

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

September 12, 2011

Fleet Program Proposal with Enterprise Fleet Management

Synopsis

The Board of Directors is requested to approve the District working with Enterprise Fleet Management.

Background

In 2003, the District began a more aggressive approach to managing its fleet in which a matrix was developed to track the mileage, age of the vehicle, and maintenance issues. The District's policy became replacing vehicles when they reached 8 years or 100,000 miles. Approximately four vehicles each year were either purchased or acquired through a lease/purchase agreement through the State of Arizona purchasing program. District staff has been responsible for tracking maintenance on the vehicles as well as determining whether major repairs should be done. Much staff time and resources are spent analyzing maintenance needs of the vehicles.

Since late 2008, vehicles have been replaced less often in an effort to conserve funds. This means rather than 8 years, some vehicles are not being replaced until they are 10 years old or more. It is well known that the longer a vehicle is retained; maintenance costs per vehicle have a higher likelihood to be more prohibitive. It then makes little sense to retain vehicles when maintenance costs get excessive.

The District currently has an inventory of Utility, Engineering, and motor pool vehicles comprising of 33 vehicles, which a total asset value of \$780,000 or \$23,607 per vehicle. When maintenance costs are added over the lifespan of all vehicles, the cumulative total is \$968,000 or \$29,346 per vehicle. This means the average vehicle over its lifespan costs around \$5,700 for regular maintenance, e.g., oil changes, tires and various repairs.

Additionally, even though the District acquires the vehicles through the State of Arizona purchasing program and benefits from discounted pricing, most Utility Division vehicles require to be modified to meet vehicle needs. In order to meet the configuration requirements needed for District vehicles, many trucks would be purchased as cab and chassis only. A second vendor would then be utilized to install the modifications. Examples of these modifications include lift

gates, utility tool boxes, and cranes. On rare occasions, vehicles would be purchased via local dealers, provided the costs were competitive with the state purchasing program, where replacement vehicles are not always easily available.

Issues

The District has wanted to improve the overall approach to its fleet management. Recently, the District was approached by Enterprise Fleet Management and presented a program that would help streamline fleet management, make it more efficient, and reduce the long-term cost. The approach would also reduce staff resources while remaining competitive with the District's current purchasing power for vehicles via the state purchasing program.

Enterprise's program would mean that the District would lease its vehicles from Enterprise. Rather than waiting 8 to 10 years to replace a vehicle, vehicles would be replaced closer to every 5 years. This would reduce maintenance costs as well as gain a much higher trade-in value that the District can leverage with its replacement, thereby offsetting the new vehicle price. A shorter life cycle equates to more reliability and better fuel economy. Enterprise can also provide for the District 7 to 8 vehicles at the same cost the District is currently able to pay for the lease purchase investment for 4 vehicles. More importantly, Enterprise tracks the maintenance requirements for the vehicles. All maintenance is covered by an annual average cost of \$439 per vehicle. This does not include tires or brakes but is still much less than existing maintenance costs. Currently the District is paying on average \$1,100 annually for maintenance on just its newest vehicles (5 years old or less), plus an extended warranty is being purchased for \$1,500 to \$2,000 per vehicle.

Enterprise has a local office to assist the District with any issues with vehicles. It is also important to note that truck modifications are facilitated by Enterprise as well. For instance, if the District has need for just a cab and chassis, Enterprise can arrange to either have a new body put on, or transfer the previous body. This is helpful, since the transition for body removal/replacement does not require the resources of the District to negotiate with a variety of vendors. Since it manages millions of vehicles purchases, Enterprise has buying power that has their pricing competitive with the State bids. Additionally, their buying power transcends all makes of vehicles that could further benefit the District. An example would be a more reliable or desirable vehicle that the State bid does not offer.

