



WASHINGTON STATE DEPARTMENT OF PRINTING



BUSINESS PLAN

2007-2009



WASHINGTON STATE DEPARTMENT OF PRINTING

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or

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Executive Management Team:

Acting Director – Pam Derkacht

Assistant Director – Dan Swisher

Employee Services Manager – Laura Kirschner

Executive Assistant – Kathy Forbes

Chief Financial Officer – Don Goldsby

Operations Manager – Doug Dow

Technology and Contracting Manager – Pam Derkacht

Table of Contents

Vision, Mission , Statutory Authority	1
Department of Printing	3
Products and Services	5
Customer Service	5
Design Services	5
Prepress	5
Variable-Data Printing	6
Printing	6
Estimating	6
Copy Centers	6
Mailing and Distribution	6
Binding and Finishing	7
Fulfillment	7
Marketing	7
Print Management	7
Business and Customer Knowledge	9
Business	9
Customers	10
Financial and Security	11
Audits and Reviews	11
Financial Analysis	11
Property, Plant & Equipment	12
Rates	12
Performance Measures	13
Appendix	15
Department of Printing Revenue	16
Department of Printing Internal Income Statements	17
Equipment Aging Report	18

Vision

To become the Printer and Employer of Choice

Mission

The Department of Printing will exceed customer expectations

Statutory Authority

The law establishing the office of the Public Printer was approved by the first session of the Washington Territorial Legislature in 1854. At this time the Governor selected one Public Printer from among the private printers and this printer was commissioned to do all the printing and binding for the state and all the state departments. In 1933 the legislature passed a law creating the Department of Printing as a state agency and authorized it to operate as a non-appropriated revolving fund. The legislation guiding the Department of Printing is contained in the Revised Code of Washington, Chapter 43.78

Department of Printing

The Department of Printing (PRT) offers comprehensive document production services from design to delivery, with an emphasis on customer service, environmental responsibility and a commitment to saving both customer and taxpayer dollars.

PRT's services are available to all Washington State agencies, boards, commissions, institutions of higher education and political subdivisions.

Our main facility, located in Tumwater, Washington, houses our printing, bindery, mailing and distribution facilities as well as our large Document Center. These services are available 24 hours a day, five days a week. In addition, we operate several Copy Centers in the Tumwater/Olympia/Lacey area for our local customers' convenience and Internet-based applications allow us to serve citizens worldwide. Our Fulfillment Center, which has grown significantly over the last two years, has been relocated to 79th Avenue across from the Tumwater airport.

The Department of Printing operates as an Internal Service Fund. This means the agency is entirely self-supporting and operates on a cost-reimbursement basis. It does not receive any funding from the State of Washington's General Fund.

The Department of Printing's Acting Director is Pam Derkacht. The Governor appointed Ms. Derkacht to this position on May 8, 2006. Dan Swisher was appointed as Assistant Director in April 1998 and manages the day-to-day operations of the main facility, including Customer Service, Finance, Purchasing, Estimating, Prepress, Printing, Binding, Fulfillment, Mailing, Copy Centers and Distribution. The additional members of the Executive Management Team include Employee Services Manager – Laura Kirschner, Executive Assistant – Kathy Forbes, Chief Financial Officer – Don Goldsby, Operations Manager – Doug Dow and Technology and Contracting Manager Pam Derkacht.

Products and Services

Customer Service

Customer Service Representatives (CSR) are the single point-of-contact for each customer. They assist our customers with:

- Answering questions
- Receiving new orders
- Tracking the status of jobs
- Planning upcoming projects
- Discussing improvements to PRT's services
- Provide information concerning new services
- Consult with customers on printing needs
- Guide customers through complexities of ordering printed products

They play an integral part of each job produced by the Department of Printing. They ensure that customers receive excellent service and product quality.

Design Services

Design Services helps customers start their projects on the right track by assisting with:

- Concept planning and consultation
- Agency identity and logo design
- Page layout and image placement
- Creation of electronic document files and artwork

Use of Design Services allows for professional documents at an affordable price. Additionally since PRT's designers are experienced in prepress and the printing process, they are uniquely qualified to design projects that can be produced and distributed cost effectively.

