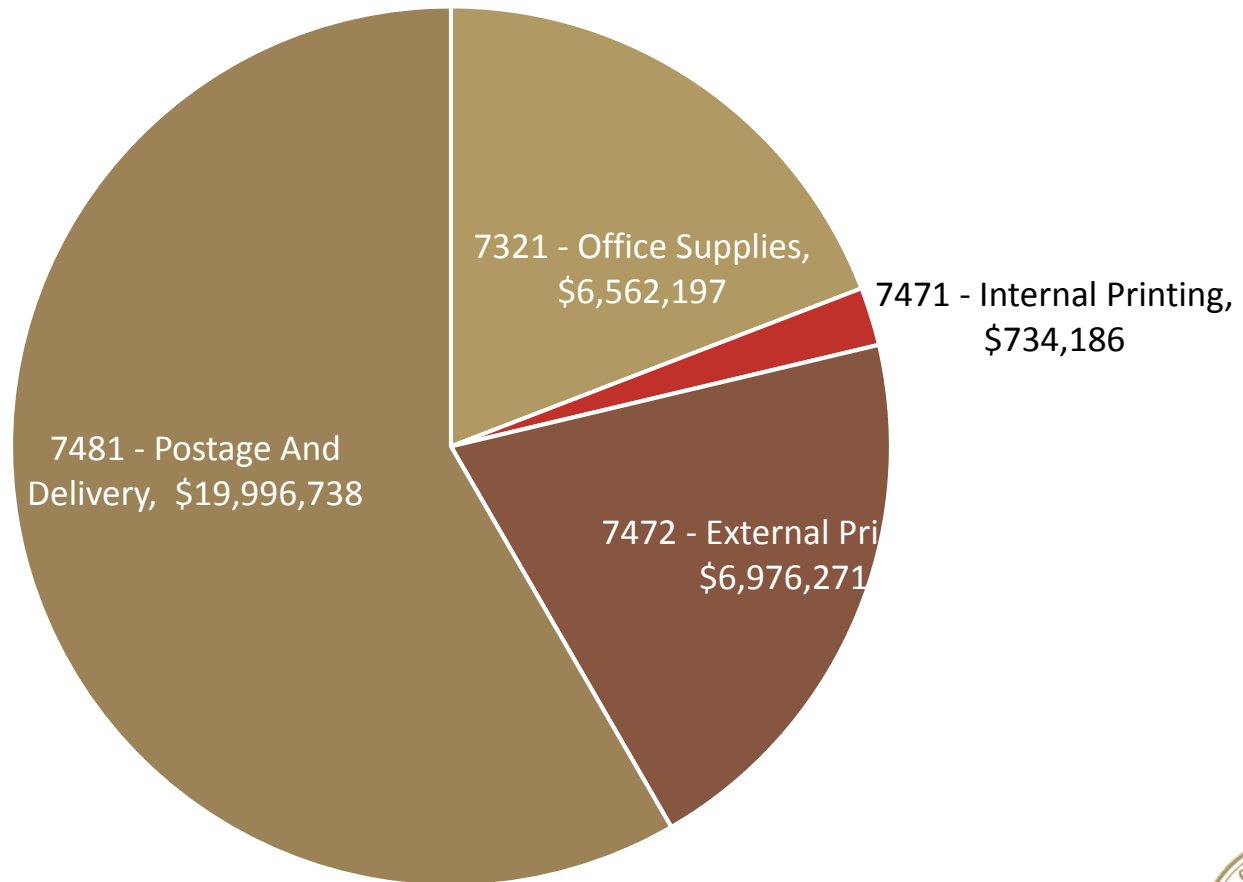
- 6222 - External Legal Services
- 6241 - Temporary Agency Services
- 7229 - Miscellaneous Rent
- 7266 - Repair And Maintenance - Other Equipment
- 7321 - Office Supplies
- 7471 - Internal Printing
- 7472 - External Printing
- 7481 - Postage And Delivery
- 8421 - Furniture Capital Purchase
- 8521 - Furniture Non-Capital Purchase



