



**COLORADO**

**Division of Central Services**

Department of Personnel  
& Administration



**2016**

# *Rate Comparison & Cost Savings Report*

*First Choice for Service*

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## Division Overview

Focused on creating economies of scale, cultivating strong and sustainable partnerships, and emphasizing quality, the [Division of Central Services \(DCS\)](#)'s 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 Colorado's "First Choice for Service."

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 study enables DCS to ensure pricing is competitive or offered at lower rates than private industry in each of its key service areas. For 2016, DCS combined the two single reports for easier accessibility of information related to cost analysis for each division unit.

Created by statute in 1976 ([§24-30-1101](#)), the [Division of Central Services \(DCS\)](#) exists to provide business support services to state agencies. Housed within the [Department of Personnel & Administration](#), DCS consists of four main program areas: [Address Confidentiality Program \(ACP\)](#), [Capitol Complex Facilities Management \(CCF\)](#), [Integrated Document Solutions \(IDS\)](#), and [State Fleet Management \(SFM\)](#). Each of these units provides an innovative mix of services and/or programs tailored to the unique needs of each customer, such as:

- Business cards
- Consulting, facilitation, and project management
- Copier/Multifunction printers
- Mail
- Internal/external mail processing and security screening
- Interoffice delivery
- Courier delivery
- Graphic design
- Print (digital, commercial, variable)
- Fulfillment/Kitting
- Warehousing
- CD-DVD duplication
- Data conversion (data bases, data entry, OCR, web-based/online applications)
- Imaging and microfilm
- Scanning (high production/digital, maps/blueprints)
- Legal substitute address and confidential mail forwarding
- 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

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 waiver system](#) and have discussed service options with DCS. 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

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

- 1) When obtaining pricing from the private sector for print and mail services, standard rates are gathered through annual national studies using the Print and Mailing Services Pricing Guides published by Q.P. Consulting, Inc.
- 2) When comparing costs, commonly used goods and services will be compared.
- 3) Services compared must be comparable. For example, the rate charged by IDS for data entry includes storing data, yet the private sector rate is for keystrokes only. Graphic design service rates are compared to lower level “house designer” rates, whereas the quality of professionals employed by DCS would more typically be charged at a higher “agency designer” rate.

In these scenarios, DCS must *a)* not compare services, *b)* determine what percentage of the rate is due to the additional service not provided by the private sector and adjust the rate accordingly; or *c)* err on the side of comparing the DCS service rate to the lowest private sector rate.

- 4) DCS rates include statewide indirect costs when those costs would be redistributed to other cash-funded agencies were DCS not in existence.
- 5) Although “value added” cannot be quantified, statements that illustrate convenience, efficiency, and other benefits will be included. DCS also publishes a complementary “Cost Savings Study,” which includes detailed information on value added and real cost savings components achieved by the use of DCS services.

## Goods and Services Compared

Goods and services selected for comparison in 2016 include:

### Capitol Complex Facilities Maintenance

The Capitol Complex group offers full service facility management within 18 core state buildings, including the State Capitol building, the Governor’s Residence, State Services Building, Human Services Building, and other state-owned office facilities. 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, and building external security. The group also provides the public with special event permits, information resources, and conference center availability.

Services compared include:

- Building lease rates

## Integrated Document Solutions (IDS)

From design and print to imaging, mail, and delivery, IDS partners 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, commercial, digital, and variable data 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, and online content management through the State's Electronic Data Warehouse (EDW).

### Services compared include:

- Graphic design
- Mail projects
- Printing – (digital and commercial)
- Business cards
- Mail delivery and courier delivery
- Imaging
- Data entry

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## 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 6,000 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 petroleum reduction initiative.