Prepress

The Prepress Department is primarily responsible for transforming electronic print files and camera-ready art into printing plates. The technicians impose the document, laying out the pages in the proper location for printing. They then ensure that multiple-color jobs are trapped correctly and add all necessary fold marks, crop marks and color bars to the negatives. They provide several types of proofs depending upon customer requirements.

Variable-Data Printing

Variable–data printing is a digital printing process that places information and graphics into specific areas of a document template so each printed copy is unique and targeted at a specific individual. Variable-data printing is commonly used for items such as statements, invoices, customized letters and targeted marketing materials. Two electronic files are necessary to produce a complete variable-data document – a page layout template and a data file. The page layout template contains areas designated as variable-data inputs that will be different on every copy. When the job is printed, information from the data file is placed in the variable areas of the template to produce a series of unique documents.

Printing

The Department of Printing offers complete printing services from simple one-color letterhead to full-color educational manuals. The press area contains a wide variety of equipment including:

- Small two-color presses for printing paper up to 20" wide
- Two-color envelope press
- Large one, two and four-color presses for printing paper up to 40" wide
- Six-color press with aqueous coater for printing up to 28" wide
- Eight-color web press with inline folding for documents up to 17" wide

Estimating

Cost estimates are produced by calculating the cost of the labor necessary to complete a job and adding the cost of the materials involved. Customers may request an estimate through the online estimate request form available on the Department of Printing website (www.prt.wa.gov) or by contacting their Customer Service Representative.

Copy Centers

Copy Center service is available 16 hours a day, five days a week, with weekend service available upon request. In addition, each center is equipped with digital equipment capable of producing original–quality copies from your electronic files or hard-copy originals. A few of the services offered through the Copy Centers include:

- Black-and-white or color photocopies
- Transparencies
- Tabs
- Comb or thermal binding
- Free inline stapling

Mailing and Distribution

The Department of Printing offers complete mailing and distribution services to reduce the amount of time spent on mailings and to cut postage and shipping costs. A few of these services include:

- CASS (Code Accuracy Support System) verifies completeness of addresses, sorts data in zip-code order and adds barcodes to qualify for postage discounts.
- NCOALink system uses address-matching software and the weekly updated US Postal Service change-of-address database to electronically update mailing lists. By utilizing this feature customers save an average of twenty-one cents (\$0.21) per piece for forwarded mail and fifty-nine (\$0.59) cents per piece for returned mail.
- Automated inserting allows a quick insert into a #9 or #10 standard mailing envelope. The inserter is able to analyze barcodes printed on each mail piece to obtain information about which insert pocket, up to eight, is to be included in each envelope.

Binding and Finishing

The Bindery Department offers a wide variety of finishing options to meet every need. Cutting is performed by computerized cutting equipment. Folding can be done on everything from roadmaps to note cards. Along with a computerized collator that gathers up to 30 sheets of paper into sets at speeds of up to 8,000 sets per hour. Binding can be accomplished through any number of ways such as padding, stapling, perfect binding, thermal binding or comb binding. Numbering, perforating or scoring can also be added to any print job and jobs can be finished through boxing or shrink-wrapping.

Fulfillment

Fulfillment offers one-stop printing, assembly, warehousing, order processing and distribution to reduce document printing, storage and shipping costs while increasing customer satisfaction. The Department of Printing offers a web based General Store where customers worldwide can order government publications, videos, CD's and other finished products any time of the day or night. Agencies can offer these items at no cost to the end user or sell the items at a reasonable cost to defray their printing and distribution costs.

Marketing

PRT offers personalized customer education to introduce new services and to help customers use our services more effectively. Printing specialists are happy to go to the customer's offices or for large groups PRT offers training in our main plant in Tumwater. Weekly training is available on the on-line ordering system each Wednesday morning. Customer tours for an actual "hands on" printing experience are available daily from 8:00 am to 3:00 pm with prior reservations.

Print Management

The Print Management program has been in existence through PRT for many years, however, due to changes in the technology of office printing devices and growth of that industry, it has matured into a business model that promises to be viable for many of our state and local government customers. The purpose of the program is to assist organizations in more comprehensively managing all their office printing costs which tend to be a significant portion of their budgets, but have been relatively difficult to identify and control. PRT has assisted the Department of Ecology in implementing a very well developed Managed Print program and is projected to save approximately \$250,000 during this current biennium. Several other agencies are currently taking the first steps toward implementation of a Managed Print environment.

