

**Schedule 13**  
**1331 Emergency Change Request for FY 08-09 Budget Request Cycle**

Decision Item FY 08-09  Base Reduction Item FY 08-09  Supplemental FY 07-08  Budget Request Amendment FY 08-09

**Request Title:** 1331 Supplemental Request: Fleet Services Operating Expenses

**Department:** Personnel & Administration

**Priority Number:** N/A

**Dept. Approval by:** *Nancy Brown*

**Date:** 6/6/08

**OSPB Approval:** *huz*

**Date:** 6/9/08

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Emergency Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
<b>Total of All Line Items</b>	<b>Total</b>	17,746,418	20,922,033	1,875,721	22,797,754	18,515,691	0	18,515,691	0	18,515,691	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	17,746,418	20,922,033	1,875,721	22,797,754	18,515,691	0	18,515,691	0	18,515,691	0
	FF	0	0	0	0	0	0	0	0	0	0
<b>(4) Division of Central Services</b>	<b>Total</b>	17,746,418	20,922,033	1,875,721	22,797,754	18,515,691	0	18,515,691	0	18,515,691	0
<b>Fleet Management and Motor Pool Services, Operating Expenses</b>	<b>FTE</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	17,746,418	20,922,033	1,875,721	22,797,754	18,515,691	0	18,515,691	0	18,515,691	0
	FF	0	0	0	0	0	0	0	0	0	0

**Letternote revised text:** This amount shall be from reserves in the Motor Fleet Management Fund.

**Cash Fund name/number, Federal Fund Grant name:** COFRS Fund 607 (Motor Fleet Management Fund)

**IT Request:**  Yes  No

**Request Affects Other Departments:**  Yes  No **If Yes, List Other Departments Here:**

**CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE --- Emergency Supplemental**

Department:	Colorado Department of Personnel & Administration
Priority Number:	N/A
Change Request Title:	1331 Supplemental Request: Fleet Services Operating Expenses

**SELECT ONE (click on box):**

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09
- Supplemental Request FY 06-07

**SELECT ONE (click on box):**

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Personnel & Administration, Division of Central Services, Fleet Management Program and Motor Pool Services requests an increase in spending authority of \$1,875,721 cash funds exempt to the State Fleet Management Operating Expenses line item in FY 07-08. Factors that make up this increase are (a) additional fuel costs for fleet vehicles (\$1,489,217, or 12.3%), (b) increases in maintenance costs (\$368,557, or 4.9%), and (c) a revised figure for accident expenses (\$17,947, or 2.0%). Fees charged to State agencies will not be increased at this time since the Motor Fleet Management Fund (COFRS Fund 607) contains adequate reserves of operating cash for the remainder of the fiscal year.

Background and Appropriation History:

The State Fleet Management Program (SFM) is designed to handle all aspects of a vehicle's life from the time of acquisition through disposal. SFM manages all maintenance, repairs, fuel expense, and accident repairs as well as maintaining a robust database with a detailed history for each vehicle. The Program manages these vehicle assets for all State agencies, helping to control unnecessary expenses, and managing

adherence to effective preventive maintenance schedules, while gaining economies of scale and significant price reductions by aggregating purchasing opportunities and funding resources. State Fleet Management is also able to negotiate many private sector services for the State at the lowest cost possible. Examples include: financing, fuel cards, glass, tires, towing, maintenance and repair services, and body repairs.

Further, the State Fleet Management Program provides light duty vehicles including sedans, vans, SUV's, motorcycles, and pickup trucks to all State agencies on a long-term basis. In addition, with the passage of SB06-015, all vehicles regardless of size were to be enrolled in the State Fleet Management Program during FY 06-07. This added an additional 400+ specialized vehicles with a gross vehicle weight rating (GVWR) of one ton and greater to the fleet. With SFM managing all aspects of vehicle procurement and operations—acquisition, repairs, maintenance, and disposal—State agencies and employees can focus all of their resources on accomplishing their program missions.

SFM works for three major stakeholders in the State. For State departments and agencies, SFM is responsible for providing safe, reliable, cost effective vehicles uniquely tailored to best meet their specific program requirements. For the citizens of the state, SFM insures that State vehicles are purchased and maintained throughout their life cycle at the lowest available cost. For the Legislature, SFM manages statutory programs, ensures legal and regulatory compliance, and provides accurate information concerning trends in expense, utilization, fleet size and other relevant information to facilitate knowledgeable oversight and decision-making.

