State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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Concord, New Hampshire 03301

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February 23, 2016

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Administrative Services to increase their fleet by three (3) vehicles pursuant to Adm 611.08 (g) in order to establish a centralized fleet pool program.

EXPLANATION

During the FY16/FY17 budget process, the Department of Administrative Services (DAS) requested, and received approval for, funding for three (3) vehicles in order to establish a centralized, statewide pool pilot program. These three (3) vehicles will be available for all agencies to rent from DAS in an effort to reduce in-state travel expenses. DAS intends to purchase 2016 Ford Fusions from the state vehicle contract.

The Department's attached pro forma analysis estimates that the state can cover all program costs in addition to reducing in-state travel reimbursement expenses by an estimated $49,000 if these three vehicles are used at rate of 70% annually. This savings estimate is based on a rental rate that includes factors to cover acquisition cost, replacement cost, and operating costs assuming we operate the vehicles for ten years at the specified percentages. Based on preliminary discussions with state agencies DAS feels this target utilization rate is very realistic. DAS does not have any under-utilized vehicles that would be able to be transferred to this program so the fleet increase is required.

Respectfully submitted,

Vicki V. Quiram

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Commissioner

Justification for Central Fleet Pool Pilot Program

Currently the state pays an average of $3.5 million for in-state travel reimbursement (approximately 6 million miles).

DAS would like to implement a pilot program to show this figure can be reduced through centralized fleet pools.

As can be seen in the attached pro forma, buying 3 vehicles and renting them to other agencies will cover:

1) the initial procurement costs,
2) annual operating expenses,
3) replacement at the end of each vehicle's useful life.

Over 10 years the program will cover all expenses as well as avoiding an additional estimated $49,000 of reimbursement expenses.

During the second 10 year cycle we will be able to increase the size of the pool fleet. More vehicles in service would result in reduced reimbursement expenses.

