

# Agency 5-Year Plan

**Issue 1** Develop and Retain a 2020+ Workforce

**Description:** The Arizona State Personnel System has over 33,000 state employees. This workforce is comprised of very broad and diverse career fields such as, information technology, healthcare, law enforcement, social services, legal services, administration, engineering, and finance. Like many employers, Arizona is facing leaner staffing levels and tighter budgets and the needs to have the right expertise is more critical today than ever. Demographic shifts and competition for talent are expected to be the biggest influence on our workforce over the next five years, as increasing numbers of experienced employees leave or retire. We will continue to focus on implementing strategies to mitigate anticipated departures of our valuable employees, implementing recruitment measures to attract top talent, and ensuring our compensation system includes salary ranges consistent with market pricing of jobs.

Solution-

The Arizona Department of Administrations' Human Resources Division's (HRD) priority is to attract and retain a highly qualified 2020+ workforce that supports an efficient accountable government.

## **Solutions:**

Objectives-

Strengthen Core HR across the state enterprise by:

- Develop an SPS HR Professional Development Program and Toolkit for full implementation by 6/30/2018.
- Complete HR Governance Model work to leverage HR efforts across the state by 06/30/2018.
- Implement and/or upgrade a human capital management modernization solution (HRIS) and incorporate leading-edge technologies to enable faster decisions and better employee performance measurement and accountability.

Reinforce statewide employee engagement by:

- Design and implement an SPS enterprise wide Employee Onboarding Program by 6/30/2018.
- Design and implement an SPS enterprise wide Succession Planning Guide/Toolkit by 6/30/2018.
- Implement a statewide program to build workforce planning into agency strategic planning process, ensuring that each agency has a workforce plan by end of calendar year 2019.
- Implement at least 1 strategy from the ADOA Employee Engagement Toolkit in each Chief Human Resources Officer (CHRO) led agency by 12/31/2017.
- Deploy a dual career path in 10 cabinet agencies by 6/30/2018.

Reinforce our competitiveness in the job market by:

- Develop and implement an SPS enterprise wide Exit Interview/Survey Program by 10/31/2017.
- Develop and implement an SPS Stay Interview Program by 6/30/2018.
- Perform a comprehensive analysis of the current salary structures, including salaries governed by statute.
- Develop recommendations that are consistent with the spirit of an accountable public service.
- Complete the SPS Classification Reform Project by 6/30/2018.

## **Issue 2** Make Procurement a Value Center

**Description:** The Arizona Department of Administration (ADOA) State Procurement Office (SPO) is responsible for negotiating rates and terms for more than \$1 billion in statewide contracts. The SPO team will utilize a number of proven tools in order to maximize the value the state receives for every dollar spent. A new negotiation focused strategy launched in November 2015. This method employs private-sector practices and is already generating significant negotiated savings.

Cost control is an important shared responsibility between SPO and the state agencies that utilize these contracts. Many factors impact how the state realizes savings, especially the increase or decrease in demand/volume for goods or services measured on a year-over-year basis. This complexity aside, SPO's goal is to negotiate the lowest total cost on behalf of the contract user that will ultimately translate into a reduction of expenses incurred by the state.

Statewide procurement tools are inadequate to support the new mission and are being review for upgrade.

### **Solutions:**

- Data driven analysis of spend and competitive benchmarks by category/major contracts to define and prioritize saving opportunities
- Develop and deploy a Strategic Sourcing Process (SSP) to set cost reduction goals as well as monitor progress
- Accomplish goals set and proliferate process throughout the State Procurement Network (SPN)
- Automate the processes to facilitate usage as part of operations and continuously improve
- Supply base optimization and segmented procurement decisions aligned with the state budget

### **Solutions:**

#### **Objectives:**

- Accomplish annual rate of Year Over Year (YOY) contract cost savings across the SPN
- Increase Co-op usage of statewide contracts annually.
- Develop and proliferate capabilities and tools for Supply Chain Management across the SPN
- Upskill SPN employees through advanced training and define create competency level menus
- Source advanced procurement platform for improved data quality and speed of decision making.

#### **Strategies:**

- Develop best in class negotiation tools
- Train other state agency procurement employees to become proficient in negotiation strategies
- Leverage technology to provide better data analysis
- Continuously improve SPN capabilities and reduce the number of suppliers in each category while expanding portfolios
- Develop and maintain healthy partnerships with State Agencies and key external organizations
- Assess and implement improved procurement tools to improve supplier payments and RFQ speed and quality.

#### **Performance Measures:**

- Year-Over-Year Negotiated Contract Savings
- Year-Over-Year Co-op Contract Utilization

## **Issue 3** Optimize Physical Assets

**Description:** ADOA manages or supports operational services for 3.8 million square feet (GSF) in the Governmental Mall, Phoenix Metro, Tucson, and Kingman, including office space, parking garages, mechanical structures, labs, and data centers.

