



Government Finance Officers Association

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FLEET MANAGEMENT

# Common Themes in Municipal Government

Reduced Revenue



Increased Expenses



Tasked to do  
MORE with LESS



# Typical Government Fleet

- Aged Vehicles
  - 10+ Years Old
- Lower Annual Mileage
  - 5,000 – 10,000
- Capital Budget Drives Fleet Replacement
- Limited long term vehicle replacement plan



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# Proven Success

CASE STUDY | LACKAWANNA COUNTY



## GOVERNMENT FLEET MANAGING PUBLIC SECTOR VEHICLES & EQUIPMENT



Orange County Government  
Office of the County Executive Steven M. Neuhaus  
**NEWS RELEASE**

For Immediate Release  
March 6, 2017

Contact: Justin Rodriguez  
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Enterprise Fleet

it about \$190,000,

ult to acquire as vehicles

### Neuhaus announces that Orange County will reduce costs by leasing fleet vehicles

*Initiative will save County approximately \$250,000 over the five years of the fleet contract*

Goshen, N.Y. - Orange County Executive Steven M. Neuhaus announced that the County has contracted with Enterprise Fleet Management to shift to a leased vehicle fleet, which will reduce maintenance costs and capital outlay.

The County estimates a savings of approximately \$250,000 over the five years of the fleet contract.

“This is another example of bringing private industry best practices to government,” Neuhaus said. “We must constantly seek efficiencies and innovative ways to save County government and taxpayers money. I’m very glad that we have taken advantage of this cost-effective, eco-friendly program.”

Orange County plans to lease approximately 25 to 30 new vehicles this year for the General Services, Real Property, Office for the Aging, Human Resources and Risk Management departments. The County’s older cars will be sold with proceeds defraying the leasing costs. Vehicles will be phased in over the course of five years until the County’s entire fleet is replaced by 2021.

The fleet plan will reduce the vehicle lifecycle from 20 years to five. Operational costs such as maintenance and fuel will be significantly reduced and carbon emissions will be reduced by 20 to 40 percent.

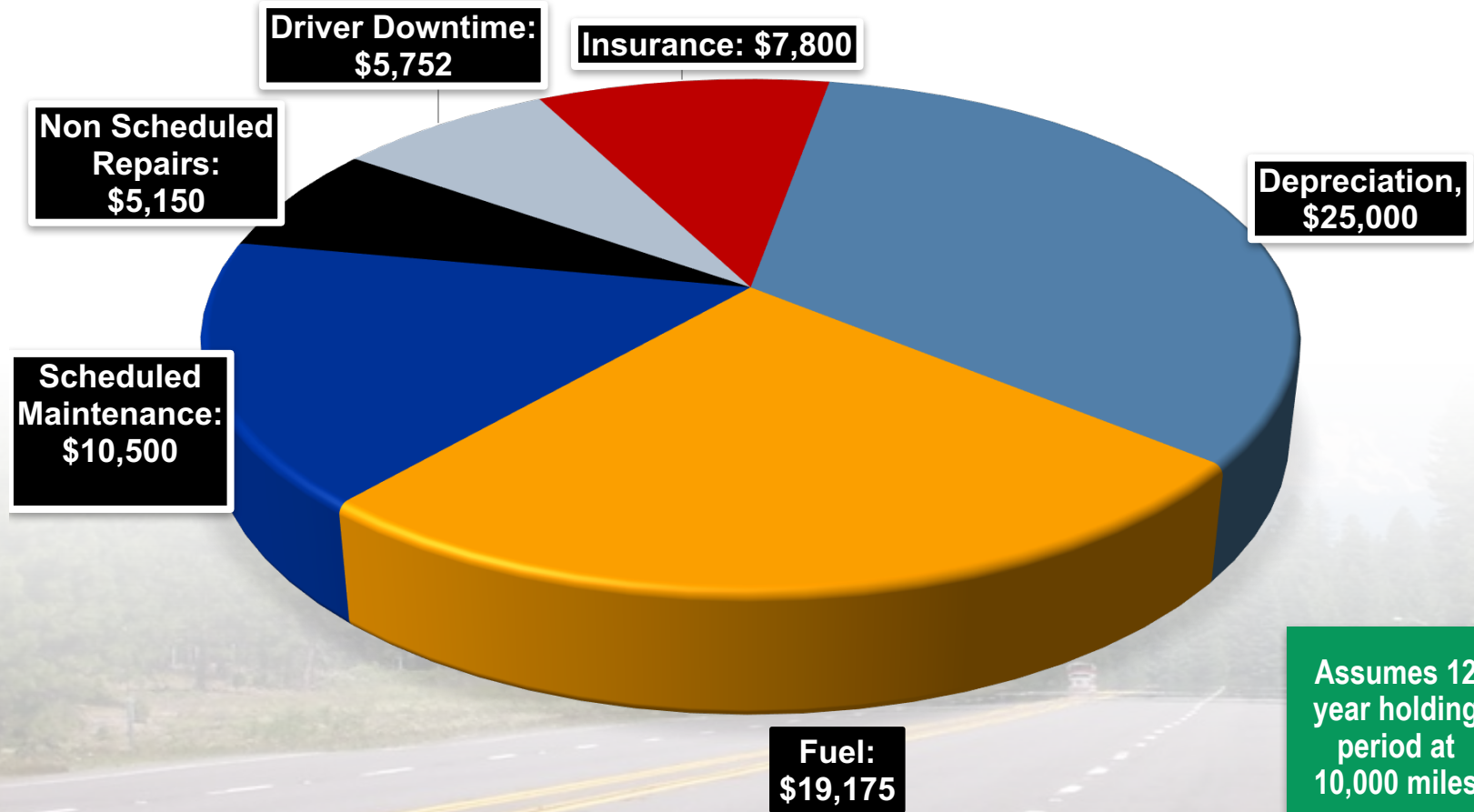
Enterprise  
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“This is another example of bringing private industry best practices to government,” “We must constantly seek efficiencies and innovative ways to save County government and taxpayers money. I’m very glad that we have taken advantage of this cost-effective, eco-friendly program.” - Orange County Executive Steven M. Neuhaus said.