Central Fleet Pool Pro Forma Break-even
with Replacement Costs Included

FY2017	June	July	August	September	October	November	December	January	February	March	April	May	June	*Summary*
REVENUE														
Utilization Percentage Estimation	0%	25%	25%	25%	50%	50%	50%	70%	70%	70%	70%	70%	70%	
Utilization Mileage Estimation	0	1,494	1,494	1,494	2,988	2,988	2,988	4,182	4,182	4,182	4,182	4,182	4,182	38,538
Rental Revenue	$ -	$ 685	$ 685	$ 685	$ 1,371	$ 1,371	$ 1,371	$ 1,919	$ 1,919	$ 1,919	$ 1,919	$ 1,919	$ 1,919	$ 17,683
Dispatch Service Credit (Agency rental credit)	$ -	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (80)	$ (963)
Total Rental Revenue	**$ -**	**$ 605**	**$ 605**	**$ 605**	**$ 1,291**	**$ 1,291**	**$ 1,291**	**$ 1,919**	**$ 1,839**	**$ 1,839**	**$ 1,839**	**$ 1,839**	**$ 1,839**	**$ 16,801**
Actual Agency Cost/Mile		$ 0.41	$ 0.41	$ 0.41	$ 0.43	$ 0.43	$ 0.43	$ 0.46	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44
Other Revenue (sale of surplus assets)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Program Revenue	**$ -**	**$ 605**	**$ 605**	**$ 605**	**$ 1,291**	**$ 1,291**	**$ 1,291**	**$ 1,919**	**$ 1,839**	**$ 1,839**	**$ 1,839**	**$ 1,839**	**$ 1,839**	**$ 16,801**
(Total Rental Revenue + Other Revenue)														
OPERATING EXPENSES														
General														
Insurance														
($1,500/year; PD only until Nov then full expense annually)	$ -	$ 320	$ -	$ -	$ -	$ 1,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,820
Cleaning (car washes, general conditioning)	$ -	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 1,260
Total General Expenses	*$ -*	*$ 425*	*$ 105*	*$ 105*	*$ 105*	*$ 1,605*	*$ 105*	*$ 105*	*$ 105*	*$ 105*	*$ 105*	*$ 105*	*$ 105*	*$ 3,080*
Cost of Revenue														
Fuel	$ -	$ 132	$ 132	$ 132	$ 264	$ 264	$ 264	$ 370	$ 370	$ 370	$ 370	$ 370	$ 370	$ 3,406
Repair	$ -	$ 45	$ 45	$ 45	$ 90	$ 90	$ 90	$ 125	$ 125	$ 125	$ 125	$ 125	$ 125	$ 1,156
Maintenance	$ -	$ 30	$ 30	$ 30	$ 60	$ 60	$ 60	$ 84	$ 84	$ 84	$ 84	$ 84	$ 84	$ 771
Total Cost of Revenue	*$ -*	*$ 207*	*$ 207*	*$ 207*	*$ 414*	*$ 414*	*$ 414*	*$ 579*	*$ 579*	*$ 579*	*$ 579*	*$ 579*	*$ 579*	*$ 5,333*
Acquisitions														
Vehicles*	$ 47,043	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 47,043
Registration														
($8.00 per plate set)	$ 24							$ 24						$ 48
Rental Documentation	$ 100	$ -	$ -	$ -	$ -	$ -	$ -	$ 100	$ -	$ -	$ -	$ -	$ -	$ 200
Operating Accessories (Keys, keychains, locking gas caps, etc.)	$ 100	$ -	$ -	$ -	$ -	$ -	$ -	$ 100	$ -	$ -	$ -	$ -	$ -	$ 200
Total Acquisitions Expenses	*$ 47,267*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 224*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 47,491*
Total Expenses	**$ 47,267**	**$ 632**	**$ 312**	**$ 312**	**$ 519**	**$ 2,019**	**$ 519**	**$ 908**	**$ 684**	**$ 684**	**$ 684**	**$ 684**	**$ 684**	**$ 55,904**
DAS cost/mile		$ 0.42	$ 0.21	$ 0.21	$ 0.17	$ 0.68	$ 0.17	$ 0.22	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 1.45
Account Balance (Cash Balance)	**$ (47,267)**	**$ (27)**	**$ 293**	**$ 293**	**$ 772**	**$ (728)**	**$ 772**	**$ 1,011**	**$ 1,155**	**$ 1,155**	**$ 1,155**	**$ 1,155**	**$ 1,155**	**$ (39,103)**
(program revenue - total expenses)														
Running Balance		$ (47,294)	$ (47,000)	$ (46,707)	$ (45,934)	$ (46,662)	$ (45,890)	$ (44,879)	$ (43,723)	$ (42,568)	$ (41,413)	$ (40,258)	$ (39,103)	$ (39,103)
(prior running balance + account balance)														
In-State Travel (Cost Avoidance)														
Mileage Expense Avoidance	$ -	$ 807	$ 807	$ 807	$ 1,614	$ 1,614	$ 1,614	$ 2,258	$ 2,258	$ 2,258	$ 2,258	$ 2,258	$ 2,258	$ 20,811
Total Cost Avoidance	*$ -*	*$ 807*	*$ 807*	*$ 807*	*$ 1,614*	*$ 1,614*	*$ 1,614*	*$ 2,258*	*$ 2,258*	*$ 2,258*	*$ 2,258*	*$ 2,258*	*$ 2,258*	*$ 20,811*
Net State Impact	**$ -**	**$ 202**	**$ 202**	**$ 202**	**$ 323**	**$ 323**	**$ 323**	**$ 339**	**$ 419**	**$ 419**	**$ 419**	**$ 419**	**$ 419**	**$ 4,009**
(total cost avoidance - rental revenue)														
Adjusted Agency Cost/Mile		$ 0.13	$ 0.13	$ 0.13	$ 0.11	$ 0.11	$ 0.11	$ 0.08	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Running Balance		$ 202	$ 403	$ 605	$ 927	$ 1,250	$ 1,573	$ 1,912	$ 2,332	$ 2,751	$ 3,171	$ 3,590	$ 4,009	$ 4,009
(prior running balance + net state impact)														

*initial purchase of 3 passenger sedans at $15,596 each including an estimated $255 for vehicle decals.

