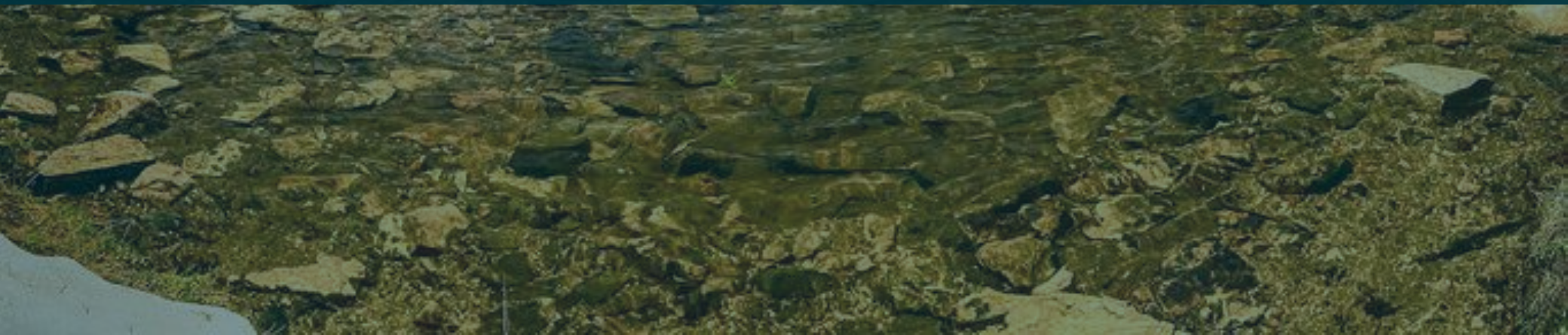# Wyoming Government Savings and Efficiency Project

Government Efficiency Committee Progress Overview

ALVAREZ & MARSAL

May 2, 2019

Agenda

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Government Efficiency Update

1. **The Government Efficiency Design Report was delivered in January 2019**

2. **Transition the Government Efficiency Program to the new Governor's Office**

   - Preliminary meetings with new Executive leadership for the Efficiency Project
   - Initial implementation discussions with WDE and WSBA

3. **Developed Program Management Office tools to assist the state with future implementation**

   - Project management operating model
   - Project plans
   - Business case
   - Smartsheets development
   - Key performance indicators
   - Reporting for monitoring and tracking (still being finalized with the agencies)

4. **Several legislative actions were enacted to support efficiency efforts**

   - Budget amendment for Medicaid for Special Education (budget amendment complete)
   - Adjustment in threshold for procurement (budget amendment complete)
   - *Note: Future legislative action will be required to establish statute to legislative confirmation of the executive branch actions around organization and shared services (Organizational Redesign required)*

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III. Summary of Recommendations, Costs, and Timing

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Program Management Office (PMO) Responsibilities

PMO Responsibility	Tasks
Governance and Leadership	• Governor's Office / Governance Board • Government Efficiency Commission
Management and Oversight	• Weekly Project Team meeting and status reporting • Oversight of project delivery • Schedule management • Business case tracking and cost management
Performance Management and Tracking	• Performance monitoring • Tracking of metrics and savings
Risk Management	• Risk and issue reporting • Risk mitigation oversight and tracking of corrective actions
Reporting	• Project status reporting • Leadership briefings
Communications	• Leadership / legislative communications • Public facing communications / website • Internal team communications • Governor's communications team / press interactions • Stakeholder management

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Project Tracking and Monitoring

Consistent monitoring of performance metrics (associated with each of the efficiency initiatives selected for implementation) will help to ensure the projects have the intended impact. The A&M PMO Team will support the state in tracking and dashboarding across key metrics.

Project Schedules

By using the PMO Tool, Smartsheets, the PMO Team will be able to collect information on project schedules and budgets to consolidate through an Integrated Master Schedule.

Performance Metrics

Based on metrics identified by the project teams, the PMO will support the state in evaluating the impact of efficiency initiatives and identify opportunities to maximize effectiveness.

Risks & Issues

Throughout the Implementation Phase, the PMO team will work with project teams to identify risks and issues, while developing risk management strategies.

