

Managed Competition Pre-competition Assessment Report

General Services Department:
Publishing Services Division
Bindery and Reproduction Services/ Graphic Design

October 2010

The Pre-competition Assessment Report was prepared in accordance with the Managed Competition Guide dated July 26, 2010. The report was prepared by the Business Office with Assistance from a PCA Team consisting of subject matter experts from the Publishing Services Division.



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I. INTRODUCTION

Managed competition is a structured, transparent process that allows public sector employees to be openly and fairly compared with independent contractors for the right to deliver services. This strategy recognizes the high quality and potential of public sector employees and seeks to tap their creativity, experience and resourcefulness by giving them the opportunity to structure organizations and processes in ways similar to best practices in competitive businesses, yet still compatible with public sector realities.

The first step in managed competition is to conduct a Pre-Competition Assessment (PCA) to evaluate whether a function is eligible and appropriate for competition. The purpose of this report is to document the PCA of General Services Department (GSD), Publishing Services Division.

II. OVERVIEW OF FUNCTION

A. Background

The City of San Diego operates a full service, in-house reprographics operation known as Publishing Services. Publishing Services provides a variety of reprographics functions, including graphic design, web design, electronic publishing, lithography, press operations, high-volume reproduction (quick print), bindery (finishing) services, and administration of the City's photocopier program.

Publishing Services operates from the City of San Diego Concourse in the downtown Civic Center complex, with easy access for customers at the City Administration Building, Civic Center Plaza Building, and other outlying locations. Standard Publishing Service work hours are 7:30 am to 4:30 pm, Monday through Friday with the ability to operate during nights and weekends as demand requires. Publishing Services accepts work either via walk-in customers, over the phone, or through the internet (e-mail).

This pre-competition assessment covers Publishing Services, which is made up of the Bindery and Reproduction Services function (including lithography and offset press operations, bindery (finishing) services, and high-volume copying (reproduction), the Graphic Design function (including standard graphic design, web design and electronic publishing), and the administration of the City's City-wide photocopier contract. Table 1 provides the staffing table for Publishing Services. A further discussion of the tasks performed in these areas is in Section II.B. Please note that ~~REDACTED~~ of the ~~REDACTED~~ graphic designers are dedicated to individual departments (Department of Information Technology and City Planning and Community Investment Department) and are fully reimbursed through Service Level Agreements, leaving the Graphic Designers and ~~REDACTED~~ Electronic Publishing Specialists to support the City's remaining requirements.

Job Title	FTEs
Print Shop Supervisor	
Bindery Worker II	
Bindery Worker III	
Senior Offset Press Operator	

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PLAYING FIELD IN COMPETITION**

Job Title	FTEs
Lithography Technician	
Graphic Designer	
Electronic Publishing Specialist	
Admin Aide II	
Account Clerk	
Clerical Assistant II	
ISA II	
TOTAL:	

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PLAYING FIELD IN COMPETITION**

Table 1 – Publishing Services Staffing

B. Scope of Work and Grouping of Tasks and Activities

One of the most important steps in the PCA process involves delineating the tasks included as part of the function and determining which activities are suitable for managed competition. This task is completed through scoping and grouping. The objective of the scoping and grouping process is to clearly identify the activities and Full Time Equivalent (FTE) positions under review and determine if those activities can logically be included in the managed competition. The result of this effort was the high-level Work Breakdown Structure (WBS) depicted in Table 2.

