



Signature Report

December 17, 2007

Motion 12659

Proposed No. 2007-0458.1

Sponsors Ferguson

1 A MOTION acknowledging receipt of a revised executive
2 recommendation and a transition plan for the printing and
3 graphic arts operations as meeting the requirements of a
4 budget proviso presented in the 2007 Budget Ordinance,
5 Ordinance 15652, Section 106.

6
7 WHEREAS, the 2007 Budget Ordinance, Ordinance 15653, Section 106, as
8 amended, declared that the \$50,000 of the ITS – printing and graphic arts expenditure
9 shall be expended or encumbered only after council approval by motion of
10 acknowledgement of receipt of a revised executive recommendation and a transition plan
11 for the printing and graphic arts operations, and

12 WHEREAS, the recommendation and transition plan shall address any labor,
13 legal and financial issues resulting from the executive recommendation regarding printing
14 and graphic arts operations after June 30, 2007, and

15 WHEREAS, the executive has analyzed three options for operation of printing
16 and graphic arts services as outlined in the October 2006 printing and graphic arts
17 business plan, and

18 WHEREAS, executive has transmitted the printing and graphic arts executive
19 recommendation and transition plan, and

20 WHEREAS, the executive has determined that closure of the current printing and
21 graphics arts operations and transition to a new operational model consisting of two copy
22 centers, distributed graphics and brokering for printing services is the only viable option,
23 and

24 WHEREAS, the transition plan addresses the labor, legal and financial
25 ramifications of the executive recommendation;

26 NOW, THEREFORE, BE IT MOVED by the Council of King County:

27 The King County council acknowledges receipt of the Printing & Graphic Arts
28 Executive Recommendation and Transition Plan, Attachment A to this motion, and

Motion 12659

29 hereby releases the \$50,000 restriction on the 2007 appropriation to ITS - printing and
30 graphic arts.

31

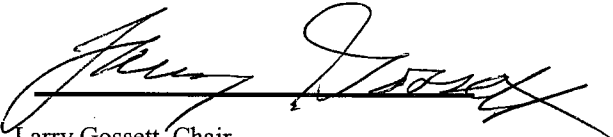
Motion 12659 was introduced on 9/17/2007 and passed by the Metropolitan King County Council on 12/17/2007, by the following vote:

Yes: 7 - Mr. Gossett, Ms. Patterson, Ms. Lambert, Mr. Dunn, Mr. Ferguson,
Mr. Phillips and Mr. Constantine

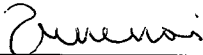
No: 0

Excused: 2 - Mr. von Reichbauer and Ms. Hague

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Larry Gossett, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. Printing and Graphic Arts Executive Recommendation and Transition Plan

Printing & Graphic Arts
Executive Recommendation
and
Transition Plan



King County

**OFFICE OF INFORMATION RESOURCE MANAGEMENT AND
DEPARTMENT OF EXECUTIVE SERVICES**

REVISED: 8/20/07

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Background

Through a proviso in the 2006 Budget (Ordinance #15333), the King County Council requested the Executive to work with the Washington State Department of Printing (State Printer), to develop a business plan to aid in creating a successful and self-sustaining business strategy for print and graphic arts services.

In early 2006, King County began work with the State Printer to complete a preliminary assessment and evaluation of current business practices within its Printing and Graphic Arts (P&GA) line of business. The purpose of the assessment was to compile results of previous planning efforts and a review of current P&GA operations. This work provided a basis for analysis of options for P&GA's future.

During the course of the assessment and the creation of a July 12, 2006 draft Business Plan that was widely circulated, it became apparent that creating a self-sustaining business strategy for P&GA would require a tremendous additional investment by the county. Upon review by the King County Executive, the scope of the business plan was changed to provide three options for the future of P&GA, including a scenario of transitioning operational control of county operations to the State Printer.