If the District enters into a working relationship with Enterprise this year, the District would begin to rotate its vehicles with Enterprise. Specifically, the fleet size is currently 33 vehicles. The annual quantity for replacement is a subjective figure, which could be increased or decreased as needed. The goal here is to balance new vehicles added annually, rather than have an uneven frequency. This means a higher volume of vehicles would be added due to a higher turn-over rate of 5 years versus the current turn-over rate of 8 to 10 years. This means that by 2015, all of the District vehicles would be leased from Enterprise. As vehicles are replaced, the outlay of Purchase Finance reduces, while the lease outlay increases.

A fleet program consisting of five year rotation of vehicles requires a comparison of actual maintenance costs for District vehicles five years old and less. Maintenance costs relate to a

myriad of issues, from air conditioning, computers, drive train, transmissions and oil change. Tires and brakes are an added expense not included in the annualized maintenance costs of \$439 per vehicle. The District has requested Enterprise to pursue high quality tires if and when vehicles are procured through them to ensure long life.

The average annual maintenance cost for vehicles five years or less in age is around \$1,100 per year. Noteworthy is the cost of tires included in this table, (a prime reason to assure new leased vehicles begin with high quality tires) however the annual maintenance costs (when including extended warranty costs) is still higher when compared to Enterprise. Extended warranties are in effect after 3 years or 36,000 miles. The constant \$1,500 expenditure is the extended warranty after the regular warranty expires.

Through this program, Enterprise is partnered with many maintenance shops, where repair transactions are simply a matter of swiping a fleet credit card. The District has successfully used Desert Sun over the years and staff is currently determining if Desert Sun is interested in participating in this process. The repair shop assesses the repairs and contacts Enterprise with a quote. The quote is either accepted or negotiated prior to repairs. Once the cost for repair is determined the credit card is used, where no extra charges are assigned to the District; the exception would be abuse or neglect on the District's behalf. As mentioned, the exception is tire and brake replacement. Oil changes and tire rotations are recommended at 6,000 miles, which equates to shop visits once every nine months, and greatly reduces staff's time.

Fleet management also becomes less arduous since Enterprise includes a vehicle asset management program, which allows the District more awareness of life cycle issues, along with periodic maintenance notifications. The current procurement process is cumbersome and requires much staff time in maintaining vehicle spreadsheets, tracking gas mileage and routing purchase orders. These tasks get reduced greatly through the Enterprise web portal. Since the ability to pay via credit card, with maintenance costs already included in the lease, time is used more productively.

The use of fleet gas cards allows District staff more than one option for fueling. Presently, the District uses Valero, where it is difficult to get fuel in the Metro SW area. With the gas card feature, the District can easily monitor fuel economy via web portal.

In addition to the streamlining of resources and freeing staff's time and efforts, the District would save in overall costs for vehicle acquisition and maintenance. Historically, by replacing four vehicles a years, the *average* annual capital outlay the District has expended is approximately \$97,500. Add the lifetime cost for regular maintenance (life-cycle cost), the average annual expense for the fleet ends up being \$121,200. Currently, vehicles are seldom replaced sooner than 8 years; at times, more than 10 years, which means higher overall maintenance costs. Through Enterprise, as all vehicles are eventually leased by 2015, the annual outlay and maintenance costs are reduced over time. From 2015 to 2020, the average cost for the fleet including regular maintenance would be \$117,800 annually.

Staff Recommendation

It is recommended the Board of Directors authorize the District to utilize Enterprise Fleet Management for its vehicle replacement program. Staff believes this program would enhance and improve the management of our fleet by having experts in fleet management actually assist with overseeing it. This program will streamline the process, free up staff time and resources, reduce the paper trail currently done by the District, and reduce overall costs while providing greater reliability through the utilization of newer vehicles. If it is determined that working with Enterprise does not reduce the District's overall fleet costs and current down-time issues, the District will pursue other resources and approaches.

Suggested Motion

I move to authorize District staff to utilize Enterprise Fleet Management for its vehicle replacement program.

Respectfully submitted,

Christopher W. Hill,
Deputy Manager

I concur with the above-noted recommendation.

