



# **Fleet Program Update**

**June 1<sup>st</sup>, 2022**



# Agenda

## Background

- Fleet Lease Program
- Challenges
- Historical Reserves

## Current Situation

- Recent Replacements & Fund Balance
- Citywide Fleet & 10-Year Replacement Needs
- Pay-as-You-Go Scenario for FY 2023
- Pay-as-You-Go vs. Replacement Program Models

## Recommendations

- Funding for FY23
- Next Steps

# Background



## Fleet Lease Program

### History

- Established as an internal service fund in Fiscal Year (FY) 2013
- Over 63 vehicles (\$5 million) were funded through a vehicle loan issued in FY 2013
- The loan was paid off early in FY 2016

### Initial Funding Methodology

- O&M – a “per vehicle” charge to other funds to cover the annual operating budget of the Fleet Fund
- Replacement – a replacement schedule is used to charge departments a “set-aside” amount based on the useful life of the vehicle
- Loan Repayment – the repayment of the vehicle loan charged to each department based on the debt service schedule

# Background (continued)

## Challenges

### Funding

- Budgeted charges to other funds have not always included the combination of Replacement Charges, Loan Repayments, and Operating & Maintenance as intended
- In FY 2016, the vehicle loan balance of \$3.75 million was paid early using the charges from other funds collected from FY2013 thru FY2016, causing a \$2.2 million deficit in the Fleet Fund
- The General Fund stopped contributing the amounts needed for replacement vehicles in FY2019 as a budgeting strategy creating a “kicked can” situation

