First·Choice·for·Service

FY2012
Cost Savings Report

of Goods and Services Provided by the

Department of Personnel & Administration
Division of Central Services

DCS
DIVISION OF CENTRAL SERVICES

OVERVIEW

Created by statute in 1976[1], The DIVISION OF CENTRAL SERVICES (DCS) exists to provide business support services to state agencies. Focused on creating economies of scale, cultivating strong and sustainable partnerships, and emphasizing quality, the mission of DCS is to provide the best value to the State in every service we offer and to every customer we serve.

As a division within the Department of Personnel & Administration, DCS consists of four main units: Integrated Document Solutions (IDS), State Fleet Management Program (SFM), Capitol Complex, and the Address Confidentiality Program (ACP), which joined DCS in late 2011. Each unit provides an innovative mix of services and/or programs tailored to the unique needs of each customer, such as:

- Graphic design and project management
- Digital and offset printing
- Large scale copying services and onsite copier equipment programs
- Internal and external mail processing and security screening
- Courier services
- Warehousing and Fulfillment
- Data entry
- Imaging and microfilm
- Online application development
- Data warehousing
- Leased space and facility management
- Building security and identification programs
- Special event permits
- Information resources and referral services
- Short-term vehicle rentals (Motor Pool)
- Vehicle acquisition and lifecycle management

Agencies within the counties of Adams, Arapahoe, Boulder, Douglas, Pueblo, El Paso, and Jefferson, the city and county of Broomfield, the city and county of Denver, and within any other areas in the State of Colorado where central services are offered are required to participate in the program unless they are granted a project-based waiver from DCS. All state agencies except for institutions of higher education as allowed under HB 04-1009 are required to participate in the State Fleet Management Program.

In order to achieve the highest value and ensure the fulfillment of its mission, DCS maintains a policy of surveying service rates every two years. This bi-annual study enables DCS to ensure pricing is competitive or offered at lower rates than private industry in each of its key service areas.

[1] §24-30-1101

SUMMARY

Recognizing that the Rate Comparison Report does not fully capture the value provided by the Division of Central Services and the Department of Personnel & Administration, this report aims to provide context and detail concerning the impacts. Reported savings are NET of all budgetary expenses (personal services, operating, capital, and overheads).

Integrated Document Solutions Northern Region	$3,210,590.00
Integrated Document Solutions Southern Region	$250,112.29
State Fleet Management	$4,088,124.00
Capitol Complex Facilities Maintenance	$11,473,427.00
TOTAL SAVINGS TO THE STATE	**$19,022,253.29**

With an annual total budget of approximately $51 million, this savings represents a 38% return on total investment in DCS. The total personal services expense paid in FY12 was $9,777,828. DCS is generating a NET savings of $1.95 for every $1 spent in personal services. That is a 95% return on employee wages for the citizens of the State.

UNIT RESULTS

Integrated Document Solutions (IDS)

From design and print to imaging, mail and delivery, IDS collaborates with state agencies to deliver creative, cost effective solutions for every stage of a document's life. Blending subject matter expertise at all staffing levels, strong private sector partnerships, and the convenience of integrated service delivery, IDS maintains two campuses, one in Denver and one in Pueblo, to provide services to state agencies along the Front Range. The full spectrum of IDS services includes: graphic design, offset and digital printing, copying, bindery, copier equipment management, USPS mail sorting and processing, special delivery and courier services, interoffice mail and package delivery, imaging services, microfilm, data entry, online application development, fulfillment, and warehousing (both cold storage and secure storage).

NORTHERN REGION

Digital Printing	$934,844
Offset Printing	$310,081
Graphic Design	$43,200
Dispatch/Delivery	$130,000
Mail Operations/Postage	$1,792,465
TOTAL SAVINGS TO THE STATE	**$3,210,590**

Digital Printing

There are many resources available to produce digital printing services, traditionally referred to as "Quick Copy" services. While many of the services provided by IDS are available at commonplace commercial copy centers, IDS also offers many services that only an in-house copy service can. For example, IDS provides:

- HIPPA compliance
- Secure print
- Secure Variable Data/Transactional Printing
- Personalized attention
- Ability to shift work to meet last minute print needs
- Direct access to after-print services, such as mail, which reduces transit time
- Direct COFRS billing
- Quality control

IDS saves an average of 36% on digital print jobs averaging all copy work provided by IDS for State agencies. The estimated savings in FY12 are based on an annualized volume of impressions is multiplied by an average savings per impression of $0.0125 each, as typically charged by the private sector organizations of like size. The approximate annual savings to the State is $934,844.