State Fleet Management is organized into four broad functional areas:

- Vehicle Acquisition and Disposal
- Maintenance Authorization and Control
- Invoice Processing and Account Reconciliation
- Special Project Oversight & Data Integrity

Program expenses are charged back to the user agency through three monthly rate components:

- A fixed rate to recover the debt service cost of vehicle acquisition.
- A variable rate per mile, determined by actual historical expenses for fuel, maintenance, repairs and accident cost.
- A management fee to capture program related fleet expenses for items such as salaries, rent, statewide indirect cost allocations, and miscellaneous operating costs.

This operating expenses line item supports fuel costs, the cost of maintenance and other business operating costs for the State Fleet Management program and all vehicles enrolled in the fleet on behalf of State agency customers. Total fuel expenditures for the fleet are determined by the cost of fuel, the overall average fuel-efficiency of the State fleet, and the number of miles driven fleet-wide over the course of the year.

Several factors beyond the State's control require the Department to contemplate adjustments to appropriated spending authority and underlying assumptions concerning fuel and maintenance expenditures annually. Many critical measures have already been adopted in recent fiscal years in an effort to mitigate cost increases including mileage reductions, cost controls, reductions in total fleet size, and a migration to more fuel efficient vehicles. Even with a robust and efficient cost containment structure in place, along with the significant benefits and efficiencies realized through centralized fleet management, SFM still is not immune to the pressures faced by the national and global economy, including the impact of high fuel costs.

General Description of Request:

This request seeks an increase to the appropriation totaling \$1,875,721 primarily to address increases in fuel expenditures for the State Fleet Management Program for the remaining two months of FY 07-08. Sufficient reserves exist in the Motor Fleet Management Fund in the current fiscal year to address this projected shortfall so solvency will be sustained. The fund equity at the end of the fiscal year is estimated to be \$6.1 million with nearly \$200 thousand in operating cash remaining. These figures assume approval of this request.

Total fuel expenditures for the fleet are determined by the cost of fuel, the overall average fuel-efficiency of the State fleet, and the number of miles driven fleet-wide over the course of the year. Note that gasoline prices are highly volatile and somewhat seasonal. For example, prices tend to be higher in the summer months when demand is higher due to peak travel and vacation periods. Given this volatility, and the fact that global oil prices are at the highest levels in history, the Department believes it is prudent to fund fuel costs at the rates requested. Since the U.S. Department of Energy (DOE) has the best knowledge of current and future factors that may impact fuel prices, using the most recent forecast available from DOE is the most reasonable approach.

Fuel efficiency also affects total fuel expenditures. Actual fuel efficiency for FY 06-07 was 16.3 miles per gallon, but with the continuing impact of the SB06-015 vehicles (these vehicles average 9.8 miles per gallon) the Department is estimating FY 07-08 miles per gallon to come in around 15.4, given the year to date mileage per gallon experienced through Period 10. The Program should begin to see improvements above this level in future years as more and more fuel efficient vehicles are replaced on the agency rosters.

Consequences if Not Funded:

Without the requested increase in spending authority, State Fleet Management will be unable to make payments to vendors for fuel purchased and maintenance performed, perhaps delaying State services offered to citizens. As referenced previously many critical measures have already been adopted in recent fiscal years in an effort to mitigate cost increases including mileage reductions, cost controls, reductions in total fleet size, a migration to more fuel efficient vehicles, and numerous ongoing efforts to reduce miles and vehicles. This leaves limited room left to achieve further efficiencies in the short term. In this alternative, the vendors and the goodwill of the State that suffer, when vendor payments are withheld or delayed.

Calculations for Request:

This section provides specific information related to calculations for this request.

- a. The following table represents the appropriation adjustment for this request.

<b>Summary of Request FY 07-08</b>	<b>Total Funds</b>	<b>Cash Funds Exempt</b>
<b>Total Request</b>	<b>\$1,875,721</b>	<b>\$1,875,721</b>
Division of Central Services, State Fleet Management & Motor Pool Services, Operating Expenses	\$1,875,721	\$1,875,721

b. The following table represents the calculation of the FY 07-08 total mileage estimate.