The county expects to save money on maintenance and replacement parts, which are becoming difficult to acquire as vehicles age. - Government Fleet Magazine

# Total Cost of Ownership Concept



TOTAL COST OF  
BUY & HOLD FOR A 2016  
FORD F-250

**\$73,377**



Assumes 12  
year holding  
period at  
10,000 miles  
per year



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# Safety Progress over the Past 10 Years

## 2007

- Front/Side crash test
- Anti-lock brakes
- Airbags



**5-Star Safety Ratings**  
*More Stars. Safer Cars.*

## 2012

- Electronic Stability Control
- Lane Departure Warning
- Rear Video



## 2017

- Forward Collision Warning
- Blind Spot Warning
- Offset-crash test



# Funding

## Pay Cash



## Finance

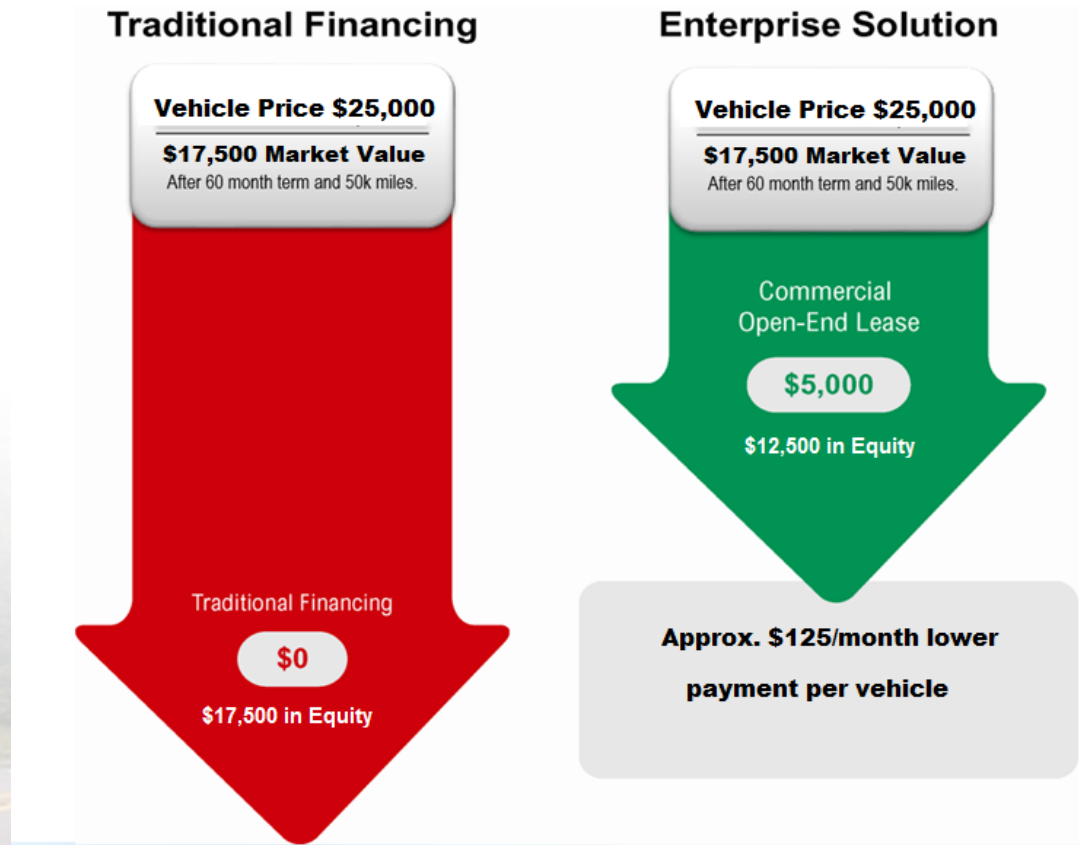


## Lease



# Open-Ended (Equity) Lease Structure

- Improve cash flow
- No mileage restrictions or wear and tear charges
- Customized terms for use and type of vehicle
- Flexibility of ownership





# Identifying the Best time to Sell

	Wholesale	Trade In	Retail	Residual
	X-CL	Clean	Average	Rough
Base	\$16,200	\$14,500	\$11,500	\$8,600
Options	\$0	\$0	\$0	\$0
Mileage	\$0	\$650	\$1,275	\$1,750
Region	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$16,200</b>	<b>\$15,150</b>	<b>\$12,775</b>	<b>\$10,350</b>

Daily Values Weekly Values Monthly Values  
 67001 - 75000 Add/Deducts  
 As Of: 9/22/2016 UT

	Wholesale	Trade In	Retail	Residual
