COMMONWEALTH of VIRGINIA

Department of General Services

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October 10, 2006

MEMORANDUM

To: The Honorable Timothy M. Kaine, Governor
Members, General Assembly,
c/o Division of Legislative Automated Systems

Through: The Honorable Viola O. Baskerville,
Secretary of Administration

From: Richard F. Sliwoski, P.E., Director Richard F. Sliwoski

Re: Report of Statewide Fleet Management Program

Executive Order 89, Purchase, Assignment and Use of State-owned Vehicles; directs the Department of General Services (DGS) to prepare an annual report on the performance of the statewide fleet management program. Please find attached the DGS State of the Fleet Report, 2006 Fiscal Year.

Should you have any questions regarding the information in this report please do not hesitate to contact me at 804-786-3311 or by e-mail richard.sliwoski@dgs.virginia.gov.

Attachment

Virginia Department of General Services

Office of Fleet Management Services

State of the Fleet Report

Fiscal Year 2006

Pursuant to Executive Order Number 89 (2005) "Purchase, Assignment and Use of State-owned Vehicles", the Virginia Department of General Services (DGS) is to report annually on the performance of the statewide fleet management program. Provided in this document is that performance data, and information on initiatives taken by DGS to continue movement toward an enterprise approach to managing the Commonwealth's passenger-type vehicle assets.

To compile data necessary to complete this report, the DGS, Office of Fleet Management Services (OFMS) needed specific passenger vehicle performance data from state agencies and institutions that own, operate and maintain their own fleet of passenger-type state vehicles. OFMS requested the needed data from state agencies and institutions; less than 50% of agencies and institutions responded to OFMS's request. The data received from those agencies responding to OFMS' request is used in this report.

The following represent "best practice" vehicle management performance indicators. These indicators are used in this report to document and compare OFMS performance to other state agencies and institutions that reported data:

- Maintenance Cost per Mile
- Direct Operating Cost per Mile
- Maintenance Cost per Vehicle

Passenger-type vehicles are defined as:

- Sedans
- Station Wagons
- Minivans
- Sport Utility Vehicles (4x2 and 4x4 models)
- Pickup Trucks (4x2 and 4x4 models)

Fiscal Year 2006 Summary

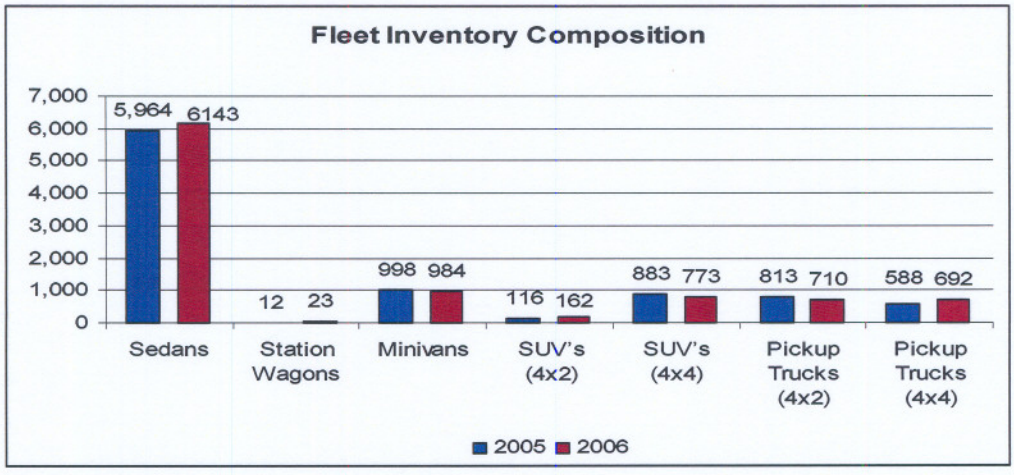
This report provides a comparison of the state agency and institution performance data collected in FY05 and FY06. In addition, the report includes FY06 performance data from OFMS that can be compared against other agency and institution data.

In FY05, OFMS established certain goals and objectives it set out to achieve from re-engineering its fleet management processes towards an enterprise approach to managing the Commonwealth's passenger-type vehicles. Status toward achieving these goals and objectives is included in this report.

