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## **FY06 COST SAVINGS STUDY**

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**OF SERVICES AND GOOD PROVIDED BY  
THE DIVISION OF CENTRAL SERVICES**



*Good Government Starts Here*

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## INTRODUCTION

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This study offers a sampling of the millions of dollars in savings provided to state agencies from the various goods and services procured through the Department of Personnel & Administration, Division of Central Services.

Some of the savings highlighted in this report is summarized from a cost study conducted in the summer of 2006 which compared the rates charged by units within the Division of Central Services with their counterparts in the private sector. To review the direct cost comparisons and calculation assumptions behind these savings, please refer to FY06 Rate Comparison of Services and Goods Provided by the Division of Central Services, published in the fall of 2006.

Not all savings can be quantified directly. This report also describes the numerous "value added" services provided by the working units of the Division of Central Services.

### Summary of Savings from Selected Goods and Services

Integrated Document Solutions-Pueblo	\$782,500
Integrated Document Solutions-Denver	\$2,323,437
State Fleet Management Program	\$3,947,348
State Travel Management Program	\$5,338,189
Capitol Complex Facilities Maintenance	\$7,165,181
<b>TOTAL</b>	<b>\$19,556,655</b>

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**IDS/PUEBLO (SAVINGS=\$552,500 – \$782,500)**

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The following table summarizes savings realized by IDS/Pueblo in FY 05–06. Please refer to the FY06 Rate Comparison of Services and Goods Provided by the Division of Central Services report for the methodology used to calculate these savings.

Data Entry	<b>\$374,400</b>
Imaging	<b>\$81,333</b>
Electronic Data Warehouse (EDW)	<b>\$51,304 + \$230,000</b> if agencies would need to purchase Content Management Equipment for electronic data storage if the work was done in-house, rather than with IDS/Pueblo.
Microfilm Processing	<b>\$45,500</b>

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**IDS/PUEBLO VALUE ADDED SERVICES**

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Although charged with the seemingly simple 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: getting the information to and from the customer, development and coordination of IT services, managing exceptions, problem solving, quality control, security and confidentiality of information, disposal of hardcopy files and ongoing maintenance of on-line files. This "value-added" tradition in data processing distinguishes IDS from most other processing centers in the field. Moreover, IDS has over twenty-four years experience in working to meet the state's data processing needs.

Key value-added functions provided by IDS include:

**ASSISTANCE WITH COST SAVINGS**

- IDS implemented a postal table to save on manual entry of keystrokes. Prior to this, the data operator would key the entire City, State and Zip. Now the operator enters the Zip and the program populates the City and State. This same process was then modified to be used by the Department of Revenue to automate names and addresses, saving substantially on processing costs.

- IDS shares software licenses and server responsibility including, software upgrades, testing upgrades and data packets, back-up and restores of pertinent information.
- For any error processing found due to scheduling problems, duplicate batches and correction of data, IDS updates and corrects the process free of charge to the customer.
- Transferring of data comes at no additional cost due to the direct connectivity into state computer systems.
- Security is at the state level with all costs shared among agencies. IDS is an internal state division that utilizes the State MNT and is protected by internal firewalls. Therefore, no external disks need to be created and transported back and forth, reducing external security costs and time and expense to import data files.
- Cost savings are passed onto IDS' state agency partners.
- Overtime is absorbed into the cost of operation.

## **ASSISTANCE WITH OPERATIONS AND PROCESS IMPROVEMENT**

IDS strives to perfect business practices so that its customers can meet legislated deadlines. Customer service is emphasized to ensure customer satisfaction and uphold the IDS reputation to secure new business opportunities to the benefit of all state agencies.

- IDS has a flexible staff to handle large volumes and tight deadlines.
- IDS provides a method to integrate data along with offering and testing transferring of data files.
- IDS tests data files and program changes before implementation.
- IDS shares any operational enhancements at no costs to the agency.
- IDS is fully focused on improvements to overall processes.
- IDS partners with agencies to share program skill and ability.
- IDS identifies and recovers large checks for immediate processing.
- Agencies can easily transfer funds and do not need to go through the procurement process.
- Data interface with mainframes and/or databases is easily performed due to the internal state access.
- IDS partners with its customers to provide an integrated end-to-end process.
- IDS implements a tracking system that utilizes a barcode to provide continues monitoring of information as it is moved through various areas of processing. This eliminates the loss of customer documents and provides the customer with additional security.
- IDS programmers implemented various improvements for quality checking of data. The data is uploaded to a quality check program and identifies errors that are corrected, saving the costs of the verification process.

