

AGENDA

FREE MARKET PROTECTION AND PRIVATIZATION BOARD

Thursday, October 9, 2014, 2:00 PM
Room 20 House Building
State Capitol Complex
Salt Lake City, Utah

1. Call to Order
2. Public Input (10 minutes)
 - a. Persons may make statements or comments for up to two minutes each on matters pertinent to the board.
3. Board Business/Minutes
 - a. Minutes from August 14, 2014 – *for consideration* *page 3*
 - b. Privatization Process Review Advisory Committee *page 7*
 - c. Report to Government Operations Interim Committee *page 37*
4. Commercial Activities Inventory
5. Review Privatization of an Activity
 - a. Total Cost of Ownership Study re Payroll and DHRM *page 41*
 - b. Property Damage Subrogation *page 45*
6. Review Issues Concerning Agency Competition with the Private Sector
 - a. Competition Review Advisory Committee
7. Other/Adjourn

Next board meeting: November 13, 2014, 2:00 PM, Room 20, House Building

Other meetings (advisory committees):

Competition Review – TBD

Technology Services Review – TBD

Privatization Process – TBD

Meeting Packet Contents

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3	Minutes (draft) from August 14, 2014 Board meeting	GOMB
7	Process for Evaluation of Alternative Service Delivery Strategies	Sequoia
35	Commercial Activities Inventory Survey Questions	GOMB
37	2014 Interim Report (Government Operations Interim Committee)	GOMB
41	Total Cost of Ownership Study (Human Capital Management)	SA
45	RFI - State Property Damage Subrogation	Purchasing

**Minutes of the
Free Market Protection and Privatization Board**

Thursday, August 14, 2014 - 2:00 p.m.

Room 20, House Building

State Capitol Complex

Members present:

Kimberley Jones (Chair), Rep. Johnny Anderson, Thomas Bielen, Randy Park, Manuel Torres, Russell Anderson, Al Manbeian, Bob Myrick, Rick Jones, Jacquie Nielsen, and LeGrand Bitter

Members absent:

Brian Gough (Vice Chair), Sen. Howard Stephenson, Sen. Karen Mayne, Rep. Lynn Hemingway, Steve Fairbanks, and Louenda Downs

Staff present:

Cliff Strachan, Governor's Office of Management and Budget (GOMB)

Note: Additional information including related materials provided at the meeting and an audio recording of the meeting can be found at <http://gomb.utah.gov/operational-excellence/privatization-board/> and the Utah Public Meeting Notice Website (<http://www.utah.gov/pmn>).

1. Welcome and Introductions

Kim Jones chaired the meeting. She welcomed new board members Randy Park, Rick Jones, and Jacquie Nielsen who introduced themselves.

Sen. Howard Stephenson, Sen. Karen Mayne, Rep. Lynn Hemingway, Brian Gough, Steve Fairbanks, and Louenda Downs were excused.

2. Public Comment (10 minutes)

Nathan Andelin, Relational Data, provided a summary of concerns pertaining to his complaint against the Utah State Office of Education.

3. Board Business/Minutes

a. Selection of Chair/Vice Chair

Cliff Strachan noted the requirement in UCA 63I-4a-202(4) to elect a chair. Board practice has been to elect a vice chair too. He called for nominations.

Tom Bielen nominated (and others seconded) Kim Jones to be the chair. No other nominations were made. Kim Jones acclaimed to the chair.

Mr. Bielen nominated (and others seconded) Brian Gough to be the vice chair. No other nominations were made. Brian Gough acclaimed to the vice chair.

b. Open and Public Meetings Act

Mr. Strachan provided a handout and overview of the Act and requirements upon the board as a public body. In discussion, the board talked about what it takes to have a closed meeting.

c. Minutes from June 12, 2014

Motion: Al Manbeian moved to approve the minutes of the June 12, 2014 meeting. CARRIED

d. Privatization Process Advisory Committee

Mr. Strachan provided an update and a handout from Sequoia Consulting summarizing progress. The committee meets again on Tuesday, August 19, 2014. The process documents should be coming to the board at the next meeting.

3. Commercial Activities Inventory (CAI)

Mr. Strachan noted that we are still not able to survey the Departments of Human Services, Workforce Services, or Health. The privatization process under development should improve the quality of the surveys in the future.

4. Review Privatization of an Activity

Mr. Strachan updated the board on the operational excellence work being done by GOMB with respect to the Department of Technology Services. The direction recommended for the Technology Services Advisory Committee is to help make the business development (assessment) process at the department more conducive to promoting outsourcing.

He also noted that the Total Cost of Ownership Study being conducted on the state's payroll and human resources functions is nearly complete. That information should be forthcoming.

5. Review Issues Concerning Agency Competition with the Private Sector**a. Utah Science Technology and Research (USTAR)**

Ivy Estabrooke, Ph.D., Executive Director, and Jim Grover, Finance Manager, presented an overview of USTAR and its programs, essentially research, technology outreach and innovation. It operates two core facilities located at the University of Utah and Utah State University.

During the discussion, questions and answers, the board learned that:

- USTAR is somewhat unique among the states though other models or investment programs are used to try to accomplish similar results.
- USTAR intends to survey other states' programs to determine best practices.
- the state doesn't make money directly as revenues are directed back into the programs and universities.

6. Other Business/Adjourn

Motion: LeGrand Bitter moved to adjourn. CARRIED

Scheduled Board meetings:

- Thursday, September 11, 2014 at 2 pm in 20 House Building
- Thursday, October 9, 2014 at 2 pm in 20 House Building
- Thursday, November 13, 2014 at 2 pm in 20 House Building
- Thursday, December 11, 2014 at 2 pm in 20 House Building
- Thursday, January 8, 2015 at 2 pm in 20 House Building

Advisory Committees:

- Competition Review - TBD
- Privatization Process - August 19, 2014 at 2:30 PM, Room 240, Capitol Building
- DTS Review - TBD

STATE OF UTAH

FREE MARKET PROTECTION AND PRIVATIZATION BOARD

**PROCESS FOR EVALUATION OF ALTERNATIVE SERVICE
DELIVERY STRATEGIES**

October, 2014

INTRODUCTION

For the past decade, the State of Utah has maintained a program to assess its public services to determine which of those services are inherently governmental in nature and those which might lend themselves to privatization. The work is performed under the auspices of the Utah Free Market Protection and Privatization Board, supported by the Governor's Office of Management and Budget. As part of the legislative requirements, the Board semi-annually issues a list of activities which fit these categories, the most recent list having been issued in November 2013.

After changes to the *Free Market Protection and Privatization Board Act* in 2013, the Board wants to expand the privatization review to develop a systematic approach to evaluating whether a public service should or could be privatized, an objective determination of the value of privatization, and a means of addressing complaints by private businesses that the government is unfairly competing with private business.

The following document includes a detailed approach to evaluating services for privatization potential. This document is the result of the work of the Privatization Process Advisory Committee of the Free Market Protection and Privatization Board. Sequoia Consulting Group has been working with the committee and staff from the Governor's Office of Management and Budget since April on developing this document.

Ultimately, Sequoia expects to provide advice on the use of this approach to analyzing privatization options and on performance contracts.

GUIDING PRINCIPLES FOR UTAH'S FREE MARKET PROTECTION AND PRIVATIZATION BOARD

1. The goal of this project is to develop a set of principles, assessment tools, strategies, and approaches, consistent with the Board's Mission Statement, that enables the State to:
 - Increase the quality and timeliness of services.
 - Improve the efficient and/or effective delivery of services.
 - Decrease the costs of services.
 - Eliminate or reduce unfair competition.
 - Protect the tax base of the State.
 - Broaden the revenue base of the State.
 - Further the overall mission and goals of the State.
 - Continue appropriate protection of the State's vulnerable citizens (e.g., children, elderly, disadvantaged, disabled).
 - Continue protection of data and information as required by State legislation and regulation, as well as Federal rules and regulations.

2. Privatization for the purposes of this project will be defined as alternative service delivery, including:
 - Contracting out or outsourcing—the government contracts with a private organization (whether non-profit or for profit) for the delivery of all or part of a service.
 - Public-Private Competition—governmental services are open to competition; the government may bid to continue to provide services, but must compete with other interested bidders.
 - Public-Private Partnership—governments may work cooperatively with private organizations (whether non-profit or for profit) to provide services.