Offset Printing

Offset printing, or lithography, is a diverse industry with a variety of capabilities. The IDS print shop is categorized as a small format printer. Many projects make sense for IDS to focus on but some are simply not a good fit. With its current capabilities, IDS tries not to produce any offset print job that will exceed 15,000 impressions. For jobs exceeding this level, IDS has partnered with the commercial sector to secure wholesale pricing at the lowest possible levels for state customers.

Based on a typical rack card with large order quantities, the State realizes an average savings of 33.5%. Based on a typical handbook job requiring four-color (full color) printing, the savings to the State is somewhat more substantial. Pricing obtained during the FY12 Rate Comparison report, shows that IDS saved approximately 38%. In the business card category, the State realizes an annual savings of approximately 41%, or a total of $43,000 per year.

Graphic Design

From simple carbonless forms and stationary to complex publications including books and manuals to display panels and all-weather banners and signage, IDS' internationally recognized design staff can accommodate almost any request. In addition, IDS maintains the State's graphic standards, including the State seal. The cost comparison uses an average savings based on total annualized hours for FY12, which translates to 2160 hours. When compared to private sector graphic design rates, the IDS cost saves 14% or $43,200 a year.

Delivery and Courier Services

Delivery and courier services are difficult to measure because IDS charges a flat rate for service while most courier services have fees schedules that vary by miles traveled, number of hours in the delivery window, package weight, and number of pieces in the request. When factoring in vendor surcharges for fuel, weight, and number of packages, IDS services remain lower than the private sector. With over 5,000 individual delivery stops at over 400 agency locations made in FY12, IDS believes the total savings offered to the State of Colorado in FY12, exceeds $130,000.

Mail Operations

Mail Operations is a full-service mail processing center offering:

- Metering of first-class, presort, and accountable U.S.P.S. mail
- Automated inserting of letters
- Postal barcoding (pre-sort mailer), enabling customers to get discounted postage
- Inkjet addressing using customer data files
- Parcel shipping with express delivery companies
- Automated folding and tabbing
- Moore Turbo Pressure Sealer for self-mailers
- Professional instruction for state agencies to learn how to design and prepare mailing projects to obtain the most favorable postal rates

Postage	Full Rate	IDS 3-Digit Sort Rate	State Savings Per Class	Avg. Pieces	Avg. State Savings
1 oz Letter	$ 0.450	$ 0.374	$ 0.076	15,000,000	$ 1,140,000
2 oz Letter	$ 0.650	$ 0.374	$ 0.276	1,800,000	$ 496,800
3 oz Letter	$ 0.850	$ 0.624	$ 0.226	500,000	$ 113,000
3.5 oz Letter	$ 1.050	$ 0.749	$ 0.301	65,000	$ 19,565
Postcard	$ 0.320	$ 0.243	$ 0.077	300,000	$ 23,100
				Approx. Postage Savings	**$ 1,792,465**

Mail operations saves state agencies significant dollars by automating multiple mail functions, using current technologies, and leveraging centralized volumes. In FY12, IDS handled 21,045,000 pieces of mail, of which the above 17,665,000 alone created annualized discounts totaling $1,792,465. Postage discounts are immediately realized by state agencies.

SOUTHERN REGION

Data Entry	$41,668.29
Imaging under 1 million documents	$65,560.00
Imaging over 1 million documents	$142,884.00
TOTAL SAVINGS TO THE STATE	**$250,112.29**

Although charged with the seemingly simple but usually quite complex task of “data entering” information, IDS maintains a solid foundation of integrated value-added features to ensure the final product is delivered on time, of high quality, and competitively priced. Ancillary processes crucial to the successful completion of a data entry project include: training for the specific job, productivity monitoring and job quality oversight, getting the information to and from the customer, development and coordination of IT services, problem solving, quality control, data security, disposal of hardcopy files, and ongoing maintenance of online files. This “value added” tradition in data processing distinguishes IDS from most other processing centers in the field. Moreover, IDS has over 25 years of experience working to meet the State’s data processing needs. Key value added services include:

- Assistance with cost savings through shared software licenses and servers
- State-of-the-art physical and electronic security
- Multiple levels of data quality control and process improvement support
- High-speed data transfer direct to other state systems
- Disaster recovery services
- 24 hour/7 day per week support
- Onsite informational technology professionals to assist with programming, troubleshooting, reporting, and other needs

State Fleet Management

Managing the State's current and future vehicle needs, State Fleet Management (SFM) is driving change for Colorado through efficiency and innovation. SFM supports the State's fleet of approximately 6,000 light duty vehicles throughout their life cycle. SFM orders new vehicles, disposes of older ones through public auction, and arranges for purchase funding. SFM authorizes maintenance and repairs, and manages the State's fuel card program. The program also provides extensive support to agencies by developing initiatives, monitoring progress, and reporting results, all designed to help agencies meet the goal of the Governor's "25-in-5" petroleum reduction initiative.