In October 2006, the Office of Information Resource Management (OIRM) submitted the P&GA business plan (the "Business Plan") to the King County Council. The Business Plan provided a history of P&GA, including information on current operations and budget shortfalls, and an operational assessment and proposal from the State Printer. Three options were presented in the Business Plan:

- Invest in P&GA.
- Turn P&GA over to the State Printer.
- Shut down P&GA.

The Executive transmitted the October 2006 P&GA business plan along with a six-month appropriation request for the first half of 2007 as part of his 2007 budget transmittal. The council approved the 2007 budget appropriation, and included a proviso stating:

Of this appropriation, \$50,000 shall not be expended or encumbered until the council reviews and by motion acknowledges receipt of a revised executive recommendation and a transition plan for the printing and graphic arts operations that addresses any labor, legal and financial issues resulting from the executive recommendation regarding printing and graphic arts operations after June 30, 2007.

In February of 2007, the State Printer delivered its due diligence report related to the second option of taking over the P&GA operation. The State Printer determined:

The Washington State Department of Printing has determined that it cannot move forward and assume any part of the operations of King County P&GA due to the level of investment and effort necessary to create a self-sustaining organization. Analysis of the operations, financial statements, projected revenue, and expenses has convinced the Washington State Department of Printing that it could not operate the facility and recover all costs, even with the increased print volume generated by the State's Seattle-based customers outside the county. A loss on the financial statement would be anticipated over the next two to five years. The Washington State Department of Printing has a fiduciary responsibility to run an enterprise that benefits the state and its taxpayers, producing a quality product while recovering its cost.

In addition to their decision, the State Printer identified the following facts that have influenced subsequent efforts:

- P&GA costs are extremely high – primarily driven by high staffing, space, and equipment costs.
- P&GA's equipment base is aging, outdated and expensive.
 - Owned equipment needs to be replaced.
 - Leased equipment rates are excessively high and run through 2010.
 - Outdated equipment is less efficient compared with new technology.
- Not all county printing runs through the print shop, despite an executive order.
- Customer satisfaction is low.
- Demand for services or volume is too low to support a financially viable print shop – this would still be the case even if all county work went through the print shop and the State Printer added its current Seattle customer base to the mix.

Based on these findings, the first two options (Invest in P&GA and Turn P&GA over to the State Printer) are no longer under consideration, while the third option (Close P&GA) has received greater attention, specifically related to the analysis of labor and legal issues involved as directed by the council in their most recent proviso. As we have researched and investigated the implications, it has become clear that both the labor and legal issues are significant. Labor and legal staff are prepared to brief the Council on the details of these issues upon request.

Revised Business Model

Executive staff has identified an additional alternative recommendation other than a full closure of P&GA. This effort has led to discussions with labor on the development of a revised business model encompassing reduced print services combined with the placement of employees impacted by reduced services.

The executive recommends the shut down of P&GA as it is currently operated and a transition to a downsized copy center business model incorporating distributed graphics services and the establishment of a service brokerage solution. This recommendation is more fully explained in the remainder of this report. A full understanding of existing operations is not discussed in this document, but can be found in the October 2006 Printing & Graphic Arts Business Plan previously communicated to council.

Recommendation

In order to most effectively address the financial, legal and labor issues confronted by the PG&A operation, the following changes to existing operations are recommended.

