

Breakthrough Change
Vehicles and Equipment
Q & A
June 1, 2005

1 Q: How does Fleet Services establish their rates?

1 A: The rates are set to recover the cost of the repairs, parts, fuel, administrative and vehicle procurement with no profit. Rates are reviewed and adjusted every six months to assure that they are accurate.

2 Q: How does the hourly repair rate charged by Fleet Services compare to other outside vendors?

2 A: Fleet Services charges \$65 per hour for vehicle maintenance. This rate fully recovers the cost of running the repair shop. Outside vendors are surveyed every six months and rates were recently found to vary from \$75 per hour for light vehicle repair to \$90 per hour on heavy vehicle repair. On an average Fleet Services is under the market by up to 15%.

3 Q: Was outsourcing all maintenance considered?

3 A: Yes. Currently, General Services fleet outsources approximately 25% of their maintenance work, with the decision making based on what is more cost effective to perform with an outside vendor versus performing the work in house, i.e., windshield repair, radiator repair, upholstery. Fire fleet also outsources the same type of work. The Fleet Manager from Bremerton presented information on Bremerton's experience with outsourcing the City's entire fleet maintenance. Due to increased costs and unacceptable service, the City of Bremerton made the decision to bring the maintenance function back in house. In reviewing the experience of other fleets, as well as Bremerton's experience, the Breakthrough Change committee made the decision to continue with the current structure, outsourcing those functions where there is a cost benefit.

4 Q: Did you look at the "Pierce County model" of outsourcing oil changes and minor maintenance?"

4 A: Yes. Presentations were made to the group by both the County's Heavy Duty Fleet Manager and Light Duty Fleet Manager. The Pierce County model refers to the method used by the Light Duty Fleet Manager for preventive maintenance. Pierce County's fleet is scattered throughout the county, so it is not feasible for them to come into their downtown shop on a regular basis for maintenance. Therefore, Pierce County has contracted with vendors in outlying sites to perform two out of every three

maintenance schedules, with the vehicle coming into the Pierce County shop for every third oil change and comprehensive safety inspection. General Services Fleet and Fire Fleet are all centrally located, allowing relatively easy access for maintenance. General Services Fleet has a swing shift so that the maintenance can be done while vehicles are not in service. Both fleets do a comprehensive safety inspection at the same time they do normal preventive maintenance.

5 Q: Why is police department motorcycle maintenance so expensive and what can be done about it?

5 A: Current motorcycles are Kawasaki; while less expensive to purchase, they have proven to be expensive to maintain. The design of these bikes is over 15 years old. The requirements placed on Police Department motorcycles far exceed the normal use and wear and tear of recreational use. Harley Davidson's will be purchased this year and it is expected that they will require less maintenance. The Harley Davidson motorcycles are being purchased under a buy-back program guarantying a resale price.

6 Q: Why didn't the Team consider eliminating the assigned police vehicle take home program and return to a pooled vehicle program?

6 A: City Council asked the Team not to review the assigned vehicle policy but instructed the team to review and address the "take home" cost aspects of the policy for police cars. It is estimated that a pooled police vehicle program would actually cost the General Fund nearly \$500,000 more per year. This is due to the increased frequency of vehicle replacement and the need for a ratio of two-thirds of a vehicle per officer due to overlapping shifts. In addition, there would be over \$1 million per year in lost productivity due to Police Officers transferring equipment between pooled vehicles. "Take home" costs for police are addressed in our written report to Council.

7 Q: Other than Police, are other City vehicles taken home on a regular basis?

7 A: Yes. Other than the Police Department, there are 30 vehicles taken home based on business needs; 20 of which are Fire, 6 are General Government Utilities with the remaining 4 being General Fund. The drivers of the 20 vehicles taken home by Fire Department employees, who are not the primary emergency responders, reimburse the City for mileage traveled between their home and the nearest fire station. The remaining 10 take home vehicles are all on call.

#8 Q: What ways does the City procure vehicles and equipment?

#8 A: The City uses several methods to procure vehicles and equipment:

METHOD	REASON
Purchasing Outright via:	
a. State Contracts	Best Pricing by Volume
b. Develop Own Specifications	Get Exactly What You Need
c. GSA Contracts	Competitive Pricing
d. Municipal Contracts	Reduces Staff Time
e. Used Vehicle Contracts	Immediate Purchase
f. Buy Back Program	Guaranteed Resale Value
Options Not Currently Utilized Include:	
a. Municipal Lease	No Upfront Capital
b. Issue Bonds	No Upfront Capital

State contracts are the most often used method for light vehicles. Heavy vehicles and equipment are most often purchased through development of our own specifications. Others are used as appropriate.