The Legislature fully funded the Building System's Building Renewal Formula (for annual major maintenance) in only two of the last 31 fiscal years. Full funding of the Formula is a reference to the cumulative amount of annual appropriation required to sustain a given year's current facilities conditions, assuming all prior annual major maintenance requirements are completed. The 30+ years of funding shortfalls has resulted in an \$531.9M of accumulated deferred capital maintenance of the ADOA Building System. The postponed major maintenance requirements have created expensive utility, repair, maintenance, and replacement expenditures in deteriorating and poorly performing facilities.

In FY 2016, a Facility Condition Assessment (FCA) of 3 million GSF of ADOA owned and/or managed buildings in the Governmental Mall and Tucson indicated that over 36% of the structures assessed were in "below average," "poor," or "replacement" condition. The analysis of the overall conditions shows a higher than normal percentage of buildings in a below average condition. Most, if not all, renewable building system components have exceeded their statistical life cycle of 20-30 years of service. Some buildings are in such poor condition that the FCA recommends total replacement. Arizona is facing the inevitable long-term consequences of under investment in major maintenance requirements.

### **Solutions:**

#### **Objectives:**

- Achieve savings and general GF revenues to offset cost of renovations and new capital
- Reduce ADOA operating costs
- Improve preventative maintenance performance
- Make highest and best use of facilities
- Renovate facilities to improve employee morale and increase retention

#### **Strategies:**

- Increase the COSF rental rate to facilitate increased funding for building renewal and large scale capital maintenance and renovations to outdated and aging work spaces;
- Sell underutilized ADOA managed buildings
- Use FCA's to make targeted improvements to salvageable capital infrastructure to improve energy consumption, prolong useful lives of building systems, and improve working environments for state employees.
- Procure and implement unique financing opportunities for new capital outlay with private/public partners; and
- Apply space standards to renovated spaces to improve efficiency of space utilization

**Issue 4** Drive Innovative IT Solutions**Description:** Description:

The State of Arizona delivers hundreds of services to citizens each year, but the majority of those services are being requested, processed and completed the same way they were 30 years ago – through paper forms, walk-up windows and postal mail. We want to move many more state's services online, enabling Arizona to move at the speed of business. The goal of this project is to migrate agency services to an online experience for the citizen where they can request services without a pen, paper or stamp. Instead, the desired citizen experience will be on an internet-connected device of their choice where they can fill out online forms, use electronic signatures and submit directly from their laptop, tablet or smartphone. By giving citizens the ability to request any service, at anytime from anywhere, we will move Arizona's government to be more in line with what our customers expect in 2016 and beyond. There is potential for Arizona to show \$100M+ savings after the services are modernized and broadly adopted by agency customers.

**Solutions:**

•ADOA-ASET has previewed a variety of software solutions that can help with this initiative, depending on readiness of the service, complexity and budget. Some services have already been migrated online by agencies themselves, as well as ADOA-ASET, so we will seek to learn from the processes that have already been automated, and use that to inform us about what works and doesn't work for the future services.

**Solutions:****Objectives:**

- 24 New Online Services Statewide in FY18
- Identify agencies with citizen-facing services.
- Work with agencies who are ready and willing to participate.
- Document the process workflow, and make sure it's been optimized using Lean methods.
- Identify the best software solution(s) to automate the process.
- Determine the cost to modernize the service.
- Identify funding sources to pay for the modernization.
- Identify cost savings by service after implementation.
- Track progress on services automated and deliver regular reports to EAG5 and stakeholders.

**Strategies:**

•The Business Engineering team, along with members of our Web Portal and Web Design teams will work directly with the agencies who choose to participate, to determine the size and scope of modernizing their processes to an online experience.

**Performance Measures:**

- Number of services currently online, according to new definition: citizen needs no printer, pen or stamp to request the service.
- Average net cost reduction to take a service from current delivery method to online
- Number of services taken on-line over time
- Adoption rates by agencies

**Issue 5** Ensure Fiscal Responsibility

**Description:** The Benefit Services Division manages the Health Insurance Trust Fund and is responsible for the benefits provided to its 130,000+ members. Programs administered include self-funded medical, pharmacy and dental plans; fully insured dental HMO, vision, basic life, supplemental life, dependent life, short-term disability, long term-disability, flex spending accounts, home-owners and auto insurance plans, computer purchase and employee discount programs. In addition, the Division manages the statewide wellness program, as well as, an Employee Assistance Program.

Benefit costs are projected to continue to rise. Application of strong performance guarantees, on-going management of vendors and audit controls have aided efforts to maintain costs. In addition, the introduction of a health incentive program in 2014 and its continuation should assist in managing costs. Also, the purchase of a health care analytics tool will provide additional information to make better decisions regarding expenditures.

**Solutions:**

- Increase knowledge of employees, agencies and legislature regarding self-insurance.
- Improve health of members.
- Reduce costs through plan design changes.

**Solutions:****Objectives:**

- Contain per member per month medical/pharmacy costs to  $\leq$  3.5% year over year, based on Plan Year 2015 per member/per month cost.