PMO Tool and Tracking mechanisms

A&M helped the state select and purchase a PMO tool that will streamline the tracking and monitoring of all KPIs related to the implementation of chosen initiatives

Information and Description:
Provides an overview of each recommendation, a point of contract, and overall status.

Accomplishments:
Weekly log of the main accomplishments from previous week and the key upcoming tasks for the upcoming week.

Project Plan:
Main tasks and estimated implementation timeline. Also includes health (based on being on or behind schedule) of each task

Savings & Estimated vs. Actual:
Provides real-time look at how savings estimates compare to actual savings achieved by specific initiative.

KPI:
The main metrics which, other than savings, we will use to evaluate the success of the implementation of the initiative

Risks and Issues Log:
Log of largest risks, their impact, status, and probability of each one becoming an issue

Federal Funds

Information

Date: 03/20/19
Recommendation: Federal Funds (Education)
Workstream: K-12 Shared Service Centers
A&M Project Manager: JW Rust
State Project Manager: TBD
Status: ●

Description

Historically, the Federal Funds allocated for School Food and Nutrition available to WY have not been fully taken advantage of, which creates an opportunity to generate revenue by fully capturing these funds.

Savings
Savings vs. Estimate
- Actual Savings
- Remainder to Reach Estimate

Estimated vs. Actual
Savings and Investment - Estimated vs. Actual
- Estimated Total Life Cycle Costs
- Actual Total Life Cycle Cost

Total Savings: **$0.00**
Cost Savings %: **100%**
Cost Avoidance %: **0%**

Accomplishments
Previous Week's Key Accomplishments
1. Collected all data from WDE for Federal Funds analysis3
2. Perform preliminary analysis on FF gaps
Key Upcoming Tasks
1. Finish Federal Funds analysis
2. Vet analysis with WDE

KPI
- Federal Programs Awarded (70%)
- Federal Programs Not Pursued (30%)

KPI:
For the Federal Funds recommendation the key performance indicator is the number of federal programs that the state pursued that were available to the state previously but had not been pursued.

Risks and Issues Log

RAID #	Priority	Type	Description	Impact	Owner	Probability	Status
			Open				
R-004	↓	Moderate	Could not verify FY2018 Federal Fund disbursements.	High	Connor Ginsberg	10%	In Progress
R-013	!	Very High		Medium		20%	New
			Closed				
R-001	—	Considerable	Data could not be collected	Medium	Connor Ginsberg	40%	Complete

Project Plan

Primary	Health	Start	End	Q2			Q3			Q4			Q1			Q2			Q3		
				Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Summary	●	04/01/19	09/01/20																				
Develop Federal Funds				Develop Federal Funds Strategy																			

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Government Efficiency Collateral – "What we have"

Collateral	Specific Documentation / Analysis
Reports and Documentation	• Phase 1 Report • Phase 2 Detailed Design • Joint Appropriations Committee Testimony • Governance Board Presentations • Authorizing Legislation

Detail on 45 Recommendations	• Project Charters
	• Business Case
	    • Investment
	    • Cost Savings / Avoidance
	    • Risk Management
	    • Benefits
	• Phasing Plan / Schedule

Portfolio Management	• PMO Tool Evaluation • Smartsheets Presentation • Savings Model
PMO Operating Model	• Weekly Joint Project Team meeting • Status Reports • Weekly Budget and Monuments Reporting • Regular tracking and monitoring
Governance Model	• Governance Board Meetings (Executive) • Government Efficiency Commission (Executive / Legislative) • Governance Board objectives, meeting cadence, participants, and structure

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Government Efficiency Project – All Recommendations

The A&M Team identified a series of recommendations associated with the seven workstreams of the Efficiency Project. These recommendations are currently in various phases of the implementation process.