- IDS provides high speed fiber optic network and internet connections to enable high speed processing of large data files.
- IDS offers state certified mail delivery service.

## **SECURITY**

IDS continuously works to improve the security of physical and virtual information. IDS partners with the Information Security Operations Center (ISOC) and Division of Information Technology (DOIT) to utilize data protection solutions, network security and systems availability. The following types of security are provided at no additional cost:

- Encryptions of data through file transfer protocol.
- Strong Authentication including operator, network, and mainframe security clearance.
- Secure information while in transit or at rest on laptops, desktops, or networks devices.
- Disaster Recovery.
- 24-hours per day, 7-days a week support.
- State Multiuse Network (MNT) provides high-speed transfer of information over a secure network infrastructure.
- Firewalls with Intrusion Detection and Prevention.
- Access Control Servers.
- Identify IT resources and stop malicious code before resources are stolen.

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## IDS/DENVER (SAVINGS=\$4,081,437)

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### **DIGITAL PRINTING: SAVINGS = \$776,200**

There are many resources available to produce Digital Printing services, traditionally referred to as Quick Copy services. While numerous services offered by IDS are available at commonplace commercial copy centers, there are many services that only an in-house copy service, such as IDS, offers. For example, IDS provides:

- HIPAA compliance,
- Secured print,
- Personalized attention, and
- Ability to shift work to meet last minute print needs.

Another value added is thorough knowledge of our printed products. What this means to the state customer is that IDS is able to "QC" printed materials far beyond the capabilities of a commercial sector printer. For example, IDS routinely catches errors customers overlook in preparation for printing.

**IDS saves the State of Colorado an average of 35% on print jobs that exceed 5,000 impressions and 54% on jobs averaging more than 25,000 impressions.** These numbers are based on an annualized volume of impression in FY06 multiplied by an average impression cost of \$0.04 each, as typically charged by the private sector. The actual savings to the State annually is \$230,800+/- for jobs with an impression rage grater than 5,000 and \$545,400 +/- for those jobs with more than 25,000 impressions. **The approximate savings to the State annually is \$776,200+/-.**

### **OFFSET PRINTING: SAVINGS = \$126,800**

Offset printing, or lithography, is a diverse industry with a variety of capabilities. The IDS print shop is currently categorized as a small format printer. As such, there are many projects that IDS does well to focus on and many other projects that simply do not make sense for IDS to print. With its current capabilities IDS tries not to produce any offset printed job that will exceed 20,000 impressions. For jobs exceeding this level IDS has allied with the commercial sector to secure wholesale level pricing for its customers.

Based on a job requiring two-color printing on 2 sides, the State realizes an average savings of 16%. Based on an annualized volume of jobs that meet this criteria (300+/-) this translated to an annual savings of \$19,300+/- (The savings to the State of Colorado in this category is slightly skewed since FedEx Kinko's has been dropped from the cost comparison calculation due to its unusually high costs.)

Based on job requiring 4-color printing (full color), the savings to the state of Colorado is somewhat more substantial. Based on the quotes provided by the 3 private sector vendors the

State saves an average of 42%. This translates to an annual savings of \$83,400+/- based on an average of 150 jobs meeting this criterion.

**Total saving in just these two categories will average \$102,000+/- annually.**

**In the business card category the State will recognize an average savings of 36%. Based on an average of 150 orders per month this equates to an average annualized savings of \$24,800+/-.**

### **DESIGN: SAVINGS = \$215,437**

Although the number of staff is small, IDS Design Services professionally handles the lion's share of the State's graphic design needs. From simple carbonless forms and stationary to complex publications such as books and manuals, IDS has also produced display panels for the State Fair and large all-weather banners and signage. IDS also "polices" reproduction of the Colorado State Seal. The IDS design team ensures that standards are properly adhered to on all printed materials funneled through IDS bearing the State Seal.