The performance data provided in this report will show that OFMS's re-engineering efforts are beginning to result in vehicle management efficiencies. There remains a considerable

amount of work to be done, to include coordination with other state agencies and institutions, as this enterprise-wide vehicle management concept continues to evolve. Expanding OFMS's re-engineering concepts by including other state agencies and institutions into this enterprise approach will achieve greater efficiencies for the Commonwealth.

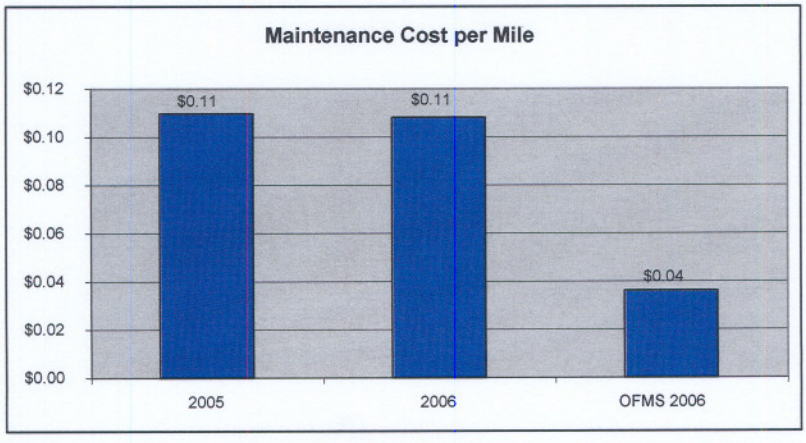
OFMS Vehicle Inventory:



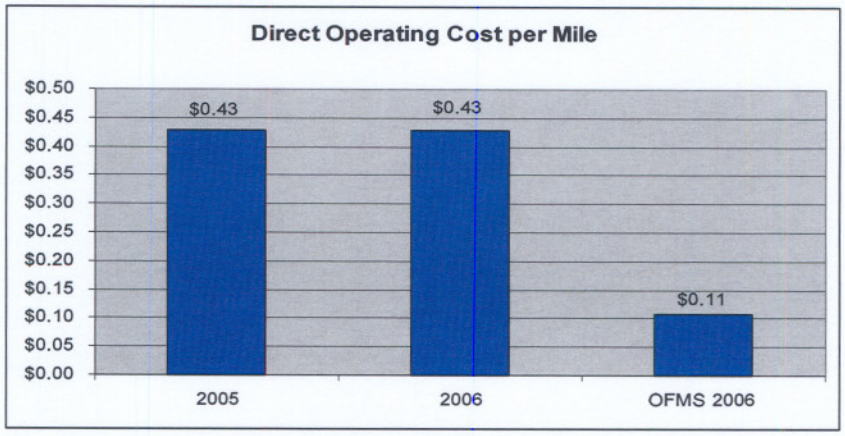
Vehicle Management Performance Indicators:

FY06 data received from the state agencies and institutions was as incomplete as it was in the FY05 State of the Fleet Report. As a result, analyses of performance indicators are limited to those presented in the following charts. Note that the information in the charts reflect that direct maintenance and operating costs are less for vehicles managed by the VMCC than what was reported by state agencies and institutions. This data reflects direct costs only and does not consider operational overhead.

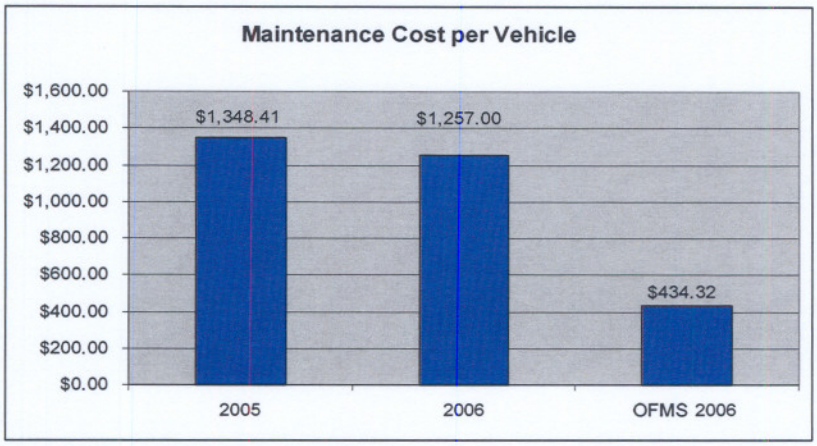
- State Agencies and Institutions FY05 and FY06 Maintenance Cost per Mile Compared to OFMS FY06 Cost:



- State Agencies and Institutions FY05 and FY06 Direct Operating Cost per Mile Compared to OFMS FY06 Cost:



- State Agencies and Institutions FY05 and FY06 Maintenance Cost per Vehicle Compared to OFMS FY06 Cost:



Fleet Management Efforts Underway:

On September 1, 2005, OFMS began a comprehensive vehicle management re-engineering project. OFMS fleet management operations had not changed over the past 20 years and it was time to bring the operations into the 21st century, utilizing the most current best practices and technology while improving customer service delivery and safety. As OFMS realizes successes from applying vehicle management best practices to the fleet of vehicles it has direct control over, OFMS will then begin the process of establishing policies and procedures to implement the practices across all state agency and institution fleets.

The FY05 State of the Fleet report outlined several goals and objectives set by OFMS. Several goals and objectives listed in the FY05 report have been met. Others are still in progress. The following is an update on those key programs OFMS has initiated as part of it re-engineering effort.

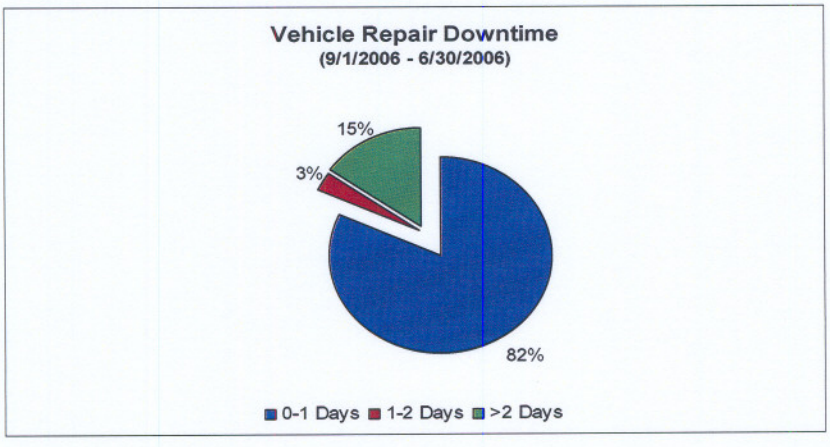
Vehicle Management Control Center (VMCC):

The VMCC is a public/private partnership between DGS and All Star Inc., to manage vehicle maintenance requirements for OFMS vehicles. The VMCC handled approximately 14,400 work orders in its first year of operation. Maintenance data captured by the VMCC automated information system has enabled OFMS to collect accurate and consistent data that can be analyzed and interpreted into meaningful performance indicators to achieve a level of information for business decision making that was not previously available. Collected data used to report in this section comes from the VMCC system beginning September 1, 2005 (the day VMCC was implemented) through FY06.

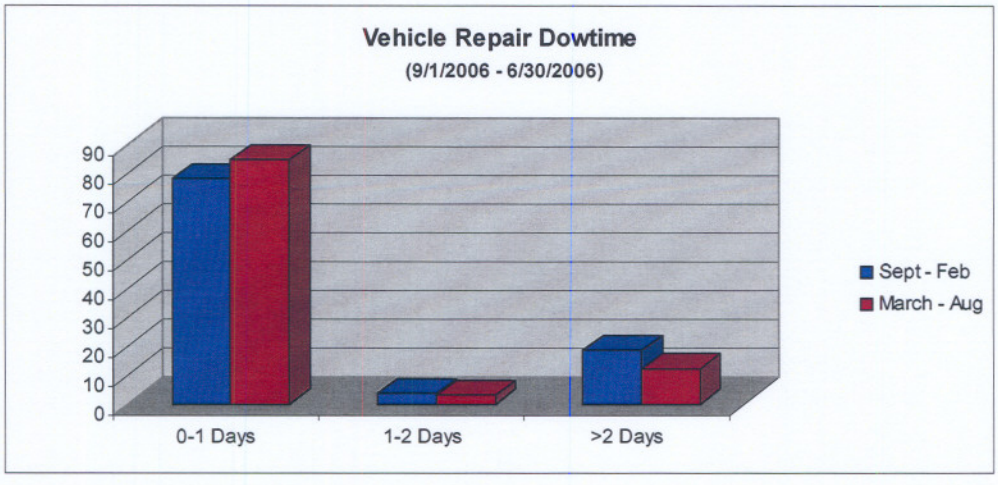
During this initial period of operation the VMCC has met or exceeded all goals and criteria that were established. The VMCC has tested and proven it can achieve vehicle management efficiencies. It's now time to expand it through other state agencies and institutions. The following graphs and charts give a quick snapshot of several key performance indicators that demonstrate the early success of the VMCC program.

