



COLORADO

Division of Capital Assets

Department of Personnel
& Administration



2018 Cost Comparison & Savings Report

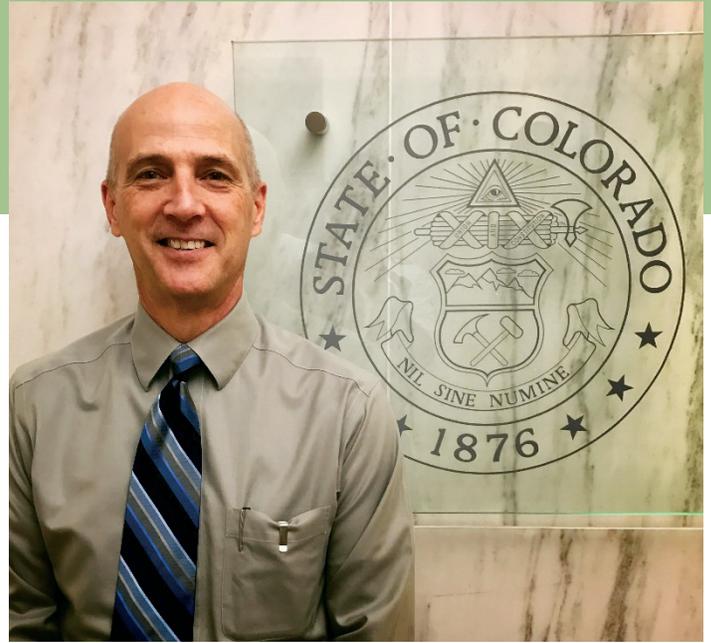
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Division Overview

Focused on creating economies of scale, cultivating strong and sustainable partnerships, and emphasizing quality, the Division of Capital Assets' (DCA) mission is to promote the highest possible value for customers, support the most effective use of State government resources and tax dollars, and earn our reputation as an excellent service provider.

In order to achieve the highest value and ensure the fulfillment of its mission, DCA maintains a policy of surveying service rates every two years, enabling DCA to ensure pricing is competitive or offered at lower rates than private industry in each of its key service areas. For 2018, this is the first time DCA is reporting as its own division. In the past, this report has been combined with the Division of Central Services (DCS) as two single reports with 2016 being the first time combined for easier accessibility of information related to cost analysis for each division unit.



Richard Lee, Director of Capital Assets

Created by statute in 1976 (§24-30-1101) as part of DCS, the Division of Capital Assets (DCA) exists to provide business support services to state agencies. Housed within the Department of Personnel & Administration, DCA consists of two main program areas: Capitol Complex Facilities Management (CCF) and State Fleet Management (SFM). Each unit provides an innovative mix of services and/or programs tailored to the unique needs of each customer, such as:

- Leased space and facility management
- Building security and identification programs
- Special event permits
- Employee parking
- Ceremonial flag requests
- Vehicle maintenance and accident call center
- Short-term vehicle rentals (Motor Pool)
- Vehicle acquisition and lifecycle management

Before soliciting business options outside of state services such as the examples listed above, all state agencies are required to participate in the program until they are granted a project-based waiver through the DCS/DCA waiver system and have discussed service options with DCA. As specified under §24-30-1104, state agencies within the counties of Adams, Arapahoe, Boulder, Douglas, Pueblo, El Paso, and Jefferson, the city and county of Broomfield, and the city and county of Denver, and within any other areas in the state of Colorado where central services are offered are statutorily required. All state agencies, with the exception of institutions of higher education, as allowed under §24-30-1101, are required to participate in the State Fleet Management Program.

Procedures for Preparing Rates



DCA has adopted the following procedures when conducting rate comparisons for goods and services:

- 1) When obtaining pricing from the private sector for leased space, standard rates are gathered through the industry-leading real estate research and investment management using the per square foot guide published by Jones Lang Lasalle.
- 2) When comparing costs, commonly used goods and services will be compared.
- 3) DCA rates include statewide indirect costs when those costs would be redistributed to other cash-funded agencies were DCA not in existence.
- 4) Although “value-added” cannot be quantified, statements that illustrate convenience, efficiency, and other benefits will be included. DCA also publishes a complementary “Cost Savings Study,” which includes detailed information on value-added and real cost savings components achieved by the use of DCA services, which is combined within this overall report.