An attachment to this document presents, in alphabetical order, a more comprehensive list of options for alternative services.

3. In order to broaden the State's privatization approach, a comprehensive set of "privatization" reviews should consider at least the following strategies:
 - Using assets to increase revenues.
 - Improving efficiency, quality, and responsiveness of services.
 - Joint public-private financing and development of facilities and other infrastructure.
 - Enhancing the economic performance of government-owned and operated facilities.
 - Using good business practices, such as enhancing cash management and restructuring debt.

- Disposing of unprofitable government-owned “companies” or making them more profitable.
 - Shedding unnecessary services.
 - Using vouchers for clients to purchase services from the private sector.
 - Granting authority to a private sector firm to provide services through a franchise.
 - Leasing equipment or facilities.
 - Removing or reducing regulations for private sector entities.
 - Providing services with volunteers.
4. In order to implement successfully a comprehensive privatization strategy, we agree that the following major lessons from our previous privatization efforts, or those of other governments, should be considered in the work of Free Market Protection and Privatization Board:
- Privatization decision-making needs an organizational and analytical structure and cannot rely solely upon political philosophies of Board members.
 - It may be necessary to recommend legislative and/or budgetary changes to encourage appropriate use of privatization.
 - Reliable and complete cost and performance data are needed to support privatization decision-making; therefore, the Board is working with Sequoia Consulting Group to assist in developing assessment and monitoring tools needed to analyze and implement privatization strategies.
 - Strategies may need to be developed for the transition to privatized service operations, including whether State employees will be allowed to bid, whether bidders will be required or encouraged to hire former State employees, etc.
 - Contract monitoring and/or project oversight will be vital elements for any privatized service or strategy.
 - It will be important that departments of State government realize that some policy options that are in the public’s best interests may be contrary to the self-interests of the State departments.
 - It is also important that the State communicate with employees and make a commitment to fair treatment of those employees, as privatization strategies are investigated and implemented.
5. The analyses developed in this document are also intended to address ***unfair competition***. A condition of unfair completion exists when either the governmental agency or a private business gains a financial advantage as a result of statutory authority. Examples, but not an exclusive list, of such conditions include tax free authority, absence of a requirement for bid bonds or performance bonds, regulatory licensure and fees or exemption therefrom, limitations or constraints on competition such as requiring that work be done by either a public or private organization.

In other words, should legislation exempt the government from paying taxes, private businesses that do pay taxes, might show higher costs unless the taxes are considered appropriately in identifying an advantage of having the private business perform the service. The cost analysis has been structured to address such unfair competition and to find ways to mitigate the impacts of unfair competition.

- Higher education public-private partnerships for a wide variety of services and facilities
- Child welfare privatization, including a five-year federal waiver that allows Florida to provide more options for serving children
- Reports on both successful and not-so-successful projects across many states, along with analysis related to the reasons for success and ways to address unsuccessful projects

In conclusion, following privatization issues in each state could be a full-time job. Since the Reason Foundation publishes detailed reviews of state and local government privatization issues, it would be appropriate to review these reports when beginning the review of any particular privatization issue.

PROCESS FOR ALTERNATIVE SERVICE DELIVERY EVALUATION

In this section we outline the principal steps to be used in determining whether a given service, or set of services, is amenable to an alternative delivery strategy. The analysis of alternative services frequently uses the methodologies employed for internal risk assessment, performance management, and financial management. We integrate those methodologies in our recommendations for an evaluation process consisting of the following key steps:

1. Create a long-term assessment plan.

- Critical point is that, in any organization, work that is outside of normal routine will not get done if it is not part of a prioritized plan.
- Plan covering 1 to 4 year period, prepared by the Board with input from respective State departments.
- Updated annually based on annual assessment plan and updated issues identification.
- Includes alternative service strategies, internal resumption strategies, and potential areas of unfair competition between State agencies and private business.
- Starting point is the Board's inventory of government services.
- Establishes priorities for service assessment based on preliminary assessment.

2. Prepare annual assessment plan.

- Based on long-term plan.
- Assessment plan will include both internal assessments performed by individual departments and external assessments performed under the auspices of the Board.
- Assessments distributed among Departments based on plan priorities, immediate issues, and departmental needs.
- Each assessment reviewed and followed up led by Board staff, State purchasing staff, and departmental management liaison.

3. For each service, conduct a preliminary assessment.

- Principal considerations for the preliminary assessment review include: mission criticality, performance, perceived reward, perceived risk, and current cost.
- Decisions should focus on services that represent low mission criticality, high perceived reward, low perceived risk, high costs, and low performance.
- The following tables represent sample scoring matrices:

Mission Criticality	High	3	1
	Low	4	2
		Low	High
		Current Performance	

Perceived Reward	High	4	3
	Low	2	1
		Low	High
		Perceived Risk	

Mission Criticality	High	3	2
	Low	4	1
		Low	High
		Perceived Risk	

Current Cost	High	4	2
	Low	3	1
		Low	High
		Current Performance	

- Mission Criticality can be determined by a combination of the Board’s service inventory as well as a prioritization survey of the management of the respective department.
- Current Performance needs to be evaluated on quantified, objective standards. There are several available systems:
 - ✓ Ideally, the best source should be the State’s SUCCESS Framework, to the extent possible. However, this Framework is still in the development stages and will take considerable time to complete. Additionally, once the Framework is complete, it will probably not have the programmatic level of detail necessary for this analysis.
 - ✓ A second source is external work reporting. Most State agencies have some form of federal reporting requirement. The requirements are usually reports of work volume activity of interest to the federal agencies and have limited value as measures of management and organizational performance. Nonetheless, the reports have the advantage of being standardized among States and, with some creativity, can be used to generate some management performance measures.
 - ✓ A third source of objective performance reporting is found in the internal performance metrics that departments might have individually developed and which they use for internal management. A problem with department generated measures is that they lack some objectivity; for that reason, as part of the assessment process, the Board should request that the respective department validate the measures before using them in this analysis.
 - ✓ If the State does not collect performance metrics for a specific service, then the respective Department will need to self-assess its performance in conjunction with the Board’s assessment process State’s Performance Assessment team.
- Perceived Reward can be identified using the detailed service assessment form included with this report.
- Perceived Risk can be identified using the detailed service assessment form included with this report.

- Current Cost is based on a two to three year assessment of actual expenditures, not budget. A determination of high cost can be based either on comparable costs for similar services or the degree of cost increase over several years relative to the State budget.
- Services which have the higher assessment scores are those which would appear to be most amenable for alternative service delivery. Based on the number of services and staff availability, the higher priority services will undergo more detailed analysis based on the review elements spreadsheet.

4. Conduct detailed review based on attached spreadsheet.

- Convene assessment committee, recommended to include a member of the Board, Board staff, a representative of State Purchasing, a representative of the State's legal staff, and two representatives of the respective Department.
- Complete assessment spreadsheet.
- If the assessment achieves a certain score (to be determined), then prepare an alternative service delivery plan that addresses each category of the assessment, including a plan to ameliorate any perceived problem areas and an implementation plan.
- Prepare detailed cost assessment plan based on cost accounting methodology.
- If plans include potential for managed competition, identify potential bidding issues that would be an impediment to fair competition, develop alternative strategies, and secure purchasing and legal approval for changes.
- Review assessment and plans with Board and respective Department management.

5. Draft performance contract for use in Request for Proposals

- Designed to establish specific quantifiable, objective performance standard for a vendor
- Provides for regular evaluation and approval of service delivery, performance correction, compensation, and termination procedures.

6. Implement appropriate State procurement procedures.

ANALYZING A SERVICE FOR POTENTIAL PRIVATIZATION

This section establishes the methodology for conducting the evaluation of a specific service.

Elements of Review

Element	Notes	Points
General Elements		
1. Is the service being reviewed considered a mission critical service of Utah State Government?		
a. Is there legislation requiring that the service be provided?		
b. Are there other legislatively established requirements that need to be considered in this review?		
2. Do other alternatives exist for providing this service?		
a. Is the service available in the private sector?		
b. Is the service available from another government?		
c. Is the service available from a non-profit?		
d. How many vendors/governments could provide this service?		
e. Would there be a way to have this service become a public-private partnership?		
3. How would the State replace a provider if costs or performance proved unsatisfactory?		
4. What is the expected level of political opposition to privatization of this service?		
a. How could that opposition be addressed?		