Design rates are somewhat difficult to compare due to the nature of the service itself and differences in IDS and private sector billing policies. "Non-billable units" are common in the industry. A unit is 15 minutes of time. A "non-billable" unit is time that may be spent on ancillary tasks such as spent traveling to a press check or to the customer site to pick up or deliver a proof. With the current IDS method for design, IDS bills only for the actual time required to complete a project. In contrast, the private sector bills for the time spent on ancillary services.

This cost comparison uses average savings based on total annualized hours for FY06. **The State of Colorado recognizes an average saving of 30% by utilizing the services of IDS Design. Based on an annualized average of 12,500 "billable" units in the year this translates to a savings of \$85,900+/-.** If "non-billable" units are included, this number increases to an average savings of 51% and an annualized average savings of \$215,437 +/-.

### **DISPATCH/DELIVERY: SAVINGS = \$183,000**

Due to the distinctly different costing models from the three vendors identified in this analysis it is difficult to precisely estimate the actual annualized savings. IDS has established rates to recover costs. In these rates IDS has calculated overhead, vehicle cost including fuel and driver labor. The vendors identified in this comparison add fuel surcharges, additional mileage and cargo weight to their calculations. This makes the comparison a moving target, as many of these costs will fluctuate over the span of a year.

As of the end of FY06, **IDS Dispatch delivery stops** per year totaled more than 65,000. The cost to the IDS customer base was approximately \$700,000.00+ for FY06. This total represents the standard scheduled pick-up and deliveries performed every day by the IDS Dispatch unit. Making an assumption that each delivery/pick-up will net approximately the equivalent to two boxes of interdepartmental mail and outgoing US mail, the conservative **savings of 11% will net a savings of \$178,000.00+ annually.** The 11% savings is the average savings coming from the cost comparison study.

IDS also provides **demand courier or special deliveries** averaging more than 1400 individual deliveries per year. These deliveries will range from one package to several hundred boxes at one time. IDS has set the minimum cost of a demand delivery at \$25.00, which includes two boxes.

The average of the three private sector vendors is \$27.74. IDS provides approximately 550+ deliveries of this type per year. This savings only represents a 11% net savings over the private sector. In contrast IDS demonstrates a significant savings in delivers that exceed 32 packages/boxes. In this category IDS has more than 120 deliveries annually with **a saving in excess of 75% to the customer base. Conservatively this number is \$5,000.00+ annually.**

**Category 1.**

Based on individual comparisons using a baseline of 2 Boxes @ 40lbs each delivered 10 miles within 2 hours:

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**IDS VS. QUICK SILVER**

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IDS cost \$25.00  
Quick Silver cost \$25.63 (price includes a fuel surcharge)

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**IDS VS. SPEEDY MESSENGER**

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IDS cost \$25.00  
Speedy Messenger cost \$30.25 (cost includes a mileage calculation)

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**IDS VS. FTC XPRESS INC**

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IDS cost \$25.00  
Citi Sprint cost \$27.35

Using the three private sector vendors, the average cost for a 2-box delivery is \$27.74; this translates to a **11% savings** in this category.

**Category 2.**

Based on individual comparisons using a baseline of 32 Boxes (one pallet) @ 40lbs each delivered 10 miles within 2 hours:

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**IDS VS. QUICK SILVER**

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IDS cost \$55.00  
Quick Silver cost \$115.00 (this price is based on an hourly rate of \$54.80 per hour with a minimum of two hours, \$1.10 per hundred pounds over 1000 pounds and a 18% fuel surcharge.)

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**IDS VS. SPEEDY MESSENGER**

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IDS cost \$55.00  
Speedy Messenger cost \$82.25 (cost includes a mileage calculation)

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**IDS VS. FTC XPRESS INC.**

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IDS cost \$55.00  
Citi Sprint cost \$83.75 (cost includes a per lb. calculation of .006 after 50 lbs.)