Administrative Services

Breakthrough Projects

\$34,269,393



Administrative Services – Improvement Actions

Cat	#	Action	Owner	Date
Just Do It	1	Establish Admin Services Team	Gregg Edgar, AZL	Completed Aug 17, 2016
Just Do It	2	Understand scope of Administrative Services	Gregg Edgar, AZL Biju Kamaleswaran, AZL Christopher Lacey, SPO Anita Wadkar, AZL	Completed Sep 15, 2016
Just Do it	3	Analyze Statewide Internal Print Services	Dale Bulgrin, DOE	Oct 15, 2016
Just Do It	4	Office Supply Survey	Heather Ryan, ADOA	Oct 31, 2016
Just Do It	5	Print Shop Roadshow	Dale Bulgrin, DOE Shelby Alessi, AZL	Nov 30, 2016
Just Do It	6	Procurement Roadshow	Christopher Lacey, SPO Shelby Alessi, AZL	Nov 30, 2016
Just Do It	7	Shared Services Model	Biju Kamaleswaran	
Breakthrough	8	Office Supply Review	TBD	TBD
Breakthrough	9	Print Services Review	TBD	TBD
Breakthrough	10	Postage & Delivery Review	TBD	TBD



Cybersecurity Standardization

Current Risk to State of Arizona



Montana

1.3M Records – Data Breach
\$250K Loss



Utah

280K Records – Data Breach
\$3.2M Loss



South Carolina

3.2M Records – Data Breach
\$27M Loss



- Attacked by ransomware and encrypting files
- Suffering credential compromise and fraud losses
- Downloading Trojan to compromise identity, gain access to applications, and put into question the integrity of data

Implement 16 Standards in 36 agencies by June 2017



Cybersecurity Standardization

Project Roadmap



Next Steps:

- Conduct detail security assessments of 8 agencies
- Additional agency meetings to determine opportunities
- Finalize and share the 16 enterprise security standards
- Create the agency gap list
- Begin procurement of enterprise technologies



Arizona Online Services



PROBLEM STATEMENT

The State of Arizona delivers hundreds of services to citizens each year, but the majority of those services are being requested, processed and completed the same way they were 30 years ago.

SCOPE

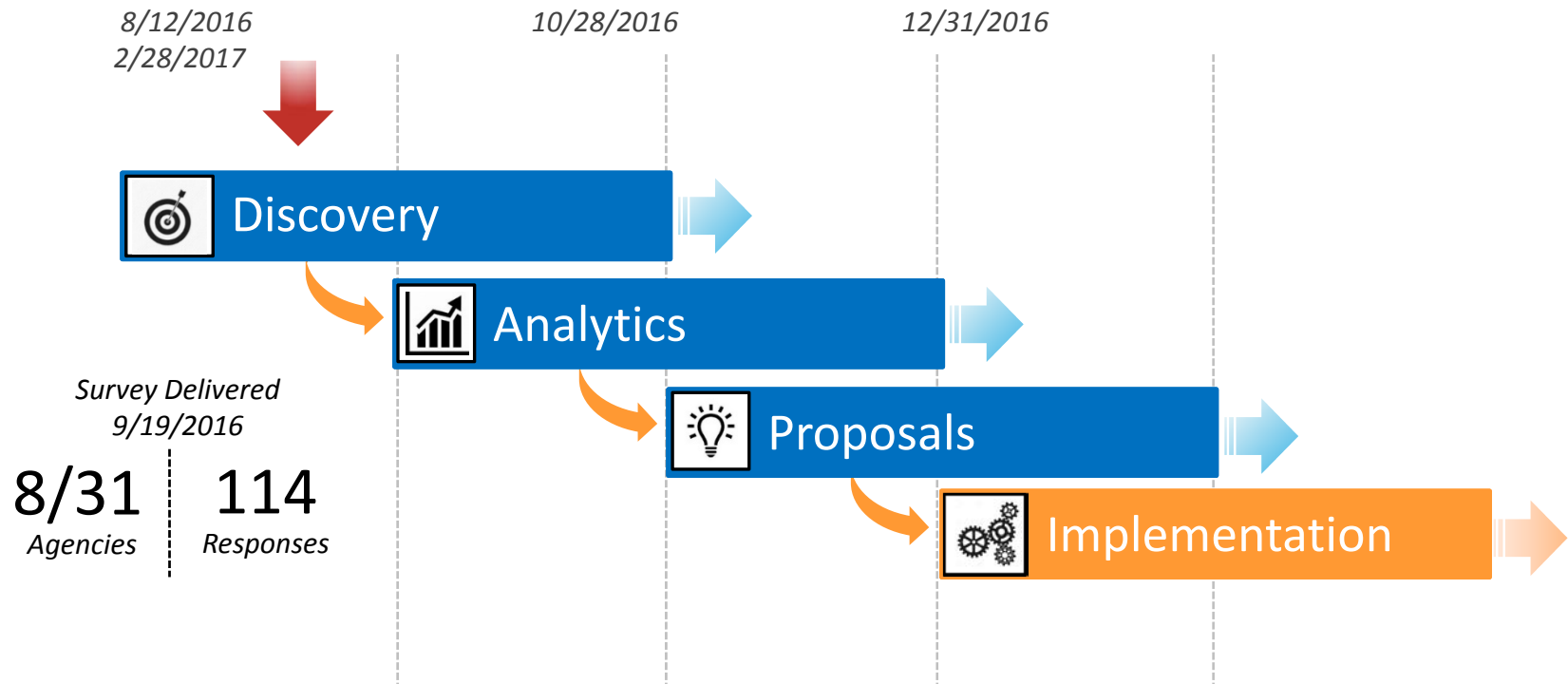
- External Facing Services
- Cabinet level agencies, excluding the Universities.
- Does not include Internal Processes