Element	Notes	Points
Staffing Elements		
1. What are the potential impacts on State employees?		
a. How many employees are involved in the service privatization?		
b. Would/could a privatized service provider be asked or required to employ State staff?		
c. How many jobs face elimination?		
d. How many requirements would the State pass on to the vendor in the way of labor laws, benefits, etc.?		
e. What would be the financial impacts of requiring the hiring of State employees? Of passing on labor law or benefit requirements?		
f. What staffing would remain and what would be the costs?		
Summary		
1. How comfortable would you feel in privatizing this service?		
2. Do you think service quality will improve? Or should improve?		
3. Do you think costs will decrease? Or should decrease?		
4. What form of Alternative Service Delivery seems to best fit this service? (see glossary)		
5. Are there other issues which cannot be scored but need to be considered?		

Based upon input from the Privatization Process Advisory Committee, the following scoring table has been developed for use in completing the review indicated above.

	COMMITTEE RANK SCORING	MAXIMUM SCORING RANGE	
		Yes	No
GENERAL ELEMENTS			
GE 1: Is the service being reviewed considered a mission critical service of Utah State Government?	22	0	5
GE 2: Do other alternatives exist for providing the service?	63	25	0
GE 3: Could the State replace a provider if costs or performance proved unsatisfactory?	37	15	0
GE 4: Is there a significant level of political opposition to privatization of this service?	23	0	20
GE 5: Has this service been successfully privatized by other state or local governments? By the Federal government?	35	15	0
GE 6: Are there any known legal barriers to privatization?	63	0	25
GE 7: Are there any obvious risks to be considered with the privatization of this service?	57	0	25
GE 8: Does a vendor need access to confidential information?	21	0	5
PERFORMANCE ELEMENTS			
PE 1: Does this service currently utilize quantifiable and measureable performance measures?	35	15	0
PE 2: Would it be difficult to assess the performance of the privatized service?	39	0	15
PE 3: Would there be a high level of risk if a privatized service did not meet required performance requirements?	57	0	25
PE 4: Would the State be able to transfer liability to a service vendor in the case of poor performance?	31	15	0
PE 5: Would the State be able to reward or penalize any vendor or performance?	39	15	0
PE 6: Would it be difficult to construct a performance contract for this service?	29	0	15

COST ELEMENTS

CE 1: Do the current costs for providing this service appear high?	57	25	0
CE 2: Does the percentage of fixed current costs appear to exceed 50%?	43	0	20
CE 3: Does the percentage of variable current costs appear to exceed 50%?	43	20	0
CE 4: Does State service cost appear to be higher than privatized costs?	57	25	0
CE 5: Would it be difficult to monitor service costs for a privatized service?	48	0	20
CE 6: Do the estimated costs of contract development appear to exceed 15% of the estimated annual savings?	23	0	10
CE 7: Are the estimated annual costs of contract monitoring less than 15% of the estimated annual cost savings?	29	15	0
CE 8: Would privatization have a positive impact on tax revenue?	23	10	0
CE 9: Are other State departments paying a part of this service?	29	0	15
CE 10: Is the estimated costs of employee lay-offs greater than 25% of the total cost savings if the service were to be privatized?	31	15	0
CE 11: Does the current State service have excess capacity that could be sold due to privatization arrangement?	21	5	0
CE 12: Does the current State service operate any facilities that could be shed due to privatization?	25	10	0
CE 13: Would staffing costs to be eliminated due to privatization be equal to or greater than the ratio of staffing costs to overall service costs?	45	20	0

STAFFING ELEMENTS

SE 1: Are the potential impacts on State employees considered to be significant or out of proportion to potential gain from privatization?	37	0	15
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SUMMARY

Summary 1: Are you comfortable with the costs and impacts of privatizing this service?	28	15	0
Summary 2: Do you think service quality will improve? Or should improve?	51	20	0

Summary 3: Do you think costs will decrease? Or should decrease?	45	20	0
Summary 4: Are there other issues which cannot be scored but need to be considered?	24	0	10
TOTAL MAXIMUM SCORE		525	

NOTES:

The scoring ranges represent maximum and minimum possible scores for an item. A scorer can use his or her discretion to award a score in between the ranges.

Decisions can be made in two ways:

- If evaluating multiple services at the same time, then the total score can be used for rank-order
- If evaluating a single service, a suggested cut-off for consideration would be 65-75% of total score

Items are color coded according to relative priority:

Criterion	Committee Score	Evaluator Scoring Range
High	57+	0-25
Medium High	43-51	0-20
Medium	28-39	0-15
Low	23-25	0-10
Very Low	21-22	0-5

CONDUCTING THE COST ANALYSIS

In this section we outline the basic steps necessary to develop the costs of providing services through the state, determining ways to capture the full costs associated with any state-provided services, eliminating unfair cost comparisons that would give a state agency an advantage over a private vendor. In preparing this cost analysis, unique situations may arise. Therefore, the following discussion of the approaches to use in conducting specific cost analyses has been provided for illustration purposes. The sample spread sheets may need to be revised to fit the circumstances of any privatization option being considered.

The steps in the cost analysis begin with determining the full costs of having the State provide services and these steps must also be compliant with legislation that the Board must establish an accounting method that complies with 631-4a-205, Board Accounting Method. This accounting method:

- Is similar to generally accepted accounting methods used by private enterprise;
- Allows an agency to identify total costs of engaging in a commercial activity, including consideration of labor expenses, including compensation and benefits; costs of training; costs of paying overtime; costs for supervision; other personnel expenses. Other operating costs, such as vehicle maintenance and repairs; marketing, advertising, and sales expenses; office expenses; accounting costs, including billing costs; insurance expenses; real estate or equipment costs; debt service costs; overhead and capital expenses; contract management; and any other costs particular to a person supplying the good or service.
- Requires a process to estimate taxes an agency would pay if they were required to pay federal, state, and local taxes as any commercial activity.

Thus, the following steps are required to meet the requirements of 631-4a-205 as well as the usual methods for complete service costing. The forms that follow include some general calculations that must be completed to provide a comprehensive cost analysis. The forms are intended to estimate the expected decrease or increase in the cost of providing any service to be privatized. This includes an assessment of the impact on state revenues. In many cases, longer-term costs may need to be calculated to give a fair comparison between the government-provided service and the privately provided service.

These forms contain factors used in determining the annual cost of providing a given service. The process results in an annual estimate of the expected decrease or increase in the cost should the service be privatized. This includes an assessment of the impact on state revenues. In many cases, longer-term costs may be calculated. The analysis should be based either on actual expenditures or budgeted expenditures.

As soon as the initial assessments have been done to illustrate the overall possibility of privatizing a service, the cost analysis can also begin. Cost analysis is usually service-based, because the overall privatization of an entire department or budget unit is less likely than the privatization of specific

services offered within a department. So, to conduct the cost analysis, the following steps need to be undertaken:

1. Identify and clearly define specific services (or you may think of them as activities) that might be candidates for privatization analysis.

Services can be defined as a set of activities which are individually identifiable based upon the work performed by employees. This service also results in actions that benefit a specific set of customers, undertaken by specified employees. Utilizing the salary and wage worksheet (see tab titled Salary and Wage Worksheet). As you can see from the example the service being costed is the maintenance of light duty vehicles. For this service we have identified the staff involved in providing the various activities identified as part of this service. Presumably, the person undertaking this cost analysis will interview the staff involved in providing the service to determine the work they perform; these interviews assist in determining the activities that make up this service. At the end of this undertaking, you will have a set of salary costs by activity, including administrative/supervisory activities. A clear service definition assists in developing procurement documents.

2. Assign fringe benefit costs to the salaries and wages determined for each activity or service.

If any other labor costs, not identified within the cost of engaging in the activity or service, are known (e.g., specific benefits assigned to specific employees) those costs can also be included in the labor expenses. In order to complete this task, all costs associated with Object AA--Personnel Services must be reviewed for inclusion of any of these costs in the costs of the service(s) being considered. It may be that the most appropriate means for assigning these costs is either an equal assignment or an assignment based upon salaries. The cost analyst must determine the most appropriate approach for assigning fringe benefits to the salary and wage costs assigned to each activity/service.