Implementing
Implementation of these initiatives has already started

Agency-Led

Organizational Line of Service

- Telehealth
- Indian Health Services
- Home and Community Based Services
- Auditors / Collections (Hired)
- Corrections: Substance Abuse
- Span of Control – Org LOS

Other Areas

- Electronic Pension Payments

A&M-Supported

K-12 Shared Service Centers

- Federal Funds
- School Food and Nutrition
- Consolidated Benefit Plan
- Cooperative Purchasing Plans
- Regional Shared Service Centers

Medicaid for School Based Services

Planning
Preliminary discussions and design activities underway to prepare for implementation

Technology Integration

- Electronic Visit Verification

Shared Services for State Agencies

- Motor Pool: Expansion
- Surplus Assets

Organizational Line of Service

- Telehealth
- Auditors / Collections (To Be Hired)

Other Areas

- Direct Employee Deposits

Deferred
Decisions on implementation for these initiatives has been pushed to future phases

PMO

- PMO FY2019
- PMO FY2020

Technology Integration

- ISV / MNS / EUC
- eSignature
- Discovery Unit
- Aerial Photography

Strategic Sourcing

Shared Services for State Agencies

- Span of Control
- Other Shared Service Recommendations

Organizational Line of Service

- Auditors / Collections (To Be Hired)
- Governor's Grants Office
- Employee Benefits
- WYDOT – All Recommendations
- Workers' Compensation
- Enhanced Performance Auditing
- Occupational Safety Program
- Preventative Maintenance Program
- Consolidated Debt Recovery
- Statewide Recreational Licensing System
- Governor's Cabinet
- Ides Festival
- Reimbursement Accuracy
- Consolidation of Boards and Commissions

Transparency

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Total Steady State Savings Estimates (2023 – 2024 Biennium)

With the WDE initiatives the Governor's Office has selected for implementation, the investment and savings estimates will be revised to reflect voluntary implementation. This will likely result in an increase in the projected investment and a decrease in the expected savings.

Government Efficiency Steady State Savings Estimate
2023 – 2024 Biennium

Workstream	Est. One-Time Investment (State Funds)		Est. Net Biennium Savings (State Funds)	
	Low	High	Low	High
K-12 Shared Service Centers	$ (7,316,000)	$ (8,943,000)	$ 65,833,000	$ 80,463,000
Medicaid Funding for School Based Services	$ (1,108,000)	$ (1,354,000)	$ 15,347,000	$ 18,758,000
Organizational Line of Service Review	$ (13,090,000)	$ (16,001,000)	$ 81,716,000	$ 99,874,000
Other Areas	$ (412,000)	$ (504,000)	$ 2,059,000	$ 2,517,000
PMO	$ (1,925,000)	$ (2,354,000)	$ 0	$ 0
Shared Services for State Agencies	$ (2,835,000)	$ (3,466,000)	$ 16,827,000	$ 20,565,000
Strategic Sourcing	$ (1,569,000)	$ (1,917,000)	$ 8,155,000	$ 9,967,000
Technology Integration	$ (7,383,000)	$ (9,022,000)	$ 16,964,000	$ 20,734,000
State Total	$ (35,638,000)	$ (43,561,000)	$ 206,901,000	$ 252,878,000

Initiatives selected for implementation

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Mandated vs. Voluntary Participation

For the initiatives that impact school districts, the State must decide between mandated and voluntary participation. Through mandated school district participation, the State is more likely to achieve the expected benefits and savings within the anticipated time period.

Longer Timeline

- Not mandating participation in the shared service centers or Medicaid for special education services will extend the project timeline and the project team works to achieve support across all 48 school districts.

Higher Costs

- The increased time and effort associated with trying to build consensus results in higher costs to the State under a voluntary arrangement. Additionally, any fixed costs associated with implementation are spread across a smaller base.

Lower Benefits

- Depending on the number of school districts that opt into either initiative in a voluntary arrangement, the financial and operational efficiencies that can be achieved could be significantly impacted.