Publishing Services	
#	Tasks
1	Operate lithographic lab
1.1	Strip and develop negatives
1.2	Make plates
1.3	Transfer files
1.4	Mix chemicals
1.5	Run contacts of prints/negatives
1.6	Fill out negative jackets
1.7	Maintain machines
2	Operate presses
2.1	Hang plates
2.2	Mix inks
2.3	Operate presses (including press set-up and clean-up)
2.4	Maintain presses
3	Provide reprographic services
3.1	Operate copiers
3.2	Inventory paper and supplies
3.3	Proof materials after initial copies
3.4	Scan materials
3.5	Format files and materials (including creating pdf's and burning compact discs)
4	Operate Bindery
4.1	Ship materials (receive and deliver)
4.2	Cut materials
4.3	Number materials
4.4	Score and/or perforate materials
4.5	Collate materials
4.6	Fold materials
4.7	Bind materials (using various methods including stitching)
4.8	Prepare materials for distribution and/or transport (through e.g., padding, and shrink-wrapping)

Publishing Services	
#	Tasks
4.9	Three-hole punch materials
5	Manage bindery and reproduction activities
5.1	Provide customer service
5.2	Manage workflow and taskings
5.3	Control quality
6	Graphic Design
6.1	Customer service client contact, discuss job specifications
6.2	Product design & layout concept, design, layout proof
6.3	PowerPoint presentations concept design, layout presentation
6.4	Electronic file retrieval & maintenance file search to update prior jobs, file archiving
6.5	Electronic file formatting & file conversion troubleshoot, repair and format client files
6.6	Photography services prepare items for photo shoots
6.7	File transfer prepare & verify file content, receive client approval prior to transfer to print
7	Website Design
7.1	Customer service interact with all departments daily
7.2	New and redesigned web sites meet with customers to brainstorm sites
7.3	On-going web site maintenance daily updates to SanDiego.gov and Citynet
7.4	Monitor graphic and PDF file uploads ensure properly formatted files are used
7.5	Web design documentation refer to web guidelines manual
8	Electronic Publishing
8.1	Customer service client contact, discuss job specifications
8.2	Fillable forms create PDF and create fillable forms
8.3	Office stationary produce & update B/cards, memo pads, letterhead, envelope shells and pre press product
8.4	Electronic file retrieval & maintenance
8.5	Electronic file formatting & file conversion
8.6	CD duplication copying, labeling and packaging digital format to disk
8.7	File transfer coordinating file transfers with print staff from client or archives
8.8	Layout create layout for various products
8.9	PowerPoint presentations concept design, layout presentation
8.10	Photography services prepare items for photo shots
9	Photocopier Program
9.1	Photocopier contract administration
9.2	Serve as clearinghouse for departmental requests for photocopier placements, replacements, and removals
9.3	Process invoices
9.4	Coordinate copier movements with vendor

Table 2: Work Breakdown Structure

In summary, Publishing Services performs work in nine major areas, including lithography operations, press operations, bindery services (finishing) and reprographic services (high-volume copying), standard graphic design (conceptualization, design and layout of proofs and presentations; file archiving, formatting and manipulation; and occasional photography services), web design (includes development of new websites and redevelopment of old websites; on-going website maintenance; and the formatting of files), electronic publishing (includes creation of fillable forms and office stationary templates; CD duplication, and electronic file formatting and conversion in preparation for press printing), and administration of the City-wide photocopier program. The tasks and activities included in the function are evaluated as a group because they are performed as such, could be performed as such by an outside vendor, and can be evaluated commonly with regard to risks, legal limitations, and economic and efficiency gains.

In addition to the services currently provided by Publishing Services, further savings may be achieved by adding printer acquisition, maintenance, and disposal to the scope of a Publishing Services Competitive Procurement. This function currently resides with the City's Department of Information Technology and the San Diego Data Processing Corp.

C. Baseline Cost Estimate

An important requirement of is to determine the baseline costs for the function being considered for competitive procurement. The baseline costs serve as the starting point to determine future cost savings that may be generated as a result of a managed competition. Publishing Services calculated baseline costs based on the Budget Summary Reports for Fiscal Years (FYs) 2010 - 2011. Included in the baseline cost estimate are both budget and "actual" expenditure for each FY. For FY2011, because it is early in the fiscal year and no year-end projections have yet been made, we cannot provide a Fiscal Year 2011 estimated expenditure and revenue figure at this time. Table 3 details the baseline costs estimate for the Bindery and Reproduction Services function, as well as the Graphic Design function and photocopier program.