3. Assign supplies and other operating costs to each activity or service.

These costs could be office supplies or other supplies related to the specifics of the work performed within each activity/service. For example, there might be contracts for specific kinds of repairs, as well as for tires, that can be considered a part of the cost of tire repair. There may be a need to conduct specific analyses of the details of expenditures within BB--Travel In State; CC--Travel Out of State; and DD--Current Expenses. The detail needed for these analyses will depend upon the size and complexity of the expenditures. It is possible that some expenditure items may become activities, even if no staff is assigned. Office supplies may simply be allocated to all staff assigned to activities, based upon FTE count, if the expenditure is minor. In some cases specific contractual expenditures benefit specific services or activities very differently. In some cases, a service or activity may be contracted and no State employee salary and wage costs are identified.

4. Analyze EE-Data Processing Current Expenses for their impact on each service or activity.

Some data processing expenses may support most or all activities, such as work order system costs. Others expenses, such as specific software or consulting may benefit services or activities differently and should be analyzed in detail to determine which service or activity benefits from each expense.

5. Review FF-Data Processing Capital Costs and GG-Capital Expenditures for impact on the costs of each service or activity.

At this time, it would also be appropriate to obtain a list of all current assets assigned to each service or activity and determine how those assets are to be treated, based upon the anticipated privatization. For example, can assets be sold to the private vendor? Or can the assets be sold or leased to another party to result in a net revenue increase? Or, do assets need to be depreciated or amortized? Are assets owned by the State or were they purchased with federal funds. Thus, will the assets need to be returned to the federal government or will residual value need to be repaid to the federal government? Are there ways to utilize the assets to avoid other expenditures (e.g., transfer laptops to other organizational units to avoid purchasing new laptops for that organizational unit)?

6. Review HH-Other Charges/Pass Through costs to determine whether and how they would be impacted by any privatization.

For example, cooperative agreements covered in these costs might not be included in the privatization.

7. Determine indirect and administrative/support costs.

Data for this analysis may come from several sources. For example, costs allocated to departments through the statewide cost allocation plan need to be addressed to determine whether these costs are fixed (i.e., would remain whether a service was privatized or not) or variable (i.e. varies according to the services being included in state-provided services. For example, the budget office might not reduce staffing because one service is privatized, but if several services are privatized, including many State employees, there might be reductions in the staff assigned to process payroll transactions. Thus, part of this analysis will begin with reviewing costs allocated through the cost plan to determine whether these costs are truly impacted by the privatization.

8. Calculate the potential impact of privatization upon the need for administrative and supervisory support within the agency which oversees the service or activity being privatized.

If a very large service area (large portion of expenditure/FTE's), is involved, there may be some impacts elsewhere in the organization unit which oversees the activity or service being considered for privatization. For example, if staff involved in the current service would no longer be reporting to the organizational unit, but that unit is responsible for monitoring the contracted service, consideration has to be given to the appropriate staffing of that organizational unit. Although there may be a need for additional contract development and monitoring, would that work be assigned to the staff now involved in supervision and administration, or to other staff?

9. Assess current insurance and other risk mitigation costs.

Determine whether insurance or other liability is reduced or increased by privatization. There is no specific way to approach this issue other than to review specific insurances and determine the impact of privatization on insurance coverages or on other mitigating factors. If fewer staff are covered by current liability insurance, will rates decrease or increase due to privatization? Will the State be able to move liability to a vendor?

10. Consider both short-term and long-term costs.

For example, in the first year (years, if spread over more than one year) there will be potential employee lay-off costs. These costs may not continue into the future. Similarly, a vendor may be responsible for

acquiring equipment and facilities may have some immediate costs that could be higher in short term. Or, if the State provides equipment or facilities to the vendor, long term costs may grow. If, however, the State can avoid certain pending costs by privatization, that will be an important consideration.

11. Costs must be analyzed to determine whether each cost is fixed or variable during the term of the analysis.

If, for example, the State had a higher level of supervision, should that level be included in the procurement requirements, or should the vendor be encouraged to provide alternatives? How will fixed costs be handled so as to allow the vendor to provide work methods and structures that may be more efficient? Thus, the evaluation of privatized options must be fair and competitive and consideration of fixed costs is important to this approach.

12. Revenue impacts must be addressed.

In nearly all cases there will be taxes and fees paid by the privatized vendor that are not paid by the state when providing the services. Obviously, this could result in additional revenues to the State. The calculation of additional revenues will be based on legislative requirements for each type of business. There could also be some loss in revenues; for example, the federal government assists with some kinds of construction (e.g., water/sewer facilities) and private vendors may not be eligible for this assistance. In addition, some charges and fees previously resulting from a service might be collected by the vendor and no longer available to the State.

13. The State needs to carefully assess the potential costs associated with developing and monitoring any privatization strategy.

This assessment might include considering the training of purchasing and administrative staff, as well as of legal staff. There will be short-term and long-term costs associated with the development of staff skills necessary to effectively manage privatized services and activities. Then, staff time will need to be assigned to developing and monitoring contracted performance, etc.

In addition to determining the costs associated with state service delivery, the same types of costs need to be addressed for each privatization option, as appropriate. In addition, the costs of developing and monitoring each method of privatized service delivery need to be addressed. The difficulty of contract development and monitoring can vary significantly among privatized options. Having a defined approach to costing services being considered for privatization will assist state staff in determining the documentation of costs from the vendors.

[Note: Building costs can be covered within the statewide cost allocation plan or in the determination of assets assigned to services/activities. Debt service will be managed in compliance with State Treasurer processes, and should be included in the costing of services.]

The following tables represent samples of the calculations associated with the cost analysis:

State of Utah				
Free Market Protection and Privatization Board				
Summary of Cost Assessment				
Generally Accepted Accounting Principles (GAAP)				
	Cost of Engaging in Commercial Activity	\$	564,000.00	
	Costs of Privatization		1,000,500.00	
	Costs of Moving to Privatized Service (Year 1)	\$	<u>(436,500.00)</u>	

State of Utah		
Free Market Protection and Privatization Board		
Cost of Engaging in Commercial Activity		
Generally Accepted Accounting Principles (GAAP)		
	Amount	
Labor Expense		
Salaries & Wages of Department Personnel	\$ 364,000.00	A)
Fringe Benefits		
Other		
Total Labor Expense	\$ 364,000.00	
Other Operating Expense		
Service and Supplies: Operating Costs (Fuel & Maintenance)	\$ 50,000.00	
Equipment (Capital outlay)		
Equipment (Interest Costs)		
Depreciation		
Operation and Maintenance of Buildings		
Cost of Premiums Paid for Liability and Fire Insurance or Claims Paid in a Self Insurance Program		
Allocated Administrative Costs		
Allocated Overhead Cost of Other Executive and Staff Agencies	150,000.00	
Management, Supervision, Oversight (similar to contract oversight)		
Other		
Total Other Operating Expense	\$ 200,000.00	
Total Cost of Engaging in Commercial Activity	\$ 564,000.00	

A) includes supervisors, staff, and overtime of services provided as a direct cost to the activity. Time spent in training of these personnel are also included here.