Using the three private sector vendors, the average cost of a 32-box delivery is \$96.82; this translates to a **76% savings** in this category.

### **MAIL OPERATIONS: SAVINGS = \$1,022,000**

Mail Operations is a full service mail processing center offering the following services:

- Metering of First Class, Presort, and Accountable US mail.
- Automated Inserting of letters and flats.
- Postal Bar Coding enabling the customers to obtain discounts on their mail.
- Inkjet addressing using customers data files.
- Parcel shipping with Fed-Ex, UPS & DHL
- Automated folding and tabbing.
- Moore Turbo Pressure Sealer, used for self-mailers.
- Professional instruction to train each state agency to design their mail in ways to meet their specific needs while qualifying for the best delivery and postal rates available.

Mail Operations is able to save state agencies substantial amounts by automating several mail functions so that postage discounts can be obtained. IDS Mail Operations combines many different state agencies' mail to achieve high-volume efficiencies. IDS processes mail on high-speed automated machines instead of by hand or tabletop equipment, as each agency has had to do in the past. **The PTI bar-coding and sorting machine processed 12,468,327 pieces of mail in FY06. This results in annualized discounts in excess of \$1,022,000.** The savings is passed back to the individual state agencies that utilize these services.

IDS' automated Inkjet equipment is able to address envelopes and brochures at 3,000 pieces an hour, versus hand labeling at 400 pieces per hour. IDS is equipped to insert #10 envelopes at 6,000 pieces per hour instead of hand inserting at 350 pieces per hour. The Mail Operations unit can meter up to 2,000 pieces of mail per hour instead of individual agencies using stamps or slower/older metering equipment.

The Mail Operations unit has established permits and meters for First Class, Presort First Class, Business Reply Envelopes and Permit Mail, which may be used by all state agencies. Mail Operations handles all the paperwork required by the US Post Office for automated mailings. Mail is processed quickly and efficiently by Mail Operations. Each job is subjected to the highest quality control standards in the industry, guaranteeing our customers the best value for their money as well as mail that is professional in appearance.

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## IDS/DENVER VALUE ADDED SERVICES

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### **PTI SAVINGS**

A valuable element of the mail processing system at IDS/Denver Mail Operations is the PTI machine, which allows IDS to sort and barcode all letter-sized mail (up to 2 oz). This process insures more accurate delivery and reduces the postage cost by up to 8 cents per piece, depending on the qualifications of the address.

### **BULK MAIL SORTING SAVINGS**

IDS' ability to present bulk mailings to the United States Post Office offers customers an alternate method of mailing large quantities of printed material at considerably less cost than First-Class mail. As a result of sorting, counting, packaging, and presenting documentation for these mailings, the cost per piece ranges from 15 to 27 cents. In comparison to First-Class rates, the savings can be anywhere from 10 to 22 cents per piece.

### **DATA COLLECTION AND INKJET PRINTING SAVINGS**

Data Collection and Bulk Inkjet Printing can save production hours and abolish the use of manually applied address labels. Through the use of Postal sorting software, IDS is able to correct and update ZIP codes and assure a higher rate of delivery accuracy. With the Inkjet Printing system, IDS can apply addresses to the mail piece directly at rates of up to 6,000 pieces per hour. Applying labels by hand yields only 350 pieces per hour.

### **INSERTER SAVINGS**

Pitney-Bowes Inserting machines are able to insert up to 8 different pieces or packets of material into each letter-sized envelope. These machines also seal and apply the proper amount of postage to each envelope at a rate of up to 6,000 pieces per hour. To complete this process by hand would yield only 300 to 400 pieces per hour.

### **DISPATCH UNIT SAVINGS**

IDS' dispatch service is not only economical for customers to use but also highly effective in delivering a product from their location to another state agency in a timely manner. IDS/Denver is able to work with agencies to customize pickup and delivery service so that it meets their individual needs and schedules. In addition to regularly scheduled stops, IDS offers Special Run pick-ups and deliveries at an agency's request. IDS dispatch drivers can also pick up specialized mail such as USPS Express, UPS Ground, Fed Ex Ground, and Fed Ex Air at no additional cost.