Vehicle Repair Downtime:

As a whole, 81.9 % of all repairs were completed within 1 day; 3.13% of all repairs were completed from 1-2 days; and, the remaining 14.97% took more than 2 days. This includes all major repairs and accidents.



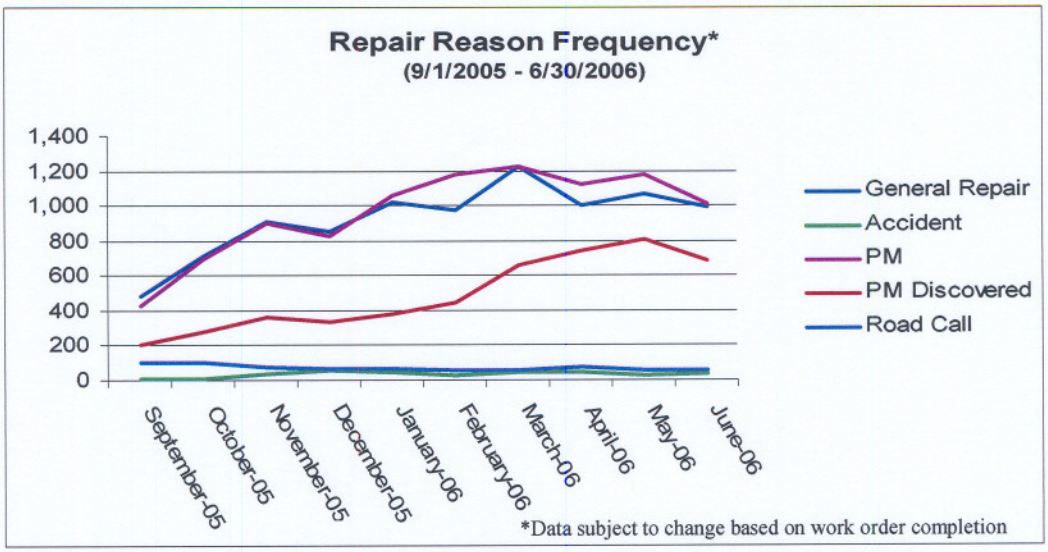
Drilling into stats displayed in the previous graph, the data shows improved performance over time. The first six months the VMCC was in operation repairs completed in less than 1 day was 77.97% with 18.63% completed in more than 2 days. The next six months showed improved results; 84.89% of all repairs completed in less than 1 day and only 12.18% took more than 2 days.



Repair Reason Frequency:

Repair reasons are divided into 5 major categories (General, Accident, PM, PM Discovered and Road Call). Analyzing repair frequency data enables fleet manager to hone in on repair categories that deserve attention to determine events impacting performance trend.

- General repairs are those that are not predicted, such as breakdowns or general wear items.
- Accidents are any repairs that have been reported as an accident.
- PM is classified as an oil change and service or state inspection.
- "PM discovered" repairs are all of the repairs that were found during a PM service or State Inspection.
- Road Call Repairs can include roadside assistance, towing and the associated repairs.



Trends to take note of in the above table are road call and PM discovered repairs. It is the VMCC's goal to keep the road call repairs to a minimum. Although most are unavoidable, many road calls can be avoided by catching the problem early. The more repairs that are found during a PM Service, the less likely a vehicle will breakdown and require an unscheduled repair. Note road call line trending down as PM Discovered trended upward until leveling then falling.