	X-CL	Clean	Average	Rough
Base	N/A	\$8,000	\$5,100	\$2,500
Options	N/A	\$0	\$0	\$0
Mileage	N/A	(\$1,225)	(\$825)	(\$425)
Region	N/A	\$0	\$0	\$0
<b>Total</b>	<b>N/A</b>	<b>\$6,775</b>	<b>\$4,275</b>	<b>\$2,075</b>

Daily Values Weekly Values Monthly Values  
 149001 - 160000 Add/Deducts  
 As Of: 9/22/2016 UT



Average auction resale at 5 years/75,000 miles: \$12,775

Average auction resale at 10 years/150,000 miles: \$4,275

**Depreciation cost by holding the vehicle an extra five years:  
 $\$12,775 - \$4,275 = \$8,500$ , or \$141.66 per month**



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# Fleet Profile

## Fleet Profile

Vehicle Type	# of Type	Average Age (years)	Average Annual Mileage
Mid-size Sedan	2	11.3	4,600
Full-size Sedan	55	9.9	8,000
Minivan-Cargo	1	31.5	1,800
Minivan-Passenger	7	12.8	5,300
Full-size Van-Passenger	10	8.6	6,800
1/2 Ton Van Cargo	3	16.6	5,000
3/4 Ton Van Cargo	2	13.3	2,600
Compact SUV 4x4	2	4.6	5,500
Mid Size SUV 4x4	14	10.6	6,100
Full Size SUV 4x4	8	11.4	5,800
Compact Pickup Reg 4x4	2	15.8	5,200
1/2 Ton Pickup Ext 4x4	3	9.6	3,200
3/4 Ton Pickup Reg 4x4	3	16.0	4,600
3/4 Ton Pickup Ext 4x4	8	12.1	11,000
3/4 Ton Pickup Quad 4x4	5	11.0	9,600
3/4 Ton Cab Chassis	1	19.3	800
1 Ton Pickup Quad 4x4	2	9.3	1,900
1 Ton Cab Chassis	2	18.8	1,100
1 1/2 Ton Cab Chassis	1	10.3	1,300
Med Duty Cab Chassis	4	11.8	800
<b>Totals/Averages</b>	<b>135</b>	<b>11.1</b>	<b>6,700</b>

