

SUMMER STUDIES 2017

Fleet Maintenance Outsourcing

Summer Study 17-011

Department of Public Works

August 8, 2017

Summer Studies

This Summer Study provides an explanation of the City's Fleet Operation. The bottom line is to maintain a balance of in-house and contracted services. A number of changes are recommended for City Commission consideration which will collectively reduce fleet cost over time.

Executive Summary

The Fleet Division of Public Works is responsible for the maintenance and repair of all City owned vehicles and equipment. The fleet consists of 373 assets itemized as follows:

9 ATVs	1 Mini Excavator	3 Message Boards
2 Boats	3 Skid Steers	8 Riding Mowers
1 Jet Ski	5 Tractors	54 Pick Up Trucks
8 Generators	1 Pressure Washer Trailer	37 Police SUVs
2 Air Compressors	6 Portable Pumps	84 Police Vehicles
1 Aerial Device (Bucket Truck)	1 Sweeper	15 Refuse Trucks
3 Crane Trucks	2 Vac Trucks	27 SUVs
8 Dump Trucks	2 Armored Vehicles	29 Trailers
2 Roll Off Trucks	1 Water Truck	20 Vans
1 Loader	4 Hybrid SUVs	7 Small Vehicles
5 Backhoes	3 Light Towers	18 Vehicles (Other)

In-House Services

The Fleet Division's work schedule is from 7:00 a.m. to 5:00 p.m. Monday through Friday. Within the Division are a Fleet Administrator, a Superintendent, a Master Mechanic, an Administrative Assistant and 5 skilled mechanics. The functions that are performed in-house range from:

- Scheduled preventive maintenance
- Safety inspections
- Electrical diagnostics and repairs
- Cooling system repairs and services
- Tire replacement
- Front end and suspension work
- Hydraulic system repairs

Fleet Maintenance Outsourcing

- Hydraulic cylinder rebuilding
- Welding and fabrication
- Tune-ups
- Air conditioning repairs.
- Transportation from and to dealers and body shops (please see explanation below)*
- Fleet Facility cleaning and maintenance
- Fuel Station maintenance and inspection in order to comply with State and Federal laws.
- Supplies purchasing and inventory maintenance
- Work order processing
- Maintenance of the Fleet Leasing Program
- Vehicle and equipment purchase
- Fuel charge back processing
- Processing of Surplus Asset Disposal
- Reporting for National Pollutant Discharge Elimination System (NPDES)/ Municipal Separate Stormwater Sewer Systems (MS4) Compliance
- Handling of Personnel Issues (Employee Evaluation, Disciplinary Actions etc.)
- Maintenance of Vehicle Inventory in Munis

* Apart from the maintenance and repairs, the Fleet Division must transport vehicles to their respective dealership for warranty repairs and recalls. When a vehicle needs body work it is transported to three different body shops for estimates. When the lowest bidder is selected the vehicle must then be taken to the selected vendor. Vehicles are also transported to Strobes-R-Us for strobe lights and emergency equipment installation.

Outsourced Services

The Fleet Division outsources some specialized repairs/work such as:

- Decals
- Warranty repairs
- Recalls
- Emergency lighting (strobes)
- Transmission rebuilding
- Maintenance and repairs of fire trucks and ambulances

Fleet Maintenance Outsourcing

- Body work and painting

Challenges

The challenges faced by the Fleet Division have a negative effect on turn-around time, cost of operation and productivity. Due to the lack of a standardized fleet, it is difficult to stock enough basic parts such as brake pads, oil filters, wiper blades and tires. Also each manufacturer has their proprietary scan tool which makes it difficult to access many vehicles computer systems to perform diagnostics, repairs and calibration. It is not feasible to purchase a dealer level scan tool for each manufacturer.

Solution

Several improvements have been performed to improve the efficiency in the fleet operation:

- New oil tank installation
- Oil tracking system and dispensers
- Fuel Management System
- Schedule improvement to a 5-day week rather than a 6-day week.

Recent improvements:

- Purchase of new two post lift to improve efficiency
- Vendor change for tires and parts (cost effective)

In order to maintain a sustainable fleet, it is necessary to reduce the amount of manufacturers from which the Fleet Division purchases. This is something that cannot happen over a short period of time, but it is a goal that has been set. A standardized fleet will simplify fleet operations and reduce the cost incurred on an annual basis.