*replacement purchase of 3 passenger sedans at $21,204 each including an estimated $255 for vehicle decals

*Order will be placed upon G&C approval and delivery is expected in June, although contracts allow for delivery within 120 business days.
*assumes 3 vehicles are in operation at the reported percentage.
*assumes 250 business days per year / 20.83 business days per month. Monthly calculations for "Rental Days" do not tie
*assumes the vehicles are operated at an average of 40 MPH when driven.
*assumes 31 MPG fuel economy with a fuel cost of $2.74/gallon. Since we are assuming a combination of city and hwy driving we used the "combined" MPG rating.
*"Daily Rate" is $5.50/day; with a 1/2 day rate of $2.75 for reservations less than 4 hours
*assumes 3 half day reservations per vehicle per available day (175 days available @ 70%)
*"Mile Rate" is $0.20/mile
*"Dispatch Rate" = 175 days per year at $5.50/day = $962.50/year or $80.21/month.
*In-State Travel Reimbursement Rate is $0.54/mile
*Insurance is estimated at $500/vehicle per year
*Cleaning - $35.00/vehicle per month.

Central Fleet Pool Pro Forma Break-even

with Replacement Costs Included

	Year 1 / Balance Forward (FY2017)	Year 2 FY2018	Year 3 FY2019	Year 4 FY2020	Year 5 FY2021	Year 6 FY2022	Year 7 FY2023	Year 8 FY2024	Year 9 FY2025	Year 10 FY2026	*Summary* *(FY2017 Through FY2026)*
REVENUE											
Utilization Percentage Estimation		70%	70%	70%	70%	70%	70%	70%	70%	70%	
Utilization Mileage Estimation	38,538	50,202	50,202	50,202	50,202	50,202	50,202	50,202	50,202	50,202	490,356
Rental Revenue	$ 17,683	$ 23,034	$ 23,034	$ 23,034	$ 23,034	$ 23,034	$ 23,034	$ 23,034	$ 23,034	$ 23,034	$ 224,991
Dispatch service (Agency credit)	$ (963)	$ (963)	$ (963)	$ (963)	$ (963)	$ (963)	$ (963)	$ (963)	$ (963)	$ (963)	$ (9,625)
Total Rental Revenue	**$ 16,801**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 215,446**
Actual Agency Cost/Mile	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44
Other Revenue (sale of surplus assets)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,046	$ 5,046
Total Program Revenue	**$ 16,801**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 22,072**	**$ 27,118**	**$ 220,492**
(Total Rental Revenue + Other Revenue)											
OPERATING EXPENSES											
General											
Insurance	$ 1,820	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 15,320
Cleaning (car washes, general conditioning)	$ 1,260	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 105	$ 2,205
Total General Expenses	$ 3,080	$ 1,605	$ 1,605	$ 1,605	$ 1,605	$ 1,605	$ 1,605	$ 1,605	$ 1,605	$ 1,605	$ 17,525
Cost of Revenue											
Fuel	$ 3,406	$ 4,437	$ 4,437	$ 4,437	$ 4,437	$ 4,437	$ 4,437	$ 4,437	$ 4,437	$ 4,437	$ 43,341
Repair	$ 1,156	$ 1,506	$ 1,506	$ 1,506	$ 1,506	$ 1,506	$ 1,506	$ 1,506	$ 1,506	$ 1,506	$ 14,711
Maintenance	$ 771	$ 1,004	$ 1,004	$ 1,004	$ 1,004	$ 1,004	$ 1,004	$ 1,004	$ 1,004	$ 1,004	$ 9,807
Total Cost of Revenue	$ 5,333	$ 6,947	$ 6,947	$ 6,947	$ 6,947	$ 6,947	$ 6,947	$ 6,947	$ 6,947	$ 6,947	$ 67,859
Acquisitions											
Vehicles*	$ 47,043	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 60,084	$ 107,127
Registration											
($8.00 per plate set)	$ 48										$ 48
Rental Documentation	$ 200	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 1,100
Operating Accessories (Keys, keychains, locking gas caps, etc.)	$ 200	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 650
Total Acquisitions Expenses	$ 47,491	$ 150	$ 150	$ 150	$ 150	$ 150	$ 150	$ 150	$ 150	$ 60,234	$ 108,925
Total Expenses	$ 55,904	**$ 8,702**	**$ 8,702**	**$ 8,702**	**$ 8,702**	**$ 8,702**	**$ 8,702**	**$ 8,702**	**$ 8,702**	**$ 68,786**	**$ 194,308**
DAS cost/mile	$ 1.45	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 1.37	$ 0.40
Account Balance (Cash Balance)	$ (39,103)	**$ 13,369**	**$ 13,369**	**$ 13,369**	**$ 13,369**	**$ 13,369**	**$ 13,369**	**$ 13,369**	**$ 13,369**	**$ (41,668)**	**$ 26,183**
(program revenue - total expenses)											
Program Running Balance	$ (39,103)	$ (25,734)	$ (12,364)	$ 1,005	$ 14,374	$ 27,744	$ 41,113	$ 54,482	$ 67,852	$ 26,183	$ 26,183
(prior running balance + account balance)											
In-State Travel (Cost Avoidance)											
Mileage Expense Avoidance	$ 20,811	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 264,792
Total Cost Avoidance	$ 20,811	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 27,109	$ 264,792
Net State Impact	$ 4,009	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 5,037**	**$ 49,346**
(total cost avoidance - rental revenue)											
Adjusted Agency Cost/Mile	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Overall Running Balance	$ 4,009	$ 9,047	$ 14,084	$ 19,122	$ 24,159	$ 29,197	$ 34,234	$ 39,271	$ 44,309	$ 49,346	$ 49,346
(prior running balance + net state impact)											