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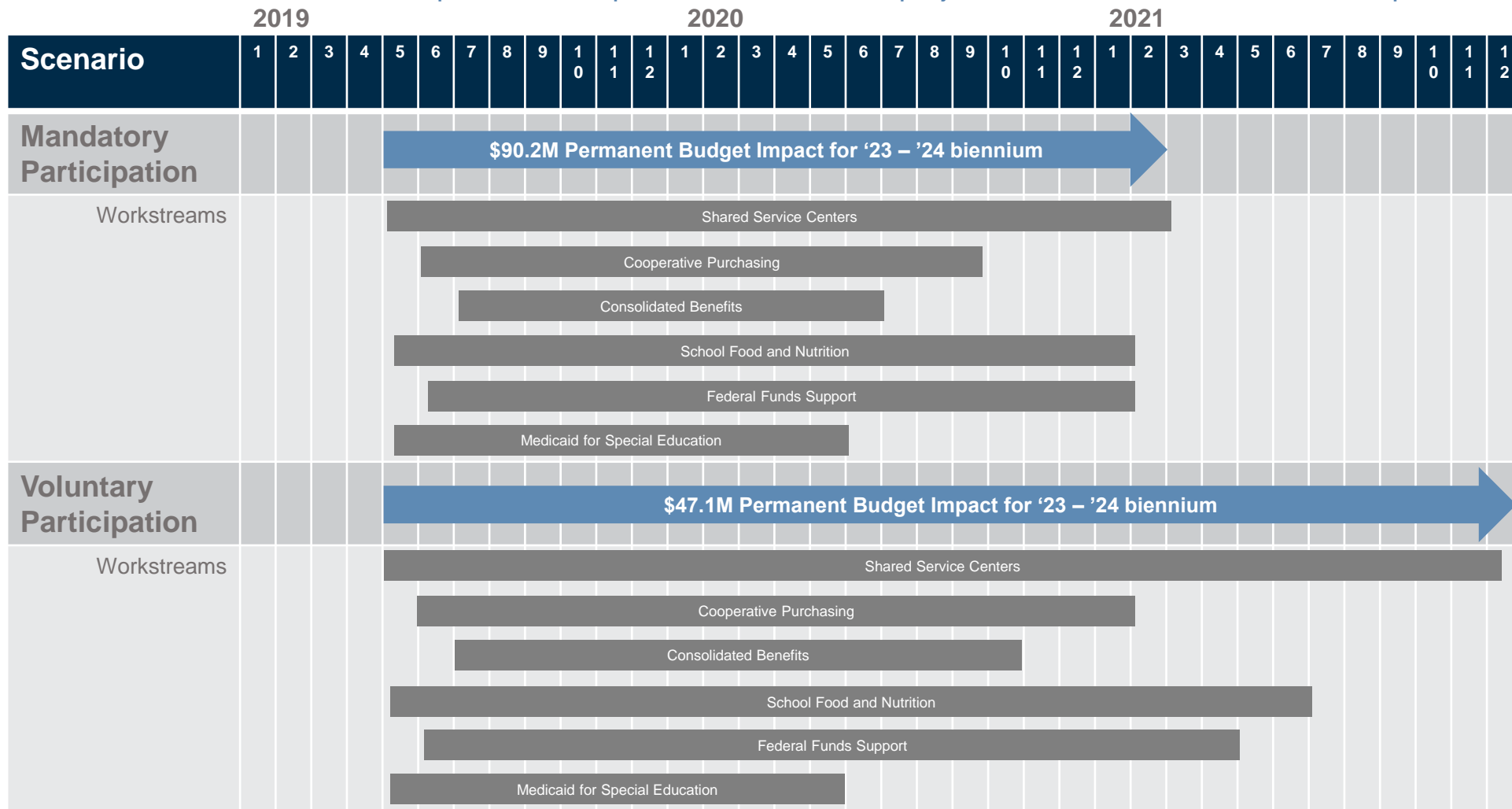# Revised Steady State Savings Estimates (2023 – 2024 Biennium)

The voluntary implementation of school district savings estimates result in decreased steady state biennium savings of $41 to $51 million. The projected investment increased to $10 to 12 million to affect that change.

Government Efficiency Steady State Savings Estimate
2023 – 2024 Biennium

Mandatory Workstream Estimates	Est. One-Time Investment (State Funds)		Est. Net Biennium Savings (State Funds)	
	Low	High	Low	High
K-12 Shared Service Centers	$ (7,316,000)	$ (8,943,000)	$ 65,833,000	$ 80,463,000
Medicaid Funding for School Based Services	$ (1,108,000)	$ (1,354,000)	$ 15,347,000	$ 18,758,000
State Total	$ (8,424,000)	$ (10,297,000)	$ 81,180,000	$ 99,221,000
Voluntary Workstream Estimates	Low	High	Low	High
K-12 Shared Service Centers	$ (6,364,000)	$ (7,778,000)	$ 27,052,000	$ 33,064,000
Medicaid Funding for School Based Services	$ (1,108,000)	$ (1,354,000)	$ 15,347,000	$ 18,758,000
State Total	$ (7,472,000)	$ (9,132,000)	$ 42,399,000	$ 51,822,000

