

# FY 2021 Budget Process Workshop #1

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August 10, 2020

- Fleet Replacement Program Analysis

# Fleet Replacement Program Overview (Previously presented on June 8, 2020)

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Internal Guidelines/Purpose

Decision-Making Criteria for Annual Budget Recommendations

Inventory Summary by Fund

Priority Groups

Fleet Replacement Program Forecast by Fund

## Inventory by Priority Groups (Previously presented on June 8, 2020)

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### General Fund – 59 Units

- Priority 1 – Fire Truck Lease Payment – 1 Unit
- Priority 2 – Police Patrol Car (Leases) – 8 Units
- Priority 3 – Other City Vehicles (Leases) – 33 Units
- Priority 4 – Annual Contributions for Future Non-Leasable Vehicle Replacements – 17 Units

### Enterprise Fund – 27 Units

- Priority 1 – Other City Vehicles (Leases) – 8 Units
- Priority 2 – Annual Contributions for Future Non-Leasable Vehicle Replacements – 19 Units

# Decision-Making Criteria

(Previously presented on June 8, 2020)



|  |                             |   |
|--|-----------------------------|---|
|  | <b>Excellent</b>            | Do not replace  |
|  | <b>Good</b>                 | Re-evaluate for replacement for next year's budget  |
|  | <b>Fair</b>                 | Qualifies for replacement this year only if M/R costs exceed 40% of replacement and 100% of expected life has passed (or by special approval by City Manager) |
|  | <b>Poor</b>                 | Qualifies for replacement this year if budget allows  |
|  | <b>Priority Replacement</b> | Needs priority replacement consideration  |

# FY 2021 Proposed Expenditures General Fund

| Priority Category | General Fund                      | Vehicle/Equipment                                | Amount         |
|-------------------|-----------------------------------|--|----------------|
| 1                 | Fire                              | Lease-Purchase Payments - 1 - 2017 Pumper        | 78,000         |
| 2                 | Police                            | Lease Payments - 5 - 2020 Patrol Vehicles        | 97,128         |
| 3                 | Development Services              | Lease Payments - 1 - 2019 Mid-sized SUV          | 6,392          |
|                   | Parks, Recreation, and Facilities | Lease Payments - 2 - 2018 Crew Cab Pickup Trucks | 12,975         |
|                   | Police                            | Lease Payments - 3 - 2020 Command Vehicles (SUV) | 31,867         |
|                   | Fire                              | Lease Payments - 1 - 2019 Command Vehicle (SUV)  | 11,726         |
| 4                 | Public Works - Streets & Drainage | Lease Payments - 1 - 2019 Crew Cab Pickup Truck  | 6,256          |
|                   |                                   | Purchase - 1 - Asphalt Hot Box (2020 Carryover)  | 10,490         |
|                   |                                   | Purchase - 1 - Asphalt Trailer (2020 Carryover)  | 41,070         |
|                   |                                   | Purchase - 1 - Street Sweeper (2020 Carryover)   | 237,000        |
|                   |                                   | <b>GENERAL FUND TOTAL</b>                        | <b>532,904</b> |

# FY 2021 Proposed Expenditures Enterprise Fund

| Priority Category | Enterprise Fund                      | Vehicle/Equipment  | Amount         |
|-------------------|--------------------------------------|--|----------------|
| 1                 | Public Works - Water Distribution    | Lease Payments - 1 - 2020 Crew Cab Pickup Truck                        | 6,563          |
|                   |                                      | Purchase - 1 - Air Compressor  | 33,000         |
|                   |                                      | Purchase- 1 - Mini Dump Truck (2020 Carryover)                         | 75,000         |
| 2                 | Public Works - Wastewater Collection | Purchase - 1 - Backhoe (2020 Carryover)                                | 100,000        |
|                   |                                      | Purchase - 1 - 611WWC Jet Truck (Replaced by Vactor Truck if Approved) | 180,000        |
|                   |                                      | Purchase - 1 -558SW Grappler Loader/Limb Loader                        | 180,000        |
|                   | Public Works - Solid Waste           | Purchase - 1 -586SW Sanitation Rear Loader                             | 265,000        |
|                   | <b>Enterprise Fund Total</b>         |  | <b>839,563</b> |

# Enterprise Lease Agreement (Previously presented on June 8, 2020)

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Approved by Council on June 18, 2018 (Ord. No. 18-029)

Two Major Components:

- Master Lease Equity Agreement
- Maintenance Agreement

Required a minimum of one leased vehicle

Not applicable for heavy equipment

# Enterprise Lease Agreement (Continued)

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## Program goals:

- Utilization of a maintenance program to simplify purchasing, and to track maintenance and repairs via web portal
- Minimize downtime for light- to mid-duty vehicles
- Provide cost-savings and efficiencies over time

City-owned vehicles receive maintenance and repairs on pass-through invoicing

Leased vehicles receive full maintenance and repairs per lease terms



## Enterprise Lease Agreement (Continued)

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Leasing considered as a way to minimize capital costs from Hurricane Harvey

Initial decision in 2018 for a pilot program for two vehicles

- One Parks vehicle
- One Police Patrol car

Program intended to be evaluated routinely after a completed lease cycle for each vehicle

City currently has 13 leased vehicles

Fleet program benefits and assumptions have now been revisited

# Enterprise Lease Agreement

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Total Number of Vehicles Currently Leased: 13

Development Services: 1

Fire: 1

- (Represents Command Vehicle Only/Pumper is Lease-Purchase/Not Enterprise)

Police: 8

- Patrol: 5
- Unmarked: 3

Parks, Recreation & Facilities: 1

Public Works - Streets & Drainage: 1

Public Works – Water Distribution: 1

## Own vs. Lease – Hard Costs

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### Own

- Initial purchase of vehicle with aftermarket equipment, if applicable
- Maintenance costs (oil changes, new tires, brakes)
- Repairs (transmission, engine, electrical, etc.)
- At end of the life cycle, the vehicle is taken to auction and the City receives the net proceeds

## Own vs. Lease – Hard Costs

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### Lease

- Aftermarket equipment capitalization, if applicable
- Monthly maintenance fee (does not cover maintenance outside of regular schedule)
- Maintenance and repairs on Police and Fire vehicles (not eligible for full maintenance plan)
- Service charge due at lease termination (\$400)
- Condition damage costs, if applicable
- Overmileage charges, if vehicle exceeds limit, if applicable
- At end of lease, any remaining equity may be applied to a new lease or as a payment to the City

# Own vs. Lease Soft Costs/Overhead/Management

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## Own

- Estimates do not include internal staff time required for Fleet Management
- The City does not have software for Fleet Management
- Discontinuation of leasing would require some level of resources dedicated to coordination of Fleet Management
- City controls how long a vehicle will remain in service

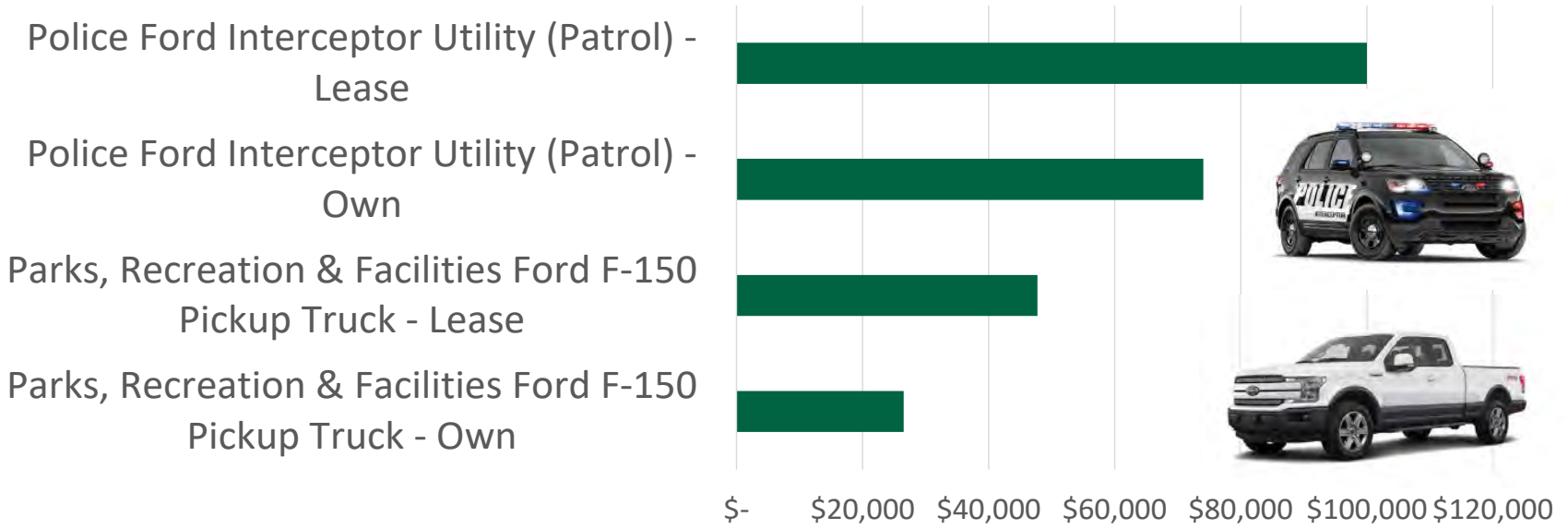
# Own vs. Lease Soft Costs/Overhead/Management