The State Motor Pool rents fully equipped late-model cars, 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

Recognizing that the rate comparison data does not fully capture the value provided by the Division of Central Services 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	\$14,018,318.00
Integrated Document Solutions Northern Region	\$2,413,053.00
Integrated Document Solutions Southern Region	\$1,647,758.31
State Fleet Management	\$8,332,167.00
<b>TOTAL SAVINGS TO THE STATE</b>	<b>\$26,411,296.31</b>

With an annual total budget of approximately \$81.2 million, this savings represents about a 32% return on total investment in DCS. The total personal services expense paid in FY16 was \$12,873,456. DCS is generating a NET savings of \$2.05 for every \$1 spent in personal services.

## Capitol Complex Facilities Management

### Lease Rates

Based upon a lease rate comparison with the private sector, Capitol Complex saved the State **\$14,018,318** in fiscal year **2016**.

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)

Location	Class A	Class B	Class C
Northeast Suburban	\$ 25.00	\$ 23.19	\$ 20.16
West Suburban	\$ 25.00	\$ 20.61	\$ 19.71
Midtown CBD	\$ 37.19	\$ 31.67	\$ 25.30
Uptown CBD	\$ 37.29	\$ 29.69	\$ 25.07

Source: Jones Lang Lasalle, 2016

	Capitol Complex Area/ Midtown	Capitol Complex Area/ Uptown	690 & 700 Kipling/ West	Pierce Street/ West	North Campus/ Northeast
<b>Building Classification</b>	<b>Class A &amp; B</b>	<b>Class A &amp; B</b>	<b>Class A &amp; B</b>	<b>Class B &amp; C</b>	<b>Class C</b>
<b>Square Footage</b>	373,887	278,305	112,896	89,031	89,534
<b>Capitol Complex Lease Rate psf</b>	\$ 17.43	\$ 17.43	\$ 17.43	\$ 8.39	\$ 2.99
<b>Private Sector Lease Rate psf</b>	\$ 34.43	\$ 33.49	\$ 22.81	\$ 20.16	\$ 20.16
<b>Savings psf</b>	\$ 17.00	\$ 16.06	\$ 5.38	\$ 11.77	\$ 17.17
<b>Total Savings in FY15-16</b>	<b>\$6,356,266</b>	<b>\$4,469,717</b>	<b>\$ 606,872</b>	<b>\$1,047,859</b>	<b>\$1,537,603</b>

## Cost Savings

Based upon a lease rate comparison with the private sector, Capitol Complex saved the State \$14,018,318.00 in fiscal year 2016.

## Integrated Document Solutions (IDS)

### NORTHERN REGION

Digital Printing	\$ - N/A*
Graphic Design	\$17,452
Dispatch/Delivery	\$ - N/A**
Mail Operations/Postage	\$2,395,601
<b>TOTAL SAVINGS TO THE STATE</b>	<b>\$2,413,053</b>

\*IDS converted from standard quick copy printing to transactional printing in 2015-16, resulting in a delayed analysis and will not be available for reporting until FY17/18.

\*\*An accurate comparison is not possible due to fluctuating factors and prices.

### SOUTHERN REGION

Data Entry	\$1,403,878.90
Imaging	\$243,879.41
<b>TOTAL SAVINGS TO THE STATE</b>	<b>\$1,647,758.31</b>

## IDS NORTHERN REGION

### Graphic Design

As the cost of design services is often built into a larger project expense and only “house” or basic design projects are bid by the hour, it is difficult to separate this service for a true rate comparison. IDS designers are award-winning professionals who supervise both complex and basic projects, yet their rate is compared here to the lower, “house” standard rates.

Additionally, IDS often absorbs portions of service that would otherwise be billed hourly by an outside vendor. Using a simple hour-to-hour basis for comparison, IDS offers the highest quality design staff at a competitive rate. Depending on the complexity of a given job, IDS is frequently better positioned than commercially available rates.