<b>Agency</b>	<b>FY 06-07 Actual Miles</b>	<b>FY 06-07 First 10 Months Actual Miles</b>	<b>FY 07-08 First 10 Months Actual Miles</b>	<b>Difference First 10 Months Actual Miles</b>	<b>% Difference First 10 Months Actual Miles</b>	<b>FY 07-08 Projected Total Miles*</b>
Agriculture	1,147,029	933,053	978,618	45,565	4.9%	1,203,043
Corrections	10,316,727	8,397,679	9,726,166	1,328,487	15.8%	11,948,801
Education	153,095	127,439	137,960	10,521	8.3%	165,734
Higher Ed	3,131,834	2,580,061	2,872,140	292,079	11.3%	3,486,377
Human Services	4,037,342	3,285,046	3,466,463	181,417	5.5%	4,260,305
Judicial	822,620	667,531	708,590	41,059	6.2%	873,218
Labor & Employment	598,195	491,450	550,850	59,400	12.1%	670,497
Law	266,836	198,566	242,401	43,835	22.1%	325,742
Local Affairs	576,924	453,262	542,081	88,819	19.6%	689,975
Military Affairs	213,015	168,978	201,464	32,486	19.2%	253,967
Natural Resources	13,688,216	10,821,466	11,509,450	687,984	6.4%	14,558,457
Office Of Governor	76,670	58,348	61,810	3,462	5.9%	81,219
Personnel	1,949,883	1,571,069	1,691,489	120,420	7.7%	2,099,339
Public Health	1,227,328	980,853	1,069,350	88,497	9.0%	1,338,063

Agency	FY 06-07 Actual Miles	FY 06-07 First 10 Months Actual Miles	FY 07-08 First 10 Months Actual Miles	Difference First 10 Months Actual Miles	% Difference First 10 Months Actual Miles	FY 07-08 Projected Total Miles*
Public Safety	15,794,281	12,876,288	13,835,694	959,406	7.5%	16,971,105
Regulatory Agencies	1,394,788	1,158,536	1,227,425	68,889	5.9%	1,477,725
Revenue	2,920,936	2,407,246	2,449,165	41,919	1.7%	2,971,800
Secretary Of State	7,596	4,814	18,998	14,184	294.6%	29,977
Transportation	12,361,479	10,089,232	10,357,551	268,319	2.7%	12,690,228
<b>Total</b>	<b>70,684,794</b>	<b>57,270,917</b>	<b>61,647,665</b>	<b>4,376,748</b>	<b>7.6%</b>	<b>76,095,572</b>

\* Calculated as FY 07-08 Projected Total Miles = FY 06-07 Actual Miles x (1 + % Difference First 10 Months Actual Miles) and rounded.

c. The following table presents the calculation of emergency supplemental appropriation adjustment needed.

Calculation Element	Amount
Total estimated miles for FY 07-08	76,095,572
<i>less</i> Miles driven through April, 2008	(61,647,665)
Estimated miles remaining (May and June, 2008)	14,447,907
Estimated miles per gallon for FY 07-08	15.4
Estimated gallons purchased in May and June, 2008 (14,447,907 miles/ 15.4 mpg)	938,176
Estimated cost of May and June gasoline (\$3.30 * 938,176 gallons)	\$3,095,980
<i>plus</i> Cost of fuel purchased through April, 2008	\$10,514,014

Calculation Element	Amount
Total cost of fuel for FY 07-08	\$13,609,994
Estimated cost of May and June maintenance (\$0.1042 * 14,447,907 miles)	\$1,505,472
<i>plus</i> Cost of maintenance performed through April, 2008	\$6,423,448
Total cost of maintenance for FY 07-08	\$7,928,920
Total estimated fuel and maintenance expense for FY 07-08 (\$13,609,994 + \$7,928,920)	\$21,538,914
<i>plus</i> Accident expense (\$0.012/ mile run rate - unchanged from HB 08-1295 appropriation)	\$913,147
<i>plus</i> Business operating (unchanged from HB 08-1295 appropriation)	\$227,000
<i>plus</i> Auction fees (unchanged from HB 08-1295 appropriation)	\$115,000
Total Fleet Services operating expenses needed	\$22,794,061
<i>less</i> Fleet Services operating expenses approved through HB 08-1295*	(\$20,918,340)
<b>Total FY 07-08 emergency supplemental need for Fleet Services</b>	<b>\$1,875,721</b>

\* For greater transparency, the request calculates the difference between the current need and the operating adjustment made through the regular supplemental approved in HB 08-1295 for fuel and maintenance, not the total appropriation for operating expenses. An additional \$3,693 was appropriated through the HB 08-1295 supplemental process for the Program's "Green Fleet Coordinator" for a total supplemental appropriation of \$20,922,033.