Business and Customer Knowledge

Business

In 2001, 2002, 2003 the Department of Printing was recognized nationally as the number one in-plant printing facility in Sales per Employee and has yet to be out of the top 3. This rating was acquired against very rigorous public and private competition, such as:

- US Government Printing Office
- University of California – Berkeley
- SAFECO
- Wal-Mart Stores
- Boeing
- American Express

In addition, In-Plant Graphics, the leading national magazine for the in-plant printing industry, has written five feature articles regarding the management and printing structure at the Department of Printing.

PRT implemented a structured approach to benchmarking against these leading companies. A database was built to accommodate the information needed for analysis. As financial and performance facts are gathered, the leading industry benchmarks will be noted and used as a standard to measure performance at PRT. Information gathered from the US Census Bureau regarding manufacturing in general and publishing industry specifically is also used for establishing base standards. Currently only the Census Bureau information is used in analysis. Some variance is anticipated since PRT is not a commercial printer. For example, the printing industry standard is 25% - 30% markup on labor and materials while PRT is limited to a 5% markup on materials.

The Manager of each program area will be responsible for identifying the specific actions and responsibilities of their program area in the support and implementation of the goals and objectives defined in the Strategic Plan and the support of the agency's mission and values.

The Department of Printing has implemented a combined use Strategic and Business Plan format. This will unite two processes into one and provide a clearer pathway for employees and others in their analysis of where the Department of Printing is headed and how it intends to get there.

Customers

Customer knowledge is assembled through a variety of means and media. The Customer Service Representatives (CSR) and management team members initiate daily interaction with customers through personal visits, telephone calls, e-mails and faxes. The agency conducts regular customer training on the on-line ordering system. Two Customer forums are scheduled throughout the next year. PRT also is developing a new customer survey and will publish these results for all employees to review. In addition to this, industry trends, new products/services, and other items pertinent to printing are actively reviewed on an on-going basis.

Savings to customers is tracked through updated use of the bidding process. When bids are received from the vendors the price information is entered into the computer for analysis. On a regular basis these reports are reviewed to calculate changes in vendor bidding and savings achieved for customers. These savings will assist PRT employees when they meet with customers and during focus group discussions. Additional insight was garnered when PRT analyzed its printing revenue against the printing costs stated in the state's Combined Annual Financial Report (CAFR). It appears that almost half of the state's printing is conducted through PRT. While it is recognized that some of the agencies, commissions, etc. that report through the CAFR are not mandated through the Revised Code of Washington (RCW) to utilize PRT, this percentage was insightful as to the possible savings that PRT can offer these agencies. With almost \$71 million being reported in the printing category, even a one percent (1%) savings from PRT to these agencies would be substantial.

Communication to and from customers is on going. Clarification of what services PRT offers and how these services add value or save money is not on the top of most customers' lists. However, with the state's fiscal situation, this is becoming more and more important. Additionally, the CSRs make at least two personal visits to the customers to inform them on money saving ideas and new services that add benefit to their specific core business.

One example of how this communication has affected changes is at DSHS. DSHS incurred a reduction in force (RIF) that affected their printing payment cycle. They eliminated the department that previously handled all of their printing payments and delegated this responsibility to the program division. This required PRT to completely restructure the manner in which DSHS billings are maintained and issued. Upon initiation from PRT, an inter-departmental group with members from production, copy centers and finance met with several DSHS groups to resolve this issue. The outcome included restructuring the billing from one account into more than 230 accounts. PRT will then bill each program level independently with problem solving assistance and oversight from one DSHS department. This also required additional training within PRT as to how the account structure will operate. The implementation of this revised structure was completed in about a month with PRT's portion being completed in less than two days.

Financial and Security

Audits and Reviews

During the past biennium, PRT has participated in two financial audits and are due for one Information Technology review this year. Additionally, an annual risk assessment has been performed. PRT has sailed through all of this scrutiny. While the financial audit and the Information Technology review are required, PRT management also has initiated an Internal Control systems review to ensure that all aspects of financial internal controls were monitored and performed in the most secure manner.

