



State of Missouri 2008 Governor's Award for Quality and Productivity Executive Summary

Team Name: Mail Consolidation Team
Nominator: Mark S. Kaiser, Director of General Services
Nominating Department: Office of Administration
Inter-agency nominations must include names of all agencies
Category: Efficiency

Executive Summary: [Executive summary page must be 12 points, Times New Roman font, and left justified. Attach the executive summary to the front of the nomination]

The Mail Consolidation Team recommended solutions that streamlined operations, lowered cost and improved mail services for Missouri state government. The team, comprised of one or more representatives from each executive state agency, successfully consolidated twenty-three individual mailrooms into one centralized operation, dramatically improving efficiencies in all aspects of mail services. In just one year, mail consolidation has:

- Reduced required staffing levels by 33%, from 30 to 20 FTEs
- Reduced required postal metering equipment by 78%, from 23 to 5
- Reduced vehicles utilized for mail operations by 67%, from 24 to 8
- Increased average annual postage savings by 8%
- Saved the State of Missouri more than \$1.1 million

Prior to the team's efforts, each agency operated one or more individual mailrooms, resulting in significant administrative and operational redundancies, as well as under-utilized equipment and resources. In eleven executive agencies, more than 30 state employees worked in 23 mailrooms, operated 23 mail machines with reserve accounts and meter balances that tied up over \$500,000 in state funds and drove 24 vehicles more than 188,000 miles per year, all to provide mail services for state agencies in the Jefferson City area.

As work began in January 2006, the team was free to consider any option and make any recommendation. Numerous factors, including significant duplication in resources and services, rising postage rates and mandated mail equipment replacement, drove the discussions, analysis and recommendations. Remarkably, the team, representing sixteen state agencies with unique needs and perspectives, voted unanimously to pursue the internal consolidation of mail services.

All state agencies played a critical role in this highly successful effort. The Departments of Revenue and Social Services, not included in this phase of consolidation, were active participants and provided valued guidance as major mailers in state government.

With strong support from the Commissioner of Administration, the mail consolidation effort was initiated in September 2006. Personnel and resources from all twenty-three mailrooms were brought together, one agency at a time, and merged into Central Mail Services. The incremental, phased-in consolidation minimized disruptions and led to a methodical and successful implementation strategy. Full consolidation was achieved by July 1, 2007. The value brought by this team's efforts continues.



State of Missouri
2008 Governor's Award for Quality and Productivity

NOMINATION FORM

I. GENERAL INFORMATION

Department: _____

1. Project or team name.

Mail Consolidation Team

2. List the name of all team members, job titles, state agency department, and/or community organization.

Mark S. Kaiser, Director of General Services, Office of Administration
Diane Gresham, Manager, Office of Administration
Lynne Angle, Director of Administration, Office of Administration (formerly with the Department of Labor and Industrial Relations)
Rodney Vessell, Manager, Office of Administration
Gayle Allen, Accountant, Office of Administration
Debbie Reynolds, Printing/Mail Coordinator, Office of Administration (formerly Mailroom Supervisor with the Department of Labor and Industrial Relations)
Alice Gaines, Customer Service Representative, Office of Administration (formerly Mailroom Supervisor with the Department of Elementary & Secondary Education)
Timothy Ritter, Printing/Mail Technician IV, Office of Administration
Ken Wilks, Research Manager, Department of Labor and Industrial Relations
Doug Stephan, Office Services Coordinator, Department of Labor and Industrial Relations
Alan Clements, Fiscal & Administrative Manager, Department of Agriculture
Regina Wilson, General Services Manager, Department of Transportation
Tom Cardwell, Mailroom Supervisor, Department of Transportation
Mandie Morriss, Offices Services Coordinator, Department of Corrections
Rhonda Meyer, Director of Administration, Department of Economic Development
Gary Crawford, General Services Manager, Department of Conservation
Shawn Cunningham, Printing/Mail Supervisor, Department of Conservation
Rochelle Hendrickson, Director of Administration, Department of Insurance, Finance & Professional Registration
Rhonda Fogelbach, Accountant, Department of Public Safety
Kevin Kolb, Facilities Manager, Department of Health and Senior Services
Joan Farris, Mailroom Supervisor, Department of Health & Senior Services
Greg Sandbothe, Inventory Specialist, House of Representatives (formerly Office Services Assistant with the Department of Higher Education)
Janet Heckemeyer, Director of Administration, Department of Mental Health
Mike Haake, Executive II, Department of Mental Health
Stan Perkins, Offices Services Coordinator, Department of Natural Resources
Brenda Davis, Facilities and Operations Manager, Department of Revenue
Robert White, Executive II, Department of Revenue
Matt Stockman, Executive I, Department of Revenue
Susan Sneller, Executive II, Department of Social Services