## **INTEROFFICE MAIL SYSTEM SAVINGS**

The IDS/Denver Interoffice Mail System is beneficial to our customers by alleviating unnecessary postage costs and simplifying and speeding up interoffice mail delivery. Customers only pay for the number of times IDS picks up and delivers mail per day, as opposed to paying for each individual piece that is delivered or picked up. This allows agencies to send as much mail as needed each day, receiving only one flat bill per month for the service. IDS will also pick up mail from the Post Office, open it, and screen it to the customer's specifications. This saves the customer valuable employee hours and the costs of using cumbersome equipment.

## **DIRECT BILLING**

Direct billing through COFRS is a significant value added for all IDS customers that are on the COFRS system. This allows customers to receive direct invoices through the system and avoid the processes and costs associated with bookkeepers managing invoices and other documents to process nondirective billing. In addition, billing information is added to InfoPac for immediate viewing after each billing cycle.

## **PRINTING – OFFSET PRESS**

Before IDS/Denver decides to grant waivers or outsource offset print jobs, we determine if the job can be completed utilizing State resources. When IDS receives offset jobs beyond the limits of IDS resources, we partner with other State agencies with printing operations to assist in the completion of those jobs.

STATE FLEET MANAGEMENT PROGRAM

**STATE FLEET MANAGEMENT (SAVINGS=\$3,947,348)**

**MOTOR POOL DAILY RENTAL RATES: SAVINGS = \$87,854**

RENTAL RATES FROM ENTERPRISE CORPORATION (FY06 STMP RATES)							
Rates confirmed 5-26-06 by Nieman Porter/Enterprise							
CITY - STATE	ECONOMY*	COMPACT*	MID-SIZE*	FULL SIZE, FOUR DOOR*	MINI - VAN*	FOUR WHEEL DRIVE	15 PASS VAN
Statewide Average:	\$35.31	\$36.29	\$37.26	\$38.57	\$56.57	\$56.57	\$102.57
**Estimated Fuel \$:	\$15.57	\$15.57	\$15.57	\$15.57	\$15.57	\$15.57	\$15.57
Adj. Enterprise Total:	\$50.88	\$51.86	\$52.83	\$54.14	\$72.14	\$72.14	\$118.14
DPA Motorpool:	\$45.00	\$45.00	\$45.00	\$45.00	\$60.00	\$65.00	\$90.00
<b>Motorpool Over/(Under):</b>	<b>(\$5.88)</b>	<b>(\$6.86)</b>	<b>(\$7.83)</b>	<b>(\$9.14)</b>	<b>(\$12.14)</b>	<b>(\$7.14)</b>	<b>(\$28.14)</b>

\*\*\*Estimated Annual Savings: **\$87,854**

\*Enterprise rates as of May 26, 2006.

\*Enterprise fuel cost is not included in base rate; DPA Motor Pool fuel cost is included in daily rate

\*\*Estimated Enterprise fuel cost based on FY06 average miles per rental day of 139 miles @ 25 mpg and \$ per gallon (including taxes) of \$2.80 = \$15.57

\*\*\*Annualized Savings based on FY06 estimated 7,973 rental days (based on 11 months) times average savings per rental day of \$11.02.