Financial Analysis

Department of Printing analyzes the monthly financial statements in a variety of manners. Revenue is reviewed based upon customer, product type, department and prior year averages. Expenses are reviewed based upon competitive outside costs, percentage by department, product type, industry average and prior historical activity. This past year, PRT has been training Production Managers to review and analyze departmental segments of the Financial Statements for improvements. These managers currently review specific costs applicable to their department, however overhead and general items have not been reviewed. PRT established future revenue targets for each departmental manager, however, as an internal service agency cost-recovery is subject to the market of other state agencies and at this time cannot be guaranteed. (Appendix I A – Departmental Revenue)

In attempts to improve its financial basis, PRT instituted structured job setup. This is especially difficult since each job printed by PRT is a unique and specialized job. To assist with this, standardized layouts have been prepared as well as review of alternate layouts for better quality, faster production and alternate equipment use. Paper and color alternatives are reviewed when applicable for additional savings.

Seven years ago, the new Public Printer requested an audit of the cash maintained by PRT. When the audit was conducted it was noted that PRT maintained cash in excess of its working capital limitation. Several changes were made to the operating structure and equipment was purchased to bring the agency within compliance. Due to the working capital limitation, necessary equipment replacement/purchases and other factors, PRT has incurred a financial loss for the past five years. (Appendix I B – Internal Income Statement) Contract efficiencies, envelope manufacturing, and marketing has lessen the losses over the last year and the department is forecasting a profit for future years.

An efficiency team analyzed expenses, revenue, procedures, processes, prices and vendor alternatives. As a result of the analysis and current business needs, PRT has modified contracts, phased out one service, adjusted production, promoted cost saving services and pursued other printing resources.

Property, Plant & Equipment

Since the printing industry is rapidly undergoing change, the long-term equipment planning is limited. PRT has conducted analysis on equipment replacement for the next five years, however due to industry changes this may or may not be applicable for future purchases. At this time, PRT has identified the following equipment :

- Four color Press 40 inch
- Variable printing device for the Web Press
- 2 color Press 40 inch
- Jet Envelope Press
- Web Press 3-Hole Cartridge
- Padder
- 3-Hole Drill
- Sheet Counter
- Scitex Ink Jet
- New Servers (Prepress & IT) 3 per year
- Mechanical Proofer

Fulfillment has packaged and delivered over 40 million items during the past year and current growth will necessitate an increase in the physical space maintained by PRT during 2007. Several alternatives are being reviewed for when this becomes necessary. Additionally, it is anticipated that there will be equipment failures with some of the older pieces of equipment. At this time the aging of equipment is noted annually (See Appendix II – Equipment Aging), however, in most cases, actual replacement will not be initiated until the equipment fails.

Rates

Production rates are set using Franklin Printing Catalogue, “Franklin Guide”, as established in the Revised Code of Washington (RCW 43.78.0808). Rates not specifically mentioned in the Franklin Guide are calculated based upon actual costs incurred by PRT. Unlike commercial printers all PRT labor rates are billed with no markup. Materials are billed to customers at actual cost plus five percent (5%) (RCW 43.78.100).

Performance Measures

Goal: Increase Customer Service, satisfaction and efficiency of the Copy Centers.

Measure:

- 95% Customer Satisfaction
- Two Customer Forums
- Relocate Copy Centers to new Business Centers
- 10% increased use of PRT on-line services

Goal: Create an awareness of the State Printer to local, regional and national customers

Measure:

- 100 promotional visits to local and regional customers
- Publish Smart Buy savings by State Agency
- Two Open House functions at the Main Plant
- One Open House function at each Copy Center and Fulfillment

Goal: Increase the customization and personalization of printed government documents and information based on unique customer needs.