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Scenario Timeline Comparison

The initial implementation plan reflected a 22-month duration for K-12 Shared Service Centers and a year for Medicaid for Special Education assuming mandatory school district participation. The shift to voluntary participation will extend the time. The final implementation plan will reflect actual project start date and the finalized scope

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K-12 Shared Service Center's Responsibilities

Priority

Investment

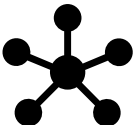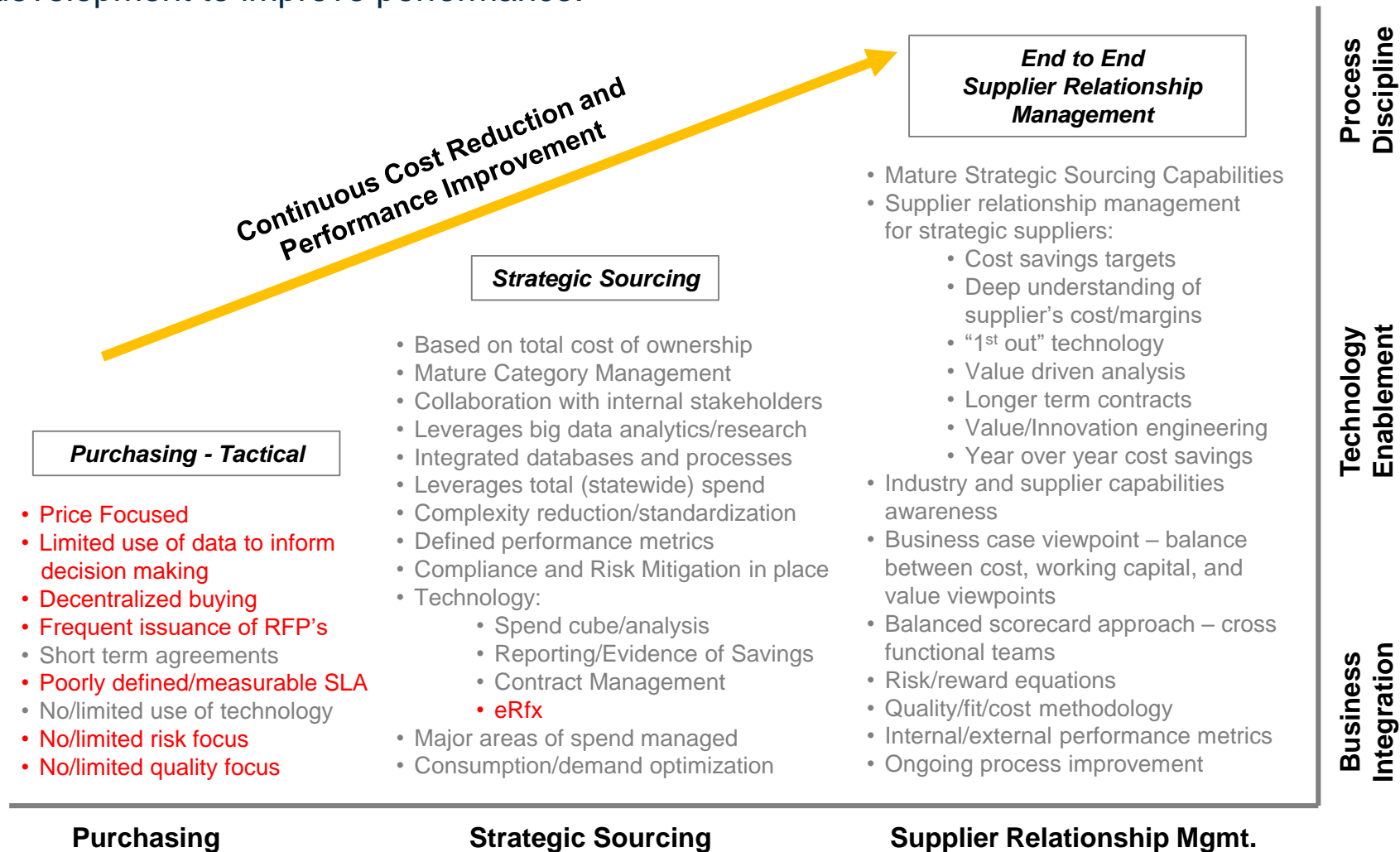| Responsibility	Investment	Description
Medicaid for Special Education	$1.1 – 1.3k	• Provide administrative support and technical assistance to school districts requesting federal Medicaid funding • Identify Medicaid allowable services and costs
Consolidated Purchasing	$1.9 – 2.3k	• Provide procurement services to Districts through negotiation of group purchasing • Support improved distribution of goods/services
School Food and Nutrition	$0.8 – 1.0k	• Provide Support for capturing USDA federal funds • Implement Centralized Technology Services • Support Tracking and Compliance Reporting
Federal Fund Support	$0.2 – 0.2k	• Provide Support for Federal Fund Recovery • Centralize Funding Requests • Support Tracking and Compliance Reporting
Consolidated Benefits	$0.7 – 0.9k	• Lead efforts to purchase group insurance by managing logistics of procurement of group plan • Reduce administrative / stop loss costs via pooling
Shared Service Functions	$4.2 – 5.2k	• Provide Finance, Human Resources, Procurement Services • Lead centralized technology integration program