# Background (continued)

## Challenges (continued)

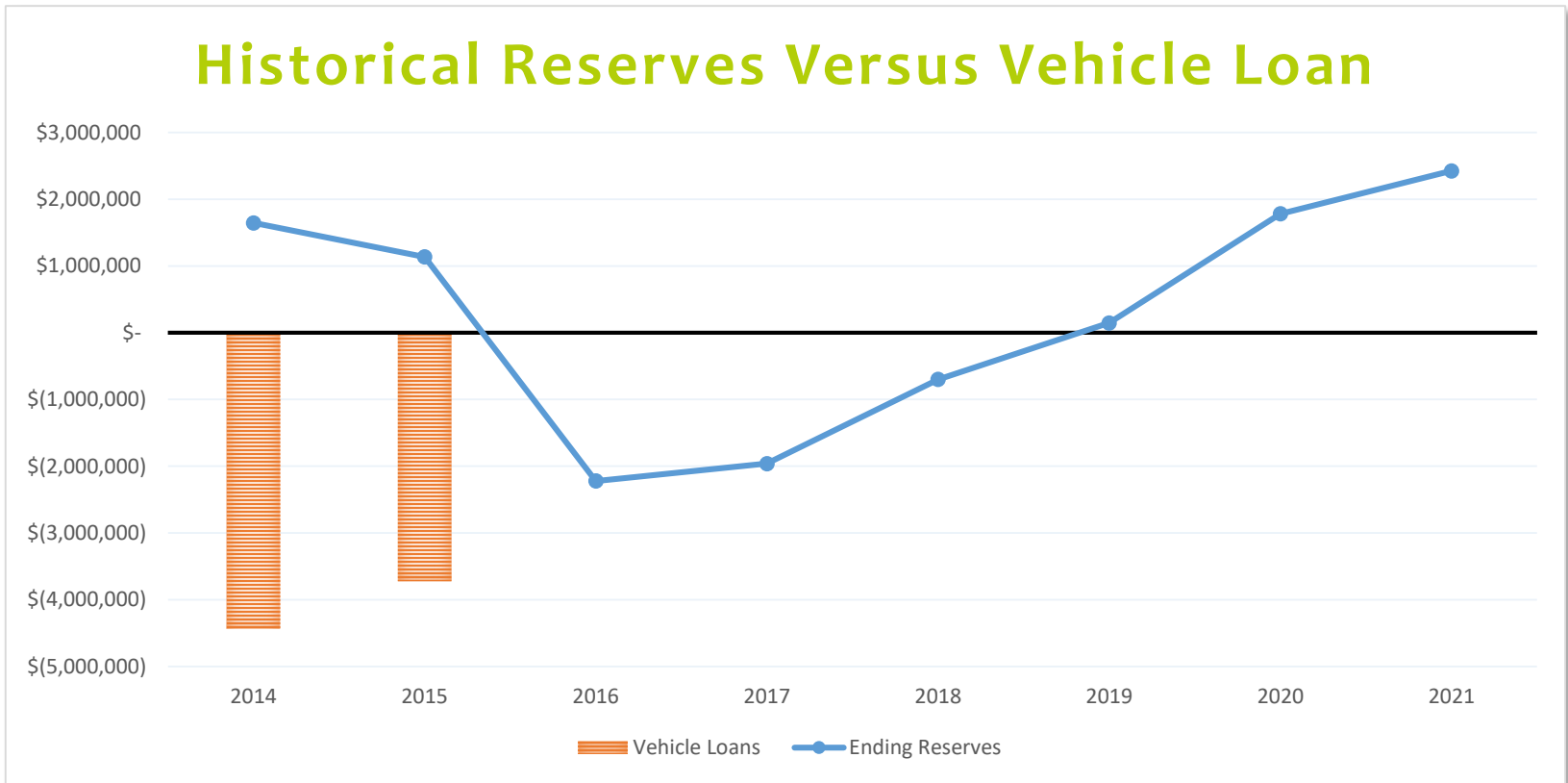
### Delayed Replacement

- Replacement backlog for Police, Parks, Public Works, Cemetery, and Fleet Vehicles
- 51 vehicles that are past due for replacement in FY2022 and 61 vehicles are scheduled for replacement in FY2023

### Accounting

- An effective mechanism for tracking the amounts collected “per vehicle” and “per fund” was never established
- Using vehicle replacement charges to payoff the vehicle loan created a major deficit that is difficult to trace back to an individual vehicle/fund
- Inadequate tracking of a vehicle replacement schedule has resulted in purchasing vehicles based on need and Fleet Fund balances available

# Background (continued)



# Current Situation



## Recent Replacements

### Police Vehicles

- 49 Hybrid Interceptors – Approx. \$2,400,000
- 13 EV Interceptors – Approx. \$670,000
- Funded by ARPA and Fleet fund balances (included in the November 2021 budget amendment)

### Public Works Trucks

- 1 SUV, 2 Generators, 2 Dump Trucks, 1 Skid Loader – Approx. \$475,000
- Funded by Fleet fund balance (included in the November 2021 budget amendment)

## Fund Balance

- Projected Fleet Fund Balance at 9/30/22 – Approx. \$1,000,000

# Current Situation (continued)



## City-wide Fleet & 10-Year Replacement Schedule

- 344 vehicles across departments (332 vehicles scheduled for replacement through FY2031)
- Useful lives of 8 to 12 years depending on the vehicle

FUND	PAST DUE	FISCAL YEAR								
		2023	2024	2025	2026	2027	2028	2029	2030	2031
HBCRA	-	1	-	-	-	-	-	-	-	-
Fleet	-	1	-	-	-	1	1	-	-	1
General	28	47	27	18	7	5	3	5	63	1
Permit	1	3	-	-	2	-	-	-	-	-
Sanitation	4	1	5	3	1	5	-	-	2	2
Stormwater	5	2	-	3	-	1	1	-	-	2
Transportation	-	-	1	-	3	1	1	-	-	-
Utilities	13	6	2	9	3	13	17	6	2	2
Cemetery	-	-	-	-	1	-	-	-	-	-
<b>TOTAL</b>	<b>51</b>	<b>61</b>	<b>35</b>	<b>33</b>	<b>17</b>	<b>26</b>	<b>23</b>	<b>11</b>	<b>67</b>	<b>8</b>



# Current Situation (continued)



## City-wide Fleet & 10-Year Replacement Schedule (continued)

- Total amount to “catch-up” in FY2023 is 112 vehicles or approx. \$7.8 Million across all funds

FUND	PAST DUE	FISCAL YEAR								
		2023	2024	2025	2026	2027	2028	2029	2030	2031
HBCRA	\$ -	\$ 39,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fleet	-	35,065	-	-	-	85,423	79,918	-	-	44,808
General	1,210,708	2,474,277	1,347,230	750,432	513,375	114,154	173,315	282,914	4,933,677	50,808
Permit	39,846	119,539	-	-	69,173	-	-	-	-	-
Sanitation	1,725,303	72,135	2,443,205	1,289,052	47,457	1,550,843	-	-	1,097,750	487,409
Stormwater	430,477	586,063	-	854,968	-	461,336	7,024	-	-	179,857
Transportation	-	-	72,135	-	233,491	94,915	75,932	-	-	-
Utilities	636,314	382,936	241,084	712,793	596,657	995,783	726,859	565,092	206,027	140,829
Cemetery	-	-	-	-	60,746	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 4,042,648</b>	<b>\$ 3,709,862</b>	<b>\$ 4,103,654</b>	<b>\$ 3,607,245</b>	<b>\$ 1,520,898</b>	<b>\$ 3,302,454</b>	<b>\$ 1,063,047</b>	<b>\$ 848,006</b>	<b>\$ 6,237,454</b>	<b>\$ 903,710</b>

# Current Situation (continued)

## Pay-as-you-go Scenario for FY 2023

- Due to inadequate levels of fund balance in the Fleet Fund, the below scenario represents a pay-as-you-go approach for FY2023. Fleet Staff determined which vehicles are in critical condition for replacement in FY2023:

FUND	FISCAL YEAR								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cemetery	-	-	-	1	-	-	-	-	-
HBCRA	-	1	-	-	-	-	-	-	-
Fleet	-	1	-	-	1	1	-	-	1
General	18	84	18	7	5	3	5	63	1
Permit	1	3	-	2	-	-	-	-	-
Sanitation	4	6	3	1	5	-	-	2	2
Stormwater	3	4	3	-	1	1	-	-	2
Transportation	-	1	-	3	1	1	-	-	-
Utilities	11	10	9	3	13	17	6	2	2
<b>TOTAL</b>	<b>37</b>	<b>110</b>	<b>33</b>	<b>17</b>	<b>26</b>	<b>23</b>	<b>11</b>	<b>67</b>	<b>8</b>

# Current Situation (continued)



## Pay-as-you-go Scenario for FY 2023 (continued)

- Assuming a pay-as-you-go approach, the chart below represents 75 vehicles being postponed for FY 2024. Fleet Staff would need to determine which vehicles can be deferred again during the next budget cycle:

	2023	2024
Vehicles Due	61	35
Vehicles Postponed	(40)	-
<b>Recommended for Replacement</b>	<b>21</b>	<b>35</b>
Vehicles Past Due from Prior Year	51	75
Vehicles Postponed	(35)	-
<b>Recommended for Replacement</b>	<b>16</b>	<b>75</b>
<b>Total Replacement Purchases</b>	<b>37</b>	<b>110</b>

# Current Situation (continued)



## Pay-as-you-go Scenario for FY 2023 (continued)

- Assuming a pay-as-you-go approach, the total amount deferred to “catch-up” in FY 2024 is 110 vehicles (includes 75 deferred from prior year) or approx. \$7.8 Million across all funds.

FUND	FISCAL YEAR								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
HBCRA	\$ -	\$ 39,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fleet	-	35,065	-	-	85,423	79,918	-	-	44,808
General	962,982	4,069,233	750,432	513,375	114,154	173,315	282,914	4,933,677	50,808
Permit	39,846	119,539	-	69,173	-	-	-	-	-
Sanitation	1,531,676	2,708,967	1,289,052	47,457	1,550,843	-	-	1,097,750	487,409
Stormwater	818,874	197,667	854,968	-	461,336	7,024	-	-	179,857
Transportation	-	72,135	-	233,491	94,915	75,932	-	-	-
Utilities	706,345	553,990	712,793	596,657	995,783	726,859	565,092	206,027	140,829
Cemetery	-	-	-	60,746	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 4,059,723</b>	<b>\$ 7,796,442</b>	<b>\$ 3,607,245</b>	<b>\$ 1,520,898</b>	<b>\$ 3,302,454</b>	<b>\$ 1,063,047</b>	<b>\$ 848,006</b>	<b>\$ 6,237,454</b>	<b>\$ 903,710</b>

# Current Situation (continued)



## Pay-as-You-Go vs. Replacement Program Models

- Pay-as-You-Go funding requires an annual evaluation of vehicle replacement needs that are charged directly to the respective fund
- A robust Replacement Program ensures that adequate reserves are set aside on an annual basis to ensure funding is available as vehicles are due for replacement
- A pay-as-you-go model is not sustainable or affordable and will cause major fluctuations in annual expenditures across funds
- Budgeting best practices recommends that policies are put in place to ensure complete and accurate tracking of funding on a “per vehicle” basis

# Recommendations



## Funding for FY23

- General Fund - allocate 25% of the cost to fully “catch-up” in FY23 at approximately \$963,000
- Fund critical replacements – 37 vehicle replacements for FY 2023
- Revenue and Expense accounts for FY2023 will separate replacement and O&M charges for improved tracking and reporting

## Next Steps

- Explore **financing options** to “catch-up” and jumpstart an effective Fleet Replacement Program
- Design & implement a robust Replacement Program to stabilize annual replacement costs
- Reevaluate the useful life of vehicle types/classes
- Ensure that policies are designed to restrict the use of replacement funds
- Evaluate current policies to consider the electrification of fleet vehicles

# Recommendations (Continued)

## How do we move forward?

### Explore Financing Options

- \$10 Million Loan to finance General Fund vehicles through FY2031
- The most common option available to municipalities for the funding of vehicle replacements are tax-exempt master lease-purchase agreements
- Typical terms range from 5 to 7 years with a defined drawdown period
- Current annual interest rates range from two (2%) to three (3%) percent
- Vehicle loans such as a tax-exempt master lease-purchase agreements can be used to help jumpstart a fleet replacement program or be used to fund vehicle purchases as they become due