9 Q: Why aren't vehicles purchased from Tacoma dealers?

9 A: The City does sometimes purchase from Tacoma dealers and we encourage local dealers to compete for the City's business. Under the various purchasing methods we use (see Q&A #8), we are constrained in what we can do to provide a preference or advantage to local suppliers.

#10 Q: What is the State Contract for vehicle purchases?

#10 A: This contract is bid annually by Washington State General Services and covers all classes of light and medium duty vehicles. It is a high volume contract that most often provides the lowest prices. Fleet has bid the same vehicles in comparison and found this to be true.

#11 Q: Has the City ever leased vehicles?

#11 A: Yes. We only have two construction pieces on lease. Leasing vehicles and equipment is more expensive because of interest charges; however, it provides an avenue to obtain the vehicle without upfront capital costs and can also provide vehicles in emergency and seasonal situations.

#12 Q: How do you know what size and type of vehicles to purchase? Isn't a Geo Metro much cheaper than a Ford Taurus?

#12 A: The type of vehicle purchased is determined by the application. Fleet reviews each new vehicle request for replacement with the Division Manager and staff to ensure the best choice is made for every application, including projected maintenance costs, fuel efficiency, safety ratings and resale value.

#13 Q: Is the City keeping the vehicles long enough? What triggers disposal of a vehicle?

#13 A: Disposal is triggered by combination of historic maintenance costs, age, mileage, condition and frequency of use. Vehicles by design have a life cycle based on industry standards. They are replaced before major overhauls are needed. Fleet monitors all costs and life cycles of vehicles to determine the best economic point for replacement.

#14 Q: What about selling the vehicles before the warranty runs out?

#14 A: Our policies and regulations for purchasing require more personnel to manage and award bids and perform special set up requirements. In addition, because of the impact of sales tax, it would not be cost effective to replace vehicles under the normal warranty of three years. Maintenance costs would be lower, however, capital costs and personnel costs would be higher.

#15 Q: What is a "Buy Back Program?" Has the City ever tried that?

#15 A: In a buy back program, residual value is determined up front, so reserve rates can be calculated accordingly. With the buy back option, fleet can decide to keep the vehicle in service or trade it back to the dealer for a fixed amount. We are currently bidding motorcycles as a pilot program to compare trade in costs.

#16 Q: Could you sell vehicles on e-bay?

#16 A: Yes we could. The advantage is reaching a larger pool of bidders. We would only recommend this method for select vehicles since it takes more staff time to manage bids, sales and deliveries.

#17 Q: Why is the consolidation of the Fire Garage and Fleet Operations estimated to cost money rather than save money?

#17 A: The cost to the Fire Department (and thus the General Fund) for Fleet operations to service the Fire vehicles includes a 35% parts markup and 10% outsourcing markup. The markups in Fleet Ops fund the expenses associated with performing those support functions. The equivalent functions in the Fire Department are performed by a small percentage of maintenance and other Fire personnel who could not be consolidated. In addition to these ongoing operation costs, there would be a capital cost for the additional parking and storage of fire apparatus and specialty equipment.

18 Q: Why weren't savings identified for reducing the number of underutilized vehicles and equipment?

18 A: The team looked at all vehicles in the fleet that were driven less than 4,500 miles or used under 400 gallons of fuel a year. After discussion with the departments about those vehicles, it was determined that although the vehicles were not driven a lot, they were fully utilized at job sites or needed as specialty equipment. Departments have taken advantage of eliminating under utilized vehicles or sharing vehicles with other departments as a cost cutting measure over the last several bienniums. Therefore, opportunities for additional cost savings were not realized for the Breakthrough Change Initiative. It is our belief that the departments will continue the effort to share or eliminate underutilized pieces of equipment which will result in savings to departments in future budgets.

#19 Q: Why weren't fuel efficiency and alternative fuel options identified as potential savings opportunities?

#19 A: Fuel efficiency is a consideration during the purchasing process. The majority of the City's heavy-duty fleet is currently using biodiesel. The City has also tried Natural Gas vehicles, however, there are very few options for fueling sites, making it very inconvenient to get fuel. There are 2 hybrid vehicles currently in the fleet and they are considered as an option wherever practical. Washington State fuel efficiency standards go into effect in 2007. Fleet procurement staff currently consider fuel efficiency an important factor in purchasing and monitor alternative energy technologies for the future. It is difficult to know what premium to pay for fuel efficiency and hybridization of fuel sources because it depends largely on predicting short to mid-term oil prices which is a speculative endeavor.

#20 Q: Was there consideration given to reducing FTEs?

#20 A: Yes. An industry standard analysis was done on both the General Services fleet and the Fire fleet to determine whether their staffing levels were appropriate. The results show that Fleet Ops and Fire are staffed appropriately when taking into consideration that two of Fire's maintenance employees are utilized for critical duties not related to vehicle maintenance.