Vehicle Acquisition	$1,879,974
Denied Repair and Maintenance Savings	$267,258
Deterred Expenses	$821,127
Accident Management and Subrogation	$41,650
Avoided Costs through Reallocations	$267,000
Seasonal Vehicle Requirements	$720,000
Auction Income	$ 91,115
TOTAL SAVINGS TO THE STATE	**$4,088,124**

Vehicle Acquisition

	Leasing					Purchasing			
Cost Components	**(A6) Impala**	**(D5) Ford Express 15 Pass Van**	**(F2) Dodge 1500 Ext Cab 4X4**	**(K2) Ford Explorer 4X4 SUV**		**(A6) Impala**	**(D5) Ford Express 15 Pass Van**	**(F2) Dodge 1500 Ext Cab 4X4**	**(K2) Ford Explorer 4X4 SUV**
Retail Price**	$23,470	$34,805	$31,020	$30,000		$22,765	$31,324	$27,919	$27,895
Upfront	$1,807	$1,532	$5,598	$1,646		$0	$0	$0	$0
Monthly Payments	$414	$898	$568	$520		$540	$743	$662	$662
Lease/Purch Option	$7,336	$8,005	$1	$13,637					
Annual Insurance	$935	$1,013	$1,166	$1,002		$935	$1,013	$1,166	$1,002
Insurance CPM	$0.062	$0.068	$0.078	$0.067		$0.062	$0.068	$0.078	$0.067
Annualized Cost	$8,183	$14,173	$9,383	$11,064		$7,413	$9,927	$9,111	$8,940
Four Year Cost	$32,731	$56,693	$37,533	$44,255		$29,654	$39,709	$36,445	$35,761
	SFM Acquisition					**SFM Acquisition**			
State Price	$16,884	$21,653	$20,909	$23,643		$16,884	$21,653	$20,909	$23,643
"% Savings	28%	38%	33%	21%		26%	31%	25%	15%
Monthly Payments	$370	$474	$458	$518		$370	$474	$458	$518
Annual Insurance	$255	$255	$255	$255		$255	$255	$255	$255
Annualized Cost	$4,692	$5,946	$5,750	$6,469		$4,692	$5,946	$5,750	$6,471
Four Year Cost	$18,769	$23,783	$23,001	$25,874		$18,769	$23,783	$23,001	$25,884
	Comparison								
SFM ANNUAL SAVINGS	**$3,491**	**$8,228**	**$3,633**	**$4,595**		**$2,721**	**$3,982**	**$3,361**	**$2,469**
SFM 4-YEAR SAVINGS	**$13,962**	**$32,910**	**$14,532**	**$18,380**		**$10,885**	**$15,926**	**$13,444**	**$9,877**

**Retail price approx. 10% below MSRP
The statewide-annualized savings is $1,879,974

MAINTENANCE SAVINGS AND OTHER SERVICES

Denied Repair and Maintenance Savings

This category, which includes repair expenses that were denied due to being covered under warranty or as unnecessary repairs totaled $267,258 in FY12.

Expense Deterrent

In addition to transactions where direct intervention was necessary to deny repairs, there is a deterrent factor that accounts for significant savings, but is not directly quantifiable. Most vendors who have worked regularly with State Fleet, simply know not to ask for unnecessary repairs because they know from experience that these repairs will not be allowed. Many vendors and dealerships routinely perform questionable or unnecessary repairs for retail customers because few customers are knowledgeable enough to question the need. A recent experience presents a striking example of this. The vehicle was brought in for a basic PM (preventive maintenance), but because of a short phone outage, the vendor was not able to contact State Fleet on his first attempt. He took this as an opportunity to do whatever he wanted and proceeded to perform over $600 in repairs. Ultimately, only the original PM service was paid, but the driver had accepted the vendor's recommendation that all of the repairs were necessary. Without close and knowledgeable oversight of all repairs, this kind of thing would be very common. If we assume that vendors would take advantage of this and overcharge by only 10% (a very conservative estimate), the savings based on annual maintenance costs for FY12 of $8.2 million would be $821,127.