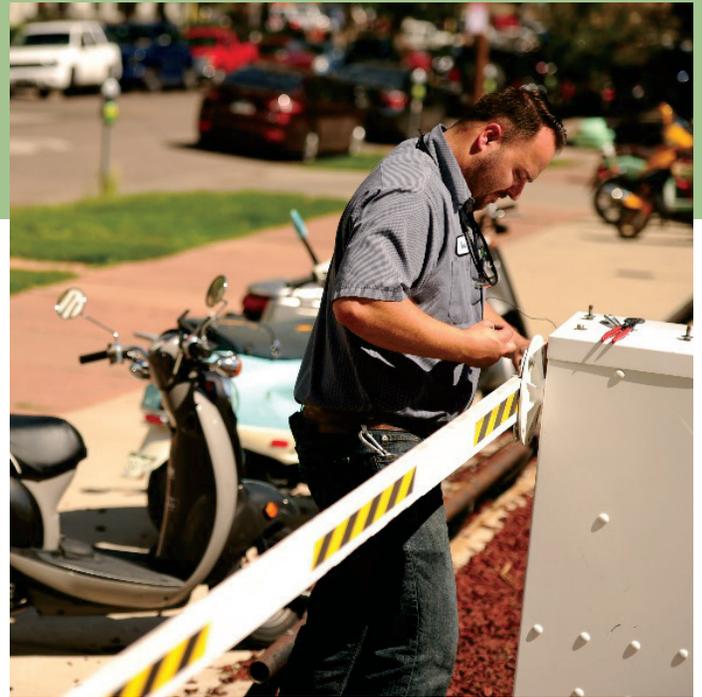
Goods and Services Compared

Capitol Complex Facilities Maintenance

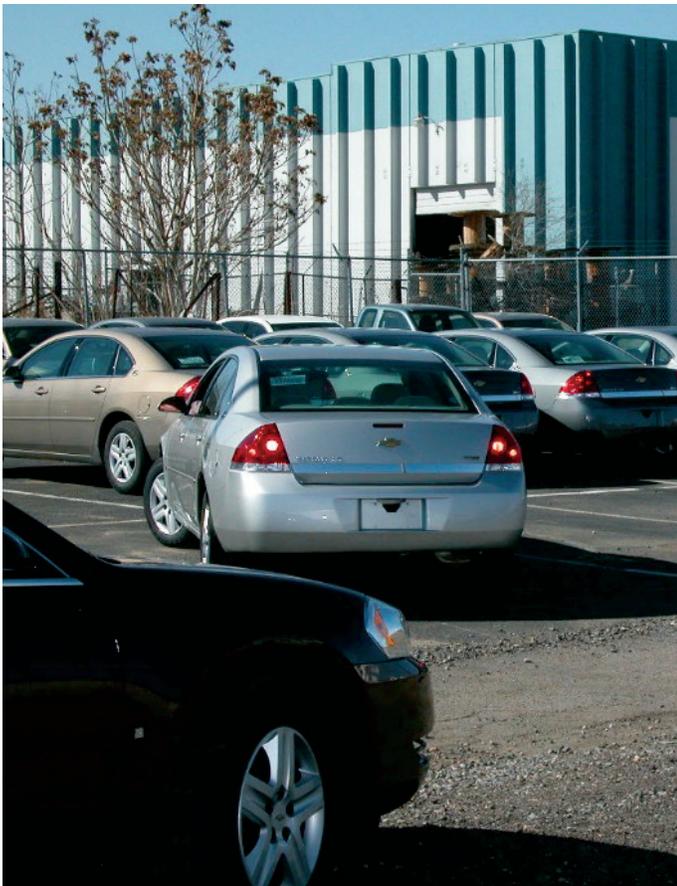
The Capitol Complex group offers full service facility management within 18 core state-owned buildings. The group provides building maintenance including HVAC, plumbing, electrical, lights, general maintenance, day and evening custodial services (in-house and contractor), grounds maintenance, snow removal, building external security, and conference center space. The group also provides the public with special event permits, ceremonial flags, and other state related information resources.