State of Utah									
Free Market Protection and Privatization Board									
Cost of Privatization									
Generally Accepted Accounting Principles (GAAP)									
		Amount							
Start Up Costs									
Request for Proposal - Development & Implementation	\$	10,000.00							
Contract Development									
Bid Preparation									
Bid Selection									
Contract Monitoring Development System									
Unemployment Benefits Liability for Displaced Workers									
Leave Benefits Buy-Out, Severance Pay, and Accrued Liabilities for Displaced Workers.		230,000.00							
Disposing of Unused Equipment Write-Off Depreciation, Under Utilization of Space									
Gain (Loss) on Disposition of Equipment, Under Utilization of Space									
Transition Costs Such as Duplication of Effort									
Other									
Total Start Up Costs	\$	240,000.00							
Primary Contracting Costs									
Contract Price (Annual)	\$	750,000.00							
Allowance for Cost over-Runs (Annual)									
Effect on State Revenues (Will the State Stop Collecting User Fees?)		(61,500.00)							
Estimated Cost of the State Losing any Grants or Subsidies									
Other		10,000.00							
Total Primary Contracting Costs	\$	698,500.00							
Contract Oversight Costs									
Salaries	\$	50,000.00							
Fringe Benefits		12,000.00							
Service and Supplies									
Equipment (Capital Outlay)									
Equipment (Interest Cost)									
General Operating Costs									
Operation and Maintenance of Buildings									
Other									
Total Contract Oversight Costs	\$	62,000.00							
Contract Support Costs									
Space Provided									
Equipment Provided									
Other									
Total Contract Support Costs	\$	-							
Total Costs of Privatization	\$	1,000,500.00							

State of Utah		
Free Market Protection and Privatization Board		
Cost of Privatization		
Effects of State Revenues		
Generally Accepted Accounting Principles (GAAP)		
		Amount
	IF Services NOT PRIVATIZED	
	Business Licenses	(10,000.00)
	Small Business Taxes	(7,500.00)
	Individual Employee Taxes	
	Property Taxes	(44,000.00)
	Business Income Taxes	
	Other	
	Total Effects on State Revenues	\$ (61,500.00)
	If Continue to Provide With Government Employees/Facility	
	This would be an annual increase in revenues if privatized	
	Current Federal Revenue (will that continue after privatization)?	
	Charges or Fees currently collected by State	

PERFORMANCE CONTRACTING

To be developed

APPENDIX A: PRIMARY ALTERNATIVE SERVICE DELIVERY STRATEGIES

The following are the major alternative service delivery strategies available:

- **Contracting Out or Out-Sourcing:** this is a common strategy, which includes writing a contract with a private entity (for profit or non-profit) to provide a service or set of services previously provided by the State, usually using State employees.
- **Disposing of Unprofitable Government-Funded Activities:** this strategy is often referred to as shedding government owned companies (services that are operated as businesses, such as utilities or golf courses) or as making these companies more profitable.
- **Improving Efficiency, Quality, and Responsiveness of Services:** any activity that allows/encourages State staff or departments to improve services, particularly at reduced costs.
- **Leasing Equipment or Facilities:** this strategy allows the State to avoid major purchases when leasing is a less expensive option.
- **New/Expanded Use of Good Business Practices:** any activity that enhances State finances/revenues and reduces costs could be included in this strategy; for example, enhancing cash management and restructuring debt are usually considered examples of this strategy.
- **Providing Services with Volunteers:** this strategy is a form of public-private partnership which utilizes volunteers.
- **Public-Private Competition:** this strategy includes allowing State employees to compete with private entities (for profit or non-profit) to provide a service or set of services previously provided by the State. It is possible to have any private sector entity consider the hiring of State employees who previously provided the service, should a private sector entity “win” the competition.
- **Public-Private Partnership:** this strategy is a voluntary partnering between the State and any private sector partner to cooperatively provide a service or set of services. This strategy could include joint public-private financing and development of facilities and other infrastructure.
- **Removing or Reducing Regulations:** this strategy encourages private sector businesses to develop or expand by eliminating excessive State regulation of business.
- **Shedding Assets:** this strategy involves identifying capital assets which are either under-utilized, no longer necessary, or which have sufficient equity that sale or purchase-leaseback allows recovery of the equity and/or reduced operating costs. The most common use of this strategy include motor fleet, public buildings, parking facilities and parks and recreation properties and facilities. Less common are assets relating to aviation facilities, toll highways and bridges, and public utilities.
- **Shedding Unnecessary Services:** this strategy is much like disposing of unprofitable government-funded activities; however, the focus is less on cost and more on the lack of use of a service or the lack of mission criticality of the service.

- **Social Impact Bonds:** this relatively new approach, also called “pay for success” or “social finance initiatives” uses private funding to advance new social service delivery models. Often philanthropic groups fund interventions delivered by non-profits on behalf of governments under a pay for success contract. Investors would receive payments from governments because outcomes are better and costs are lower.
- **Use of Vouchers for Clients to Purchase Services from the Private Sector:** this strategy allows the State to issue vouchers as a way to avoid providing the service or set of services and to utilize services already available in the market place.
- **Using Assets to Increase Revenues:** this strategy usually includes working with a private sector partner to develop additional uses for assets that assist in increasing revenues to the State. Another aspect of this strategy would be working with a private sector partner to develop methods for gaining additional uses for any excess capacity related to facilities or other assets. A State agency could also provide ways to utilize assets and excess capacity to increase State revenues.

Commercial Activities Inventory Survey Questions

OLD

Service/Function #1

- A. Please describe the service/function so there is a clear understanding of the service and how it operates.
- B. What process does the division use to determine which services /functions will be provided?
- C. Which services have been evaluated in the past 5 years, to determine if the service/function can be provided by commercial/private companies? Please provide information regarding the evaluation conclusion.
- D. Is the service/function available in the Private sector? **Y/N**
- E. Is the service/function advertised in the Yellow Pages or on the Internet? **Y/N**
- F. If the service/function is available in the Private Sector, is there more than one competitor within the Private Sector? **Y/N**

NEW

Tier 1 Questions

- T1 Describe the service/function so there is a clear understanding of the service and how it operates.
- T2 What is the budget for this survey/function?
- GE2 Do other alternatives exist for providing the service?
- GE6 Are there any known legal barriers to privatization?
- GE7 Are there any obvious risks to be considered with the privatization of this service?
- PE3 Would there be a high level of risk if a privatized service did not meet required performance requirements?
- GE5 Has this service been successfully privatized by other state or local governments? By the Federal government?
- PE1 Does this service currently utilize quantifiable and measureable performance measures?
- GE1 Is the service being reviewed considered a mission critical service of Utah State Government?
- CE11 Does the current State service have excess capacity that could be sold due to a privatization arrangement?
- GE8 Does a vendor need access to confidential information?
- GE4 Is there a significant level of political opposition to privatization of this service?



Governor's Office of Management and Budget
State Capitol Complex, Suite 150
Salt Lake City, UT 84114
Telephone: (801) 538-1000

October __, 2014

Members of the Government Operations Interim Utah State Legislature

2014 Interim Report of the Free Market Protection and Privatization Board

The Free Market Protection and Privatization Board ("the Board") has met regularly in 2014 as it seeks to fulfill its duties, as established by the legislature (see UCA 63I-4a-203(1)), to:

(a) determine whether an activity provided by an agency could be privatized to provide the same types and quality of a good or service that would result in cost savings; (b) review privatization of an activity...; (c) review issues concerning agency competition with one or more private enterprises...; [and] (d) recommend privatization of an agency if a proposed privatization is demonstrated to provide a more cost efficient and effective manner of providing a good or service.

This interim report is required by the *Free Market Protection and Privatization Board Act*, which directs the Board to:

(h)(i) prepare an annual report for each calendar year that contains: (A) information about the board's activities; (B) recommendations on privatizing an activity provided by an agency; and (C) the status of the inventory created under Part 3, Commercial Activities Inventory and Review; (ii) submit the annual report to the Legislature and the governor by no later than January 15 immediately following the calendar year for which the report is made; and (iii) submit, before November 1, an annual written report to the Government Operations Interim Committee.

Information about the Boards Activities

In last year's annual report, the Board advised that it had reworked its mission based on legislatively required duties, commenced work on the processes to follow in fulfilling its mission, and has created advisory committees to focus its efforts. That work continues.

Three advisory committees were created as follows:

- Privatization Process Review

The Board determined that it needs a workable process for the identification and evaluation of potential privatization opportunities. It hired a consultant to develop a set of principles, assessment tools, strategies, and approaches consistent with its duties. The project includes the development of the process and its testing. That work is in progress but is nearing completion.

- Competition Review

This advisory committee exists to review issues concerning state agency competition. It has considered two issues this year. The first, a complaint that the State Office of Education's Information Technology competes with the private sector, continues to be in focus. The committee expects to issue a recommendation by year's end. The second, a complaint that a state university competes with the private sector for aerial surveying services, was not pursued.

- Technology Services Review

The Board intended to review application development services in the Department of Technology Services but found its review conflicted with operational excellence initiatives by the Governor's Office of Management and Budget (GOMB). The review is currently on hold until GOMB completes its work.

Recommendations on Privatizing an Activity

Board staff is working with various agencies on a number of possible projects that may come before the Board in the next few months.