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## Lease

- Lease costs include access to portal, coordination/admin support by Enterprise, assistance with vehicle registration
- Web portal provides tracking of maintenance, repairs, and usage information
- For non-leased vehicles, these tasks/costs are absorbed by current City Staff

# Own vs. Lease – A Tale of Two Vehicles



# Own vs. Lease A Tale of Two Vehicles

Police Ford  
Interceptor Utility  
(Patrol)

Three (3) Year Life  
Expectancy

Estimated Savings  
from Ownership:  
\$25,951

|                            | Year 1           | Year 2           | Year 3           | Totals            |
|----------------------------|------------------|------------------|------------------|-------------------|
| <b>OWN</b>                 |                  |                  |                  |                   |
| Initial Cost               | \$ 59,845        | \$ -             | \$ -             | \$ 59,845         |
| Lease Payments             | \$ -             | \$ -             | \$ -             | \$ -              |
| Maintenance Costs/Fees     | \$ 5,402         | \$ 5,402         | \$ 5,402         | \$ 16,205         |
| Repair Costs               | \$ -             | \$ -             | \$ -             | \$ -              |
| Miscellaneous Costs        | \$ -             | \$ -             | \$ -             | \$ -              |
| Potential Equity Received  | \$ -             | \$ -             | \$ (2,000)       | \$ (2,000)        |
| <b>Total Cost per Year</b> | <b>\$ 65,247</b> | <b>\$ 5,402</b>  | <b>\$ 3,402</b>  | <b>\$ 74,050</b>  |
| <b>LEASE</b>               |                  |                  |                  |                   |
| Initial Cost               | \$ 13,113        | \$ -             | \$ -             | \$ 13,113         |
| Lease Payments             | \$ 18,561        | \$ 18,561        | \$ 18,561        | \$ 55,683         |
| Maintenance Costs/Fees     | \$ 5,402         | \$ 5,402         | \$ 5,402         | \$ 16,205         |
| Repair Costs               | \$ -             | \$ 8,550         | \$ 8,550         | \$ 17,100         |
| Miscellaneous Costs        | \$ -             | \$ -             | \$ 400           | \$ 400            |
| Potential Equity Received  | \$ -             | \$ -             | \$ (2,500)       | \$ (2,500)        |
| <b>Total Cost per Year</b> | <b>\$ 37,075</b> | <b>\$ 32,513</b> | <b>\$ 30,413</b> | <b>\$ 100,001</b> |



# Own vs. Lease A Tale of Two Vehicles

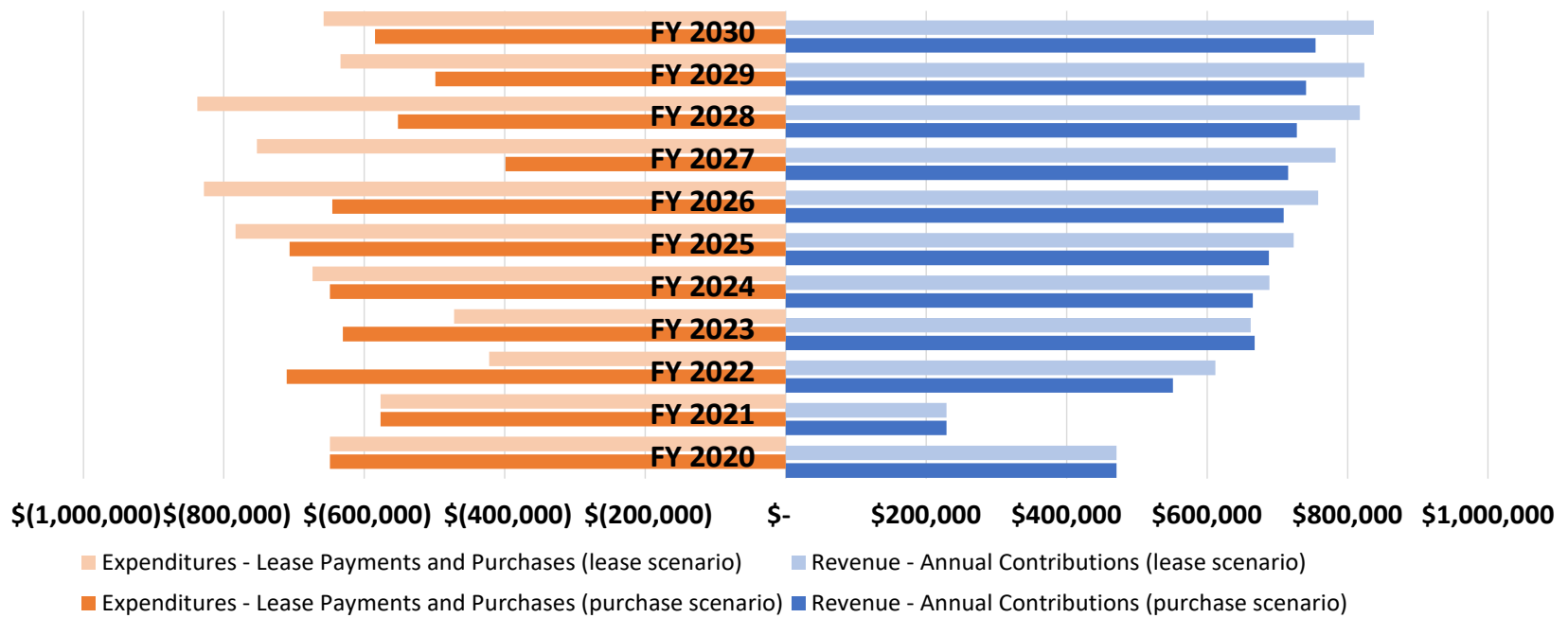
Parks, Recreation &  
Facilities Ford F-150  
Pickup Truck