Services compared include:

- Building lease rates



State Fleet Management (SFM)



Managing the State's current and future vehicle needs, State Fleet Management is driving change for Colorado through efficiency and innovation. SFM supports the State's fleet of approximately 6,300 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 petroleum reduction initiative.

The State Motor Pool rents fully equipped late-model sedans, hybrids, battery electric vehicles, minivans, and SUVs to state agencies on a daily, weekly, or monthly basis. Rates for State Motor Pool vehicles include mileage, insurance, and fuel.

Services compared include:

- Vehicle rentals
- Vehicle acquisition

Summary of Cost Savings/Comparisons

Recognizing that the rate comparison data does not fully capture the value provided by the Division of Capital Assets and the Department of Personnel & Administration, the cost savings data aims to provide context and detail concerning the impacts. Reported savings are NET of all budgetary expenses (personal services, operating, capital, and overheads).

Capitol Complex Facilities Management	\$11,628,071.00
State Fleet Management	\$9,016,792.34
TOTAL SAVINGS TO THE STATE	\$20,644,863.34

Capitol Complex Facilities Management

Lease Rates

Based upon a lease rate comparison with the private sector, Capitol Complex saved the State **\$11,628,071.00** in fiscal year 2017-2018.

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, the Legislative Services Building, the State Office Building, and the 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 other Public Safety secured services.

Private Sector Lease Rates per Square Foot (Psf)

Greater Denver Market – Class A	\$41.88
Greater Denver Market – Class B	\$32.11
Greater Denver Market – Class C	\$26.96

Source: Jones Lang Lasalle, 2018

	Capitol Complex Area	690 & 700 Kipling	Pierce Street	North Campus
Building Classification	Greater Denver Market Class A & B	Greater Denver Market Class A & B	Greater Denver Market Class B & C	Greater Denver Market Class C
Square Footage	653,021	102,585	89,031	89,534
Capitol Complex Lease Rate (Psf)	\$20.03	\$20.03	\$11.51	\$ 2.99
Private Sector Lease Rate (Psf)	34.60*	23.90*	22.90**	\$13.25
Savings (Psf)	\$14.57	\$ 3.87	\$11.39	\$10.26
TOTAL SAVINGS FY17-18	\$9,298,830	\$397,004	\$1,013,618	\$918,619

* This figure represents the average of the Private sector rates for Class A and Class B

** This figure represents the average of the Private sector rates for Class B and Class C

Cost Savings

Based upon a lease rate comparison with the private sector, Capitol Complex saved the State \$11,628,071 in fiscal year 2018.

State Fleet Management (SFM)

The table below has updated information that demonstrates common annual savings realized due to the expertise and efforts of State Fleet Management and its employees for FY18 cost savings.

Motor Pool Rental Rates	\$130,362.00
Denied Repair and Maintenance Savings	\$438,869.00
Deterred Expenses	\$323,620.00
Accident Management and Subrogation	\$124,011.00
Vehicle Acquisition	\$5,027,360.00
Avoided Costs through Reallocations	\$484,723.00
Seasonal Vehicle Requirements	\$1,274,400.00
Auction Income	\$819,903.00
Grant Funding	\$121,380.00
Petroleum Reduction	\$102,663.00
Fuel Rebate	\$169,501.34
TOTAL SAVINGS TO THE STATE	\$9,016,792.34

Technical Services Cost Savings

Motor Pool Vehicle Rentals

FY18 cost comparison by vehicle type and rate per day with information being pulled from state managed contracts. The comparison includes estimated fuel cost and additional mileage charges as they apply. All Motor Pool vehicles include fuel, collision damage waiver insurance (CDW), and mileage. Rentals from private sector vendors that are leased using a travel card through the Travel Payment Program, automatically include CDW, although fuel is not included and a per mile fee may be levied depending on the vendor and mileage. According to data gathered by the Office of the State Controller, the average cost of fuel per day of rental is \$24.68, which assuming an average a pump price of \$2.87 including taxes. If the rental company provides fuel, the cost rises to \$9.99 per gallon charged by the rental company and includes taxes. Fuel costs have been added to the base daily rental fee in order to present an accurate comparison of rates.

