

2007 Innovations Awards Program APPLICATION

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ID # (assigned by CSG): 07-S-37VAFLEETREENGINEERING

Please provide the following information, adding space as necessary:

State: Virginia

Assign Program Category (applicant): Government Operations – Administration

1. Program Name
Fleet Re-engineering Initiative
2. Administering Agency
Virginia Department of General Services (DGS), Office of Fleet Management Services (OFMS)
3. Contact Person (Name and Title)
Joe Damico, Deputy Director, Department of General Services
4. Address
202 North 9th Street, Suite 209, Richmond, VA 23219
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804-371-7724
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7. E-mail Address
Joe.Damico@DGS.Virginia.gov
8. Web site Address
<http://dgs.virginia.gov/Fleet.aspx>
9. Please provide a two-sentence description of the program.

In the fall of 2005, the Office of Fleet Management Services (OFMS) began an extensive re-engineering initiative consisting of three components: a Vehicle Management Control Center (VMCC), including state-of-the-art fleet management software that enables DGS/OFMS to better manage operations and monitor costs; a Vehicle Fuel Card Program that allows the state to lock in a long-term gasoline process regardless of fluctuating costs; and a new program to broaden state vehicles' use of E85, an environmentally responsible alternative fuel.

10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on April 2, 2007, to be considered.

The entire initiative began in August 2005. The Vehicle Management Control Center launched in September 2005; the Vehicle Fuel Card Program was established in January 2006; and the DGS/OFMS E85 site began in October 2006.

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

DGS/OFMS was using a Fleet Management System to manage operations that was 15 years old and not current with industry best practices and agency reporting needs. Clearly, it saw a need to create a different model to manage the 4,000-vehicle state fleet. The Vehicle Fuel Card Program was created in response to the continuing instability in fuel costs. It enabled the state to secure fuel prices that are indexed by a specific zone and to purchase fuel regardless of fluctuating costs, thus streamlining efficiencies, improving accountability, saving money and preventing fraud. The E85 program was fueled by the state's interest in promoting and expanding alternative fuel use among state-owned vehicles, and its commitment to reducing petroleum consumption and greenhouse gas emissions.

12. Describe the specific activities and operations of the program in chronological order.

February 2005: DGS/OFMS posted a Best Value Acquisition solicitation for "Vehicle Management Services." TECOM, Inc., of Austin, Texas, was awarded the contract.

September 2005: VMCC began operations with over 400 contract maintenance providers and state shops.

December 2005: The program was presented to then-Gov. Mark Warner, who added its cost to his Budget Amendment.

January 2006: The Vehicle Fuel Card Program was launched.

February 2006: DGS/OFMS presented a proposal to the U.S. General Services Administration (GSA) to partner in the use of the E85 fuel sites, allowing federal vehicles to become part in the project. GSA asked to participate, and multiple federal agencies followed suit, including the Department of Defense, Navy, Army, Marines and Environmental Protection Agency. Also, initial data was collected for the Vehicle Fuel Card Program, which after the first month showed approximately 55,000 gallons of fuel purchased, revealed per-gallon savings of 7.1 to 11.7 cents for commercial purchases by state-owned vehicles.

May 2006: General Motors Corp. selected the E85 project and the Commonwealth of Virginia to become a target state for its "Live Green Go Yellow" campaign. The GM initiative provided funding for development of a retail E85 infrastructure to promote public use of the alternative fuel.

August 2006: DGS, the Department of Mines, Minerals and Energy and Hampton Roads Clean Cities Conference were awarded a grant from the U.S. Department of Energy to develop an E85 infrastructure for retail public use. This funding, coupled with GM's support,

is enabling the conversion of 12 public gasoline-fueling stations to E85. Several other commercial fuel retailers expressed interest and joined the project.

September 2006: Construction of Virginia's first state-owned alternative fuel site began in Richmond at 2400 West Leigh St., where the Office of Fleet Management Services is located. The E85 site – the first of three planned state-owned sites – was completed in three weeks.

October 2006: Gov. Tim Kaine dedicated the E85 site and pumped the fuel into his GMC Yukon. The Commonwealth was also presented with GM's "Live Green, Go Yellow" painted vehicle.

13. Why is the program a new and creative approach or method?

While the vehicle management control system is being used in other states, the Vehicle Management Control Center (VMCC) is new to Virginia. DGS/OFMS felt the program was a creative approach necessary to address several key issues impacting the state's fleet and to revamp a system that had been in place for over 40 years. By centralizing vehicle maintenance operations – with maintenance professionals handling the scheduled, unscheduled, and roadside breakdown services for fleet vehicles around the clock – DGS/OFMS has gained greater control of daily maintenance expenditures, and is able to make better repair and replacement decisions.

The Vehicle Fuel Card Program allows the state fleet to benefit from stable prices according to a wholesale index established by the Oil Price Information Service, the world's most widely accepted fuel price benchmark for supply contracts and competitive positioning. Under the program, fuel will be priced per the agreed-to index that is published daily (less applicable state and federal excise taxes), regardless of where it is purchased. This approach differs sharply from previous fuel card programs, which were retail-based. By using the new pricing concept, the Commonwealth will avoid sudden price increases or gouging when fuel prices spike during natural disasters or other events outside our borders.