$8.9 – 10.9k

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Stages of Procurement Maturity

The procurement processes currently utilized by the State of Wyoming places them squarely in the "Purchasing – Tactical" stage of maturity. While some processes have been improved, most still need development to improve performance.

Continuous Cost Reduction and Performance Improvement

Process Discipline

Technology Enablement

Business Integration

End to End Supplier Relationship Management

- Mature Strategic Sourcing Capabilities
- Supplier relationship management for strategic suppliers:
  - Cost savings targets
  - Deep understanding of supplier's cost/margins
  - "1st out" technology
  - Value driven analysis
  - Longer term contracts
  - Value/Innovation engineering
  - Year over year cost savings
- Industry and supplier capabilities awareness
- Business case viewpoint – balance between cost, working capital, and value viewpoints
- Balanced scorecard approach – cross functional teams
- Risk/reward equations
- Quality/fit/cost methodology
- Internal/external performance metrics
- Ongoing process improvement

Strategic Sourcing

- Based on total cost of ownership
- Mature Category Management
- Collaboration with internal stakeholders
- Leverages big data analytics/research
- Integrated databases and processes
- Leverages total (statewide) spend
- Complexity reduction/standardization
- Defined performance metrics
- Compliance and Risk Mitigation in place
- Technology:
  - Spend cube/analysis
  - Reporting/Evidence of Savings
  - Contract Management
  - eRfx
- Major areas of spend managed
- Consumption/demand optimization

Purchasing - Tactical

- Price Focused
- Limited use of data to inform decision making
- Decentralized buying
- Frequent issuance of RFP's
- Short term agreements
- Poorly defined/measurable SLA
- No/limited use of technology
- No/limited risk focus
- No/limited quality focus