The rates are calculated out for the days the State Motor Pool was used in FY18 instead of using an external rental company with **total savings of \$130,362.00**, reflected in the table below.

Vendors	Compact	Full-size Sedan	Minivan	Med SUV/4x4
Avis	\$59.93	\$61.93	\$87.68	\$83.68
Budget	\$57.93	\$59.93	\$83.93	\$83.68
Enterprise	\$57.55	\$62.26	\$80.40	\$82.19
Hertz	\$55.13	\$62.48	\$85.58	\$90.83
SFM	\$45.00	\$45.00	\$65.00	\$65.00
Motor Pool Days of Use in FY18	3707	1968	450	2034
SAVINGS PER VEHICLE SIZE	\$51,646	\$31,354	\$9,363	\$37,999
TOTAL RENTAL SAVINGS	\$130,362			

Denied Repair and Maintenance Savings

This category includes items that were denied due to being covered under warranty or as unnecessary repairs. This is a direct benefit of the expertise processed by employees within the SFM Call Center. **Total savings of \$438,869.03 in FY18.**

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 with State Fleet regularly, simply understand the level of review the Call Center provides, and know not to ask for unnecessary repairs. Their experience has taught them that they will not be accepted. Many vendors and dealerships routinely attempt to perform questionable or unnecessary repairs to retail customers because few customers are knowledgeable enough to question the need of the proposed repairs.

SFM Call Center technicians will routinely identify vendor/dealer preventive maintenance (PM) repair cost that can be reduced to create a cost savings to the state. For example, tire rotation and brake inspections required on every state vehicle. The standard tire rotation cost is \$19.99 per vehicle

multiplied by 6475 active vehicles in the State Fleet equaling a cost of \$129,435 a year with an assumption of one rotate per vehicle in a year. An average brake inspection at vendors that charge for it cost \$29.99 per vehicle multiplied by 6475 vehicles equaling a possible cost of \$194,185 per year to the state. The combined cost of just one brake inspection and one tire rotate performed per state vehicle in a year would be \$323,620. A cost factor that was identified was that the state could see substantial savings in PM cost by having vendors that are capable to inspect the brakes and give them an inspection when they perform a tire rotate instead of being charged to have a separate brake inspection performed at different points in the year.

Over the past two years, the SFM Call Center technicians have been working on having state fleet vehicles combine the brake inspections with the tire rotations and bring them to vendors that are willing to only charge for a tire rotation while looking at the brakes. **This has been a current success rate of approximately 90% of the time saving \$174,766 (90% of \$194,185) in brake inspection cost.** The brake inspections are now being modified and combined with the tire rotation on every state vehicle PM table in order to have the brakes inspected when the tires are rotated on every state vehicle. The expectation is that 100% of the state vehicles over the next two years will have their brake inspection performed with their tire rotations, **saving an additional \$19,418 (10% of \$194,185) a year in brake inspections.** SFM personnel make these cost savings deterrents possible through the continued monitoring of vendors, assessing repair cost, controlling repair authorizations, and looking for possible cost savings to the state.

In addition to combining the tire rotations with brake inspections, the State Fleet Call Center took all vehicles in the fleet and did a comparative analysis of what the manufacturer suggested as proper service intervals verse what they were structured as maintenance intervals within the CARS Asset Management System. It was determined that a restructure and creation of the Preventative Maintenance (PM) tables were required. As a result, 130 corrected PM tables were established and 5094 vehicles were realigned to the new tables to match more closely with the manufacturer's guidance. It is anticipated that there will be a long-term cost saving by ensuring high cost repair items are being serviced regularly, according to manufacturer guidance. Specifically, these efforts will produce a reduction in repair cost associated with items such as engines, transmission, differentials, and cooling systems.