GOAL

Migrate agency services to an online experience for the citizen where they can request services without a pen, paper or stamp.
Modernize 3-6 services per fiscal year.



Project Roadmap



Summary

- \$100M savings comes from statewide participation of both rate and volume reduction projects.
- Process to find and revert the savings is ***THE MAJOR Q2 DELIVERABLE***. Full cooperation from Agency Directors and CFOs required.
- Manage the opportunity to deliver results through statewide standard work while maintaining agency autonomy.



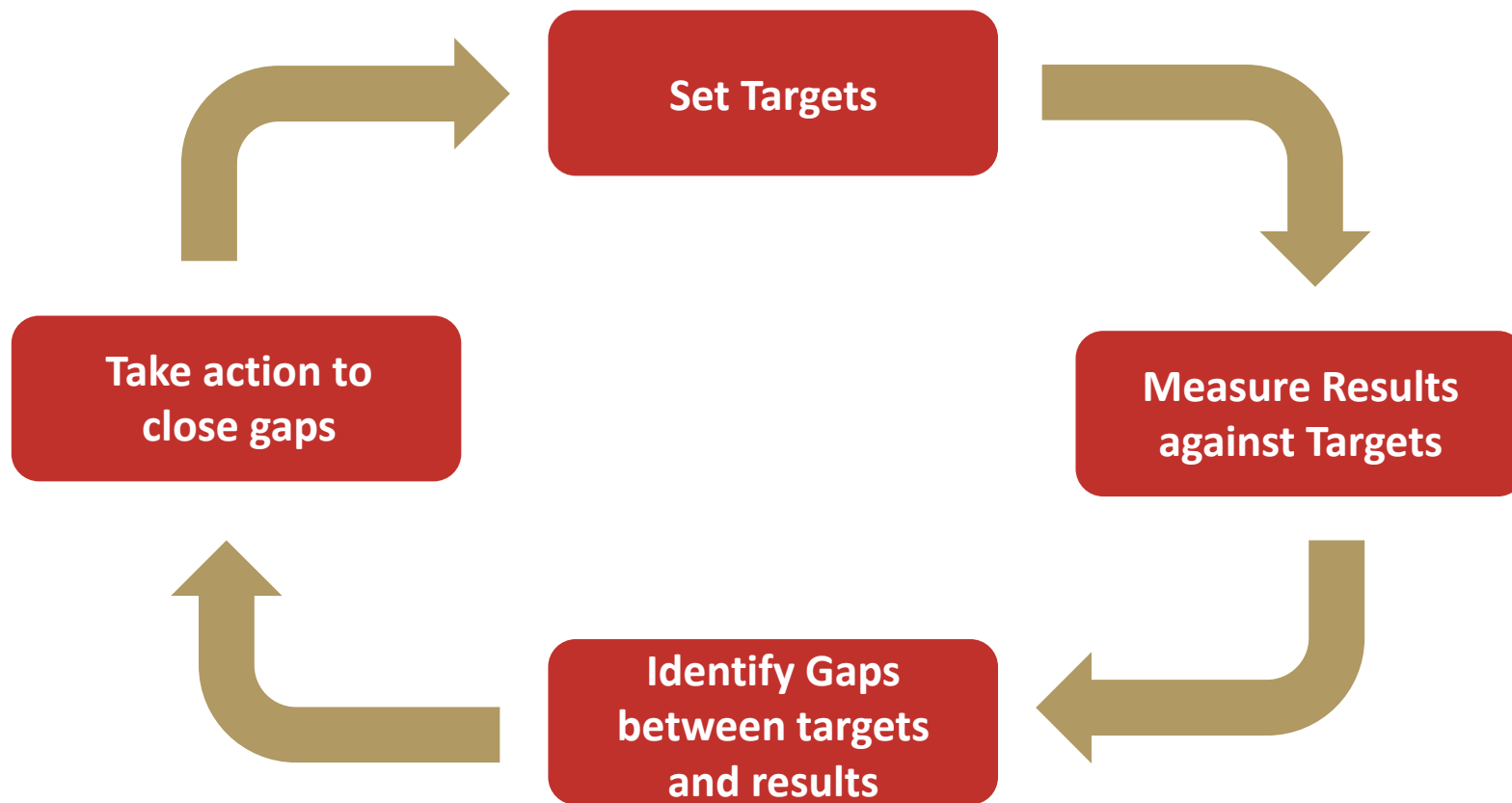
The Arizona Management System

GOAL COUNCIL 5:

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The Arizona Management System



The Opportunity

Problem: The lack of an intentional management system adopted across the enterprise has historically resulted in the absence of tracking progress towards goals and lack of widespread improvement

Scope: All 35 executive cabinet agencies will adopt the Arizona Management System as their results-driven operating system

Goal: Arizona will be the best run state in the country. The Arizona Management System will be fully implemented by December 31, 2018.



Activities to Date

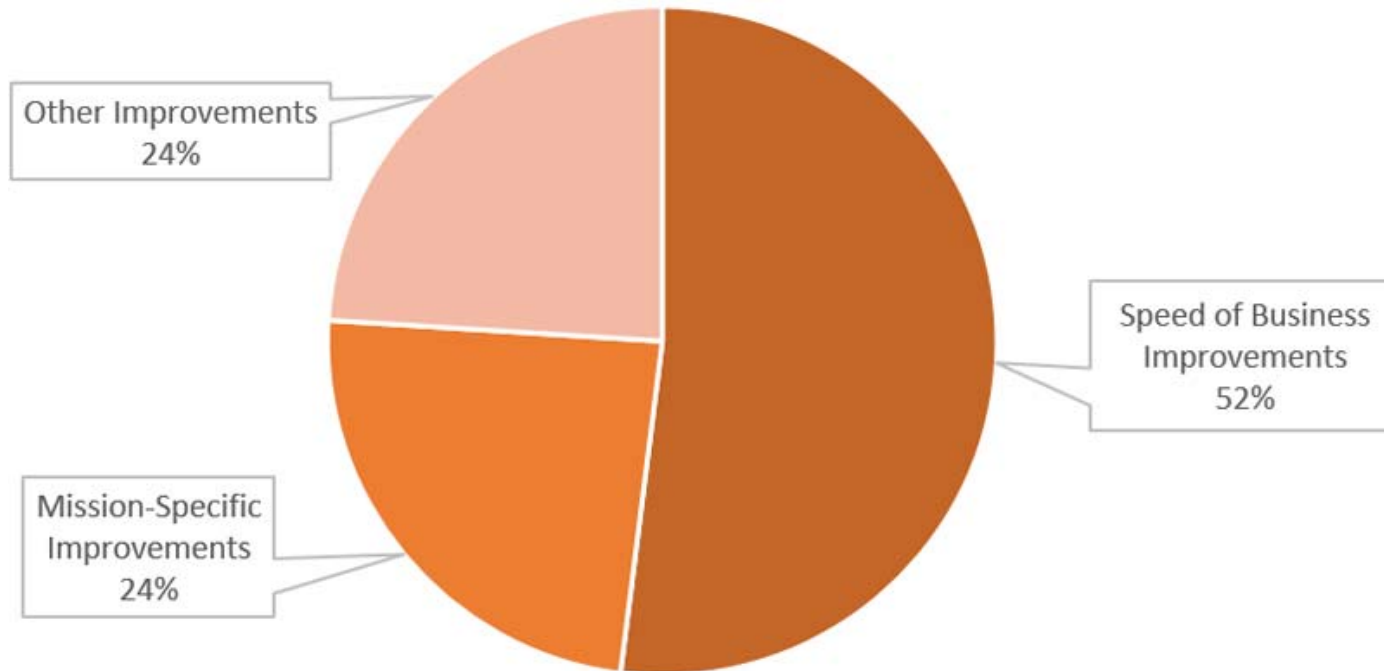
- Deployment of the Arizona Management System has been accelerated through consultant partnerships
- Agency Business Reviews now standard
- Goal Councils & State Breakthroughs launched
- 17 agencies are implementing the full AMS system
 - Represent 75% of FTE and 50% of General Fund



100 Breakthroughs

Definition of a Breakthrough:

A significant performance improvement in a key mission outcome or operational measure (service, cost, or quality). The beneficiary, whether it be a customer or taxpayer investor, will say “Wow!”



**71 active Breakthroughs currently in progress*



Next Steps

- October 31 - Identify additional 30 breakthroughs
 - Still gives agencies 8 months to achieve breakthrough performance
- Q3 – Launch next wave of Full AMS implementations (10 agencies)
- Q4 – Achieve our 100 Breakthroughs target