**VEHICLE ACQUISITION: SAVINGS = \$1,888,050 (BASED ON 600 VEHICLES/YEAR)**

Cost Components	Leasing				Purchasing			
	(A6) Taurus	(D5) Ford Express 15 Pass Van	(F2) Chevy Silverado Ext Cab 4X4	(K2) Chevy 4X4 Trailblazer	(A6) Taurus	(D5) Ford Express 15 Pass Van	(F2) Chevy Silverado Ext Cab 4X4	(K2) Chevy 4X4 Trailblazer
Retail Price**	\$19,992	\$27,288	\$28,060	\$25,457	\$19,992	\$27,288	\$28,060	\$25,457
Upfront	\$802	\$1,038	\$940	\$946	\$0	\$0	\$0	\$0
Monthly Payments	\$401	\$519	\$470	\$471	\$470	\$641	\$659	\$598
Lease/Purch Option	\$5,755	\$10,612	\$13,115	\$9,408				
Annual Insurance	\$882	\$955	\$1,100	\$950	\$882	\$955	\$1,100	\$950
Insurance CPM	\$0.059	\$0.064	\$0.073	\$0.064	\$0.059	\$0.064	\$0.073	\$0.064
Annualized Cost	\$7,333	\$10,096	\$10,254	\$9,191	\$6,522	\$8,647	\$9,008	\$8,126
	SFM Acquisition				SFM Acquisition			
State Price	\$12,263	\$18,900	\$19,115	\$20,186	\$12,263	\$18,900	\$19,115	\$20,186
"% Savings	39%	31%	32%	21%	39%	31%	32%	21%
Monthly Payments	\$276	\$426	\$431	\$455	\$276	\$426	\$431	\$455
Annual Insurance	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165
Annualized Cost	\$3,477	\$5,277	\$5,337	\$5,625	\$3,477	\$5,277	\$5,337	\$5,625
SFM Annual Savings	\$3,856	\$4,819	\$4,917	\$3,566	\$3,045	\$3,370	\$3,671	\$2,501
<b>Statewide Annualized Savings*</b>								<b>\$1,888,050</b>

## MAINTENANCE & OTHER SERVICES:

### DENIED REPAIR AND MAINTENANCE COSTS (FIRST 7 MONTHS OF FY06)

Denied repairs covered by warranty. Payment refused as unnecessary or denied as uneconomic.	\$92,276
Authorization requested by vendor or driver and denied authorization as unnecessary	\$82,426
Total Savings through 7 months	\$174,702
<b>Estimated Annualized Denied Repair and Maintenance Savings</b>	<b>\$299,489</b>

### EXPENSE DETERRENT

In addition to the above 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 perform questionable or unnecessary repairs to 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 FY06 would be \$711,000. (This is based on annual maintenance and repairs of \$6,400,000 for FY06.)

**Estimated Annual Deterrent Savings: \$711,000**

## ACCIDENT MANAGEMENT AND SUBROGATION

Accident management and subrogation is a service that can be offered by third party vendors. Typical rates are \$38.00 per accident and 19% of the subrogation money collected. Based on the FY05 annual accident data of 773 accidents and \$254,000 in subrogation collections, it would have cost the State \$29,374 (773 x \$38.00) + \$17,100 (\$17,100 being 10% of \$254,000) for a total of \$46,474 in FY05. This function is currently handled in SFM by 0.5 FTE at a loaded out cost of approximately \$34,000, for a net benefit to the State of \$12,474.

**Estimated Annual Accident Management Savings: \$46,474**

## AVOIDABLE REPAIRS (SAVINGS 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 \$3,200 per avoidable repair (engines, transmissions, etc.). In FY05 SFM was able to avoid costly repairs in this way an average of 80 times. The estimated annual savings as a result of this effort is therefore (80 x \$3,200 = \$256,000).

**Estimated Annual Vehicle Reallocation Savings: \$256,000**

## 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 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 \$350 per month and an average number of seasonal holdovers of 150 vehicles the total estimated savings is \$315,000 per year. These vehicles may come from departments and locations throughout the State.

**Estimated Annual Seasonal Needs Savings: \$315,000**

## 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/institution 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 auction using eBay and the auction services of Juniper Valley. 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 \$1,272,807 (the FY06 total auction revenue for 429 vehicles), then the estimated additional revenue gained by virtue of State Fleet's involvement would be \$343,481.

**Estimated Additional Auction Revenue Due to SFM Management: \$343,481**

<b>TOTAL ESTIMATED MAINTENANCE AND OTHER SAVINGS</b>	<b>\$1,971,444</b>
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STATE TRAVEL MANAGEMENT PROGRAM (STMP)

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**STATE TRAVEL MANAGEMENT PROGRAM  
(SAVINGS = \$5,338,189)**

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The State Travel Management Program (STMP) oversees the various travel related contracts that provide services and benefits to program participants. Currently, the contract with U.S. Bank VISA provides the Visa Auto Rental Collision Damage Waiver (CDW) Program at no additional charge. This coverage is on a 24-hour basis for damage due to collision or theft up to the actual cash value of the rental vehicle when renting using the State Travel Card for official business travel. Additionally, the CDW provided, with the use of the State Travel Card, is primary coverage. Therefore, the traveler's personal car insurance company would not be involved, nor affected by any claims.