Purchasing   **Strategic Sourcing**   **Supplier Relationship Mgmt.**

Red text: current process levels

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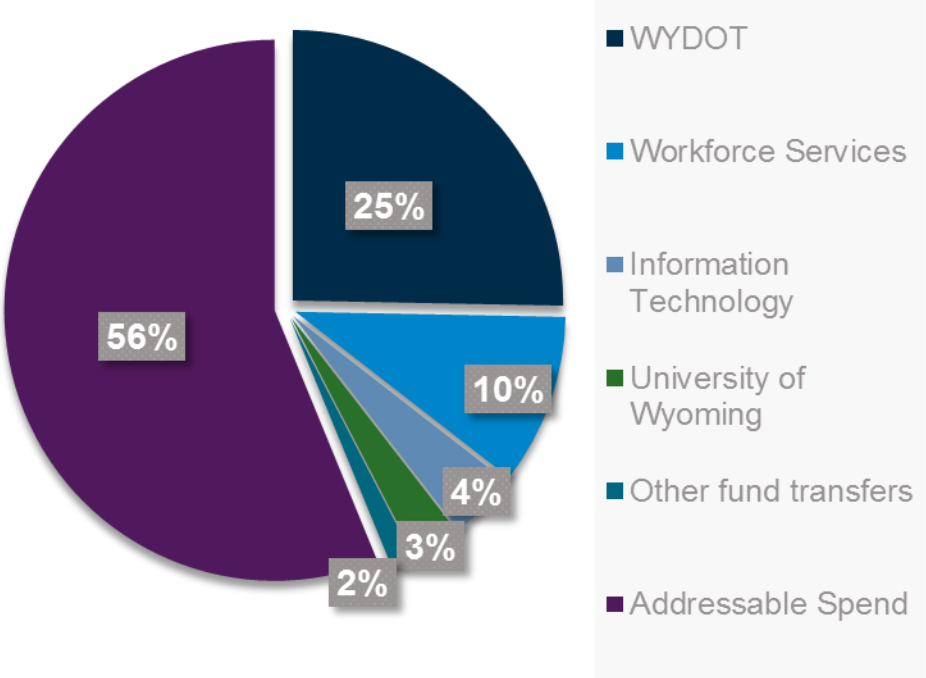**ALVAREZ & MARSAL**

Strategic Sourcing Spend Assessment

A&M excluded spend that is "non-sourceable" (Grants, etc.) and out of scope (WYDOT, University of Wyoming, etc.). The remaining "addressable" spend was analyzed for opportunities to save money and improve performance.

Division	FY17-18	% of Total
WYDOT	$510.1	25%
Workforce Services	$206.4	10%
Information Technology	$81.0	4%
University of Wyoming	$58.5	3%
Other fund transfers	$37.5	2%
Addressable Spend	$1,125.1	56%
Total	$2,018.6	100%

Pie chart legend:
- WYDOT — 25%
- Workforce Services — 10%
- Information Technology — 4%
- University of Wyoming — 3%
- Other fund transfers — 2%
- Addressable Spend — 56%

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Opportunity Complexity-Benefit Matrix

After estimating savings, each category was evaluated on complexity to source, and plotted relative to each other to prioritize the opportunities.
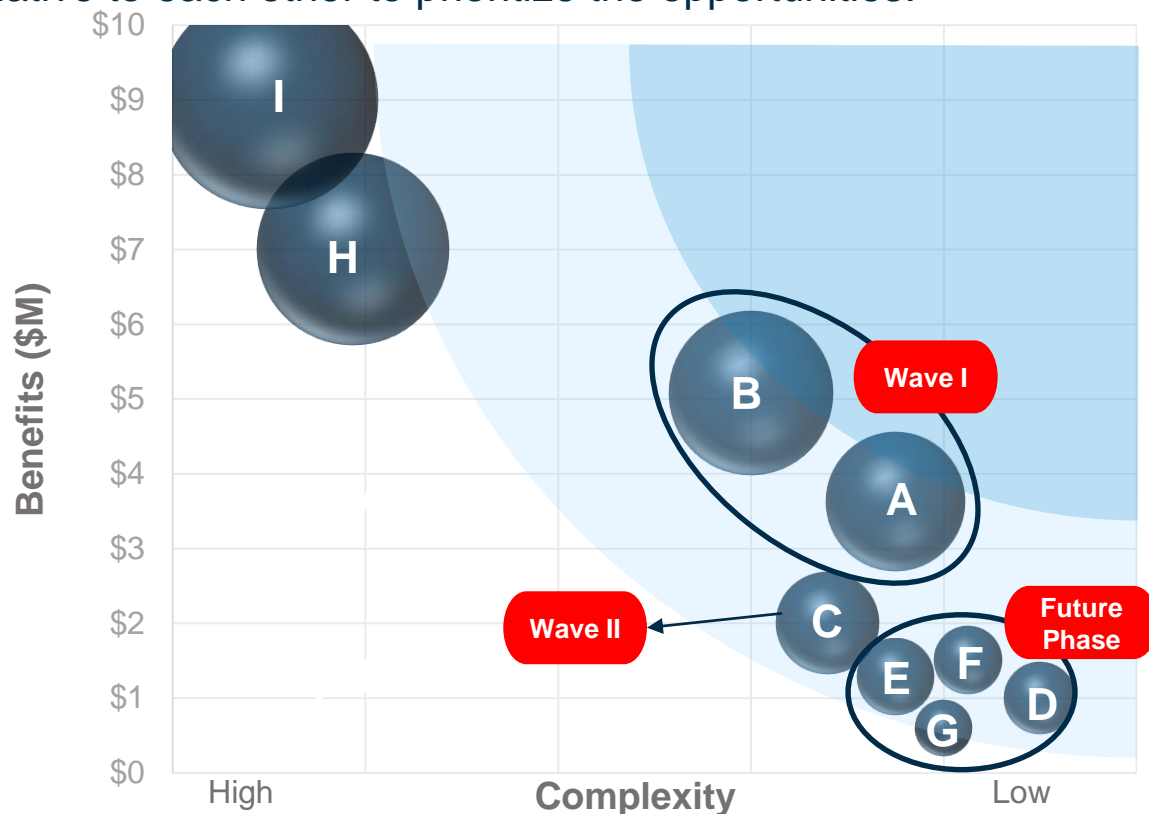
A & B ("Wave I")		Lower risk, higher return – the "low hanging fruit" to go after now
C ("Wave II")		Low risk, solid return – recommend pursuing after Wave I
D, E, F, G		Future phase as sourcing processes mature and resources come up to speed
H & I		High return, but very high complexity increases risk of diminished benefit