- d. The following calculation presents estimated average miles per gallon (mpg) for FY 07-08 using actual values through April 2008:

$$61,647,665 \text{ miles} / 3,994,522 \text{ gallons} = 15.4 \text{ mpg (rounded).}$$

- e. The following calculation presents estimated vehicle maintenance cost per mile for FY 07-08 using actual values through April 2008:

$$\$6,423,448 \text{ maintenance} / 61,647,665 \text{ miles} = \$0.1042.$$

Assumptions for Calculations:

The following assumptions were used in the calculations, above.

- a) To estimate the State's fuel cost for the final two months of the fiscal year, data were taken from the U.S. Department of Energy's Short-term Energy Outlook (May 2008) for May and June, 2008, and averaged to equal \$3.70 per gallon retail. From this \$0.40 was subtracted (U.S. Department of Transportation, Federal Highway Administration, Federal and State Motor Fuels Taxes, January 2008), representing State and federal gasoline taxes that the Department is exempted from paying on fuel. A final rate of \$3.30 will be used to estimate the fuel cost per gallon.
- b) The Department estimates that the statewide average fuel efficiency per vehicle in the State fleet will be 15.4 miles per gallon (mpg). This is determined by dividing total vehicle miles through Period 10 (April) by total gallons of fuel utilized.
- c) Total miles driven for the year are projected to be 76,095,592. This is based on an extrapolation of Period 10 year-to-date actual miles driven in FY 07-08 against mileage experience for Period 10 in FY 06-07 as a percent of the FY 06-07 total mileage by agency. It is assumed that miles driven on an agency-specific basis will be similar to the trend for the last two months of last fiscal year.
- d) The Department estimates that \$0.1042 for vehicle maintenance cost per mile will be paid for the remaining miles driven in FY 07-08. This is based on the average cost per mile driven for the first ten months of FY 07-08. This rate is a result of many factors, including a 3.5% average increase in repairs, a 13% increase in glass replacements, and a 23% increase in tire replacements (tires are partially petroleum-based and prices rise just as fuel costs rise).
- e) Accident expenses are estimated to equal approximately \$0.012 per mile (no rate change from the HB 08-1295 calculation), just as was estimated in the FY 07-08 regular supplemental for Fleet Services operating expenses.

- f) Business operating expenses remain unchanged at \$227,000 (also, no change), just as was estimated in the FY 07-08 regular supplemental for Fleet Services operating expenses. Additionally, auction fee costs remain unchanged at \$115,000.

Impact on Other Government Agencies:

This request is for DPA spending authority only and the contemplated rate increases will not be passed on to customer agencies. Existing operating cash reserves in the Motor Fleet Management Fund are available to address the increase without passing additional costs on to agencies; therefore, the request does not require appropriation changes outside of DPA.

Cost Benefit Analysis:

This supplemental reflects a significant increase in the cost of operating the State fleet; however, there is no incremental cost increase for the agencies associated with this request and no additional appropriations to agencies are necessary. Fees charged to agencies will not increase for FY 07-08 because adequate reserves of operating cash exist for the remainder of the fiscal year. By increasing the spending authority for operating expenses in Fleet Management, current State service levels are sustained and the Department maintains goodwill with its current vendors through timely payments.

Statutory and Federal Authority:

24-30-1104 (2)C.R.S. (2007): *(2) In addition to the county-specific functions set forth in subsection (1) of this section, the department of personnel shall take such steps as are necessary to fully implement a central state motor vehicle fleet system... Under the direction of the executive director, the department of personnel shall perform the following functions pertaining to the motor vehicle fleet system throughout the state:*  
(a) Establish and operate a central state motor vehicle fleet system and such subsidiary-related facilities as are necessary to provide for the efficient and economical use of state-owned motor vehicles by state officers and employees...

Performance Measure:

The following performance measure from the Department's FY 2008-09 Strategic Plan is directly related to the topic of the request and is replicated verbatim below:

Objective: Support Greening of State Government					
Performance Measure	Outcome	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Projected.	FY 08-09 Projected
Align State Fleet Management initiatives with Greening of State Government Executive Order in order to reduce the amount of petroleum used by the State Fleet by 25% by 2012. The performance measure will be the cumulative % of decrease achieved.	Benchmark	N/A	+ .3%	-5%	-10%
	Actual	2,601,786 Base gals.	*2,610,311		

\* FY 06-07 includes gallons for additional vehicles added at the end of FY 05-06 and includes gallons for all additional vehicles approved by the JBC for FY 06-07. None of these gallons were in the original FY 05-06 base.