Category	Fiscal Year 2011	Fiscal Year 2010	Actual Expenditures
	Budget	Budget	
Total Personnel costs			
Salary			
Fringe			
Overtime			
Other Pay			
Other Department Support Staff			
Non-Personnel Expense (NPE) costs			
Supplies and Material Costs			
Equipment			
Rental costs			
Travel Costs			
Energy Resources/Utility costs			
Data Processing costs			
Facility			
Contracted Printing Services			

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Category	Fiscal Year 2011	Fiscal Year 2010	Actual
	Budget	Budget	Expenditures
Other NPE			
Personnel liability and casualty insurance costs			
Property and Capital			
Minor Items (10% replacement value)			
Total Costs			
Total Revenue			

Table 3: Publishing Services Function Baseline Cost Estimate

Important to note in Table 3 is that this function operates at **REDACTED**. The costs in Table 3 **REDACTED** would be considered in the development of an employee proposal cost, per the Managed Competition Cost Comparison Guide.

D. Workload, Performance, and Property Data

Workload, performance, and property data are critical to developing a Statement of Work (SOW), should a function move to competitive procurement. The range and depth of available workload/performance/property data also are important factors in determining a future competition schedule. In conducting this assessment, the following criteria were evaluated to establish the current level of data available.

Category	Criteria	Status
Availability of Workload Data	Does workload data exist for the function for the last fiscal year?	Yes
Existing Systems Used to Track Workload Data	Does the function track workload using an automated system?	Yes
Consistency of Workload (year to year)	Has the function tracked workload for at least the last three years?	Yes
Reliability of Workload	Is the function tracking workload consistently?	No
Ability to Project Workload	Can the function accurately project future workload?	Yes
Tracking Performance Levels	Does the function currently track the performance level of the In-House Workforce?	No
Tracking Government Property	Does the function currently have a property tracking system?	Yes
Overall Workload Status	A system(s) exists to collect workload for a majority of the activities. The accuracy of the system(s) needs improvement and will require validation.	

Table 4: Publishing Services: Workload Assessment Criteria

In 2009, Publishing Services converted to SAP work management system to be consistent with the City's transition to OneSD; however, this system is the first of its kind and is not yet yielding reliable data. While improvements have been made in the reliability of the data during the past year, the lack of reliable workload data for the most recent fiscal year is a challenge for developing an accurate SOW and bid. Historical data may need to be utilized when necessary.

Prior to the 2009 conversion in work management system, Publishing Services had a system to collect workload for a majority of its activities. However, while the accuracy of the system was considered relatively sound, validation of data will be required as there may be errors. Identified concerns with the previous work management system include inconsistent estimating functions (like jobs being estimated and billed at different costs), billing and cost recovery discrepancies (instances where the system is either over-billing or not properly recovering all necessary costs), and other general complexities with the software which made it difficult to achieve consistency and standardized operation of the function.

Publishing Services has expressed concern about being able to project its workload in light of the continued budget reductions across the City and changes in technology that make forecasting future workload somewhat complicated.

III. ANALYSIS OF ELIGIBILITY AND APPROPRIATENESS FOR COMPETITION

Per the Managed Competition Guide, the PCA report should evaluate each function according to the following criteria:

- Inherently Governmental Determination – evaluates whether a function, activity or task is “so intimately related to the exercise of the public interest as to mandate performance by City personnel”;
- Legal Limitations – assesses whether there are legal restrictions regarding a function, activity or task being competitively procured;
- Risks to Competition – considers the degree to which contracting a function would expose the city to risk or liability including service interruption, financial liability and damage to public trust, and how that risk assessment compares to an assessment of the risks of the status quo.
- Risks to Public Welfare – evaluates whether contracting a function is contrary to the best interests of the public;
- Availability of Alternatives – examines whether a sufficient market exists and whether the City would be likely to receive at least two responsible and responsive proposals;
- Efficiency Gain – assesses whether a function is performing at known industry standards and whether potential for improving results in a competitive market exists; and
- Economic Gain – considers existing costs to perform a function and whether significant savings might be achieved through competitive procurement.