Regarding cost savings on parts, the Fleet Division has begun saving by switching the tire vendor. The City is now saving an average of \$17.88 per tire. From May until July, 2017 the City saved about \$2,700 in tire purchases.

Staff has compared the cost of supplies typically purchased from the current parts vendor with that of other possible vendors. This comparison demonstrates the possibility for considerable savings by utilizing more

Fleet Maintenance Outsourcing

affordable vendor(s) which will result in savings ranging from 25% to 45% which amounts to approximately \$75,000 to \$135,000 annually. The Procurement Department has been directed to investigate this opportunity.

There are several advantages in servicing our fleet with a combination of in-house and contracted services which are listed below. By utilizing both outside vendors and in-house technicians to maintain the fleet, the City gains the advantages from both approaches.

- Costs can be monitored and controlled
- Maintain quality control
- Quicker vehicle turnaround time
- Lower parts cost
- Familiarity with vehicles and equipment
- Response time is controllable
- Maintain own records with unlimited access
- Save costs on major repairs and routine PM's performed in-house

A standardized fleet will simplify fleet operations and reduce the cost incurred on an annual basis.

Economics and Relationship to Millage Set on June 21, 2017

The Fleet Division's budget for FY 17/18 is 41.5% lower than the FY 16/17 budget. This is predominantly as a result of a reduction in the number of vehicles the City is purchasing due to recent upgrades to the fleet.

Staff has to disclose the following financial information that affects the Fleet Fund balance:

In 2012, the City entered into a loan agreement with TD Bank, Revenue Note Series 2012, for \$5,050,000 to finance the cost of vehicles. The revenue pledge for the loan was non-ad valorem revenue. Loan payments were paid by the various funds who purchased vehicles with loan proceeds based on an allocation of vehicle purchased to total loan proceeds. Participating funds included the General, Sanitation and Utility funds.

There was discussion during the 2015-16 Budget Workshop that the balance of the vehicle loan be paid early, using fund balance for the payoff. Determination was reached to pay the loan early, although the interest rate was low, 1.31%, and with an early payoff premium in the amount of \$149,000. The loan was paid in full in November 2015 using Fleet Fund reserves which are accumulated in the fund as part of the vehicle replacement program. The

Fleet Maintenance Outsourcing

loan should have been paid off by the funds, who purchased vehicles based on the same allocation as the debt service payments described above. This transaction has left the Fleet Fund with a deficit at fiscal year-ending 2015-16.

In order to restore the Fleet Fund to a positive operating position and to restore the balance in the vehicle replacement program, the following solutions are offered:

1. Stop vehicle replacement for a year to improve the reserve in the Fleet Fund
2. Reinitiate the repayment of the loan on a pro-rated basis from the three funds for five years, or
3. Repayment could be made as operating income as fund balance becomes available in the various funds.

Action Item(s)

- Vehicle and equipment replacement needs to be based on an individual case analysis. This will extend the lifecycle of vehicles and lower the annual need for replacement. Our current replacement procedure is based on age, mileage or hours. This leads to many assets being replaced although they still have a few more years of useful life left.
- Select more cost efficient vendors without sacrificing quality of parts and services. This process will begin immediately.
- The Fleet Division will right-size our new asset purchases (ensure the City is purchasing and utilizing the best fit vehicle for the assignment). A best practice approach to vehicle selection will be established. This means that the City will consider the lowest cost solution to meet the realistic requirements of the task at hand.
- Staff, in conjunction with the Procurement Department, will develop a new process for vehicle disposal in order to obtain the best residual value for retired assets. This means that the life cycle cost of owning a vehicle will be reduced.
- Repurpose vehicles which are no longer suitable as patrol/ pursuit vehicles for use by other departments where feasible.

Fleet Maintenance Outsourcing

Action Item(s)

The Administration does not recommend outsourcing the entire fleet operation. The partial outsourcing balance currently in place makes sense when a major portion of the fleet is needed for critical services. The Fleet Division will implement the recommendations in the Summer Study to ensure that the elements of fleet management operated by the City are as efficient as possible.