The most likely project to result in a recommendation to privatize is the review of student information systems currently underway. The issue is that the state created, operates, and provides free, a student information system (commonly referred to as an SIS) to a number of local education authorities (LEAs) comprising approximately 30% of students in school districts and 70% in charter schools. With few notable exceptions (Davis School District created and operates its own system) most LEAs in Utah have outsourced their SIS needs to the private sector. The Board is now studying the issue using the framework developed through the Privatization Process Review Advisory Committee.

Status of the Commercial Activities Inventory

Section 302 of the *Free Market Protection and Privatization Board Act* requires the compiling and posting of an updated inventory of activities of the agencies, classified as to whether the activity is commercial or governmental in nature. The reviews commenced last year and continued this year. The list is posted at <http://gomb.utah.gov>.

The Board is working to revise the assessment of agencies to be consistent with the new process. Going forward, the inventory will be updated agency by agency.

Respectfully submitted,

Free Market Protection and Privatization Board

Kimberley Jones, Chair
 Brian Gough, Vice-Chair
 Sen. Howard Stephenson
 Sen. Karen Mayne
 Rep. Johnny Anderson
 Rep. Lynn Hemingway

Thomas Bielen
 Randy Park
 Manuel Torres
 Al Manbeian
 Robert Myrick
 Russell Anderson

Rick Jones
 Jacquie Nielsen
 Steve Fairbanks
 Louenda Downs
 LeGrand Bitter

Staff: Clifford Strachan, Governor's Office of Management and Budget

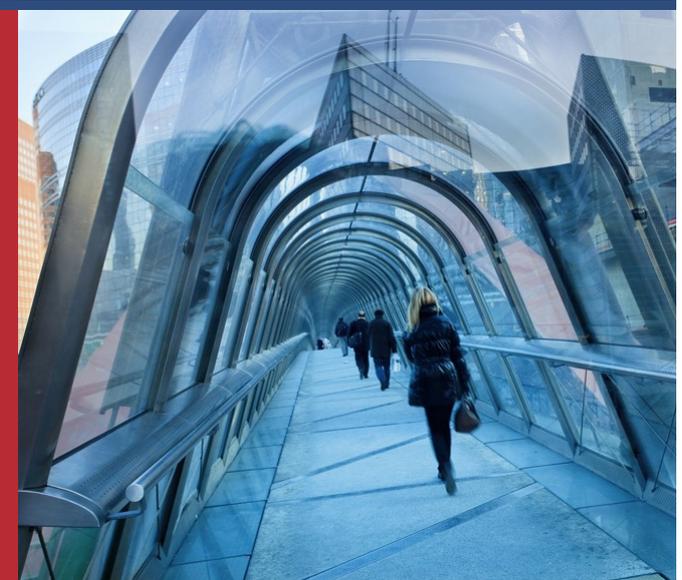
For copies of this report, past reports, minutes, the Commercial Activities Inventory, or other Board materials, please go to <http://gomb.utah.gov/operational-excellence/privatization-board/>, or contact Clifford Strachan, Program Specialist, Governor's Office of Management and Budget, at 801-538-1861. Information on meetings is posted on the Utah Public Notice Website at <http://www.utah.gov/pmn/index.html>.

SOURCING
ANALYTICS

Human Capital Management

**Total Cost of Ownership
Study**

September 2014



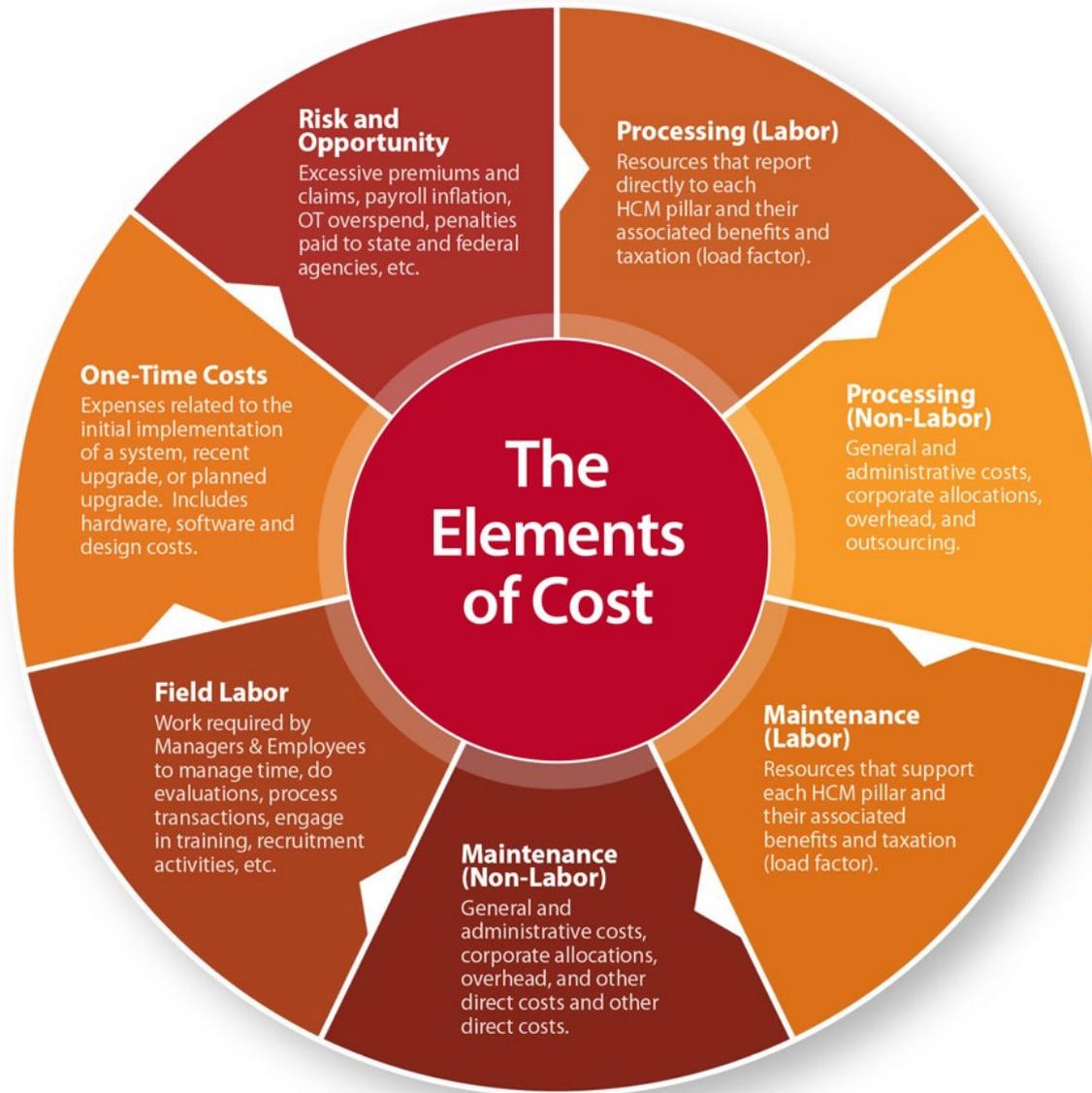
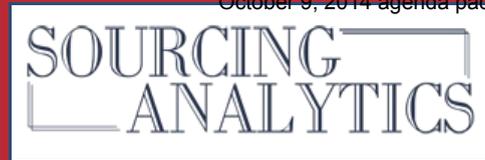
State of Utah

Table of Contents

- TCO Methodology
- The Elements of Cost
- Executive Overview
- Summary Findings
- Benchmarking Comparisons

State of Utah

COST STUDY



Pillars of Cost Study

Payroll

Time and Labor

HR Administration

Recruiting and On-Boarding

Compensation

Learning Management

Performance Management

"Pillar" Cost study

- TCO Survey information was gathered from State of Utah that reflects information based upon current people, process, and technology costs
- This information was input into the ClearView Analyzer Tool, an independent third party product.
- ADP has contracted with external consultants to review the information and validate the methodology used in this study
- Sourcing Analytics reviewed State of Utah survey data and validated it against ADP's current benchmark database spanning over 794 company responses
- The resulting TCO was calculated utilizing a methodology that provides benchmark comparisons of companies based on industry code, size, and platform

Solicitation MP15902 RFI

**Request for Information - State Property Damage
Subrogation**

Bid designation: Public

State of Utah



State of Utah

Bid MP15902 RFI

Request for Information - State Property Damage Subrogation

Bid Number **MP15902 RFI**
Bid Title **Request for Information - State Property Damage Subrogation**

Bid Start Date **In Held**
Bid End Date **Nov 5, 2014 11:00:00 AM MST**
Question & Answer End Date **Oct 28, 2014 11:00:00 AM MDT**

Bid Contact **Mark R Parry**
Purchasing Agent
DAS-Purchasing and General Services

Contract Duration **See Specifications**
Contract Renewal **Not Applicable**
Prices Good for **Not Applicable**

Bid Comments **This is a Request for Information (RFI) only. It is NOT a request for quotes, bids or proposals. NO contract will be awarded as a result of this RFI.**
Please see the attached RFI documents for more information.
All questions regarding this RFI must be submitted through Bid Sync. All answers to questions will be posted on Bid Sync and will be considered addenda to the RFI. All addenda to the RFI will be posted on Bid Sync.
Information submitted will be considered by the State of Utah. If the State determines that the information received provides for a viable option, a subsequent solicitation will be issued.
Please upload all completed documents and any additional information you wish to provide.