These criteria provide the framework for assessing the eligibility and appropriateness for Bindery and Reproduction Services/Graphic Design function to proceed further into competitive procurement.

A. Inherently Governmental Determination

According to the Managed Competition Guide, inherently governmental functions are defined as “those services so intimately related to the exercise of the public interest as to mandate their performance by City employees.”

Using this definition the Publishing Services PCA Team does not identify Publishing Services as inherently governmental functions due to the fact it is often outsourced by other governments, it is not a policy-setting function, and competing the function will not pose a threat to public welfare.

B. Legal Limitations

If there are legal limitations (e.g., City Charter, State ordinances) that preclude the City from allowing an outside entity to perform a function on its behalf, this should be identified as part of the PCA.

The Publishing Services PCA Team could not identify any legal limitations to subjecting the Publishing Services functions to competitive procurement, nor could the City Attorney.

C. Risks to Competition

Risk analysis considers the degree to which contracting out a function would expose the City to risk or liability, including service interruption, health and safety issues, financial liability, and damage to public trust, and how those risks compare to the risks of the status quo.

The Publishing Services PCA Team identified one potential risk to competition that needs to be addressed during the SOW phase, namely the risk associated with the unauthorized release of confidential materials to the public via a contractor.

Publishing Services produces a variety of materials for City departments. Some of these materials become public information, such as City Council Docket information and the annual budget. Other materials are either confidential or have heightened security, such as personal information listings for public safety personnel, police citation forms and job testing packages. Such materials, if released, would present either safety or security concerns for the City or City personnel, or could provide unfair advantage to particular groups of constituents. It is also acknowledged that information could also be leaked via internal City staff. Steps should be taken to minimize this risk.

D. Availability of Alternatives

Another element of the competition criteria is identifying the potential market that exists for the function under review. The Managed Competition Guide requires that at least two independent service providers submit proposals during a managed competition or the Managed Competition Independent Review Board will not recommend awarding a contract to an independent contractor.

The Publishing Services PCA team identified a number of private sector companies that may be interested in participating in a managed competition process. The companies identified include:

- Vendors which Publishing Services currently sends work in the event of surge workload or an excess of “rush” jobs necessitating external assistance
- Companies that have equipment to produce specialized products that Publishing Services cannot do in-house with its existing equipment.
- Companies that other local jurisdictions contract work to

Of the vendors that Publishing Services currently subcontracts with, eighteen were identified as potentially interested in competing (see Table 5). Also, Purchasing and Contracting has identified an additional 43 registered vendors who may be interested. In addition, the Publishing Services BPR team benchmarked its services against a variety of external vendors in the fall of 2006, further showing the availability of alternatives in the local market.

Contractor Name	Description
Commercial Press	Specializes in sheet-fed commercial printing with an emphasis on high quality printing.
Data Controls	Specializes in printing, packaging and promotional products.
Del Mar Blue Print	The City of Solana Beach currently contracts most of their printing and bindery services to Del Mar Blue Print. They offer a wide range of copying, printing, and graphic design services along with delivery.
Diego and Sons Printing	Specializes in business communications needs
Eagle Printing & Graphics	Eagle is a complete graphic design and printing service.
Express Printing	The City of Solana Beach currently contracts with Express Printing for their business card needs. They offer concept design, desktop publishing, color printing, copying, and promotional printing and packaging.
Golden State Graphics	Golden State Graphics is a full service printing and prepress company.
Harold Pittman	Harold Pittman's specialty is imaging and printing technologies, in addition to traditional design products. They offer a full range of imaging equipment and digital tools.
IPM Lithographics	Full service print solutions provider, offering print products, mailing services, large format printing and web design.
Konica-Minolta	Konica-Minolta supplies multi-function printer/copiers City-wide under a multi-year contract. Provides advanced imaging and networking technologies for the desktop to the print shop.
NebCal	Commercial lithographic printing; book binding service bronzing or gilding or edging or deckling, Velo binding services, case making services, thread stitch bookbinding, spiral binding, glued binding, comb or clamp type binding, binding restoration or repair
OCB Reprographics	Full-service reprographics firm, providing highly specialized capabilities and custom consulting services.