Repair Cost Comparison:

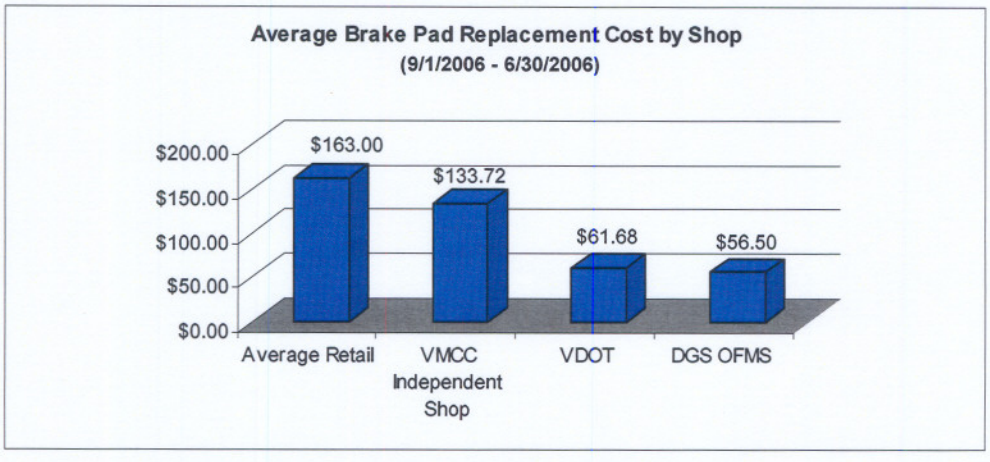
For the reporting period repair cost was $1,711,225.61. Maintenance and repairs were completed by:

- OFMS repair facility
- VDOT shops
- All Star's Network of over 400 independent vendors across the state

The following data is provided to demonstrate the ability of the VMCC information system to capture performance data and how that data can be used by OFMS management as they make decisions on which repair facility to use for specific maintenance services.

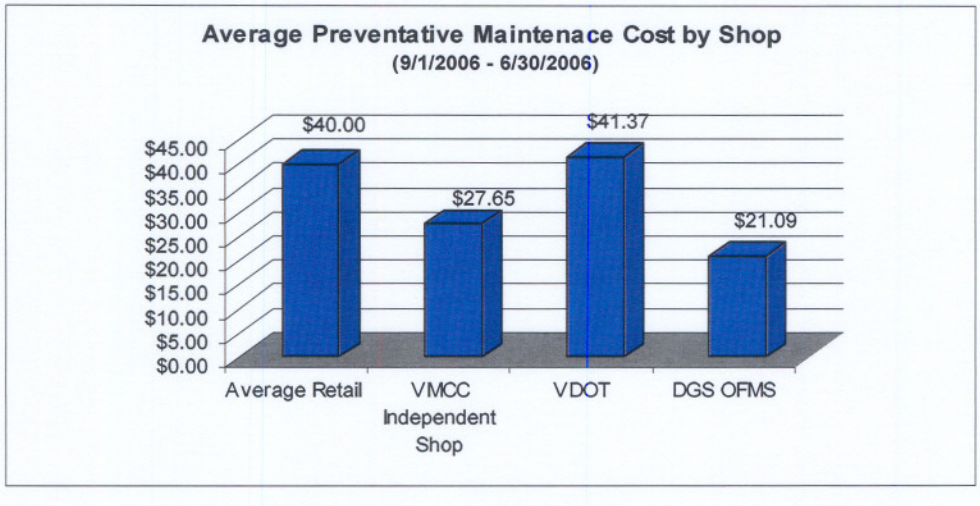
Front Brake Service:

Front brake service consists of replacing the front brake pads and the associated labor only. A total of 331 brake jobs were completed during the reporting period.



Preventative Maintenance:

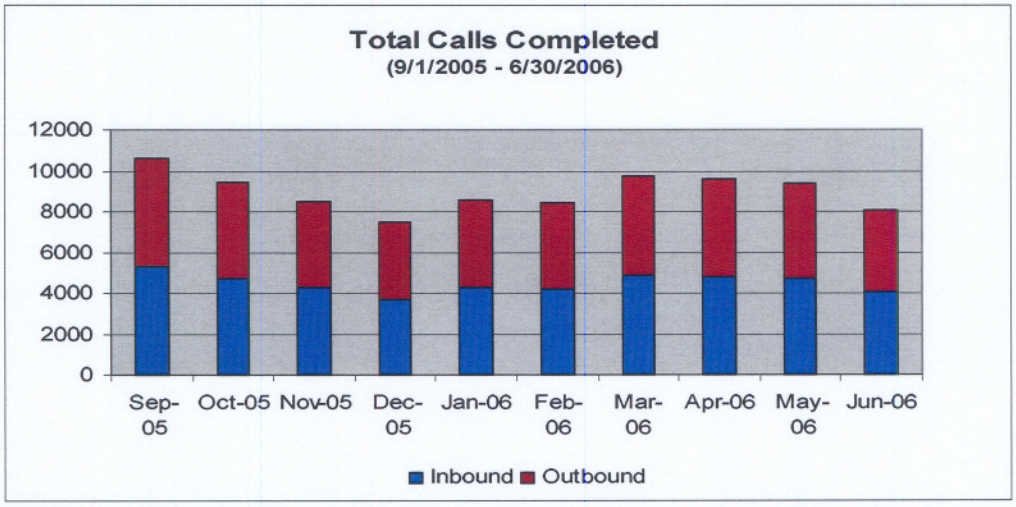
The VMCC recorded 2,491 PM services for this vehicle class.



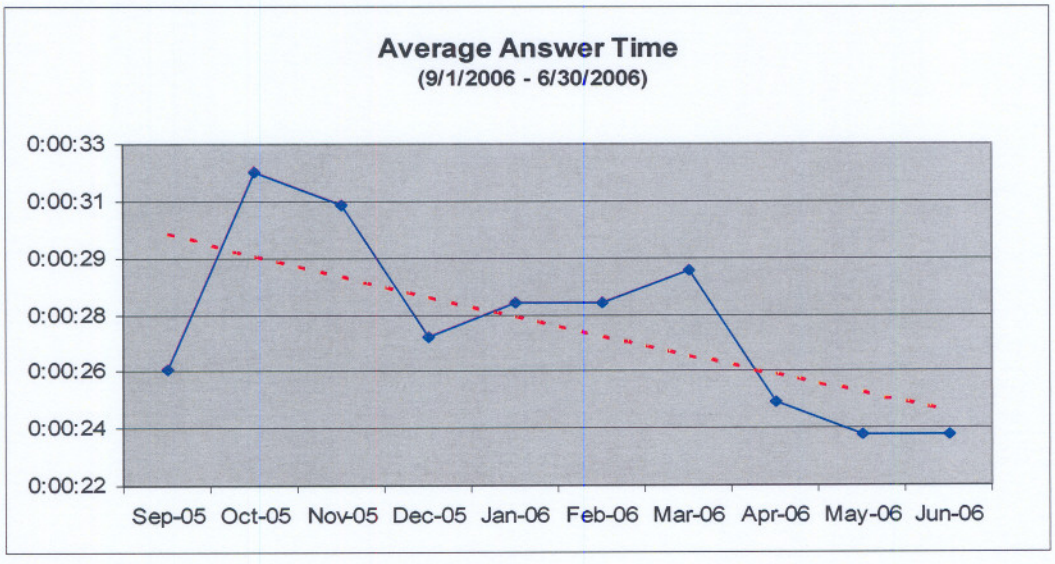
Call Center:

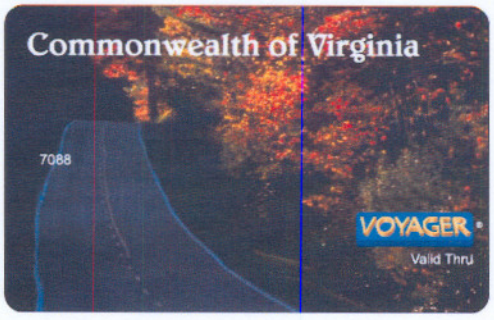
At the heart of the VMCC is the team that handles all of the inbound phone calls from across the Commonwealth. A suite of call center specific programs collect extensive data on the call center activities and are used to evaluate performance and make adjustments to maximize customer satisfaction.

Total VMCC Calls Completed:
The call center completed a total of 88,700 phone calls during the reporting period; 44,930 of those calls were inbound to the call center and the remaining 43,770 outbound.



Average Answer Time:
The industry standard is a 30 second answer time for inbound phone calls. The answer time is calculated from the first ring until an advisor answers the phones. In our application a 20 second voice recording for menu options is included in this time. By the end of the reporting period, the VMCC performed better than the industry standard.