1. Take steps necessary to reduce P&GA expenditures including significantly downsizing the print shop portion of operations, discontinuing operations at the Graybar building, and at least in the interim, utilizing outside printing services for larger and more complex print jobs effective 12/31/2007.
 - This downsizing involves storing the heavier press and bindery equipment until a decision is made on either re-using or surplusizing that equipment.
 - This function (heavy press and bindery) contributes significantly to overall costs and shows the most opportunity to address the financial issue confronting the operation.
 - The county already has a mixed practice of utilizing internal and external providers of print services; this approach represents some expansion of that practice for an interim period.
2. Open a new, downsized copy center in the New County Office Building (NCOB) as soon as practical. Continue to operate the copy center at King Street Center. Utilize represented county employees to staff these functions.
 - The majority of current county copying needs in the downtown core campus.
 - These two locations enable quicker end-to-end turnaround and convenience on copy type jobs especially in the downtown core which carries highest demand for services.
 - Enables retention of some positions within similar classification and maintains labor jurisdiction of the work.
3. Decentralize current graphic arts function.
 - Relocate graphics staff to from centralized service model to departments who maintain high need/use of specialized graphics services.
 - Low use departments utilize decentralized graphics staffs on an as needed, charge back basis.
4. Utilize 'brokers' as a new front-end to the service ordering process, as recommended by Washington State Printer in their review of operations. The primary functions of a broker will be to:
 - Receive customer orders.
 - Determine best way to fulfil orders (copy center, vendor, or combination) based on service needs, cost effectiveness, and existing resources.
 - Ensure fulfilment of orders and increased customer service.
 - Accurately track service data and bill customers for services.
5. Utilize a transition manager to implement the transition plan as described in the transition plan section of this document. The transition plan will take the county from its current operating model to the new model proposed in this recommendation. Following the transition period, the Department of Executive Services (DES) management will be responsible for oversight of operations and conducting recurring reviews over the following two year period.
6. Perform recurring operational reviews every six months over a two year period.
 - To re-assess service delivery according to customer needs and financial performance.

- To determine feasibility for potentially increasing in-house services and broadening of scope over time.
- Recurring reviews should also address optimal use of local printing and copying (i.e. printers located on each floor of existing buildings and on desktops) as well as mainframe printing.

King County and the Unions have discussed various possibilities for the restructuring of the print shop functions. These discussions have focused on the development of the alternative business model that includes distributed graphics services for the provision of in-house graphic services, operation of copy centers staffed with represented employees and possible future restructuring of the remaining portions of the current printing operation.

The reformulation of the business model would include analysis of the work flow, customer service, efficiencies and related issues, as well as implementation of a structured procurement management brokerage model and central record keeping. In an effort to address the legal and labor implications, the county has agreed to place employees affected by the restructuring in a comparable position in the county and to take reasonable steps to minimize the amount of work assigned to outside vendors considering costs and business requirements. Additionally, for a period of two years, the county will further review the method it utilizes for the provision of printing and graphics services. In order to implement this systematic review (based on economic and business needs, etc.) analysis will be conducted every six months in a joint labor management forum. As a part of this analysis, the county and the unions representing this work will work collaboratively in an effort to identify reasonable and feasible opportunities for more effective provision of printing and graphic services within the county.

Each part of this recommendation is discussed more fully in following sections of this document.

CLOSE THE PRINT SHOP

As described previously, decentralizing graphics, the addition of a new copy center, and the utilization of brokers will be part of the transition plan for closing the current print shop. One critical element of reducing current expenses is the shutting down of the Graybar location and discontinued use of out-dated equipment. A transition manager will be responsible for coordinating the shut-down of the Graybar location as well as start-up activities related to both copy centers. The details will be part of the detailed schedule that the transition manager will be completing. This transition manager will report to DES management responsible for on-going ownership of the copy centers and will interact extensively with existing print shop staff and management.

Staff that are not utilized by the copy centers will be placed in positions throughout King County. Activities related to placement have already begun and will be completed to time with the shut-down of print shop operations in the Graybar location.

PROVIDE COPY CENTERS AT TWO LOCATIONS: KING STREET AND NCOB

The responsibility for managing the P&GA function for the county will be transferred to the Department of Executive Services (DES). DES will operate two copy centers. One copy center will continue to be maintained at the King Street Center to support DOT and DNRP as well as any additional walk-in customers. A new copy center at NCOB will be opened to primarily support NCOB tenants as well as those at the administration building, Court House, other downtown core county locations and any walk-in customers. Only certain copying services will be performed at the copy centers.