3. Nomination category.

(Check only one)

☐ INNOVATION

☐ CUSTOMER SERVICE

☐ PROCESS IMPROVEMENT

☐ TECHNOLOGY IN GOVERNMENT

☒ EFFICIENCY

4. Describe why you selected this nomination category.

The Mail Consolidation Team achieved significant operational efficiencies by successfully merging twenty-three individual agency mailrooms into one centralized operation, saving the State of Missouri over \$1.1 million in its first year of operation.

Consolidating the state's smaller mailrooms with the second largest mail-producing agency, the Department of Labor & Industrial Relations, dramatically improved operational efficiencies and economies of scale, allowing the state to:

- Reduce staffing levels by 33%, from 30 to 20 FTEs
- Decrease required postal metering equipment by 78%, from 23 to 5
- Reduce vehicles utilized for mail operations by 67%, from 24 to 8, saving over 7,500 gallons of fuel annually
- Increase average postage savings by 8%

Mail Consolidation Results

Reductions

- 33% - FTEs
- 78% - Equipment
- 67% - Vehicles

First-year Savings

- Over \$1.1 million

II. BACKGROUND

1. When did the team begin?

December 2005

2. When did the team implement this project?

Mail consolidation began in September 2006 and was fully implemented in July 2007.

3. How long has the project been implemented?

☐ 0 - 3 Months

☐ 4 - 6 Months

☐ 7 - 9 Months

☐ 10 - 12 Months

☒ 12 or more

☐ On-going Project

III. RESULTS/ACCOMPLISHMENT

1. What did the team accomplish? (Use specific data and examples to identify accomplishments and whom benefited: i.e. agency, division, department, citizens, individuals, etc. Information must be included for nomination to be considered for GAQP.)

The Mail Consolidation Team accomplished what many said could not be done -- the consolidation of twenty-three individual mailrooms into one centralized operation, gaining efficiencies in every aspect of operations and saving the State of Missouri more than \$1.1 million. The first year savings represent:

- Over \$430,000 in operational costs
- Over \$378,000 in one-time equipment costs
- Over \$342,000 in postage costs

Prior to consolidation, state mail services had historically functioned in a decentralized fashion. Each agency operated one or more mailrooms to handle their incoming, interagency and outgoing mail. In eleven executive agencies, more than 30 state employees worked in 23 mailrooms and drove 24 vehicles over 188,000 miles per year to provide mail services for their state offices. Mailroom employees from each agency picked up and delivered mail to and from the local post office multiple times per day and conducted up to four daily mail runs throughout Jefferson City, resulting in considerable duplication of personnel and state vehicles serving the same routes and delivery points. Agencies also operated and maintained numerous pieces of equipment to process outgoing mail, including 23 mail machines with prepaid postage meter

Pre-Consolidation

- 23 Mailrooms
- 30 FTE
- 23 Mail machines
- 24 Vehicles
 - 188,000 miles
- Mail Volume - 13.1 million
- Operational Costs - \$1.4 million
- Postage costs - \$5.1 million

balances in excess of \$500,000 dollars. Consequently, there was significant duplication of effort and processes as well as excess capacity in equipment and personnel.

Because mail is an essential means of communication for state government, agencies diligently pursued ways to curtail the impact of ever-rising postage costs. However, the operational and resource redundancies of multiple mail “silos” restricted their ability to provide mail services in the most efficient and cost-effective manner. Furthermore, the deadline for USPS-mandated equipment replacement was looming and without a change of course, the state would have been forced to expend significant funds to purchase compliant mail equipment for eighteen agency mailrooms. This mandate, together with the Administration’s efforts to enhance efficiencies in state government, provided the necessary catalyst to address the final and most difficult task in enhancing mail services – the consolidation of mail operations in Jefferson City.