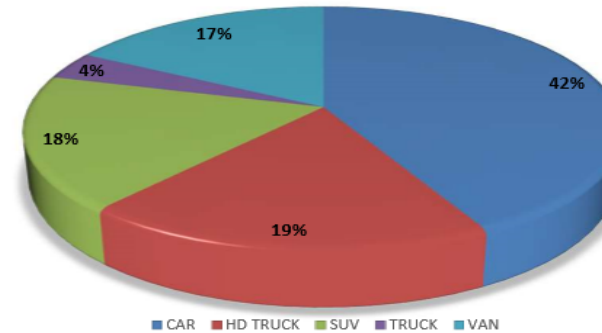
## Fleet Replacement Schedule

	2017	2018	2019	2020	2021	Under-Utilized
	0	0	2	0	0	0
	9	11	13	11	11	0
	1	0	0	0	0	0
	4	0	0	1	2	0
	2	2	0	1	5	0
	1	1	1	0	0	0
	1	0	0	1	0	0
	0	0	0	1	1	0
	2	5	2	1	4	0
	1	1	2	3	1	0
	1	1	0	0	0	0
	1	0	1	0	0	1
	1	2	0	0	0	0
	1	4	3	0	0	0
	0	2	2	1	0	0
	1	0	0	0	0	0
	0	0	0	2	0	0
	1	0	0	0	0	1
	0	0	0	1	0	0
	0	0	0	2	0	2
<b>Totals/Averages</b>	<b>27</b>	<b>29</b>	<b>26</b>	<b>25</b>	<b>24</b>	<b>4</b>

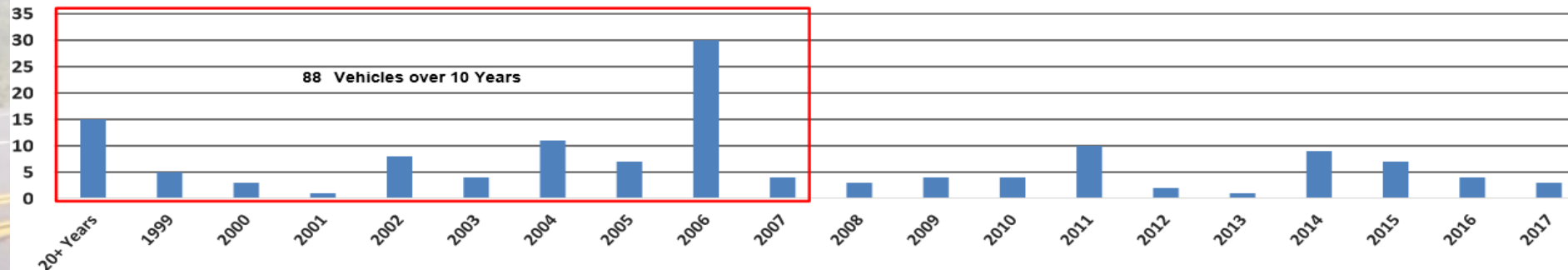
## Replacement Criteria

- \* Fiscal Year 2017 = 16 years old and older, or odometer over 150,000
- \* Fiscal Year 2018 = 13 years old and older, or odometer over 135,000
- \* Fiscal Year 2019 = 11 years old and older, or odometer over 115,000
- \* Fiscal Year 2020 = 6 years old and older, or odometer over 79,900
- \* Fiscal Year 2021 = Remaining Vehicles
- \* Underutilized = Annual Mileage less than 600

## Vehicle Types



## Model Year Analysis



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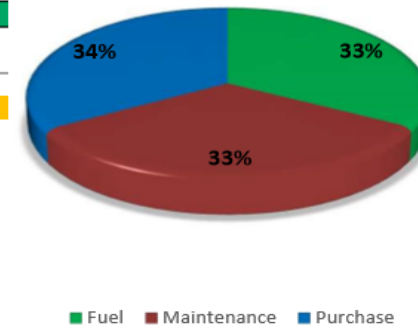
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# Fleet Cost Analysis – 10 Year Model

Current Fleet	135	Fleet Growth	-0.68%	Proposed Fleet	131
Current Cycle	16.00	Annual Miles	6,900	Proposed Cycle	5.00
Current Maint.	\$140.00	Insurance	\$0.00	Proposed Maint.	\$31.54
Fuel Info		MPG	10	Price/Gallon	\$2.50