Covered losses include:

- Physical damage and theft of the covered rental vehicle
- Valid loss-of-use charges imposed and substantiated by the rental agency
- Reasonable and customary towing charges, due to a covered loss, to the nearest qualified repair facility

If the CDW coverage was NOT provided using the State Travel Card the charge to the State is provided in the following table:

Vendor	Collision Damage Waiver Average Daily Insurance Fee *	Number of Revenue Days	STMP Estimate of Cost Savings for FY06
Avis Rent-a-Car	\$23.00	16,524	\$380,052
Budget Rent-a-Car	\$23.00	6,035	\$138,805
Enterprise Rent-a-Car	\$15.50	7,917	\$122,714
<b>Total for FY06 (Q1-Q3)</b>			<b>\$641,571</b>

\* Collision Damage Waiver benefit is part of the Travel Card agreement.

Negotiated into the Basic Ordering Agreements for Automobile Rentals is the third-party liability insurance as follows:

Commercial General Liability and Automobile Liability—(including bodily injury, personal injury and property damage) with the following minimum coverage, depending on the policy format:

- (1) Occurrence basis policy—combined single limit of \$600,000.
- (2) Annual Aggregate limit policy—not less than \$1,000,000 plus agreement that vendor will purchase additional insurance to replenish the limit to \$1,000,000 if claims reduce the annual aggregate below \$600,000.

Vendor	Liability Insurance Average Daily Insurance Fee	Liability Insurance Fee Added to BOA Base Rate	SAVINGS	Number of Revenue Days	STMP Estimate of Cost Savings for FY05
Avis Rent-a-Car	\$12.00	\$0.75	\$11.25	16,524	\$185,895
Budget Rent-a-Car	\$12.00	\$0.75	\$11.25	6,035	\$67,894
Enterprise Rent-a-Car	\$11.99	\$3.00	\$8.99	7,917	\$71,174
<b>Total for FY06 (Q1-Q3)</b>					<b>\$ 324,963</b>

The following table provides actual claims paid by awarded vendors that would otherwise be a liability of the State:

<b>Automobile Rental Insurance Claims PAID by Vendor FY06 (Q1-Q3)</b>		
Vendor	# of Claims	Claim Amount
Avis Rent-a-Car/Liability	3	\$1,600
Budget Rent-a-Car/Liability	0	0
Enterprise Rent-a-Car/Liability	5	\$7,059
VISA Collision Damage Waiver	10	\$13,286
<b>Total</b>	<b>18</b>	<b>\$21,946</b>

In addition, the 2004 Runzheimer International Survey and Analysis Agency Agreement Survey indicates that the average domestic transaction fee paid to a primary agency is \$28; the average international fee paid to a primary agency is \$31. Currently, our travel agency agreements are capped at \$26, which is a minimum of \$2 less than the survey results.

Travel Agency	Current Service Fee for Travel-Agency Assisted Bookings as of June 2006	Current Service Fee for On-line Booking Tool as of June 2006
Vendor #1	\$25	N/A
Vendor #2	\$20	\$12
Vendor #3	\$22	\$12
Vendor #4	\$20	N/A
Vendor #5	\$26	\$22
Vendor #6	\$25	\$25
Vendor #7	\$25	\$20
Vendor #8	\$24	\$9
Vendor #9	\$25	\$20
Vendor #10	\$26	\$23
Vendor #11	\$23	\$13

Savings are identified in the following table. Note that all transactions occurred on the Travel Card.