In conjunction with the push to align maintenance requirements, SFM ensures PM tables address the annual DOT inspection as required by the Federal Motor Carrier Safety Administration (FMCSA) for all commercial vehicles. Total number of heavy vehicles assigned to the DOT classed was 433. The result of this effort was to ensure vehicle safety and minimize exposure to fines and penalties due to lack of inspections routinely being performed.

Accident Management and Subrogation

Accident management and subrogation is a service that can be offered by third party vendors. Typical rates, based on Risk Management industry standards, are \$150.00 per incident filing and 10% of the subrogation money collected. Based on the 3-year average accident data of 959 incidents per year and the 3-year average of \$182,092.29 of subrogation collections from FY16 to FY18, it would have cost the State \$143,850 (\$150.00 x 959) plus \$18209.00 a year (10% of \$182,092.29) totaling \$162,059.00. This function is currently handled in SFM by 0.5 FTE at a loaded out cost of approximately \$38,048.11 for a **net benefit to the State of \$124,010.89 a year (\$162,059.00 – \$38,048.11).**

Vehicle Acquisition and Allocation Cost Savings

Annual Vehicle Bid Process

Summary of vehicles purchased in previous year by top four Body Code: Sedan, Truck 4x4, Van, and SUV. Each class should reflect costs within purchase price and annual cost of insurance and calculated savings by upfront savings, financed rates, insurance costs per mile, annual insurance savings, and total four-year cost savings. Assumptions made – all vehicle ownership will be factored over a 48-month term, with 15000 mile per year accumulated, metro area operation, retail insurance (good driver, over 30, no off road, \$0 deductible/\$100 deductible collision, 0 liability), retail finance rate verses SFM negotiated rate for current fiscal year trust, management fees are the same for all scenarios. In efforts to demonstrate the total impact of SFM goals, the class savings were averaged and calculated on the total average price for the 686 vehicles purchased in FY18.

Vehicle Acquisition

The SFM Annualized Fleet Management Cost Savings table below compares rates between leasing and purchasing; assuming 600 vehicles are purchased in a given year.

SFM Annualized Fleet Management Cost Savings

Cost Components	Lease				Retail Purchase			
	(A6) Chevrolet Impala	(D5) Chevrolet Express 15 Pass Van	(F2) Dodge 1500 Ext Cab 4X4 PU	(K2) Dodge Durango 4X4 SUV	(A6) Chevrolet Impala	(D5) Chevrolet Express 15 Pass Van	(F2) Dodge 1500 Ext Cab 4X4 PU	(K2) Dodge Durango 4X4 SUV
Retail Price*	\$25,218	\$33,912	\$31,046	\$29,336	\$25,218	\$33,912	\$31,046	\$29,336
Upfront	\$5,044	\$6,782	\$6,209	\$5,867	\$0	\$0	\$0	\$0
Monthly Payments	\$434	\$584	\$534	\$505	\$542	\$729	\$668	\$631
Lease/Purch Option(Residual Value)	\$9,358	\$15,158	\$18,670	\$17,522	\$9,358	\$15,158	\$18,670	\$17,522
Annual Insurance	\$2,227	\$2,994	\$2,741	\$2,590	\$2,227	\$2,994	\$2,741	\$2,590
Insurance CPM	\$0.15	\$0.20	\$0.18	\$0.17	\$0.15	\$0.20	\$0.18	\$0.17
Annualized Cost	\$7,434	\$9,997	\$9,152	\$8,648	\$8,736	\$11,747	\$10,754	\$10,162
Four-year Cost	\$25,420.71	\$31,610.25	\$24,145.26	\$22,935.51	\$25,584.12	\$31,830.00	\$24,346.44	\$23,125.60
	SFM Acquisition Costs				SFM Acquisition Costs			
State Price	\$21,225	\$26,951	\$21,558	\$24,445	\$21,225	\$26,951	\$21,558	\$24,445
% Savings	16%	21%	31%	17%	16%	21%	31%	17%
Monthly Payments	\$484	\$611	\$491	\$555	\$484	\$611	\$491	\$555
Residual Value	\$9,358	\$15,158	\$18,670	\$17,522	\$9,358	\$15,158	\$18,670	\$17,522
Annual Insurance	\$510	\$510	\$510	\$510	\$510	\$510	\$510	\$510
Annualized Cost	\$6,313	\$7,846	\$6,402	\$7,175	\$6,313	\$7,846	\$6,402	\$7,175
Four-year Cost	\$15,893	\$16,225	\$6,937	\$11,178	\$15,893	\$16,225	\$6,937	\$11,178
	Comparison							
SFM Annual Savings	\$1,121	\$2,151	\$2,750	\$1,473	\$2,423	\$3,901	\$4,352	\$2,987
SFM Annual Savings Percentage Per Vehicle Type	15%	22%	30%	17%	28%	33%	40%	29%
SFM Four-year Savings	\$9,528	\$15,385	\$17,208	\$11,758	\$9,691	\$15,605	\$17,409	\$11,948
SFM Annual Savings Fleet Avg Percentage	Lease				Purchase			
State-wide annualized savings in FY18 by purchase type	\$3,922,434				\$6,132,285			
Average State-wide annualized savings in FY18	\$5,027,360							