Item Response Form

Item **MP15902 RFI --01-01 - Request for Information - State Property Damage Subrogation**
Quantity **1 n/a**
Prices are not requested for this item.
Delivery Location **State of Utah**
No Location Specified
Qty 1

Description

The purpose of this RFI is for the Governor's Office of Management and Budget (GOMB), and certain other agencies, to better understand the business and offerings of qualified property damage subrogation firms, or other similar companies, in relation to property damage subrogation activities.

This RFI will not result in a contract award. Information obtained in response to this RFI may or may not be used in a future Invitation for Bid or Request for Proposal.

STATE OF UTAH



SOLICITATION NO. MP15902 RFI

Request for Information - State Property Damage Subrogation

RESPONSES DUE NO LATER THAN:

Nov 5, 2014 11:00:00 AM MST

RESPONSES MAY BE SUBMITTED ELECTRONICALLY TO:

www.bidsync.com

RESPONSES MAY BE MAILED OR DELIVERED TO:

State of Utah
Division of Purchasing
3150 State Office Building, Capitol Hill
Salt Lake City, Utah 84114-1061



State of Utah Request for Information

Legal Company Name (include d/b/a if applicable) <input type="text"/>			
Company Address <input type="text"/>	City <input type="text"/>	State <input type="text"/>	Zip Code <input type="text"/>
Company Contact Person <input type="text"/>			
Telephone Number (include area code) <input type="text"/>	Fax Number (include area code) <input type="text"/>		
Company's Internet Web Address <input type="text"/>	Email Address <input type="text"/>		

REQUEST FOR INFORMATION – INSTRUCTIONS AND GENERAL PROVISIONS

- SUBMITTING THE RESPONSE:** (a) The Utah Division of Purchasing and General Services (DIVISION) prefers that requested information to be submitted electronically. Electronic responses may be submitted through a secure mailbox at BidSync (formerly RFP Depot, LLC)(www.bidsync.com) until the date and time as indicated in this document. It is the sole responsibility of the supplier to ensure their response reaches BidSync before the closing date and time. There is no cost to the supplier to submit Utah's electronic responses via BidSync. (b) Electronic response may require the uploading of electronic attachments. The submission of attachments containing embedded documents is prohibited. All documents should be attached as separate files. (c) If the supplier chooses to submit the response directly to the DIVISION in writing: The response must be delivered to the Utah Division of Purchasing, 3150 State Office Building, Capitol Hill, Salt Lake City, UT 84114-1061 or faxed to (801) 538-3882 by the due date and time. The "Solicitation Number" and "Due Date" must appear on the outside of the envelope or on the fax cover page. (d) The DIVISION will consider faxed responses. Faxed responses are submitted at the sole option and risk of the supplier. Access to the DIVISION fax machine is on a "first come first served" basis and the DIVISION does not guarantee the supplier's access to the machine at any particular time.
- QUOTATION PREPARATION:** This solicitation will not result in a contract award. The purpose of the request is to gather information that may, or may not be used in a future Request for Proposal or Invitation for Bids.
- SOLICITATION AMENDMENTS:** All changes to this solicitation will be made through written addendum only. Answers to questions submitted through BidSync shall be considered addenda to the solicitation documents. Bidders are cautioned not to consider verbal modifications.
- PROTECTED INFORMATION:** Suppliers are required to mark any specific information contained in their

response which they are claiming as protected and not to be disclosed to the public or used for purposes other than the evaluation of the response. Each request for non-disclosure must be made by completing the "Confidentiality Claim Form" located at <http://www.purchasing.utah.gov/contract/documents/confidentialityclaimform.doc> with a specific justification explaining why the information is to be protected. All material becomes the property of the DIVISION and may be returned only at the DIVISION's option. Responses submitted may to be reviewed and evaluated by any persons at the discretion of the DIVISION.

5. SAMPLES: Samples of item(s) specified in the RFI, when required by DIVISION, must be furnished free of charge to DIVISION. Any items not destroyed by tests may, upon request made at the time the sample is furnished, be returned at the supplier's expense.

6. GOVERNING LAWS AND REGULATIONS: All State purchases are subject to the Utah Procurement Code, Title 63 Chapter 56 U.C.A. 1953, as amended, and the Procurement Rules as adopted by the Utah State Procurement Policy Board. These are available on the Internet at www.purchasing.utah.gov. By submitting a bid or offer, the bidder/offeror warrants that the bidder/offeror and any and all supplies, services equipment, and construction purchased by the State shall comply fully with all applicable Federal and State laws and regulations, including applicable licensure and certification requirements.

(Revision date: 13 JULY 2010 – RFI Instructions)

State of Utah

Division of Purchasing



Request for Information

State Property Damage Subrogation

RFI Number: MP15902 RFI
Date Issued: Oct. 9, 2014
Questions Due: Oct. 28, 2014 by 11:00 am MST
RFI Date Due: Nov. 5, 2014 by 11:00 am MST

NOTICE

This solicitation is a Request for Information (RFI) only. It is NOT a solicitation for quotations, bids or proposals. No contract award will result from this RFI. The information received from this RFI will be analyzed and may be used to develop a subsequent request for proposals (RFP).

1. INTRODUCTION

1.1 Purpose

The purpose of this RFI is for the Governor's Office of Management and Budget (GOMB), and certain other agencies, to better understand the business and offerings of qualified property damage subrogation firms, or other similar companies, in relation to property damage subrogation activities.

This RFI, having been determined to be the appropriate method to provide the best information, is designed to provide interested offerors with sufficient information to submit replies meeting the intent of the request. It is not intended to limit a respondent's content or exclude any relevant or essential data.

1.2 Background

The Free Market Protection and Privatization Board (the Board) was established by the Utah State Legislature to "determine whether an activity provided by an agency could be privatized to provide the same types and quality of a good or service that would result in cost savings" (UCA 63I-4a-203(1)(a)). The Board is staffed by the Governor's Office of Management and Budget.

In support of the duties of the Board, the Governor's Office of Management and Budget, with the cooperation of certain other state and local agencies, is reviewing the State's process(es) for property damage subrogation, including but not limited to recoveries, subrogation placements, and collections.

This Request for Information (RFI) seeks to obtain information, comments, suggestions, technical or otherwise, that will inform the State as to best practices, scope of services, and approaches to recovery of damages.

Currently, property damage subrogation by state agencies is handled directly by that agency or by agreement with the Division of Risk Management and collections by the Office of State Debt Collection. With reference to collections, multiple state cooperative contracts for debt collection for the use of all State agencies and its political subdivisions have been established. It is unclear at this time how any RFP that might follow this RFI would affect those existing state cooperative contracts.

Political subdivisions such as cities, towns, counties, and special districts handle property damage subrogation in many different ways. One or more political subdivision may be interested in using the information gleaned from the responses to this RFI to create their own RFP or may wish to take advantage of any state contract resulting from a state-issued RFP.