	2001	2002	2006	2007	2008
Per Mailbox	\$0.34	\$0.37	\$0.39	\$0.41	\$0.42

Mail Consolidation Team Established

The Mail Consolidation Team, comprised of representatives from each executive agency, was established in December 2005 by the Commissioner of Administration to explore best practices in mail management, with the specific charge to determine appropriate structural changes needed to enhance efficiencies and formulate a recommendation for consolidating agency mailrooms in the Jefferson City area. Adding impetus to mail consolidation at this time was the strong desire of the Administration to pursue initiatives that would enhance efficiencies in state government coupled with the United States Postal Service’s (USPS) mandatory requirement that all mail metering equipment be digital by the end of 2006. Since only a few agencies had purchased the USPS-mandated equipment, replacement costs would require a capital outlay of almost \$400,000. These driving factors, along with the need to maximize available resources, made it imperative for the team to research best practices and consider all opportunities to improve operational efficiencies and savings.

Research and Evaluation

The team began working collaboratively in January 2006, immediately establishing three sub-committees with assigned functions. Paramount to the team’s mission was collecting current, accurate operational and cost data from each agency as a baseline for benchmarking purposes. The Data Analysis/Verification Sub-Committee was given the key responsibility to survey, verify and compile all operational and cost data. The Consolidation Sub-Committee reviewed existing mail services, researched mail operations in other states and explored consolidation options. The Business Plan Sub-Committee was responsible for developing operational plans.

Meeting several times each month, the sub-committees reported their findings, and the team explored various options to more efficiently handle the collection, processing and distribution of the state’s mail. The team recognized mail consolidation would eliminate much of the duplication of effort and processes, as well as excess capacity in mailroom equipment, vehicles and personnel that existed with each agency operating independent mailrooms. Extensive research of other states’ mail operations clearly revealed consolidation to be the best practice among state governments. Of the thirty-six states researched, twenty-nine had consolidated mail operations, and more than half of the states operated a multi-line optical character readers (MLOCR), which is state-of-the-art presorting equipment that combines and sorts mail from multiple sources to achieve the best postage discounts available from the USPS.

Recommendation

Within six-months of meetings, extensive research, in-depth analysis and consideration of all possible operational approaches, including vendor proposals to consolidate and manage mail services, the team narrowed its focus to internal consolidation of agency mailrooms.

The Department of Labor and Industrial Relations (DOLIR) played a major role in determining the feasibility of internal consolidation by volunteering to be the anchor agency. As the second highest mail-producing agency, DOLIR’s willingness and capacity to house the consolidated operation was a key factor driving the team’s decision. In June 2006, the Mail Consolidation Team unanimously voted to recommend the internal consolidation of most agency mail operations in the Jefferson City area and, secondly, to recommend the purchase of a MLOCR to maximize available postal discounts.

Implementation

Team members formally presented the recommendation to the Commissioner of Administration who enthusiastically supported the team's findings. With the strong support of the commissioner and the Administration, internal mail consolidation was initiated in September 2006. Over the next nine months, twenty-two agency mailrooms, personnel and equipment were merged into DOLIR's existing mail operation to create Central Mail Services (CMS). The combined operation had sufficient USPS-mandated digital mail equipment to meter and process all outgoing mail, eliminating the need to purchase any additional mail machines. The incremental, phased-in consolidation allowed a methodical centralization of agency mail functions, minimizing disruptions and increasing efficiencies as each step of consolidation evolved. Additionally, team members were instrumental in helping agencies manage through staff reductions and avoid the lay-off of a single mail employee.

Consolidated Agencies

- Labor & Industrial Relations
- Office of Administration
- Corrections
- Economic Development
- Elementary & Secondary Education
- Health & Senior Services
- Higher Education
- Insurance, Financial Operations and Professional Registration
- Natural Resources
- Mental Health
- Public Safety

Results

Although still in its infancy, the consolidated mail operation has clearly proven its success, achieving first year savings of \$1.1 million dollars and dramatically improving operational efficiencies by:

- Reducing duplicative administrative efforts and resources
- Combining mail from multiple sources for greater postage discounts
- Developing consistent mail standards and practices
- Improving data collection and reporting
- Enhancing customer service and promoting opportunities to save costs on mailings

As recommended by the team, Central Mail Services purchased a state-of-the-art multi-line optical character reader (MLOCR), the use of which is a best practice in the mail industry and one the state had benefited from through utilization of presort vendors. The MLOCR combines mail from multiple sources, tracks mail by specific accounts, interfaces with mail addressing software, applies barcodes, sorts by zip codes and identifies mail that can achieve higher discounts through further sorting efforts. By acquiring a MLOCR, the state is able to retain all available postal discounts rather than share a portion of the savings with presort vendors. Of the twelve million pieces of mail processed by Central Mail Services during FY 08, the annual average discount rate of \$0.34 provided an eight cent per piece savings. Compared to the discount rate of \$0.369 previously provided by the University of Missouri Campus Mail Services, presorting with the state's MLOCR increased annual postage savings by more than \$342,000.