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*assumes the vehicles are operated at an average of 40 MPH when driven.
*assumes 31 MPG fuel economy with a fuel cost of $2.74/gallon. Since we are assuming a combination of city and hwy driving we used the "combined" MPG rating.
*"Daily Rate" is $5.50/day; with a 1/2 day rate of $2.75 for reservations less than 4 hours
*assumes 3 half day reservations per vehicle per available day (175 days available @ 70%)
*"Mile Rate" is $0.20/mile
*"Dispatch Rate" = 175 days per year at $5.50/day = $962.50/year or $80.21/month.
*In-State Travel Reimbursement Rate is $0.54/mile
*Insurance is estimated at $500/vehicle per year
*Cleaning - $35.00/vehicle per month.

Pro forma Assumptions Worksheet

Monthly Calculations

Percentage	Mileage per month	Rental Days per Month	Monthly Revenue per Mile	Monthly "Daily Rate" Revenue	Total Revenue per month
25%	1,494	16	$298.80	$386.66	**$685.46**
40%	2,391	25	$478.20	$618.65	**$1,096.85**
50%	2,988	31	$597.60	$773.31	**$1,370.91**
60%	3,585	37	$717.00	$927.98	**$1,644.98**
70%	4,182	44	$836.40	$1,082.64	**$1,919.04**

gallons of fuel (@ 31MPG)	cost of fuel (@ $2.74/gal)	repair (@ $0.03/mile)	maintenance (@ $0.02/mile)	Revenue per Month
48.19	$132.05	$44.82	$29.88	**$206.75**
77.13	$211.33	$71.73	$47.82	**$330.88**
96.39	$264.10	$89.64	$59.76	**$413.50**
115.65	$316.87	$107.55	$71.70	**$496.12**
134.90	$369.63	$125.46	$83.64	**$578.73**