New Statewide Fuel Card Program:

On January 1, 2006, OFMS began using a new fuel card deployed in OFMS vehicles. This card is used to purchase fuel on indexed pricing, meaning that the price is based on the daily wholesale price for the region it was purchased, plus a management adder. This strategy enables the Commonwealth to obtain a fixed cost for the portion of the fuel price above wholesale, insulating the Commonwealth from artificial price spikes and potential price gouging. The management adder is reviewed quarterly and adjusted up or down, based on the market.

The previous fuel card program was based on the retail pump price minus state and federal excise taxes. The first six months using the new card resulted in a cost avoidance averaging 0.073 per gallon of gasoline purchased when compared with the pricing arrangement used with the old card program.

This fuel card program is open to all public bodies in the Commonwealth through OFMS as the contract administrator; as of the date of this writing there are 76 state agencies and localities using the card. In January 2007 OFMS will review the usage and cost data captured during the first year and report its findings.

Travel Planning:

In early 2006 OFMS began work on a new rental car contract that would be made available to all State agencies in the Commonwealth. The contract required the vendor to have a statewide presence, and several vehicle classes available. A contract was awarded to Enterprise Rent-a-Car in the spring 2006. OFMS partnered with the Department of Accounts to use this contract as a catalyst for change in how state employees travel.

In FY06, approximately $12.4 million was paid out by the Commonwealth in personal reimbursement for use of privately owned vehicles. Reimbursement was based on the rate of 32.5 cents a mile if a state vehicle was unavailable, and 19 cents a mile if a state vehicle car was available but not used. On July 1, 2006 personal reimbursement for use of privately owned vehicles was increased to 44.5 cents a mile if a state vehicle was unavailable, and 24.6 cents a mile if a State vehicle was available but not used. Based on the personal reimbursement mileage paid to employees in FY06, the cost of personal reimbursement will increase to approximately to $16.5 million dollars in FY07.

To address this increase, OFMS has developed a "Travel Planning Calculator" on the OFMS website to assist employees in making vehicle travel decisions based on the most cost efficient means of vehicle travel. When a State employee is planning short term travel, they must first go to the OFMS website, open the planning tool, enter the required information: total days of the trip, total miles, type of vehicle, etc., and the tool will identify the method of travel that is most cost effective to the Commonwealth. The tool will identify whether renting a vehicle through the Enterprise contract, or the employee using their personal vehicle and being given personal reimbursement is the most cost efficient. Since Enterprise can offer vehicles to employees over the entire Commonwealth, personal reimbursement for use of privately owned vehicles is now not the only option for state employees. It is expected that use of the enterprise contract will reduce the number of trips in privately owned vehicles avoiding the higher reimbursement amount per mile traveled.

Update on OFMS Initiatives Discussed in the FY06 State of the Fleet Report:

- **Launch an outreach program to state agencies and institutions to inform and educate agency transportation officers about the capabilities of the VMCC.**
  Completed. All agencies that use OFMS vehicles have received training on VMCC operations.

- **Develop a new "Agency Transportation Officer's Handbook"**
  Development of an Agency Transportation Officer's Handbook is still in process. The changes that are still occurring at OFMS has caused this to be a continuous process until completion of the re-engineering process when there will be no further significant changes made to statewide fleet operations. The Handbook will be competed by June 2007.

- **Develop training opportunities for Agency Transportation Officers and have them meet in regional groups to network together and discuss best practices, lessons learned, and discuss current events, issues, or regulatory changes that affect fleet management. This can be facilitated by OFMS personnel.**
  The Director of OFMS has established a "Fleet Advisory Group", consisting of 23 agency transportation officers. This group will be asked to assist in reviewing the Commonwealth's fleet management policies and procedures, and develop standard policies and procedures that can be used by all State agencies and institutions. The group is set to meet again in November 2006.

- **Develop automated databases and reporting methodologies needed to enable OFMS to present a meaningful "State of the Fleet" annually.**
  This goal has not been achieved. Due to the decentralized nature of the state owned fleets, it is not possible to accurately report statewide fleet information. To do so will require that all state fleets be managed by or feed data into a common automated information management system. OFMS has implemented an vehicle information management system that can serve as a repository for, manage and report out

statewide fleet information. OFMS will be establishing policies and procedures, with the assistance of the "Fleet Advisory Group" to pull agencies and institutions into the VMCC where maintenance data can be collected and reported out consistently.