Avoided Repairs Through Vehicle Reallocations

If required vehicle repairs are 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 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 \$4447.00 per avoidable repair** (engines, transmissions, etc.). In FY18, SFM was able to avoid costly repairs in this way on average of 109 times. As a result of this effort, **the estimated annual savings is \$484,723.00.**

Seasonal Vehicle Requirements

Some departments operate seasonal programs and only have a need for vehicles during certain months of the year and may come from locations throughout the State. 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 six months. At an average monthly lease cost of \$1200 per month (a very conservative estimate if off road use is involved) and an average number of seasonal holdovers of 177 vehicles, **the total estimated savings is \$1,274,400 per year.**

Improved Auction Income

State Fleet Management oversees the sale of all vehicles for the departments under centralized management. A recent study comparing a sample of like vehicles (same age, model, etc.) that were sold by SFM to a similar group of vehicles sold directly by another agency indicated that SFM was able to generate 39% more revenue per sale than was possible through agency/institution exclusive direct sales. SFM coordinates a majority 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 \$2,102,316 (the FY18 total net auction revenue for 626 vehicles), then **the estimated additional revenue gained by virtue of State Fleet's involvement would be \$819,903.24.**

Sustainable Fleet Strategies Cost Savings

Grant Funding

State Fleet Management submitted a proposal to Alt Fuel Colorado, managed by The Regional Air Quality Council. The grant funds were awarded January 2018 for a total of \$14,000.00 to fund 80% of the incremental cost of two CNG vehicles. SFM also submitted a proposal to Recharge Colorado, also managed by The Regional Air Quality Council. This proposal was submitted for 13 electric vehicle (EV). These funds were also awarded in January 2018 for a total \$107,380.00 to offset the incremental cost. **The total of the combined FY18 cost savings from a non-state funding source is \$121,380.**

City and County of Denver MOU

The City and County of Denver and State Fleet Management were able to create a Memorandum of Understanding (MOU) regarding the usage of the state of the art CNG refueling site located at 1271 West Bayad, building 5, Denver, 80223. This site has helped to fill the gap of the retraction of CNG sites in the downtown Denver area.

Petroleum Reduction Efforts

SFM efforts to monitor the states fuel consumption and act as a principle to create a reduction strategy has demonstrated a reduction in petroleum consumption of 42,448 gallons (-1.37%) in spite of an increase in miles of 2,029,134 (3.62%). This was due to a move to more fuel-efficient vehicle technologies and alternative fuel sources like CNG and Hybrid electric. At an average pump price of \$2.43 less taxes x 42448, that is a **fuel savings of \$103,148.64.**

Fuel Rebate

The State of Colorado does not have a central fuel distribution program. However, leverages purchasing volumes to negotiate a volume discount with the awarded statewide vendor. In addition to the volume discount and the filed tax credits, there is a sizable prompt payment discount available. Through the efforts of SFM and the prompt payment of the Voyager fuel card invoice, **the State of Colorado recognizes a savings of \$169,501.34 annually.**



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