Measure:

- Three new variable print opportunities identified and functioning
- One new service provided in partnership with another State Agency
- Purchased Web variable data machinery

Goal: Provide superior storage and distribution management

Measure:

- 10% Increase of Customer Base
- Produce Electronic inventory reports



Appendix



Department of Printing Revenue

Appendix I A-Rev

Category	2004	2005	Projected 2006**	Projected 2007	Projected 2008	Projected 2009
Pre-Press	\$ 729,245	\$ 839,012	\$ 780,509	\$ 780,000	\$ 790,000	\$ 790,000
Press	3,720,108	3,165,801	3,587,400	3,746,000	3,800,000	3,850,000
Bindery / Shipping	5,302,536	3,861,297	1,458,883	1,500,000	1,550,000	1,600,000
Shipping*			3,538,943	3,600,000	3,650,000	3,700,000
Envelopes*			1,042,406	1,500,000	1,650,000	1,700,000
Mailing	948,903	818,849	1,281,128	1,250,000	1,250,000	1,300,000
Postage	-	-	-	-	-	-
O/S Purchase	14,215,936	16,221,843	13,701,486	13,500,000	13,000,000	13,500,000
Other	110,050	148,865	96,515	94,000	95,000	95,000
Copier/Print Mgmt	1,988,972	1,992,828	915,376	1,000,000	1,100,000	1,150,000
Copy Center	4,470,681	4,819,446	3,944,438	4,000,000	4,280,000	4,415,000
Info Systems	139,546	72,809	46,000	50,000	50,000	60,000
Fulfillment	345,782	803,957	1,226,880	1,400,000	1,700,000	1,750,000
Graphics	98,494	153,096	80,036	80,000	85,000	90,000
Total	\$ 32,070,253	\$ 32,897,803	\$ 31,700,000	\$ 32,500,000	33,000,000	34,000,000
Biennial Revenue	\$ 64,968,056			\$ 64,200,000		\$ 67,000,000