Postage Discounts

<u>Rate</u>	<u>Discount</u>
\$0.324	5-digit rate
\$0.34	CMS
\$0.346	3-digit rate
\$0.351	AADC
\$0.369	UMC
\$0.394	Automation
\$0.42	Full Rate

Lastly, mail consolidation also provides a number of "value-added" benefits through its focus on customer service. In April 2007, the USPS established new shape-based mailing requirements where, for the first time, postage cost is determined by the size and shape of a mail piece as well as weight. With a myriad of mail from agencies now flowing through the central operation, Central Mail staff is able to observe the various types of mailings, meet with agencies one-on-one and help them reconfigure their mailing designs to capture additional savings on postage and printing costs. For example, on just one monthly mailing of 1,400 pieces, the Division of Employment Security implemented changes suggested by CMS and now saves \$0.90 postage per piece, a savings of over \$15,000 a year. Also with assistance from CMS staff, the Department of Elementary and Secondary Education reconfigured their GED certificates and now saves \$0.339 each on 10,000 annual certificates, an annual postage savings of almost \$3,400. With hundreds of mailings and millions of pieces, seemingly small savings per piece can generate significant savings to the state.

An employee with the Department of Insurance, Financial Institutions and Professional Registration praises the benefits of mail consolidation:

"The consolidation of mail services has greatly benefited our department and other small agencies that didn't always have the volume of mail to qualify for the lowest postage rates. We greatly appreciate this service, not only for the money it saves, but for the convenience it provides by having mail picked-up and delivered to and from our multiple office locations. The pickup and delivery service saves our employees' time, and we also have the benefit of mail experts who assist us in improving our internal mailings."

**Rochelle Hendrickson
Director of Administration
Department of Insurance, Financial Institutions and Professional Registration**

The Mail Consolidation Team had the vision for mail consolidation and accomplished a remarkable feat. However, the unsung heroes of this effort are the twenty dedicated Central Mail staff who integrated themselves into a new work environment, learned new processes, worked together and carried out the numerous critical day-to-day tasks that ensured the success of Central Mail Services.

2. Which of the following describes the benefits of the accomplishment? (Check all that apply and provide an explanation)

- | | |
|------------------------------------------------------|--------------------------------------------------------------------|
| <input checked="" type="checkbox"/> cost reduction | <input type="checkbox"/> time savings |
| <input checked="" type="checkbox"/> improved process | <input checked="" type="checkbox"/> other: better use of resources |

Consolidating twenty-three individual agency mailrooms into one centralized operation improved efficiencies and provided significant cost reductions for the State of Missouri. Processes were improved by streamlining the collection, processing and distribution of mail and by implementing new presorting techniques to achieve the best postage discounts available from the USPS. Additionally, mail consolidation provided better use of resources by eliminating redundancies in personnel, equipment and vehicles.

III. RESULTS/ACCOMPLISHMENT (continued)

3. Explain how the accomplishments of the team are beyond regular duties and responsibilities (150 words or less)

The consolidation of twenty-three distinct agency mail operations -- from complex mail production facilities to one-person mailrooms -- is a significant accomplishment for the State of Missouri. Since agencies had operated individual mailrooms tailored to meet their particular needs and interests, the Mail Consolidation Team focused on meeting each agency's specific needs. Personnel and resources were brought together, one agency at a time, to minimize disruptions and ensure agency requirements were met. Mail personnel from various agencies were strategically integrated into the new work environment, where they learned new mail processes and carried out the numerous daily tasks crucial to the large-scale mail operation. Furthermore, team members were instrumental in helping agencies manage through staffing reductions, and consolidation was completed without a single lay-off. For the greater good of state government, team members forged a unified effort, focused on mail consolidation from a global perspective and made it happen!

IV. MEASUREMENT/EVALUATION

1. Explain how the team measured and evaluated this project (Describe in detail the process and results).

The operational savings measurement is the difference between the consolidated agencies' core budget total of \$1,387,000 for mail services less Central Mail Services' FY 08 operational costs of \$955,000, which resulted in annual savings of more than 30% or over \$430,000 for FY 08.