Accident Management and Subrogation

Accident management and subrogation is a service that can be purchased from third party vendors. Typical rates for this service are $45.00 per accident and 10% of the subrogation money collected. Based on the FY12 annual accident data of 858 accidents and the four year average of $345,088 of subrogation collections from FY09 to FY12, it would have cost the State $38,610 (858 x $45.00) + $34,509 ($34,509 being 10% of $345,088) for a total of $73,119 in FY12. This function is currently handled in SFM by 0.5 FTE at a loaded out cost of approximately $31,469 for a net benefit to the State of $41,650.

Avoided Repairs through Vehicle Reallocations

If a required repair is calculated to be uneconomical based on the amount of the repair and the value of the vehicle, the repairs will be denied. An attempt will be made to replace the vehicle with another vehicle that has been turned in, but is in good enough shape that it can be used for a year or so until a replacement vehicle can be approved. This costly repair avoidance through vehicle reallocations saves the State an average of $4,112 per avoidable repair (engines, transmissions, etc.). In FY12 SFM was able to avoid costly repairs in this way an average of 65 times. The estimated annual savings, as a result of this effort, is $267,000.

Seasonal Vehicle Requirements

Some departments have a need for vehicles only during certain months of the year to meet the needs of seasonal programs. Rather than leasing vehicles for these departments for a few months at a time or purchasing a full-time vehicle when it is only needed for a portion of the year, SFM attempts to meet these needs by reallocating vehicles that have been turned in for replacement for a few additional months before selling the vehicles at auction. Short-term leases for these needs are very expensive (and are often not available from rental companies at any cost). The typical short-term holdover assignment is 6 months. At an average monthly lease cost of $800 per month (a very conservative estimate if off road use in involved) and an average number of seasonal holdovers of 150 vehicles, the total estimated savings is $720,000 per year. These vehicles may come from departments and locations throughout the State.

Improved Auction Income

State Fleet handles the sale of most vehicles for the departments under centralized management. A recent study comparing a sample of like vehicles (same age, model, etc.) that were sold by State Fleet to a similar group of vehicles sold directly by another agency indicated that State Fleet was able to generate 39% more revenue per sale than was possible through agency/institution direct sales. State Fleet coordinates most of the sales through online auctions using eBay and the auction services of Colorado Correctional Industries (CCI). This proven methodology and experience assures that each vehicle gets the broadest possible exposure (very often sales are made to out of state buyers) and the greatest possible number of bids. If we assume that the 39% increase in auction results would be a reasonable increase across all vehicles sold, then on a base of $233,627 (the FY12 total net auction revenue for 170 vehicles), then the estimated additional revenue gained by virtue of State Fleet's involvement would be $91,115.

Capitol Complex Facilities Maintenance

Capitol Complex offers full-service facility management within 18 core state buildings, including the State Capitol Building, the Governor's Mansion, State Services Building, Human Services Building, and other state-owned office facilities. The unit provides building maintenance including HVAC, plumbing, electrical, lights, general maintenance, day and evening custodial services (in-house and contractor), grounds maintenance, snow removal, and building security. The group also provides the public with special event permits and information resources.

Based upon a lease rate comparison with the private sector, Capitol Complex saved the State $11,473,427 in FY12. Given their historic and ornate nature, or their participation in the "Greening of Government" initiatives, the following buildings are considered Class A: the State Capitol Building, Legislative Services Building, State Office Building, and State Services Building. The buildings at 690 and 700 Kipling Street are viewed as Class A/B due to the technological capabilities associated with the State's computer center and CBI crime lab.

Private Sector Lease Rates Per Square Foot (psf)

Location	Class A	Class B	Class C
Northeast Suburban	$ 25.00	$ 18.92	$ 18.00
West Suburban	$ 26.38	$ 18.69	$ 18.82
Midtown CBD	$ 30.14	$ 20.31	$ 17.43
Uptown CBD	$ 26.55	$ 20.35	$ 18.00

Source: Jones Lang LaSalle, December 2012

	Capitol Complex Area/ Midtown	Capitol Complex Area/ Uptown	690 & 700 Kipling/ West	Pierce Street/ West
Building Classification	**Class A & B**	**Class A & B**	**Class A & B**	**Class B & C**
Square Footage	369,933	279,115	105,318	116,448
Capitol Complex Lease Rate psf	$ 12.32	$ 12.32	$ 12.63	$ 5.38
Private Sector Lease Rate psf	$ 25.23	$ 23.45	$ 22.54	$ 18.76
Savings psf	$ 12.91	$ 11.13	$ 9.91	$ 13.38
Total Savings in FY 11-12	**$ 4,773,985**	**$ 3,106,550**	**$ 1,043,175**	**$ 1,557,492**