Contractor Name	Description
OCE North America	Digital document management and delivery technology services.
RanRoy Printing	RanRoy delivers electronic prepress, one-to-six color presses, foil stamping and embossing, die cutting, graphic design services and silkscreen printing
Ricoh Corp	Provider of digital office equipment, including color and black & white multifunctional products consisting of copiers, printers, facsimile systems, scanners, digital duplicators and wide format copiers.
Transamerican Direct	Services include creative, printing, database management, laser printing, lettershop, fulfillment and personalized direct e-mail, and electronic statements
Workflow One	Workflow One provides marketing services, graphic design, print production, promotional product sourcing, warehousing, fulfillment and distribution.
Xerox	Xerox Corporation offers an array of innovative document solutions, services and systems -- including color and black-and-white printers, digital presses, multifunction devices and digital copiers -- designed for offices and production-printing environments. It also offers associated supplies, software and support. The County of San Diego currently contracts for \$15 million with Xerox for all of its printing needs. They also have a 'piggybacking' option to their contract.

Table 5: Potential Alternative Service Providers

E. Efficiency Gain

The efficiency gain analysis should be based on recent benchmarking data that indicates a service performed by an incumbent function is currently provided at or below known industry standards for efficiency. If this is the case, there may be high potential for improving results in a competitive market.

The Publishing Services PCA team has not been able to determine any industry standards or benchmarking data which would indicate whether there are efficiencies to be gained through the competition process.

F. Economic Gain

The economic gain analysis is aimed at determining whether savings can be achieved through the competitive procurement process. The determination should be based on net savings weighed by similar or enhanced service levels.

In a November 2006 benchmarking analysis performed by the Publishing Services BPR team, over fifteen (15) local vendors were surveyed for their costs of providing over sixty (60) products and services. This benchmarking was conducted by cold calling a random assortment of local graphic design providers and anonymously requesting their hourly cost to provide graphics services. For this 2010 PCA Report, the Business Office conducted more research, the results of which are displayed in Table 6.

Black & White Copies/8.5" x 11" Paper/One-Side/20# Recycled Paper/ Qty. 500	
Service Provider	Cost
Alta Copy	
FedEx Office	
Office Depot	
Rancho Bernardo Print Pros	
Sir Speedy	
Staples	
External Mean	
External Median	
City of San Diego Cost	

Flyers (Black & White)/8.5" x 11" Paper (One-Side)/60# White Offset /Flat/ Qty. 2500	
Service Provider	Cost
Alpha Graphics	
Fletcher Hills Printing	
SOS Printing	
Mean	
Median	
City of San Diego Cost	

Business Cards/3-Color (one metallic) 80#/500 3-Side Bleed/White Linen Cover/Qty. 500	
Service Provider	Cost
FedEx Office	
Sir Speedy	
Staples	
External Mean	
External Median	
City of San Diego Cost	

Color Copies/20# Recycled Paper/8.5" x 11" Paper/Two-Side/Qty. 1000	
Service Provider	Cost
Alta Copy	
FedEx Office	
Office Depot	
Rancho Bernardo Print Pros	
Sir Speedy	
Staples	
External Mean	
External Median	
City of San Diego Cost	