### Explore a Hybrid Funding Model

- Loan for General Fund Vehicles
- Pay-as-you-go for all other Funds

# Funding Scenario



## Financing Option for the General Fund

- **Loan** to purchase General Fund vehicles through FY2031
- **Pay-as-you-go** for all other Funds

FUND	FISCAL YEAR								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
HBCRA	\$ 39,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fleet	35,065	-	-	-	85,423	79,918	-	-	44,808
<b>General</b>	<b>580,000</b>	<b>792,000</b>	<b>910,000</b>	<b>991,000</b>	<b>1,009,000</b>	<b>1,036,000</b>	<b>1,081,000</b>	<b>1,278,083</b>	<b>1,074,083</b>
Permit	159,385	-	-	69,173	-	-	-	-	-
Sanitation	1,797,438	2,443,205	1,289,052	47,457	1,550,843	-	-	1,097,750	487,409
Stormwater	1,016,541	-	854,968	-	461,336	7,024	-	-	179,857
Transportation	-	72,135	-	233,491	94,915	75,932	-	-	-
Utilities	1,019,251	241,084	712,793	596,657	995,783	726,859	565,092	206,027	140,829
Cemetery	-	-	-	60,746	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 4,647,525</b>	<b>\$ 3,548,424</b>	<b>\$ 3,766,813</b>	<b>\$ 1,998,523</b>	<b>\$ 4,197,300</b>	<b>\$ 1,925,733</b>	<b>\$ 1,646,092</b>	<b>\$ 2,581,860</b>	<b>\$ 1,926,985</b>

*This schedule reflects a hybrid funding model to purchase vehicles as they become due (no replacement set-aside)*



# Funding Scenario



## Preparing for Future Replacements

- Below are **additional** amounts needed to be “**set-aside**” to slowly move from a hybrid (pay-as-you-go/Loan) model to a functional and self-sustaining Fleet Replacement Program in the next cycle

FUND	FISCAL YEAR								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
HBCRA	\$ -	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981
Fleet	-	4,383	4,383	4,383	4,383	15,061	25,051	25,051	25,051
General	-	460,623	629,027	722,831	787,003	801,272	822,936	858,301	1,475,010
Permit	-	19,923	19,923	19,923	28,570	28,570	28,570	28,570	28,570
Sanitation	-	224,680	530,080	691,212	697,144	890,999	890,999	890,999	1,028,218
Stormwater	-	127,068	127,068	233,939	233,939	291,606	292,483	292,483	292,483
Transportation	-	-	9,017	9,017	38,203	50,068	59,559	59,559	59,559
Utilities	-	127,406	157,542	246,641	321,223	445,696	536,553	607,190	632,943
Cemetery	-	-	-	-	7,593	7,593	7,593	7,593	7,593
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 969,064</b>	<b>\$ 1,482,021</b>	<b>\$ 1,932,926</b>	<b>\$ 2,123,039</b>	<b>\$ 2,535,845</b>	<b>\$ 2,668,726</b>	<b>\$ 2,774,727</b>	<b>\$ 3,554,409</b>

# Funding Scenario



## Full Replacement Funding

- The below replacement schedule includes **pay-as-you-go, financing, and set-aside** amounts for future replacements combined
  - Lowers General Fund contribution for FY2023 by \$382K
  - Fleet replacement funding will stabilize after all financed and pay-as-you go vehicles are replaced (approximately one full cycle)

FUND	FISCAL YEAR								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
HBCRA	\$ 39,846	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981	\$ 4,981
Fleet	35,065	4,383	4,383	4,383	89,807	94,979	25,051	25,051	69,858
General	580,000	1,252,623	1,539,027	1,713,831	1,796,003	1,837,272	1,903,936	2,136,384	2,549,093
Permit	159,385	19,923	19,923	89,096	28,570	28,570	28,570	28,570	28,570
Sanitation	1,797,438	2,667,885	1,819,133	738,669	2,247,987	890,999	890,999	1,988,750	1,515,627
Stormwater	1,016,541	127,068	982,035	233,939	695,274	298,629	292,483	292,483	472,340
Transportation	-	72,135	9,017	242,508	133,118	126,000	59,559	59,559	59,559
Utilities	1,019,251	368,490	870,335	843,298	1,317,006	1,172,554	1,101,645	813,216	773,772
Cemetery	-	-	-	60,746	7,593	7,593	7,593	7,593	7,593
<b>TOTAL</b>	<b>\$ 4,647,525</b>	<b>\$ 4,517,488</b>	<b>\$ 5,248,834</b>	<b>\$ 3,931,450</b>	<b>\$ 6,320,338</b>	<b>\$ 4,461,578</b>	<b>\$ 4,314,818</b>	<b>\$ 5,356,587</b>	<b>\$ 5,481,393</b>



**QUESTIONS?**

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**THANK YOU**

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