Vendor*	Hourly Rate
Amelie Company	\$ 126.00
Forte Advertising, LLC	\$ 85.00**
Hellman Associates, Inc.	\$ 125.00
360 Media, LLC	\$ 85.00 - 135.00**
<b>Integrated Document Solutions (IDS)</b>	<b>\$ 118.00</b>

\*From State Purchasing & Contracts state price agreements

\*\*This is a base rate for simple design, the rate for more complex work increases based on level of design needed.

### **Cost Savings**

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 FY16, which translates to 2327 hours. When compared to private sector graphic design rates, **the IDS cost saves \$17,452 a year.**

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### 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 fee schedules that vary by miles traveled, number of hours in the delivery window, package weight, fuel surcharges, and number of pieces in the request. Due to these fluctuating factors and prices, IDS cannot provide an accurate comparison for this FY16 report. IDS is in the process of working with the Department of Personnel & Administration’s Contracts division, running a Request for Information (RFI) to hopefully establish what the services associated with Delivery and Courier Services would cost on the open market. DCS plans to provide a comparison with these services for the 2018 report.

## Mailing Operations

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

- Metering of first-class, presort, and accountable U.S. Postal Service mail
- Automated inserting of letters
- Postal barcoding (presort 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

A large component of IDS services include mailing projects. Mailing projects vary from small mailings of 100 pieces to large mailings of 100,000 pieces or more; and from simple projects that include affixing postage and delivering to the U.S. Post Office, to more complex projects that include hand-inserting mail into envelopes, printing addresses on envelopes, and sorting mail for postage discounts. As IDS custom tailors solutions based on each agency or project's unique needs, we have included a variety of ongoing or representative projects for cost comparison purposes. Please note that all project costs include pick-up and delivery with IDS and there are no minimum pieces for mailings, as there are often with outside vendors. All prices quoted are as of September 2015.

### Mail Projects:

#### IDS vs. National Average Charts for Mail:

Production Rates	IDS Price Per Piece	National Low*	National High*	National Average*
Letters (Metered)	\$ 0.065	\$ 0.031	\$ 0.051	\$ 0.041
Inserter (1-4/1 oz)	\$ 0.077	\$ 0.628	\$ 0.922	\$ 0.077
Data and Printing (Ink Jet) Letters	\$ 0.102	\$ 0.061	\$ 0.099	\$ 0.080
Data and Printing (Ink Jet) Flats	\$ 0.102	\$ 0.072	\$ 0.108	\$ 0.090

\*2015-2016 Quick Printing Industry Pricing Study

Small Machine Work	IDS Price Per Piece	National Low*	National High*	National Average*
Tabbing	\$ 0.052	\$ 0.039	\$ 0.073	\$ 0.056

\*2015-2016 Quick Printing Industry Pricing Study

Automated Sorting	IDS Price Per Piece	National Low*	National High*	National Average*
3 & 5 Digit Sort	\$ 0.026	\$ 0.025	\$ 0.029	\$ 0.027

Postage	Full Rate	IDS 3-Digit Sort Rate	State Savings Per Class	Avg. Pieces	Avg. State Savings
1 oz Letter	\$ 0.490	\$ 0.406	\$ 0.084	16,504,842	\$ 1,386,407.00
2 oz Letter	\$ 0.700	\$ 0.406	\$ 0.294	2,774,285	\$ 815,640.00
3 oz Letter	\$ 0.910	\$ 0.666	\$ 0.244	2,750	\$ 671.00
3.5 oz Letter	\$ 1.120	\$ 0.796	\$ 0.324	4,600	\$ 1,490.00
Postcard	\$ 0.340	\$ 0.265	\$ 0.075	2,551,911	\$ 191,393.00
<b>Approximate Potage Savings</b>					<b>\$ 2,395,601.00</b>

## Cost Savings

Mail operations saves state agencies significant dollars by automating multiple mail functions, using current technologies, and leveraging centralized volumes. In FY16, IDS handled about 23,000,000 pieces of mail, of which the above average 838,388 alone created **annualized discounts totaling \$2,395,601.00**. IDS customers immediately realize postage discounts.