## Fleet Costs Analysis

Fleet Mix			Fleet Cost							Annual	
Fiscal Year	Fleet Size	Annual Needs	Owned	Leased	Purchase	Lease*	Maintenance	Insurance	Fuel	Fleet Budget	Net Cash
Average	135	8.4	135	0	229,208	0	226,800	0	226,125	682,133	0
'17	134	27	107	27	0	132,452	189,979	0	201,273	523,704	158,429
'18	133	29	77	56	0	294,110	150,555	0	174,192	618,857	63,276
'19	132	26	50	82	0	434,552	115,036	0	149,504	699,093	-16,960
'20	131	25	24	107	0	570,173	80,818	0	125,381	776,372	-94,240
'21	131	24	0	131	0	491,543	49,582	0	102,784	643,909	38,224
'22	131	27	0	131	0	434,543	49,582	0	102,784	586,909	95,224
'23	131	29	0	131	0	480,913	49,582	0	102,784	633,279	48,854
'24	131	26	0	131	0	476,268	49,582	0	102,784	628,634	53,498
'25	131	25	0	131	0	523,381	49,582	0	102,784	675,747	6,386
'26	131	24	0	131	0	491,543	49,582	0	102,784	643,909	38,223



10 Year Savings

\$390,914

Avg. Sustainable Savings

\$48,437

## Current Fleet Equity Analysis

YEAR	2017	2018	2019	2020	2021
QTY	28	30	27	26	24
RESALE	\$1,000	\$2,000	\$3,500	\$6,500	\$8,500
TOTAL	\$28,000	\$60,000	\$94,500	\$169,000	\$204,000
Estimated Current Fleet Equity**					\$555,500

## Summary

10 Year Savings	\$390,914
Estimated Fleet Equity	\$555,500
<b>Net Cash***</b>	<b>\$946,414</b>

## Key Objectives

- **Lower average age of the fleet**
  - 65% of the current light and medium duty fleet is over 10 years old
  - Resale of the aging fleet is significantly reduced
- **Reduce operating costs**
  - Newer vehicles have a significantly lower maintenance expense
  - Newer vehicles have increased fuel efficiency with new technology implementations
- **Maintain a manageable vehicle budget**
  - Challenged by inconsistent yearly budgets
  - Currently vehicle budget is underfunded

\* Lease Rates are conservative estimates

\*\*Estimated Current Fleet Equity is based on the current fleet "sight unseen" and can be adjusted after physical inspection

\*\*\*Net Cash is the sum of the 10 year savings from the Fleet Planning Analysis and the Estimated Current Fleet Equity



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# How to Fund – Funding Scenarios / Strategies

- Conversion from capital funding to operating expense
- Reduction in debt service expense but increase in vehicle lease costs

Factors to consider:

	<u>Lease</u>	<u>Purchase/Bond</u>
<b>Interest rate</b>	4%	2.5%
<b>Cost to acquire</b>	80%	100%
<b>Amortization</b>	5 years -flexible	3-5 years fixed generally
<b>Residual payoff</b>	Yes	No
<b>Potential resale in excess of residual</b>	Yes, reduces cost and can be used to fund future acquisitions	Yes, but it's now 2 years older

# Outsourcing Provides Local Fleet Management Support



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# True Benefits:

## LET'S BE CLEAR:

THE DEBT SERVICE VS. LEASE PAYMENT IS PROBABLY BEST BREAK-EVEN, AND MAY EVEN ADD MARGINAL COST. HOWEVER, THE TRUE BENEFITS OF THIS PROGRAM ARE:

Improved fuel efficiency, thus reducing fuel cost budget lines.

Reduced maintenance costs in parts and most importantly; labor and fringe benefits.

Improved employee morale; hence productivity and respect for the vehicle.

Improved safety by removing older fleet vehicles and introducing new vehicles with enhanced safety features.

Due to reduced maintenance cycles, there is a distinct opportunity to reduce fleet size by reducing the number of back-up vehicles used while vehicles were under repair.



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# Final Points to Outsourcing Fleet Management

- Lower the age of your fleet
- Newer vehicles means → Safer vehicles
- Increase cash flow
- Reduce operational cost
- Predictable and manageable fleet plan
- Fix maintenance costs up to 100K miles
- Your staff is not responsible for managing the fleet



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# Questions