A preliminary list of services, to be fine tuned by the transition manager, includes:

- Copies – black/white & color:
 - Originals can be delivered on-line or hard copies
- Bindery Options:
 - Stapled
 - Tape Bound
- Output Sizes:
 - 8.5 x 11
 - 8.5 x 14
 - 11 x 17
- Types of Paper:
 - Bond
 - Cover Stock
 - Carbonless
- Dividers:
 - Tabs – Printed or blank
 - Divider inserts

The copy centers will be staffed as follows:

- Three copy center FTEs, one FTE dedicated to each copy center and the third FTE to float between the copy centers to cover breaks, vacations, sick leaves and peak copying needs.
- Two print and graphic brokers as part of our procurement function. The brokers will be located at each copy center. The broker will be responsible for providing customer service for the county's copying, printing and graphic needs. The brokers will determine if the job should be run within the copy center, if it requires graphics work, and/or if it should be brokered to a vendor. This will be determined based on the best price available to the customer.
- DES will provide management to oversee the transition manager, service brokers and copy center staff and operations. They will be responsible for the recurring operational reviews of the copy center operations.

Current leased equipment will remain at King Street and leased copy equipment at Graybar will be moved to NCOB. The transition manager will be responsible for reviewing current leased equipment and recommending right sized equipment for the copy centers. Lease and equipment disposition for heavier printing equipment that is not moved to one of the copy centers is also the responsibility of the transition manager.

The transition manager will fully identify the procedures and guidelines related to operating the copy centers before opening the new copy center. In addition, as part of implementing copy center services, communication with all existing or potential copy center customers will be performed, letting them know how to utilize the copy centers before the print shop has shut down and the new copy center is opened.

The transition manager will also finalize the 'rate-card' to be utilized for all copy center services.

- A central services model will be utilized for funding.
- Fixed costs will be included as part of facilities costs to be spread across local tenants.
- Market rates will be utilized to determine the amount to charge for each service.
- Using this central services model with market rates is intended to incent maximum usage of the copy centers by providing a competitive cost for each service provided and minimize work that is sent outside.

- Initial rates to be charged by the new copy center and used by the existing King Street copy center will be finalized by the transition manager.
- Brokers will be responsible for monitoring market rates and ensuring that internal rates are maintained at market rates.
- Recurring operational reviews will need to look at the full cost of service delivery in assessing financial viability of on-going operations. The reviews will include all fixed as well as variable costs in assessing financial performance related to service delivery.