### Printing (digital and commercial)

Printing projects can vary in size and produced either by a four-color ink process or digitally. For digital printing, all commercial vendors include paper in their impression charges. IDS charges by the piece of paper, not the impression count which creates additional savings when printing double sided. All prices quoted were obtained in September 2015.

#### Commercial (Four-color)\*

**Project 1 – Information Card (File: print ready PDF):** Four-color (CMYK), double-sided single sheet of 100# gloss cover with trim and wrap. This project has a volume of 150,000 pieces.

INFORMATION CARD	50,000	100,000	150,000
Denver Printing Company, LLC	\$ 3,000.00	\$ 5,000.00	\$ 7,500.00
Cottrell Printing	\$ 1,995.00	\$ 3,390.00	\$ 4,736.00
C&D Printing	\$ 1,662.00	\$ 2,702.00	\$ 3,753.00
Integrated Document Solutions (IDS)	\$ 1,620.00	\$ 2,576.00	\$ 3,496.00

\*IDS accesses commercial printing services through a pool of pre-qualified vendors.

**Project 2 – Hand Book (File: print ready PDF):** Four-color, plus satin aqueous, double-sided with 16 sheets, plus cover and bleeds, printed on 80# matte cover and guts 80# matte book with saddle stitch and fold. This project has a volume of 5,000 pieces.

HAND BOOK	3,000	5,000
Denver Printing Company, LLC	\$ 7,710.00	\$ 11,000.00
Cottrell Printing	\$ 9,426.00	\$ 12,235.00
C&D Printing	\$ 9,908.00	\$ 12,897.00
Integrated Document Solutions (IDS)	\$ 5,457.00	\$ 7,687.00

\*IDS accesses commercial printing services through a pool of pre-qualified vendors.

**Project 3 – Brochure (File: print ready PDF):** Four-color (CMYK), double-sided single sheet of 100# gloss book with bleeds and tri-fold. This project has a volume of 15,000 pieces.

Vendor	5,000	10,000	15,000
Denver Printing Company, LLC	\$ 1,300.00	\$ 1,700.00	\$ 1,950.00
Cottrell Printing	\$ 855.00	\$ 1,161.00	\$ 1,434.00
C&D Printing	\$ 828.00	\$ 1,141.00	\$ 1,418.00
<b>Integrated Document Solutions (IDS)</b>	<b>\$ 642.00</b>	<b>\$ 876.00</b>	<b>\$ 1,110.00</b>

\*IDS accesses commercial printing services through a pool of pre-qualified vendors.

### Digital (Quick Copy)

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 CORE billing services
- Quality control

**Project 4 – This is a typical 500-piece digital copy job in color.**

Vendor	Color Copies
National Average*	\$ 342.00
National Median*	\$ 325.00
National High Range Median*	\$ 379.00
National Low Range*	\$ 305.00
<b>Integrated Document Solutions (IDS)</b>	<b>\$330.00</b>

\*2015-2016 Quick Printing Industry Pricing Study

**Project 5** – This is a typical 5,000-piece digital copy job in monochrome (black) printed 2 sides.

Vendor	Black Copies per Click (impression) w/20# Bond	Black and White Copies
National Average*	0.0428	\$ 428.50
National Median*	0.04	\$ 400.00
National High Range Median*	0.0481	\$ 481.00
National Low Range*	0.0376	\$ 376.00
<b>Integrated Document Solutions (IDS)</b>	0.048	\$ 480.00

\*2015-2016 Quick Printing Industry Pricing Study

With declining volumes in this business segment, IDS has migrated to Inkjet Web printing to deliver the highest value to the agency customers. The cost in this area of printing is \$.022 and includes up to 5% color coverage per side printed. In the follow-up to this study for FY18, full data sets will be viable for evaluation. In today’s commercial segment, and with the youth of the technology, it is difficult to baseline cost-competitiveness/savings.