** Based on Actual figures as of 4/30/06

Department of Printing

Internal Income Statements

Appendix I B-P&L

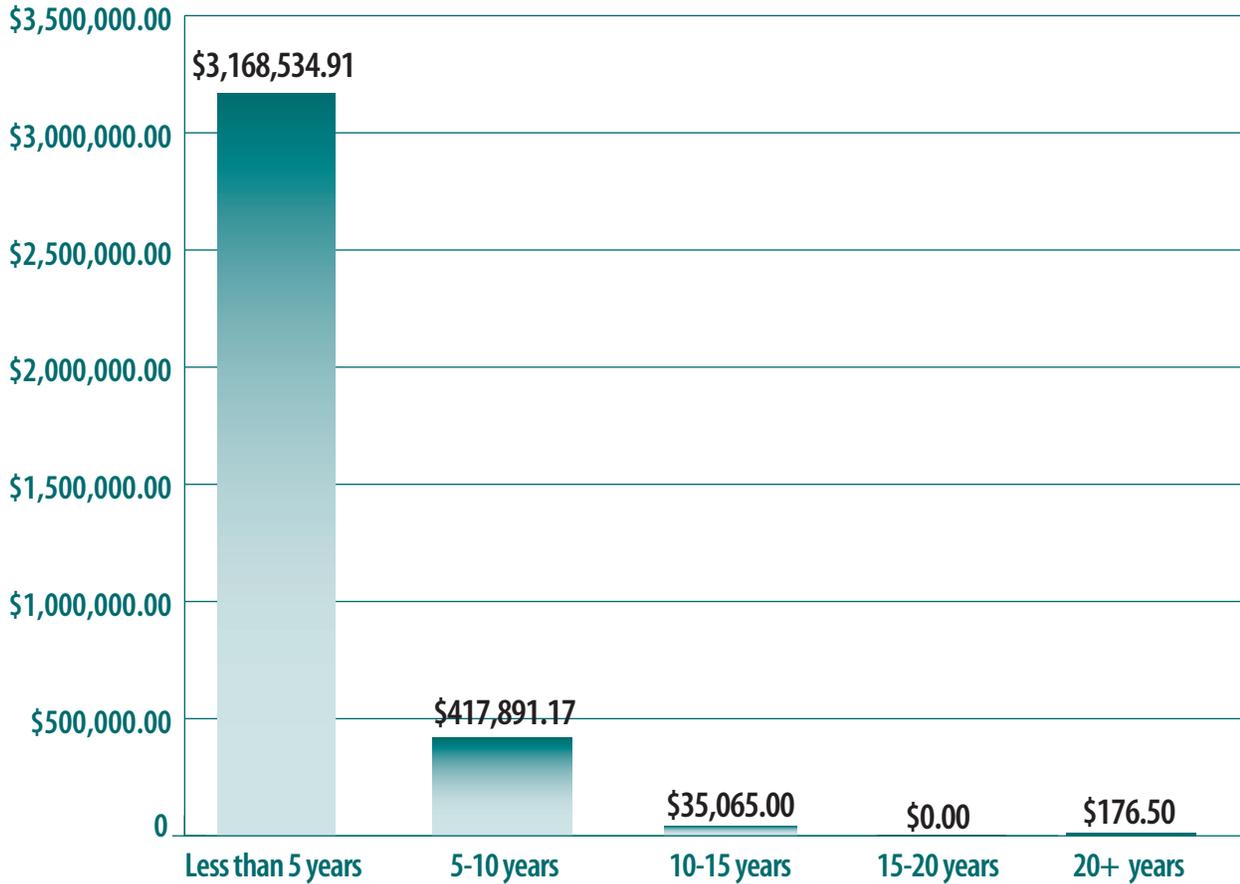
Category	2004	2005	Projected 2006**	Projected 2007	Projected 2008	Projected 2009
Revenue	\$ 32,070,253	\$32,897,803	\$ 31,700,000	\$ 32,500,000	\$ 33,000,000	\$ 34,000,000
Interest Income						
Total Revenue	32,070,253	32,897,803	31,700,000	32,500,000	33,000,000	34,000,000
COGS						
COGS - Direct Labor	(2,880,976)	(2,901,629)	(3,150,000)	(3,200,000)	(3,250,000)	(3,600,000)
Other Employee Benefits	(852,945)	(939,853)	(1,113,600)	(1,120,000)	(1,125,000)	(1,175,000)
COGS Materials	(24,239,595)	(24,331,192)	(22,645,000)	(22,500,000)	(23,000,000)	(23,500,000)
Total Cost of Goods Sold	(27,973,516)	(28,172,674)	(26,908,600)	(26,820,000)	(27,375,000)	(28,275,000)
Overhead						
Salaries	(2,194,366)	(2,287,498)	(2,302,090)	(2,270,000)	(2,170,000)	(2,150,000)
Other Employee Benefits	(439,891)	(557,382)	(653,223)	(565,000)	(515,000)	(510,000)
Supplies & Materials	(155,992)	(177,499)	(145,000)	(125,000)	(125,000)	(130,000)
Repairs & Maintenance	(44,893)	(23,794)	(21,000)	(25,000)	(25,000)	(40,000)
Facilities & Services	(807,986)	(810,054)	(950,000)	(960,000)	(970,000)	(1,000,000)
Data Processing (AFRS)	(313,487)	(252,742)	(100,000)	(130,000)	(135,000)	(200,000)
Depreciation Expense	(1,238,067)	(472,896)	(420,000)	(425,000)	(425,000)	(425,000)
Interest COP Lease	-	(36,025)	(36,000)	(35,000)	(35,000)	(35,000)
Other	(222,347)	(378,648)	(435,000)	(350,000)	(350,000)	(350,000)
Total Overhead	(5,417,029)	(4,996,538)	(5,062,313)	(4,885,000)	(4,750,000)	(4,840,000)
Miscellaneous						
Gain / Loss on Sale of Assets	(263)	(4,763)	(95,000)	(4,000)	(4,000)	(4,000)
Recovery of Prior Period Ins.	-	-	-	-	-	-
Total Miscellaneous	(263)	(4,763)	(95,000)	(4,000)	(4,000)	(4,000)
Total Expenses	(33,390,808)	(33,173,975)	(32,065,913)	(31,709,000)	(32,129,000)	(33,119,000)
Net Income	\$ (1,320,555)	\$ (276,172)	\$ (365,913)	\$ 791,000	\$ 871,000	\$ 881,000

** Based on Actual figures as of 4/30/06

Equipment Aging Report

As of 06/01/2006

Appendix II CAMS Chart





Washington State Department of Printing

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