FY 05-06 Fourth Quarter Travel Agency Airline Ticketing	Total Sales Dollars this Quarter	Regular (list) Pricing of Total Sales	Estimated Cost Savings	% Savings	Average Ticket Price
State Agencies	\$ 402,110	\$ 995,330	\$ 593,220	59.60%	\$ 357.43
Higher Education	\$ 4,225,585	\$ 7,747,369	\$ 3,521,784	45.46%	\$ 536.92
Political Subdivisions	\$ 302,470	\$ 537,174	\$ 234,705	43.69%	\$ 488.64
<b>GRAND TOTAL</b>	<b>\$ 4,930,164</b>	<b>\$ 9,279,873</b>	<b>\$ 4,349,709</b>	<b>46.87%</b>	<b>\$ 461.00</b>

CAPITOL COMPLEX MAINTENENACE FACILITIES

**CAPITOL COMPLEX PROGRAM (SAVINGS=\$7,165,181)**

**LEASE RATES**

Based upon a lease rate comparison with the private sector the Capitol Complex saved the State \$7,165,181 in fiscal year 2005-2006 for state-owned facilities managed by the Capitol Complex Maintenance Facilities unit.

	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	650,123	105,318	116,448	42,871
Capitol Complex Lease Rate (per square foot)	\$ 10.56	\$ 10.56	\$ 5.76	\$ 4.04
Private Sector Lease Rate (per square foot)	\$ 18.10	\$ 18.10	\$ 14.99	\$ 13.34
Savings Per Square Foot	\$ 7.54	\$ 7.54	\$ 9.23	\$ 9.30
<b>Total Savings in FY 06</b>	<b>\$ 4,898,677</b>	<b>\$ 793,571</b>	<b>\$ 1,074,233</b>	<b>\$ 398,700</b>

Private Sector Lease Rates Per Square Foot	
Greater Denver Market-- Class A	\$ 19.56
Greater Denver Market-- Class B	\$ 16.63
Greater Denver Market-- Class C	\$ 13.34
--Denver Chamber of Commerce, First Quarter of 2006	

The following buildings are considered Class A, due to their historic, ornate nature, or their participation in the "Greening of Government" initiative: State Capitol, Legislative Services Building, State Office Building, and State Services Building.

The buildings at 690 and 700 Kipling are viewed as Class A/B due to the technological capabilities associated with the State's computer center and the CBI crime lab.

## Energy Performance Contract

Capitol Complex has contracted with Chevron Energy Solutions to perform performance-based contracting services throughout the Capitol Complex and associated buildings, Grand Junction, the three Lakewood buildings and North Campus. The goal of this project is to conserve energy through tenant awareness and the replacement or upgrading of older, inefficient systems. Improvements were financed through the projected energy savings directly related to the individual project over a predetermined period of time. While many factors, particularly weather and use of buildings, affect energy consumption, energy usage in FY 05–06 was considerably lower than in FY 03–04, indicating that the energy performance contract has been successful. (Due to ever-changing energy rates, it is difficult to translate this decreased consumption into actual dollar savings.)

### ENERGY CONSUMPTION FOR CAPITOL COMPLEX FACILITIES

	Electricity (KwH)	Electricity (KW)	Natural Gas (Therms)	Water & Sewer (Kgal)	Steam (Mlbs)
FY 03–04	33,492,802	117,421	93,355	29,372,266	36,179
FY 04–05	30,884,343	108,430	149,987	22,155,730	35,810
FY 05–06	29,950,630	69,167	156,189	31,486,470	24,578
% Difference from FY 03– 04 baseline	<b>-11.4%</b>	<b>-41.1%</b>	<b>*+67.3%</b>	<b>+7.2%</b>	<b>-32.1%</b>

\*Natural Gas (Therms) increased due to Judicial Heritage complex switch over to natural gas boilers and being removed from the Capitol Complex main steam loop. Steam savings is reflected in FY 05-06 (mlbs).

### ENERGY CONSUMPTION FOR GRAND JUNCTION STATE OFFICE BUILDING

	Electricity (KwH)	Electricity (KW)	Natural Gas (Therms)	Water & Sewer (Kgal)	Steam (Mlbs)
FY 03–04	921,280	2,415	11,406	753	not used
FY 04–05	840,800	2,279	10,642	705	
FY 05–06	801,280	2,125	9,642	696	
% Difference from FY03- 04 baseline	<b>-13.0%</b>	<b>-12.0%</b>	<b>-15.5%</b>	<b>-7.6%</b>	