Ten (10) Year Life  
Expectancy

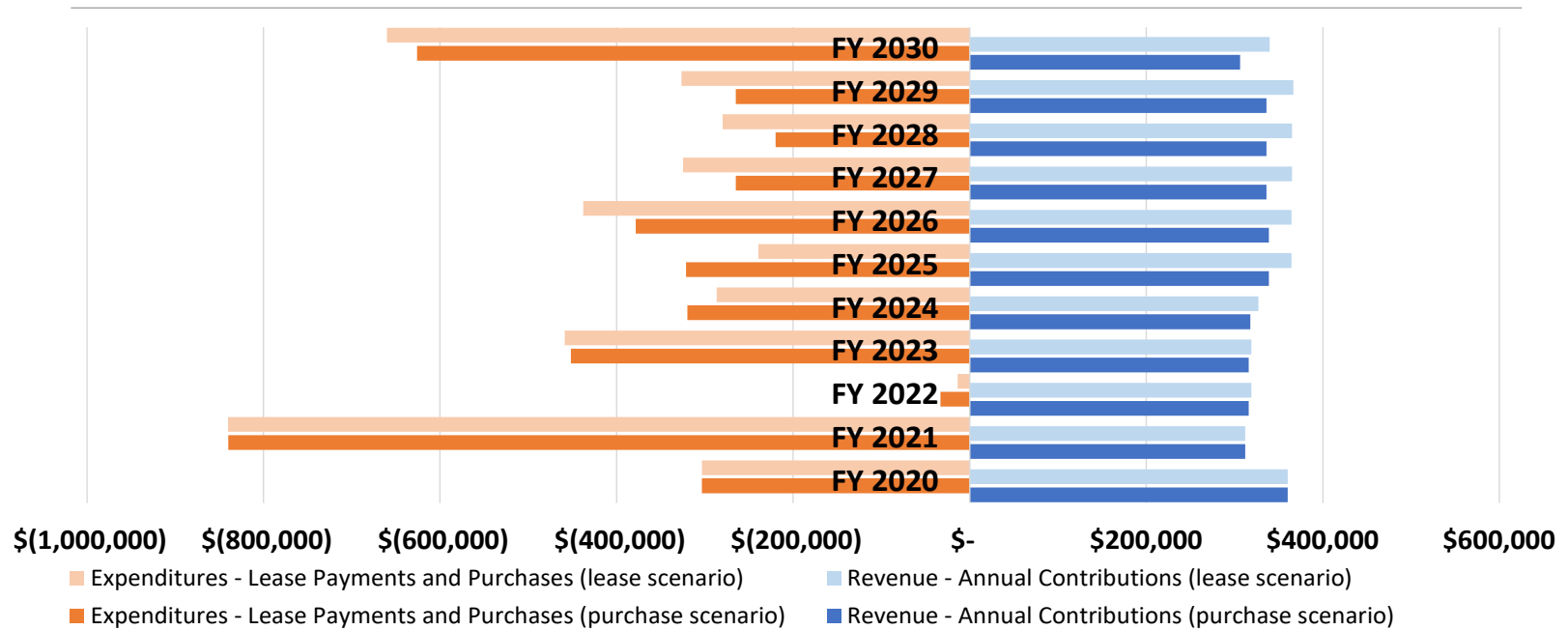
Estimated Savings  
from Ownership:  
**\$21,229**