## Cost Savings

Due to IDS converting from the standard quick copy printing to this new inkjet web/transactional printing in 2015-16, has resulted in a delayed cost analysis for this FY16 report and will not be available for reporting until FY17/18.

### Business Cards

The cost of business cards includes the design and printing of 500 cards. Full-Color cards are printed on 14pt coated with UV, and color matte cards are printed on 100# matte stock.

Vendor	Four-Color Business Cards
National Average*	\$70.16
National Median*	\$68.90
National High Range Median*	\$77.16
National Low Range*	\$63.15
<b>Integrated Document Solutions (IDS)</b>	<b>\$48.00</b>

\*2015-2016 Quick Printing Industry Pricing Study

## IDS SOUTHERN REGION

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.

In FY16, the IDS Data Entry Unit entered over 270 million keystrokes. 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

The Southern Region is also tasked with imaging services for a variety of departments. In FY16, the Imaging Unit processed over 20 million documents.

The unit uses high-speed scanners and sophisticated software to capture detailed images for storage and retrieval by the customers. In addition to the scanning of the documents, this also requires meticulous prepping of the documents prior to scanning to insure the highest quality images.

### Data Entry Services

The total keystroke volume for all projects processed by IDS in FY16 was **271,669,811**. Comparisons shown below are for other companies providing the same type of service. **Please note**, comparable companies are all *located outside of the United States* with these services and typically outsourced to other countries.

Vendor	Vendor Location	Cost Per Hour	Average Keystroke Hour	Calculated Keystroke Cost	Total Project Cost	Total Savings Provided by IDS
Flatworld Solutions	India	\$ 7.00	10800	\$ 0.000648	\$ 176,082.28	\$1,372,435.64
3Alpha Data Entry Services	India	\$ 4.50	10800	\$ 0.000417	\$ 113,195.75	\$1,435,322.17
Integrated Document Solutions		N/A	10800	\$ 0.005700	\$1,548,517.92	\$1,403,878.90
						IDS Average Savings

## Imaging Services

Imaging projects were divided into two separate categories in the past but for FY16, IDS did not have a separate rate based on a million and over. The rates shown below are for scanning only. Using the per piece basis for comparison for individual projects in FY16, IDS saved the State of Colorado an average of \$243,879.41.

Total images for individual projects in FY16 processed by IDS, 20,903,949.

Vendor	Cost Per Image	Total Project Cost	Total Savings Provided by IDS
STATCO (Austin, TX)	0.035	\$ 731,638.22	\$ 104,519.75
Vdocs.org (Seminole, FL)	0.04	\$ 836,157.96	\$ 209,039.49
Lin-Cum, Inc. (Phoenix, AZ)	0.05	\$ 1,045,197.45	\$ 418,078.98
Integrated Document Solutions	0.03	\$ 627,118.47	\$ 243,879.41
			IDS Average Savings

## State Fleet Management (SFM)

Motor Pool Rental Rates	\$87,971.00
Denied Repair and Maintenance Savings	\$491,528.00
Deterred Expenses	\$153,415.00
Accident Management and Subrogation	\$116,617.00
Vehicle Acquisition	\$5,095,038.00
Avoided Costs through Reallocations	\$399,416.00
Seasonal Vehicle Requirements	\$1,161,600.00
Auction Income	\$461,015.00
Grant Funding	\$365,567.60
<b>TOTAL SAVINGS TO THE STATE</b>	<b>\$8,332,167.00</b>

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## Technical Services Cost Savings

### Vehicle Rentals

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, within the Office of the State Controller, 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 \$20.35, which assumes an average of \$5.99 per gallon and includes taxes. Fuel costs have been added to the base daily rental fee in order to present an accurate comparison of rates.