Carbonless Forms (4-Part)/8.5" x 11" Paper Size/Black Ink/One-Side, 20#/ Qty. 500	
Service Provider	Cost
Alta Copy	
FedEx Office	
Office Depot	
Rancho Bernardo Print Pros	
Sir Speedy	
Staples	
External Mean	
External Median	
City of San Diego Cost	

Black & White Copies/11" x 17" Paper/Two-Side/20# Recycled Paper/Qty. 500	
Service Provider	Cost
Alta Copy	
FedEx Office	
Office Depot	
Sir Speedy	
Staples	
Team Reprographics	
Mean	
Median	
City of San Diego Cost	

Brochures/4 Color/2 Side/8.5" x 11" Paper/Full Bleed 80#/Gloss Text/Letter Fold/Qty. 1000	
Service Provider	Cost
Alta Copy	
Sir Speedy	
Fletcher Hills Printing	
Printing For Less (Online)	
External Mean	
External Median	
City of San Diego Cost	

Table 6 – Bindery and Reproductive Services: Commercial Benchmarks

As shown in Table 6, the City of San Diego Bindery and Reproduction Services function provides products and services at rates **REDACTED** than private vendors. It should be noted that while this analysis focuses on each individual service, more aggressive pricing may be offered by contractors in packaging all or several services together, based on volume discounting.

A further study occurred from late 2006 to early 2007 when Publishing Services underwent a Business Process Re-Engineering (BPR) effort to determine if there was a better way to provide reprographic services by City staff to City customers. The BPR identified several recommendations which if implemented, would further increase effectiveness and efficiency. City Council approved the Publishing Services BPR on May 21, 2007, and implementation is 100% complete. Some phase II BPR recommendations have not been implemented and their potential effectiveness have not been quantified.

Currently, based strictly upon cost of service, the graphic design function is **REDACTED** when compared to the local market. In a November 2006 benchmarking analysis performed by the Publishing Services BPR team, five local vendors were surveyed for their hourly rate to provide graphic design services. This benchmarking was conducted by cold calling a random assortment of local graphic design providers and anonymously requesting their hourly cost to provide graphics services. While acknowledging that we do not know what components went into the vendor rates, the assumption is that the comparison is between City of San Diego costs versus fully loaded vendor rates. The results have been updated for this report and are displayed in Table 7.

Graphic Design	Hourly Rate
City of San Diego (FY10 cost recoverable rate)	REDACTED
Alpha Graphics	\$80
ALTA Copy	\$70
FedEx Office	\$99
Jacob Tyler	\$150
SO Cal Graphics	\$75
External Mean	\$95
External Median	\$80

Table 7 – Commercial Graphic Arts Benchmarks

The City-wide photocopier program is already provided via a contractor, Konica-Minolta. At this time, Publishing Services administers the Konica-Minolta contract by serving as a clearing house for City departmental requests for new copiers, changes in copiers, and removal of copiers. The Konica Minolta multi-year contract is currently in its last option year. There is potential for economic gain by re-competing this contract, especially as an optional package with the rest of the Publishing Services functions.

In addition to the services currently provided by Publishing Services, further savings may be achieved by adding printer acquisition, maintenance, and disposal to the scope of a Publishing Services Competitive Procurement. These functions currently reside with the City's Department of Information Technology and the San Diego Data Processing Corp.

It should be noted that this analysis looked at individual functions and services. A more likely scenario as a result of competitive procurement is a contract that combines all or large groupings of these services such that a significant volume discount would be realized over the price quotes cited above.

IV. CONCLUSION

Based on the information included in this PCA report, the Publishing Services function may be eligible and appropriate for competitive procurement given that the function:

- Is not inherently governmental
- Is not limited, legally, from conducting a managed competition
- Has an established competitive market
- Does not present significant non-mitigateable risks
- Does not present a detriment to public welfare
- Displays a potential for significant economic gain (Publishing Services).