The E85 initiative has never been undertaken in Virginia. Additionally, the partnership with federal agencies – which will help them comply with an Executive Order to use alternative fuels – is also new, as is the addition of commercial retailers, whose conversion of gasoline capabilities to E85 will expand public and private use of the fuel.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

The VMCC start-up cost was \$50,000 and funded by the DGS/OFMS operating budget. The contractor provided eight employees for the operation.

The Fuel Card Program required no start up costs or additional personnel.

The E85 site cost of \$140,000 was paid from DGS/OFMS funds. The program requires no additional staff, as it is managed by an outsourced vendor.

15. What are the program's annual operational costs?

The only VMCC operational costs are monthly management fees paid to TECOM. Based on the program's current cost savings, overall maintenance costs are declining despite the addition of these fees.

There were no added costs associated with implementation of the Fuel Card Program.

Because the E85 program is new, annual operational costs of the sites are unknown. Projected costs include those related to unforeseen site maintenance. Since fuel is sold to state and federal agencies, recovered costs are rolled into future fuel purchases. However, any costs that remain after these purchases would be applied to maintenance, essentially making the program self-supporting.

16. How is the program funded?

The VMCC and E85 programs are funded solely by DGS/OFMS, and the Fuel Card Program requires no additional funding from the Commonwealth.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

No

18. What equipment, technology and software are used to operate and administer this program?

Automated card readers are used for the E85 fuel sites, and personal computers are used to administer the other programs.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

The VMCC program originated at the DGS/OFMS, Don Unmussig, Director, OFMS, 804-367-6525, Donald.unmussig@dgs.virginia.gov.

The Fuel Card Program originated at the DGS/OFMS, Don Unmussig, Director, OFMS, 804-367-6525, Donald.unmussig@dgs.virginia.gov.

The E85 infrastructure project originated at the DGS/OFMS, Don Unmussig, Director, OFMS, 804-367-6525, Donald.unmussig@dgs.virginia.gov.

20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

The GSA fleet operates similar call centers for federal vehicles. The State of South Carolina also operates a similar program for its fleet.

It is unknown if any other states use a pricing concept similar to the Fuel Card Program.

There are other E85 initiatives in other states, but none comes close to resembling the Virginia project.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

The VMCC is fully operational, and DGS/OFMS is ready to start adding vehicles owned by other agencies to the program.

The Fuel Card Program was fully implemented in January 2006, and is currently being used by 76 state agencies and five localities, including Fairfax County.

The E85 site in Richmond is operational. Several factors have slowed progress on the remaining two state sites. They were to be placed at the Virginia Department of Transportation (VDOT) fuel sites, but that agency is developing a list of sites it plans to close; if the E85 sites are on the list, DGS/OFMS will have to either purchase the property or select new sites. The commercial development side of the project is being handled by Hampton Roads Clean Cities Coalition, and is currently progressing.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

The VMCC has proved to be exceptionally successful. It has fully met the needs and expectations of DGS/OFMS. For example, preventive maintenance costs prior to the VMCC averaged \$44.91 per service; now, they average \$28. This has resulted in a savings of \$135,280 for DGS/OFMS.

The Fuel Card Program has enabled the state to better manage and monitor its commercial fueling activities. It has proved effective in the areas of managing costs, controlling the type of fuel purchased (i.e., regular vs. premium) and non-fuel purchases or card misuse. The only con, if there was one, would be that if fuel prices dropped suddenly, the pricing structure would not respond fast enough to take advantage of lower prices at the pump. Such a decrease has not happened, and is not expected to do so.

The E85 program is poised to make a definite impact on the problems and issues it was designed to address. However, vehicle operators are slow to take advantage of the new site. Additional directives and guidance are necessary to require the drivers to come to the Leigh Street site.

23. How has the program grown and/or changed since its inception?

The program has not changed since inception.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

The only potential obstacles are funding and agency/driver participation. The Virginia experience has shown the importance of having agencies bring vehicles into the VMCC

program and requiring drivers to use the E85 site if they are in the area. These are issues DGS/OFMS is working to resolve.

2007 Innovations Awards Program Program Categories and Subcategories

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

Infrastructure and Economic Development

- Business/Commerce
- Economic Development
- Transportation

Government Operations

- Administration
- Elections
- Public Information
- Revenue

Health & Human Services

- Aging
- Children & Families
- Health Services
- Housing
- Human Services

Human Resources/Education

- Education
- Labor
- Management
- Personnel
- Training and Development
- Workforce Development

Natural Resources

- Agriculture
- Energy
- Environment
- Environmental Protection
- Natural Resources
- Parks & Recreation
- Water Resources

Public Safety/Corrections

- Corrections
- Courts
- Criminal Justice
- Drugs
- Emergency Management
- Public Safety

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CSG Innovations Awards 2007
The Council of State Governments
2760 Research Park Drive, P.O. Box 11910
Lexington, KY 40578-1910

Contact:

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This application is also available at www.csg.org, in the Programs section.

Deadline: April 2, 2007