Respectfully submitted,

Mark R. Stratton, P.E.
General Manager

Current Maintenance Costs for Fleet Vehicles Five Years or Less in Service

TYPE	BY	Year OF	Maintenance	Add Extended Warrantee	Total Maint Cost	Years In Service	Average per Year Maintenance Cost
	USE	VEHICLE	Costs				
					Total		Total
FUSION	A	2010	\$ 663.81	\$ 1,500.00	\$ 2,163.81	1	\$ 2,163.81
PU	A	2010	\$ 138.33	\$ 1,500.00	\$ 1,638.33	1	\$ 1,638.33
3/4 TON PU	U	2010	\$ -	\$ 1,500.00	\$ 138.33	1	\$ 138.33
3/4 TON PU	U	2008	\$ 2,171.42	\$ 1,500.00	\$ 3,671.42	2	\$ 1,835.71
3/4 TON PU	U	2008	\$ 1,786.56	\$ 1,500.00	\$ 3,286.56	2	\$ 1,643.28
JEEP WRANGLER	A	2008	\$ 1,514.97	\$ 1,500.00	\$ 3,014.97	2	\$ 1,507.49
PU	U	2008	\$ 1,270.87	\$ 1,500.00	\$ 2,770.87	2	\$ 1,385.44
PU	U	2008	\$ 636.65	\$ 1,500.00	\$ 2,136.65	2	\$ 1,068.33
3/4 TON PU	U	2008	\$ 612.03	\$ 1,500.00	\$ 2,112.03	2	\$ 1,056.02
FORD RANGER	U	2008	\$ 447.87	\$ 1,500.00	\$ 1,947.87	2	\$ 973.94
ELEMENT	E	2007	\$ 1,150.34	\$ 1,500.00	\$ 2,650.34	3	\$ 883.45
3/4 TON PU	U	2006	\$ 3,394.93	\$ 1,500.00	\$ 4,894.93	4	\$ 1,223.73
PU	U	2006	\$ 3,393.49	\$ 1,500.00	\$ 4,893.49	4	\$ 1,223.37
1 TON PU	U	2006	\$ 1,485.91	\$ 1,500.00	\$ 2,985.91	4	\$ 746.48
ESCAPE	E	2006	\$ 90.00	\$ 1,500.00	\$ 1,590.00	4	\$ 397.50
F-550	U	2005	\$ 4,776.88	\$ 1,500.00	\$ 6,276.88	5	\$ 1,255.38
F-350	U	2005	\$ 2,718.30	\$ 1,500.00	\$ 4,218.30	5	\$ 843.66
EXPEDITION	E	2005	\$ 1,079.99	\$ 1,500.00	\$ 2,579.99	5	\$ 516.00
EXPEDITION	U	2005	\$ 462.81	\$ 1,500.00	\$ 1,962.81	5	\$ 392.56
				Total Annual Maintenance Costs	19 Vehicles \$ 20,892.78	Annual Cost per Vehicle	\$ 1,099.62

Projected Costs for the Fleet with Transition to Enterprise Completed in 2015

	Fleet Mix				Fleet Cost Schedule			
Fiscal Year	Fleet Size	Annual Needs	Own	Lease	Purchase Finance	Lease	Maintenance Cost - Annual	Total Fleet Budget
Current	33	2.7	33	0	\$54,146	\$0	\$38,412	\$92,558
2011	33	8	25	8	\$18,531	\$30,658	\$32,884	\$82,073
2012	33	7	18	15	\$0	\$57,946	\$27,751	\$85,697
2013	33	8	10	23	\$0	\$93,171	\$21,754	\$114,925
2014	33	7	3	30	\$0	\$118,193	\$16,688	\$134,881
2015	33	3	0	33	\$0	\$99,497	\$14,475	\$113,972
2016	33	8	0	33	\$0	\$104,381	\$14,475	\$118,856
2017	33	7	0	33	\$0	\$94,205	\$14,475	\$108,680
2018	33	8	0	33	\$0	\$103,266	\$14,475	\$117,741
2019	33	7	0	33	\$0	\$119,505	\$14,475	\$133,980
2020	33	3	0	33	\$0	\$99,497	\$14,475	\$113,972
								Avg - \$110k / Yr