The postage savings is measured by the difference between the fixed postage rate of \$0.369 previously charged by University of Missouri Campus Mail Services and Central Mail Services' annualized average postage rate of \$0.34 multiplied by 11.8 million pieces of mail (99% of the annual volume of 12 million). The ongoing annual postage savings is more than \$342,000.

The equipment savings is determined by projecting the replacement cost for eighteen non-compliant mail machines no longer needed with the consolidated mail operation, a one-time savings of \$378,000.

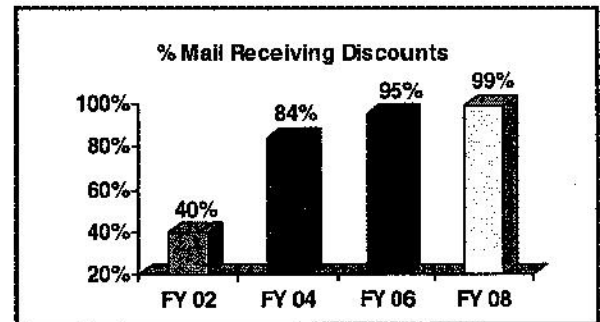
2. Are the benefits derived from this project: (Check only one.)

☒ Recurring ☐ One-time

3. Please explain in 300 to 500 words.

The benefits and savings from mail consolidation are recurring and are expected to grow over time. As the economy adjusts to sky-rocketing fuel prices and the ripple-effect is felt across state government, the benefits of mail consolidation will continue to increase in value. With the centralized mail operation there are now sixteen fewer mail vehicles to fuel and maintain, reducing annual mileage by more than 100,000 miles and annual fuel consumption by more than 7,500 gallons. Additionally, there are twenty-two fewer mailrooms, eighteen fewer mail machines requiring maintenance and replacement and ten fewer employees performing the same level of service to state agencies. Even greater savings is anticipated with future consolidation of agency mail operations.

Postage savings will also continue to accrue through postal discounts achieved by presorting mail on the MLOCR. Based on current trends and escalating operational costs, the USPS is expected to continue raising postal rates on an annual basis. Higher rates will compel agencies to look for ways to obtain the greatest postage discounts, which are only achieved by maximizing the volume of mail presorted on the MLOCR. Central Mail Services currently processes more than 40% of the state's total mail volume and 99% of that mail achieves significant postage discounts. Just maintaining the current annual volume of 11.8 million pieces of presorted mail at the same level of discount, the State of Missouri can save more than \$1.7 million in postage costs alone over the next five years.



Future plans to co-locate State Printing and Central Mail Services in the same facility will provide additional opportunities for savings through shared resources, multi-shift operations and enhanced focus on designing and configuring the most cost-effective print-to-mail products and solutions.

V. RECOGNITION/AWARDS

1. Has this project ever been nominated for the Governor's Award for Quality and Productivity? If yes, when?

No

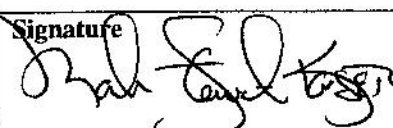
2. If yes, for which category was it nominated?

N/A

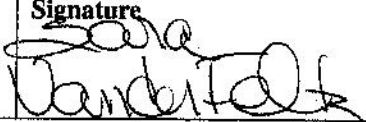
3. Has this project received any other awards or recognition in the past? If yes, describe.

N/A


VI. NOMINATOR'S INFORMATION

NOMINATING DEPARTMENT			
Office of Administration			
Name	Signature	Telephone Number	E-Mail Address
Mark S. Kaiser, Director of General Services		751-4656	Mark.S.Kaiser@oa.mo.gov

VII. DEPARTMENT COORDINATOR INFORMATION

DEPARTMENT Office of Administration			
Name Sara Vanderfeltz	Signature 	Telephone Number 751-0337	E-Mail Address Sara.Vanderfeltz@oa.mo.gov

VIII. DEPARTMENT DIRECTOR APPROVAL

DEPARTMENT DIRECTOR'S NAME L. J. Vanderfeltz, Commissioner of Administration	DEPARTMENT DIRECTOR'S SIGNATURE 
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Nominations must be signed ONLY by the Department Director to be eligible for consideration.
Nominations not signed by the Department Director will be returned.