**Strategies:**

- Educate employees, agencies and legislature on plan design and self-insurance.
- Increase participation in Health Impact Program (HIP).
- Plan design changes.

**Performance Measures:**

- Year over year per member/per month costs  $\leq$  3.5% by 2019
- HIP participation increased by 20% by 2019

## **Issue 6** Manage Risk and Ensure Business Continuity

**Description:** The State of Arizona is experiencing substantial levels of cyber attack attempts to compromise our systems and our data. Many of the agencies, boards and commissions do not have the level of expertise to identify and stop sophisticated attacks. The agencies, boards and commissions also do not have the budget to invest in and maintain separate security systems to ensure the integrity and availability of their data.

Over the course of the past year, ADOA has strengthened cybersecurity and privacy operations to reduce enterprise risk. Employees participated in statewide training sessions and exercises to increase the awareness of cybersecurity threats, as well as to share best practices in preventing security or privacy incidents. ADOA leadership also established and strengthened cyber-relationships with critical infrastructure partners for collaboration regarding the state of cybersecurity at all levels of government.

In addition to education and outreach, ADOA will continue to invest in multiple layers of security to detect potential vulnerabilities in state technology systems and implement solutions to prevent intrusions. Through the adoption of security policies and standards, such as those outlined by the National Institute of Standards and Technology (NIST), ADOA will strive for the highest level of recommended technology security and privacy controls across all systems and drive those standards statewide.

### Solutions:

- We are recommending the State of Arizona should standardize on 16 security products that establish a risk profile for the state and help to defend the state from the latest cyber-attack tactics. These 16 controls cover 14 of the top 20 CIS critical security controls for effective cyber defense.
- The CIS Critical Security Controls are a recommended set of actions for cyber defense that provide specific and actionable ways to stop today's most pervasive and dangerous attacks. The Controls are effective because they are derived from the most common attack patterns highlighted in the leading threat reports and vetted across a very broad community of government and industry practitioners.

### Solutions:

#### Objectives:

•Build business requirements and create standardized product contracts for the following 16 security controls: Data Loss Prevention, Distributed Denial of Service, Application Penetration Testing, Vulnerability Assessments, Security Information Event Management, Vulnerability Management, Directory Auditing, Spam Filter, Web Application Firewall, Web Content Filtering, Advanced Endpoint Protection, File Integrity Monitoring, Security Monitoring, Device Hardening, Security Awareness, Multi Factor Authentication

•Save money with economies of scale of implementation.

#### Strategies:

•Enterprise contracts for 16 security controls, and implement those controls or have a plan to replace those controls into 80% of the state agencies, boards and commissions.

#### Performance Measures:

- Number of agencies using CSC framework
- Number of attacks identified by CSC framework
- Number of attacks not captured by CSC framework

## **Issue 7** Execute the Arizona Management System (AMS)

**Description:** The Arizona Management System is a statewide intentional, results-driven system of management that engages employees, focuses on customers and drives continuous improvement in pursuit of desired results. There will be three phases to the journey: Setting the Foundation, Building the Muscle to Improve and Delivering Transformative Results.

Employee responsibilities will include understanding customer needs, identify problems, improve processes and measure results in order to do more good. Three core values held by employees are: Do the Right Thing, Commit to Excellence and Care About One Another. The intention is to demonstrate through measurable results that Arizona is the best state in the nation!

### Solutions:

#### Objectives:

100% of Work Units Score 3 or Better by FY 19; 65% in FY18

100% of New and Existing Employees Receive Introductory AMS Training in FY18

#### Strategies:

- Communication Cascading Measures in place to share learning and expectations.
- Problem Solving skill building is provided to all levels of employees
- Standard Work is in place for all levels of employees
- Recognition Plan established for improvement activities
- People Systems designed and in alignment with AMS
- Agency Scorecard established
- Business Reviews launched
- Leader Standard Work Routines established and audited
- Huddle Boards implemented, HB meetings scheduled, held, and audited
- Breakthrough projects completed
- Daily Kaizen activity increased

#### Performance Measures: By EOY 2018

- Establish OCI standard for each AMS element and create standard work.
- Create plan and deploy system the supports successful AMS rollout; train and deploy though on-the-job training.
- 100% of teams trained in each of the element buckets.
- Maintain 100% compliance with all new hire training through quarterly classes, bootcamps, and/or AMS 101 online training.
- 1.5 % improvement annually in Employee Engagement Survey scores (for the 6 lean related questions) until reach the 9:1 ratio

## Resource Assumptions

	FY2020 Estimate	FY2021 Estimate	FY2022 Estimate
<b>Full-Time Equivalent Positions</b>	595.5	595.5	595.5
<b>General Fund</b>	12,220.6	12,220.6	12,220.6
<b>Other Appropriated Funds</b>	373,509.0	373,509.0	373,509.0
<b>Non-Appropriated Funds</b>	1,249,938.9	1,249,938.9	1,249,938.9
<b>Federal Funds</b>	1,686.7	1,686.7	1,686.7