For your consideration, some relevant statutes and rules applicable to:

- Division of Risk Management are found in Utah Code Annotated (UCA) 63A-4 and Utah Administrative Code (UAC) Rule R37;
- Office of State Debt Collection are found in UCA 63A-3 and UAC Rule R21;
- Department of Transportation include UCA 41-6a-409 - Prohibition of flat response fee for motor vehicle accident, UCA 72-7-301 - Liability for damage to highway, highway equipment, or highway sign, and UAC Rule R907-63 - Structure Repair and Loss Recovery Procedure.

2.0 General Information Requested by this RFI

Information requested by this RFI is intended to identify best practices, industry standards, performance standards, and innovations relative to subrogation.

Subrogation is defined as seeking reimbursement or collection from a party which caused damage to a governmental entity's property.

Property, for purposes of this RFI, includes such things as landscaping, road signs, traffic signals, delineator posts, light poles, electronic messaging signs, median barriers, etc. but does not include certain properties covered by a governmental entity's self-insurance property policy, such as buildings, contents and vehicles.

Respondents are requested to include information on processing and collections, non-judicial collections activities, and any other information that may assist GOMB in assessing potential for outsourcing these activities.

Please answer the following questions in your RFI response:

1. Please describe in detail the services your firm offers with respect to property damage subrogation? How are service packages structured (for example, are services available a la carte)? (Scope of services)
2. Relevant to the services described in question #1 above, please describe in detail how your firm would develop a process for collection of property damage subrogation. (Process development)

3. Relevant to the services described in question #1 above, please describe in detail how your firm would monitor a governmental entity's property (for example, the state highway system or state parks) for damage to installations or facilities, roads, or other property not covered by the governmental entity's self-insurance fund. (Monitoring)
4. Relevant to the services described in question #1 above, please describe in detail how your firm would document property damage subrogation activities; this includes the preparation of repair estimates, invoices, other documentation and resources as required, payment receipts, revenue sharing, and disposition of salvage. (Documentation)
5. Relevant to the services described in question #1 above, please describe in detail how your firm would fulfill reporting and remittances requirements for new property damage incidents, new investigations, settlement negotiations, claims concluded, case summaries, etc. (Reporting and remittances)
6. Relevant to the activities described in questions #2-4 above, please explain in detail the process(es) and information to be provided by the governmental entity necessary to complete the activities described. (Processes)
7. Please describe the protocols and requirements your firm would use to protect the governmental entity's information. (Data protection)
8. Please describe in detail typical and appropriate requirements for liability insurance, professional licensing, etc. for a contractor for the services described in question #1 above. (Insurance and licensing)
9. Without providing any specific cost data, figures, numbers or amounts, describe the manner or form in which your firm is paid for the services listed in question #1? (Payments)
10. Please provide an overview of your firm's experience, performance and qualifications in the area of property damage subrogation. (Qualifications)
11. Please provide any other information you feel is relevant to property damage subrogation. (Other information)

3.0 RESPONSE FORMAT

3.1 Overview

The response should include the following sections:

- Table of Contents
- Introduction
- Technical Response to RFI Questions

Please keep in mind that the primary objective of this RFI is to obtain enough background information to better understand the industry's approach to property damage recovery.

3.2 Introduction

The introduction should highlight the contents of the response in such a way as to provide the reviewers with a broad understanding of the entire response.

3.3. Technical Response to RFI Questions

The response section shall include the responder's answers to questions outlined in section 2.0 "General Information Requested."

4.0 RESPONSE REVIEW

4.1 Review of Responses

GOMB will conduct a thorough and impartial review of responses, and will consult with other state experts and stakeholders.

4.2 Corporate Background and Experience

GOMB will review the experience, performance and qualifications of the responder.

5.0 PROCEDURES AND RULES FOR RESPONDING

5.1 How to Respond

The preferred method of submitting your response is electronically. Electronic responses may be submitted through a secure mailbox at Bid Sync (www.bidsync.com) until the date and time indicated in this document. It is the sole responsibility of the responder to ensure that their response reaches Bid Sync before the closing date and time. There is no cost to the "Company" to submit electronic responses via Bid Sync.

Electronic responses may require the uploading of electronic attachments. The submission of attachments containing embedded documents is prohibited. All documents should be attached as separate files. Uploaded documents must be either WORD/EXCEL or a .PDF file.

The name, title, mailing address, email address and telephone number of the responder's authorized agent with the authority to officially respond to questions concerning the response must be stated in the response.

If a responder chooses to submit the response directly in writing, the response must be delivered to:

Utah Division of Purchasing & General Services
Attn: Mark Parry
3150 State Office Bldg., Capitol Hill
P.O. Box 141061
Salt Lake City, UT 84114
email: mparry@utah.gov

The RFI reference number, due date, and the words "**RFI – State Property Damage Recovery**" and **due date** must appear on the outside of the envelope. Responses received after the due date may or may not be considered for review.

5.2 Questions Regarding RFI

Questions relating to this RFI may be submitted in writing through BidSync or by email to the contact person above. All questions/inquiries must be received by the system posted due date.

Email inquiries must contain:

- (i) the name of the party's representative who is responsible for the inquiry;
- (ii) the representative's business telephone number and email address; and
- (iii) the name of the company represented

Please note that the State of Utah will post its responses to written inquiries received timely to BidSync in the form of a question/answer, or as an addendum to the RFI.

5.3 Cost of Preparing the Response

The cost of developing the response and any other such expenses are the sole responsibility of the responder and will not be reimbursed by the State.

5.4. Confidentiality

All information submitted to or by a governmental entity in response to this Request for Information (RFI) is protected under Section 63G-2-305 (7) of the Utah Code (ref. 63G-6-a-505).

63G-2-305. Protected records

- (7) information submitted to or by a governmental entity in response to a request for information, except, subject to Subsections (1) and (2), that this Subsection (7) does not restrict the right of a person to have access to the information, after:
- (a) a contract directly relating to the subject of the request for information has been awarded and signed by all parties; or
 - (b) (i) a final determination is made not to enter into a contract that relates to the subject of the request for information; and
(ii) at least two years have passed after the day on which the request for information is issued;

5.5 Procedure for Business Confidentiality Claims

To protect information under a Claim of Business Confidentiality, the responder ***must:***

1. provide a **written Claim of Business Confidentiality** *at the time the information is provided to the state*, and
2. include a **concise statement of reasons** supporting the claim of business confidentiality (Subsection 63G-2-309(1)).

A Claim of Business Confidentiality may be appropriate for information such as client lists and non-public financial statements. The claim of business confidentiality must be submitted on the form which may be accessed at:

<http://www.purchasing.utah.gov/contract/documents/confidentialityclaimform.doc>

5.6 Submission of Information Concerning another Responder

Responders are advised that the department is not interested in, nor will it consider, allegations of lack of qualification or of impropriety made by any responder concerning another responder at any time during the RFI process.

5.7 Gifts

No gifts from a responder, contractor, or subcontractor or any public employee or agent thereof involved in this process are permissible. Any responder, contractor, or subcontractor offering a gift to a public employee will be prosecuted to the full extent of the law.

5.8 Response Amendments and Rules for Withdrawal

Prior to the response due date, a submitted RFI response may be amended or withdrawn by submitting a written request to the Division of Purchasing, signed by the responder and mailed or emailed to:

Mark Parry
Utah Division of Purchasing & General Services
3150 State Office Building, Capitol Hill
Salt Lake City, UT 84114
mparry@utah.gov

5.9 Division's Right to Cancel

The department reserves the right to cancel this RFI at any time.

5.10 Acceptance of Responses

All Public Opinion Research responses properly submitted will be accepted by the department.

Responder's responses to department requests for clarifications or corrections must be made via email.

5.11 Response to the RFI is not Mandatory

Failure to respond to this RFI in whole or in part will not disqualify any "Company" from participation in any subsequent solicitation regarding this matter.

5.10 Response Non-Binding

An RFI is not a procurement process and may not be used to enter into a contract. This RFI will not result in a contract award; a response to a RFI is not an offer and may not be accepted to form a binding contract.

5.13 Subsequent Solicitations

Information submitted will be considered by the State of Utah. If the State determines that the information received provides for a viable option, a subsequent solicitation will be issued.

Question and Answers for Bid #MP15902 RFI - Request for Information - State
Property Damage Subrogation

OVERALL BID QUESTIONS

There are no questions associated with this bid. If you would like to submit a question,
please click on the "Create New Question" button below.