	Compact	Full Size Sedan	Minivan	Med SUV/4x4
Enterprise	\$52.81	\$57.47	\$76.07	\$77.15
Hertz	\$50.80	\$58.15	\$81.25	\$86.50
SFM	\$45.00	\$45.00	\$65.00	\$65.00
Motor Pool Days of Use (FY16)	1633	3133	346	1901
Savings	\$11,116	\$40,140	\$4,727	\$31,988
Total	\$87,971			

### Denied Repair and Maintenance Savings

This category includes items that were denied due to being covered under warranty or as unnecessary repairs and totals \$491,528 in FY16.

### 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 know not to ask for unnecessary repairs because they know from experience 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. 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. An example of this is the tires rotate and brake inspections required on every state vehicle. The standard tire rotation cost is \$19.99 per vehicle multiplied by 6,416 active vehicles in the State Fleet equaling a cost of \$128,255 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 6,416 vehicles equaling a possible cost of \$192,415 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 \$320,670. A cost factor that was identified was that the state could see substantial savings in PM cost by having vendors that are willing to inspect the brakes and give them a look over when they perform a tire rotate instead of being charged to have a separate brake inspection performed at different points in the year. Currently, over the past two years, the State Fleet Call Center technicians have been working towards state fleet vehicles combining the brake inspections with the tire rotations. By using vendors that are willing to only charge for a tire rotation while performing a brake inspection there has been an approximate success rate of 80% of the time. This

results in a savings of \$153,415 (80% of \$192,415) in brake inspection cost. The brake inspections are now being modified and combined with the tire rotates on every state vehicle PM table to accomplish even higher rates of cost savings. These cost savings are made possible through the continued monitoring of vendors, assessing repair cost, controlling repair authorizations, and the expertise to identify possible cost savings to the state by SFM personnel.

### 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 three year average accident data of 819 incidents per year and the three year average of \$298,215 of subrogation collections from FY14 to FY16, it would have cost the State \$122,000 (\$150.00 x 819) plus \$29,821 a year (10% of \$298,215) totaling \$152,671. This function is currently handled in SFM by 0.5 FTE at a loaded out cost of approximately \$36,054 for a **net benefit to the State of \$116,617 a year (\$152,671 - \$36,054).**

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## Vehicle Acquisition and Allocation Cost Savings

### Annual Vehicle Bid Process

Summary of vehicles purchased in previous year by top 4 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 vs. SFM Negotiated rate for current FY Trust, Management fees are the same for all scenarios. In efforts to demonstrate the total impact of SFM efforts the class savings were averaged, and calculated on the total average price for the 649 vehicles purchased in FY16.

### Vehicle Acquisition

The table on the next page compares rates between leasing and purchasing, assuming 600 vehicles are purchased in a given year.