DISTRIBUTE GRAPHIC ARTS TO HIGH-USE DEPARTMENTS

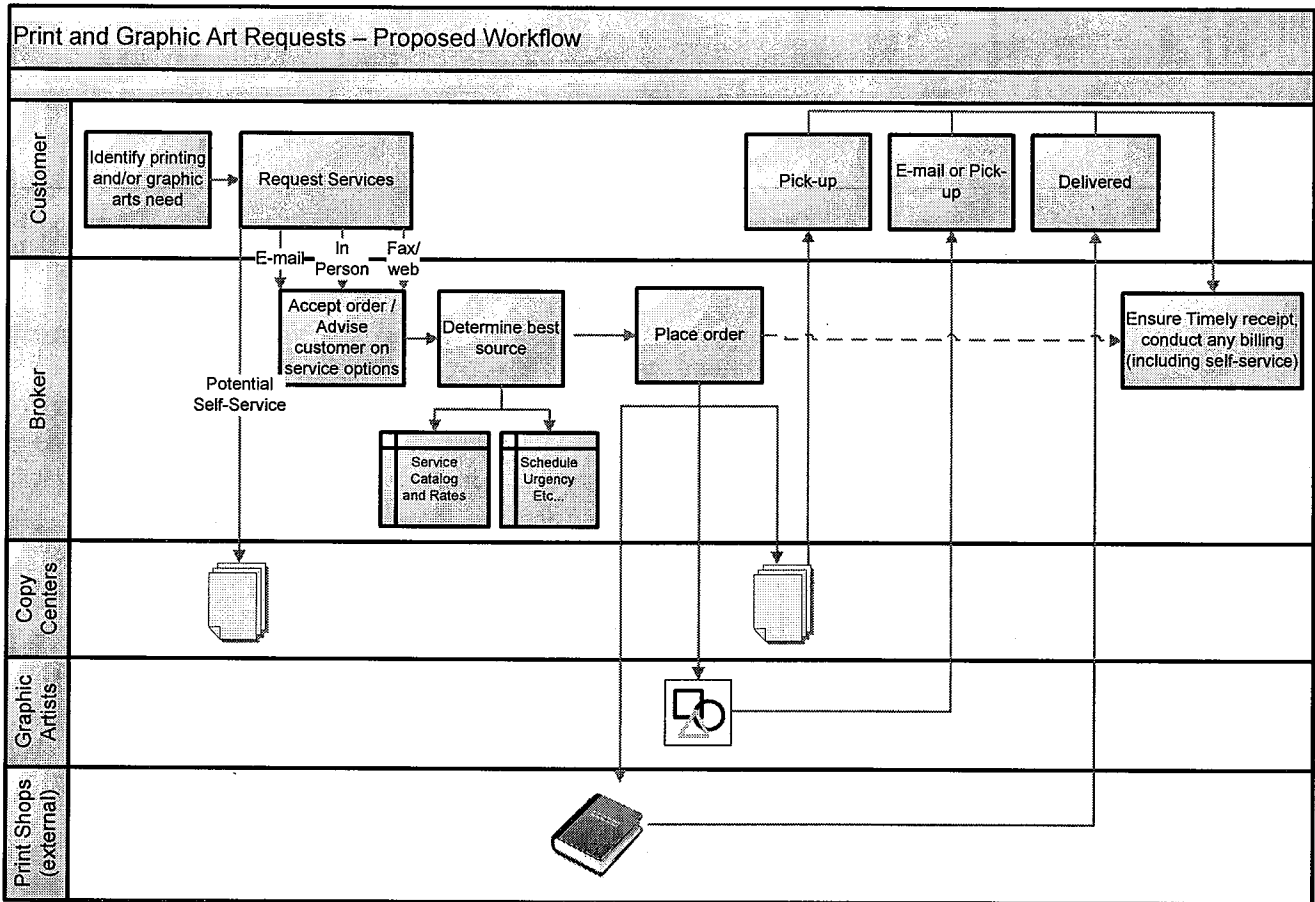
Current graphic arts staff will be moved into the departments that most utilize their services. While copy center staff will report centrally within DES, regardless of the building in which they work, the graphic artists will report directly through the management staff of the departments that they move into.

Demand for graphics work outside of these departments will be funnelled through the print brokers in the same way as copy work. This will be accomplished through assignment of work directly to the distributed graphic artists along with direct billings to reimburse the costs related to this work.

This distributed graphic arts model will allow the county to continue to manage graphic jobs in-house and allowing the copy centers to focus on copy jobs only, rather than prepress or graphic requests.

CUSTOMER SERVICE AND FINANCIAL PRUDENCE THROUGH BROKERS

One of the recommendations from the State Printer in their assessment was that the county could have a significant positive impact on our operations by utilizing brokers to take orders and assign them internally or externally as was appropriate given current workloads, capacity, customer needs, and financial impact. By introducing brokers into the business model, former P&GA customers will still be able to easily submit print jobs to one location and the broker will manage the job through to completion while securing the best pricing and simultaneously enhancing customer service. The following chart depicts the probable work flow related to the flow of work which the transition manager will finalize.