| <b>OWN</b>                 | <b>Year 1</b>    | <b>Years 2-4</b> | <b>Year 5</b>     | <b>Years 6-9</b> | <b>Year 10</b>    | <b>Totals</b>    |
|----------------------------|------------------|------------------|-------------------|------------------|-------------------|------------------|
| Initial Cost               | \$ 27,500        | \$ -             | \$ -              | \$ -             | \$ -              | \$ 27,500        |
| Lease Payments             | \$ -             | \$ -             | \$ -              | \$ -             | \$ -              | \$ -             |
| Maintenance                |                  |                  |                   |                  |                   |                  |
| Costs/Fees                 | \$ 150           | \$ 540           | \$ 150            | \$ 690           | \$ 170            | \$ 1,700         |
| Repair Costs               | \$ -             | \$ -             | \$ -              | \$ 1,300         | \$ -              | \$ 1,300         |
| Miscellaneous              |                  |                  |                   |                  |                   |                  |
| Costs                      | \$ -             | \$ -             | \$ -              | \$ -             | \$ -              | \$ -             |
| Potential Equity           |                  |                  |                   |                  |                   |                  |
| Received                   | \$ -             | \$ -             | \$ -              | \$ -             | \$ (4,000)        | \$ (4,000)       |
| <b>Total Cost per Year</b> | <b>\$ 27,650</b> | <b>\$ 540</b>    | <b>\$ 150</b>     | <b>\$ 1,990</b>  | <b>\$ (3,830)</b> | <b>\$ 26,500</b> |
| <b>LEASE</b>               |                  |                  |                   |                  |                   |                  |
| Initial Cost               | \$ -             | \$ -             | \$ -              | \$ -             | \$ -              | \$ -             |
| Lease Payments             | \$ 6,005         | \$ 18,014        | \$ 6,005          | \$ 26,421        | \$ 6,605          | \$ 63,049        |
| Maintenance                |                  |                  |                   |                  |                   |                  |
| Costs/Fees                 | \$ 369           | \$ 1,108         | \$ 369            | \$ 1,626         | \$ 406            | \$ 3,880         |
| Repair Costs               | \$ -             | \$ -             | \$ -              | \$ -             | \$ -              | \$ -             |
| Miscellaneous              |                  |                  |                   |                  |                   |                  |
| Costs                      | \$ -             | \$ -             | \$ 400            | \$ -             | \$ 400            | \$ 800           |
| Potential Equity           |                  |                  |                   |                  |                   |                  |
| Received                   | \$ -             | \$ -             | \$ (10,000)       | \$ -             | \$ (10,000)       | \$ (20,000)      |
| <b>Total Cost per Year</b> | <b>\$ 6,374</b>  | <b>\$ 19,122</b> | <b>\$ (3,226)</b> | <b>\$ 28,046</b> | <b>\$ (2,588)</b> | <b>\$ 47,729</b> |

# Own vs. Lease – Fiscal Forecast (General Fund)



# Own vs. Lease – Fiscal Forecast (Enterprise Fund)



# Future of Fleet Management Program – Findings and Recommendations

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No leases have been completed, but a review of the Fleet Program indicates changes may be warranted

Results of analysis:

- Increased management/oversight for leased vehicles
- Staff support still needed for equipment and non-leased vehicles
- Tracking activity for non-leased vehicles is inconsistent
- Costs for leasing approach is estimated to exceed costs of ownership approach
- Fiscal advantages (FY 2021 – FY 2030)
  - General Fund: Estimated savings of \$685,734
  - Enterprise Fund: Estimated savings of \$147,166 (fewer lease opportunities)

# Future of Fleet Management Program – Findings and Recommendations

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**Recommendation:** Finish out current leases and resume ownership approach to include internal fleet management

- Dedicate existing Fleet Fund resources for software needs
  - Incorporate into current Technology Plan and integrate with existing/proposed software
- Identify roles of staff to coordinate citywide fleet management program
  - Existing Department Fleet Liaisons
  - Administration/Administrative Services
  - Centralized Fleet Coordinator (from existing staff)
- Annual assumptions for lease payments would be replaced by annual contributions for future purchases
- Transition period would necessitate changes to the fiscal forecast