Cost Components	Lease				Retail Purchase			
	(A6) Impala	(D5) Ford Express 15 Pass Van	(F2) Ford F150 Ext Cab 4X4 PU	(K2) Dodge Durango 4X4 SUV	(A6) Impala	(D5) Ford Express 15 Pass Van	(F2) Ford F150 Ext Cab 4X4 PU	(K2) Dodge Durango 4X4 SUV
Retail Price	\$24,399	\$35,303	\$32,706	\$29,786	\$24,399	\$35,303	\$32,706	\$29,786
Upfront	\$4,880	\$7,061	\$6,541	\$5,957	\$0	\$0	\$0	\$0
Monthly Payments	\$419	\$606	\$561	\$511	\$524	\$757	\$702	\$639
Lease/Purchase Option (Residual Value)	\$6,637	\$16,663	\$20,670	\$18,824	\$6,637	\$16,663	\$20,670	\$14,059
Annual Insurance	\$2,154	\$3,117	\$2,888	\$2,630	\$2,154	\$3,117	\$2,888	\$2,630
Insurance CPM	\$0.14	\$0.21	\$0.19	\$0.18	\$0.14	\$0.21	\$0.19	\$0.18
Annualized Cost	\$7,180	\$10,389	\$9,625	\$8,765	\$8,437	\$12,207	\$11,309	\$10,299
Four-year Cost	\$33,600	\$48,616	\$45,040	\$41,018	\$33,746	\$48,827	\$45,236	\$41,196
	SFM Acquisition Costs				SFM Acquisition Costs			
State Price	\$20,325	\$27,613	\$21,582	\$27,205	\$20,325	\$27,613	\$21,582	\$27,205
Percentage Savings	17%	22%	34%	9%	17%	22%	34%	9%
Monthly Payments	\$445	\$602	\$472	\$593	\$445	\$602	\$472	\$593
Annual Insurance	\$6,637	\$16,663	\$20,670	\$18,824	\$6,637	\$16,663	\$20,670	\$14,059
Annualized Cost	\$630	\$630	\$630	\$630	\$630	\$630	\$630	\$630
Four-year Cost	\$5,975	\$7,848	\$6,298	\$7,743	\$5,975	\$7,848	\$6,298	\$7,743
	Comparison							
SFM Annual Savings	\$1,205	\$2,541	\$3,327	\$1,022	\$2,462	\$4,359	\$5,011	\$2,556
SFM Annual Savings Percentage per Vehicle Type	17%	24%	35%	12%	29%	36%	44%	25%
SFM Four-year Savings	\$16,338	\$33,886	\$40,519	\$28,870	\$16,484	\$34,097	\$40,715	\$24,282
SFM Annual Savings Fleet Avg. Percentage			Lease	22%		Purchase		34%
Statewide Annualized Savings in FY16 by Purchase Type	\$4,024,638				\$6,166,098			
Average Statewide Annualized Savings in FY16	\$5,095,368							

\*Lease/Retail purchase price discounted at 10% off MSRP

<b>Assumptions:</b>
1. Four-year, 48-month life cycle
2. 15,000 miles per year (0.25 per mile charge for miles over 35,000)
3. Retail finance rate at 2.9%, SFM rate at 1.37%
4. Residual values factor based on annual depreciation values of -18.2% for sedans, -13.2% for vans, -.092% for 4x4 trucks and SUV (Automotive Fleet – 1/13/16)
5. Retail insurance – good drivers, over 30, no off road, \$0 deductible comp/\$100 deductible collision – zero liability (Ref: risk management industry standard .0883% total asset value)
6. SFM "insurance" at 1.6 cents per mile Collision. Risk liability "insurance" at 2.6 CPM. Total "insurance" .042 CPM
7. Metro Area operations
8. Average cost of vehicle 649 vehicles purchased in FY16 \$28,357.41
9. Management fees/cost same for all scenarios

## **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 and 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 \$4,117.00 per avoidable repair (engines, transmissions, etc.). In FY16 SFM was able to avoid costly repairs in this way an average of 97 times. The estimated annual savings as a result of this effort is \$399,416.00.

## **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 will only be utilized 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 offered by rental companies at any cost). The typical short-term holdover assignment is 6 months. At an average monthly lease cost of \$1,100 per month (a very conservative estimate if off road use is involved) and an average number of seasonal holdovers of 176 vehicles the total estimated savings is \$1,161,600 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 \$1,182,092 (the FY16 total net auction revenue for 349 vehicles), then the estimated additional revenue gained by virtue of State Fleet's involvement would be \$461,015.

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## **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 early 2016 for a total of \$349,037.60 to fund 80% of the incremental cost of 47 CNG Vehicles.

State Fleet Management also submitted a proposal to Recharge Colorado also managed by The Regional Air Quality Council. This proposal was submitted for one plug-in hybrid electric vehicle (PHEV), and one electric vehicle (EV). These funds were also awarded in the Second Quarter of 2016 for a total \$16,520 to offset the incremental cost.

The total of the combined FY16 cost savings from a non-state funding source is \$365,567.60.



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