- **Develop a comprehensive training program in the use of state owned vehicles to deliver to the drivers of state owned vehicles in various formats, to include the drivers' duties and responsibilities regarding use and operation of the vehicles, and how to interact with OFMS to conduct agency business.**
  Several training delivery options are available and this objective is being consolidated into the project underway to establish a statewide fleet safety program. See below for detail regarding that objective.

- **Perform an extensive inventory of state owned vehicles to assist DMV in the reconciliation of their database. Then use that reconciliation to ensure the other state databases match the DMV database.**
  To be coordinated between DMV and OFMS. This action will be completed no later than June 2007.

- **Perform an analysis of the current statewide rules, regulations, policies, and procedures to ensure that they meet the State's needs.**
  The Office of Fleet Management Services and the Fleet Advisory Group is currently working on this analysis. With the re-engineering currently underway at OFMS and the potential of other state agencies and institutions utilizing the VMCC, there will be significant changes to OFMS policies and procedures. It is expected that this work will be completed no later than June 2007.

- **Develop an effective fleet safety program and design a training plan and curriculum to deliver to the agencies and institutions to train all drivers of state vehicles.**
  See below

- **Work with the Director of Risk Management, DMV, DHRM and others to develop an appropriate driver qualification process and driver monitoring program.**
  OFMS continues to work towards achieving this objective. OFMS, in partnership with the Division of Risk Management is developing a comprehensive statewide fleet safety and driver training program. This program will also include an appropriate driver monitoring program, and guidelines for agencies to follow when qualifying employees to operate State owned vehicles. Several other State agencies and organizations are offering their assistance to this project, mainly "Drive Smart Virginia", the National Driver Safety Council, and DMV.

Conclusion

Over the past twelve months, OFMS began the process of building a new fleet management enterprise model for the Commonwealth's passenger vehicle fleets. The process began by implementing change at OFMS first, proving concepts, and then rolling concepts out to state agencies and institutions.

The greatest success achieved thus far is the cost efficiencies and data capture capabilities of the VMCC. By making data driven management decisions using the VMCC information system, OFMS is realizing cost savings to perform maintenance services such as preventive maintenance services. The VMCC is prepared to bring vehicles owned by other agencies and institutions into the operation. Doing so will result in a consistent fleet management and maintenance environment giving the Commonwealth the ability to manage its vehicles and gather operating data at an enterprise level that has never been previously available

Other concepts of the new model have been implemented including a fuel card program and travel planning methodology that gives all agencies consistent pricing for fuel, as well as a managed approach to control travel costs.

Re-engineering efforts for FY07 will be to continue the work began in FY06. The development of an effective fleet safety program that includes driver monitoring and qualification, and a training program that will have an impact on driver awareness and safety is in progress. The new Fleet Advisory Group, composed of Agency Transportation Officers from large, midsize, and small fleets-to ensure there is representation from a diverse group with varying missions, will be instrumental in assisting OFMS develop new policies and procedures to handle the needs of the new statewide enterprise model.

During FY07 other opportunities will be researched and evaluated as part of a Commonwealth enterprise fleet management program. For instance, there are approximately 400 state agency and institution fuel sites across the Commonwealth. Spend on fuel and the infrastructure costs necessary to support these fuel sites is in the tens of millions of dollars. An enterprise evaluation of how the Commonwealth manages its fuel inventory and fuel facility infrastructure is necessary. There may be opportunities for the Commonwealth to realize cost efficiencies from fuel site consolidation, aggregating fuel purchases to leverage buying power, and implementation of other fuel management "best practices". The use of alternative fuels, such as ethanol (E85), can reduce environmental pollutants vehicles and reduce dependency on foreign fuels. As of the writing of this report, DGS has put in operation an ethanol (E85) fueling site at its OFMS facility. This site will be used by flex-fuel state vehicles that can operate on E85. An assessment of benefits from the use of E85 dispensed from this site will be reported out in the FY07 State of the Fleet report.

DGS has made progress and has achieved success towards re-engineering its business model; however there remains a lot to do. Going forward into FY07, working together with our other agencies and institutions the Commonwealth's vehicle fleets can collectively achieve efficiencies from an enterprise approach to vehicle management.