Annual Calculations

Percentage	Annual Mileage	Rental Days per Year	Annual Revenue per Mile	Annual "Daily Rate" Revenue	Total Annual Revenue
70%	50,202	525	$10,040.40	$12,993.75	**$23,034.15**

gallons of fuel (@ 31MPG)	cost of fuel (@ $2.74/gal)	repair (@ $0.03/mile)	maintenance (@ $0.02/mile)	Annual Cost of Revenue
1,619.42	$4,437.21	$1,506.06	$1,004.04	**$6,947.31**

Daily Rental Rate *(see Daily Rate Calculation Page)*

Full day	*1/2 day*
$5.50	$2.75

Dispatch Rate

Annual	*Monthly*
$962.50	$80.21

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*assumes the vehicles are operated at an average of 40 MPH when driven.
*assumes 31 MPG fuel economy with a fuel cost of $2.74/gallon. Since we are assuming a combination of city and hwy driving we used the "combined" MPG rating.
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*"Mile Rate" is $0.20/mile
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*In-State Travel Reimbursement Rate is $0.54/mile
*Insurance is estimated at $500/vehicle per year
*Cleaning - $35.00/vehicle per month.

Mileage Estimation per Vehicle:
*Hours of Operation: M-F 8:00-16:30
*1.5 hours of down time for every 1 hour operated.
*Rental days are based on estimated business days times the percentage of utilization

Timeframe	Target %	Hours Available	Hours Scheduled	Hours Operated	Mileage @ 25 MPH	Mileage @ 40 MPH	Mileage @ 65 MPH
Monthly	25%	177	44	11	277	**498**	719
	40%	177	71	18	443	**797**	1,151
	50%	177	89	22	553	**996**	1,439
	60%	177	106	27	664	**1,195**	1,726
	70%	177	124	31	775	**1,394**	2,014
Annual	70%	2,125	1,488	372	9,297	**16,734**	24,172

Mileage for Multiple Vehicles:

Number of Vehicles	Timeframe	Target %	Mileage @ 25 MPH	Mileage @ 40 MPH	Mileage @ 65 MPH
3	Monthly	25%	831	**1,494**	2,157
		40%	1,329	**2,391**	3,453
		50%	1,659	**2,988**	4,317
		60%	1,992	3,585	5,178
		70%	2,325	**4,182**	6,042
	Annual	70%	27,891	**50,202**	72,516

General Expense Calculations:

Expense Item	Estimated Cost
Insurance (per vehicle per year):	**$500.00**
Cleaning (per vehicle per month):	**$35.00**
Reimbursement Rate (per mile):	**$0.54**

Acquisition Expenses:

Expense Item	Estimated Cost
Cost per sedan	$15,596.00
Decals (per vehicle)	$85.00

Daily Rental Rate Calculation*

*assumes 1 reservation per vehicle per day

Average Vehicle Age (PassAUTO); aka lifecycle			10
Anticipated Mileage @ Average Age			
	PassAUTO		163,452
Current Replacement Cost			
	PassAUTO	MY2015	$15,596
Replacement Cost Increase Factor			
	PassAUTO		2.79%
Replacement Costs			
	PassAUTO		$19,943
Total needed to replace entire fleet			**$59,828.55**
	Cost per vehicle per year		
		PassAUTO (@ 10 years)	$1,994.29
		PassAUTO	$11.40

$11.40 this daily rental rate will allow for payoff of initial purchase by the end of the lifecycle if we only had one reservation per day per vehicle.

$22.79 this daily rental rate will allow for payoff of initial purchase in first 1/2 of the lifecycle and new purchase during the remaining lifecycle if we only had one reservation per day per vehicle.

Change in Price for Mid-size Sedans Since MY2010

	Midsize Sedan (4cyl)	% Difference per year
MY2016	$16,803	1.33%
MY2015	$16,582	4.95%
MY2014	$15,800	2.32%
MY2013	$15,442	1.28%
MY2012	$15,247	5.58%
MY2011	$14,441	1.26%
MY2010	$14,261	

2.79% average price increase