*Included in IT workstream

A	B	C	D	E	F	G	H	I
MRO Services	Medical Supplies	Motors; Security Service	General Equipment/ Machinery/Parts	HVAC Services	Clothing & Fabrics	Janitorial Supplies	Testing & External Research	Finance
Office Supplies	Legal Services	Hotels & Venue	Lab Services	Waste Disposal Services	Marketing & Advertising	Other Finished Goods	Telecom*	Project Management Services
MRO Consumables	General Food & Beverage	Temporary Labor	Office Equipment	Medicine & Medical Equipment	Plumbing Services	Fabricated Equipment	Education Services	Consulting Services
Small Parcel	General Facilities & Maintenance	Fuel; Lab Supplies	Facility Maintenance	Events	Online Media (Social Media & Digital)	Maintenance & Repair Services		Marketing

Sourcing Events: Recommended Categories

A&M identified many areas of spend that would benefit from a strategic sourcing event. Leveraging agency spend and consolidation of suppliers present significant opportunities for cost reduction and simplification of process. Below is a sampling of savings for selected categories.

Materials

Category	Subcategory	Adj. Spend (M)	Est. Savings
MRO Consumables	Medical Supplies	$31.4	$1.80
Food & Beverage	General Food & Beverage	$10.1	$0.46
Equipment / Machinery / Parts	Motors	$6.1	$0.42
Facilities & Maintenance	Lab Supplies	$4.6	$0.34
Office Supplies	Office Supplies - Other	$3.6	$0.40
MRO Consumables	Consumables (Small Ind. Parts & Supplies)	$3.4	$0.30
Fuels & Gases	Fuel	$2.9	$0.23

Services

Category	Subcategory	Adj. Spend (M)	Est. Savings
Eng Services	MRO Services	$34.4	$1.23
Legal	Legal Services	$15.6	$1.27
Human Resources	Temporary Labor	$6.44	$0.23
Travel	Hotels & Venue	$6.3	$0.35
Facilities & Maintenance	Security Services	$4.9	$0.40
Small Parcel	Small Parcel - Other	$3.9	$0.31

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Future Potential Recommendations

Real Estate Portfolio Management	• 'Monetizing' assets • Making maximum use of available space • Checking on aging & value of current assets
Intelligent Automation	• Use of automated solutions to reduce the need for repetitive automated tasks • Use of automated intelligence for improved customer interactions • Automation that frees up your people to create, build and innovate
Blockchain	• Leveraging the leading edge laws passed by Wyoming for economic development • Utilizing blockchain for potential use cases like distributed fundraising methods to reduce the need for bond issuance as the primary means of raising capital

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