The transition manager, as part of the transition plan, will fully identify the procedures and guidelines related to this function. As part of implementing the function and as part of a broader communication plan, information will be communicated with all existing or potential print and graphic customers, letting them know how to utilize the brokers in meeting all of their printing and graphic needs. The broader communication plan will also address effective and timely communications with affected employees and other interested parties.

Also, the executive order related to the use of print and graphics services will be amended to fully support this broker model, with the final updates being recommended by the transition manager in support of finalized process. As well as updating the order, advertising related to the benefits and ease of use from utilizing the broker should be utilized as part of an on-going communications and outreach program.

RECURRING OPERATIONAL REVIEWS

At periodic points in time each year, approximately every six months, operations should be reviewed to assess the service and financial viability of operations and the feasibility of moving additional work in-house. These reviews should address financial and service issues that may exist. In order to successfully conduct these reviews, relevant data will be accumulated as part of on-going operational activities. At a minimum, data related to order fulfillment, billings, and cost will be maintained.

Transition Plan

A transition manager will be hired to assist with the shut down of P&GA and the transition to the copy center, distributed graphics and brokerage solution. This will include establishing a detailed schedule for the following deliverables:

- Determining the correct equipment needs for the copy center.
- Coordinating retirement of equipment leases and/or transition equipment to new copy center.
- Coordinating transition of printing & graphics at Graybar to the new copy centers, distributed graphics & brokers.
- Developing the initial rate card for copy center services.
- Working with procurement to finalize any additional contracts needed for brokerage services.
- Communicating to all P&GA customers concerning brokers, copy center & graphics resources and how to use them.
- Coordinating with HR the transition of employees to new opportunities.
- Coordinating close-out of billing and payments related to P&GA.
- Coordinating the removal of P&GA equipment and supplies from Graybar.

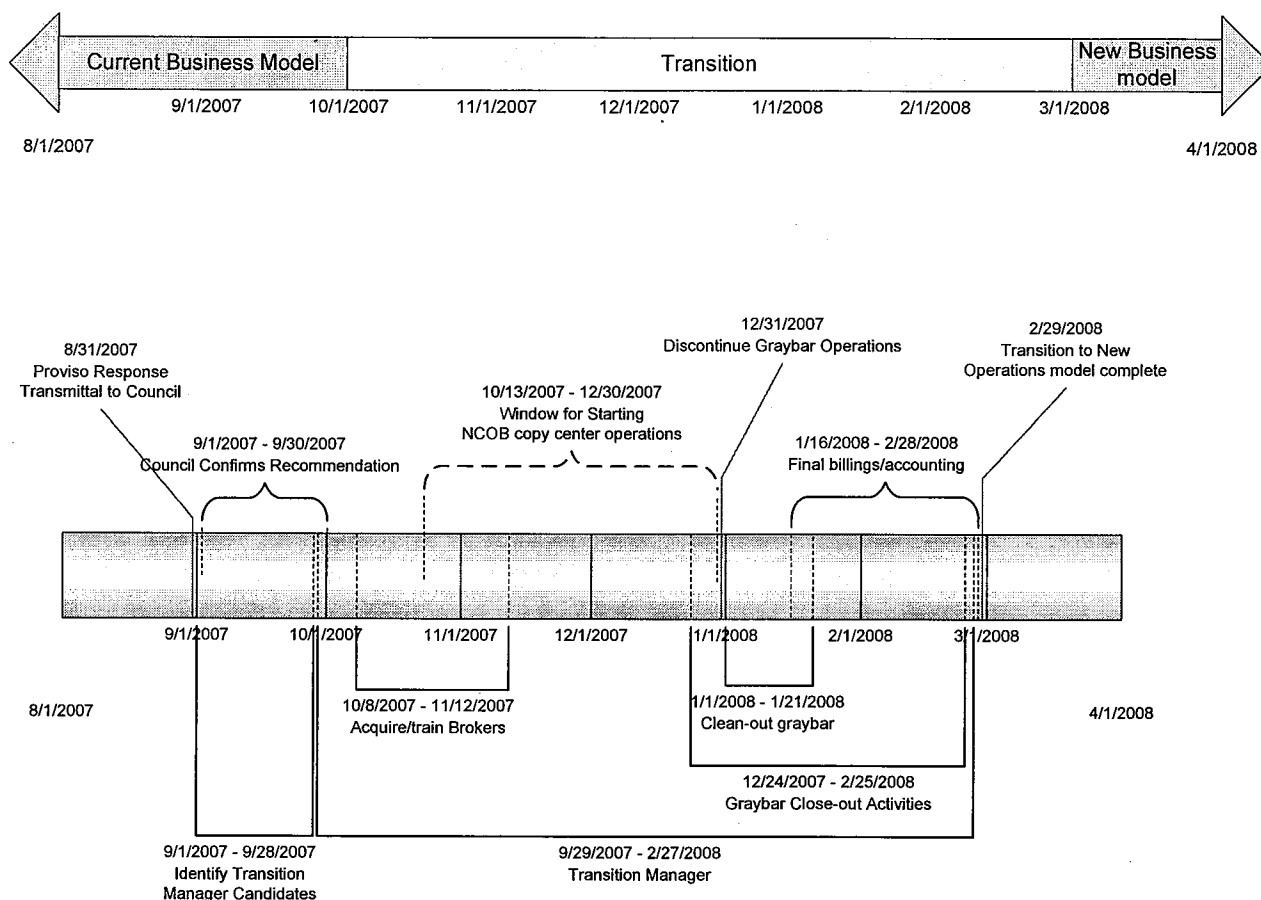
On-going activities following the transition will include:

- Scheduling recurring operational reviews.
- Gathering appropriate data for use in analysis during operational reviews.
- On-going management of the copy centers.

The following outlines the key dates for this proposal:

- Proviso submittal. 08/31/07
- Secure funding for close-out costs. 09/30/07
- Secure funding for operations review. 09/30/07
- Close print shop & complete staff transition. 12/31/07
- Open NCOB copy center. 10/15/07 to 12/01/07
- Staff placements completed. 12/31/07
- Graybar facility available to new tenants. 01/31/08
- Transition to new operations model complete. 03/01/08
- Initial operational review. 09/01/08

The following charts illustrate the timing of key transition plan activities.



Full close-out costs have been estimated at \$1.3 million and include all of the activities necessary to fully close the existing Graybar operation, to start up copy center operations in both King Street and NCOB, and to decentralize graphics work. An additional \$1 million is needed to continue current operations through 12/31/07. The combined amount of \$2.3 million is slightly higher than what had been previously requested for these activities. An additional \$150,000 represents updated cost and revenue projections based on actual results. This number also reflects additional project close-out costs that were not included as part of the prior submission related to hiring a transition manager, tenant improvements to finish the copy center build-out at the New County Office Building, and other minor adjustments.

Detailed spreadsheets utilized to identify these estimate are available upon request. In addition, financial plans will be developed to recover current losses and loan balances over a three to five year period.

Summary of Financial, Labor, and Legal Issues

While all labor, legal and financial issues cannot be addressed in a way to fully eliminate all issues, this proposal identifies the most advantageous manner to move forward given the economic concerns currently associated with the printing and graphics operation. Financial issues are addressed by significantly reducing the existing cost structure through implementation of a new operating model.

By recommending a new solution rather than eliminating all P&GA services, we provide customers with continued printing, copying and graphic services as well as addressing many of the business needs, and legal and labor interests. This includes:

- Distributing graphics to the departments that are the high need/users of the graphic services and still provides graphic solutions for the smaller agencies.
- Continuing to provide copy center services at King Street as well as providing new copy center services at NCOB.
- Utilizing brokers to assist customers with their printing and graphic needs.
- Maintaining the represented status of work over which Unions currently have jurisdiction.