

COMMUNICATION 133084

Received From: Trisa McConkey, Treasurer
Addressed To: Committee of the Whole
Date: September 13, 2022
Topic: LAS Fleet Management Program

BACKGROUND

This is a further report to Communication 133063 dated June 21, 2022 at which time the following resolution was passed at Council

Motion No. 12-133-03

Moved by: Councillor Atkinson

Seconded by: Councillor Randell

THAT Council authorizes proceeding with Option 2 to lease the three vehicles through LAS/Enterprise Fleet Management.

CARRIED

The Town of Carleton Place's Public Works Department is responsible for the management of the Town fleet - both light and heavy-duty vehicles, including specialized equipment such as street sweepers, backhoes, fire vehicles, etc. Currently, the Town fleet is comprised of 26 light duty vehicles ranging from ½ tons, ¾ tons, SUVs, etc. The average age of the current fleet inventory is 8.4 years, with the oldest vehicle being 15 years old and the newest vehicle being 1.3 years old.

The fleet is maintained on a regular basis by an in-house dedicated licensed mechanic, who specializes in vehicles and heavy machinery but also maintains an overall equipment inventory which includes: mowers, backup generators, sidewalk machines, backhoes, etc.

DISCUSSION**Fleet Management Program**

In May 2022, Staff became aware of the Enterprise Corporate Fleet Lease, Maintenance, and Management Program that is part of the Association of Municipalities of Ontario (AMO) - Local Authority Services (LAS) Municipal group buying program. The buying program assists municipalities with the purchase of products and services that they use on a regular basis. The group buying program brings all the local providers of those goods and services together so municipalities can access high quality, competitively priced goods and services and not have to go through the procurement process because it is completed for them in advance. All companies that are part of the group buying program have undergone a formal competitive bid process that ensures compliance with all purchasing by-laws and trade agreements.

Staff is recommending that the Town transition its light duty in-house fleet management program into a formal Corporate Fleet Lease and Management

Program with LAS Fleet Management which will identify goals for fleet reliability, service delivery and stabilization of annual costs. The idea behind the Enterprise program is to analyze our fleet operations and current process to identify cost savings, lean the process of acquisition and resale, and keep the Town's fleet expenses to a minimum with low fuel expenses.

Enterprise has completed an initial no-cost or commitment analysis of our fleet and has provided comprehensive information surrounding the benefits of the Town making the transition to the program that they offer through AMO/LAS. The next section provides an overview of that analysis as it pertains to the Town of Carleton Place.

Enterprise Program

The Enterprise Fleet Management program is an open lease program for light duty vehicles where the Town is not bound to any term. The 10-year savings analysis Enterprise conducted was intended to illustrate the sustainable savings on the program long term. The program would include all vehicle analysis, acquisition, outfitting, and final sale of the vehicle. Enterprise completes ongoing evaluations with a highly qualified team leveraging the resources and infrastructure they deploy to manage their own fleet and in turn, make recommendations to continually improve the fleet based on the Town's needs. Since the adoption of the program through LAS and AMO, numerous Ontario municipalities have joined.

Impacts/Benefits to the Town of Carleton Place

The Enterprise Fleet Management program has many benefits, including non-tangible items that will impact various departments throughout the Town. This type of program will allow for a reduction in time spent on internal fleet management, more reliable vehicles allowing for more productivity and greater safety for staff using them, increased fuel efficiency, vehicles tailored to each Department's needs and allows for our in-house staff to focus on other duties. From a bigger picture perspective, participation in the Enterprise Fleet Management program will also allow the Town to utilize the buying and selling power as well as expertise of a company that solely focuses on vehicles.

Vehicles will be able to be properly outfitted to match the municipal requirements of each department and can be updated as levels of service or legislated requirements change. By switching to the Enterprise Fleet Management program, vehicles can properly match the specific use of the truck and have the exact equipment necessary to allow staff to complete their job more effectively. As well, if changes are made to the function of a vehicle either due to level of service, internal or legislated change a vehicle can be procured to meet the needs of the Town without having to wait up to 9 years for the replacement of the vehicle as experienced under the current program

utilized by the Town.

Current Fleet Maintenance

Currently each vehicle requires significant minor and major maintenance to allow the vehicles to reach their 7 to 10-year and high km estimated lifespan. Due to the varying uses of the vehicle over its lifespan, the vehicle also deteriorates greatly over the 7 to 10 years, reducing the resale value of the vehicle to less than 10% of the original cost. The Enterprise Fleet Management program evaluates the value of the vehicle over time to determine the best point to sell the vehicle to get the optimal resale and limit risk. When a vehicle approaches certain milestones, there is significant risk of major maintenance requirements, and the safety of the vehicle is also reduced. This program reduces the risk and provides reliability as a side benefit, reducing overall costs of vehicle maintenance by selling the vehicle prior to certain major maintenance being required.

New technologies also allow for improvements to vehicles' gas mileage and safety features. Improved gas mileage results in costs saving as well as a reduction in greenhouse gas emissions and Town vehicles will continually have the most up to date safety features as the car industry introduces new features. It should be noted that Enterprise will also source and introduce electric vehicles to the Town's fleet as they become available and meet the Enterprise Management analysis.

Currently, in-house fleet management is the responsibility of the respective Departmental Manager, with the assistance of the Public Works mechanic, to help track vehicle usage and ensure each vehicle is utilized for optimal service between departments/divisions to prolong the life of each vehicle. The Manager/Supervisor of each department utilizing corporate fleet is also involved when vehicles are transferred between departments and when maintenance is required. All these tasks involve staff time and would be greatly reduced under the Enterprise Fleet Management structure, especially at a management level. As well, the support and oversight completed by Enterprise would be superior to the in-house support as Enterprise staff are experts that only focus and deal with fleet programs.

As part of the program, the Enterprise account managing team will meet with the respective staff four (4) times a year to review the program, trends in the market, vehicle maintenance and vehicle use to re-evaluate the existing lease structure of each vehicle to determine if changes to the lease structure are warranted to ensure the best financial benefit to the Town. As identified, the program is an open-ended lease structure which would allow for changes in the lease to occur at any time without any penalties. This lease structure is very different than a traditional dealership lease. There are no mileage restrictions, wear and tear provisions, and the Town owns 100% of the retained equity unlike a traditional "net" or "closed ended" dealership lease

most people think of. All vehicle purchases will come through a local dealership, as well.

Evaluation of the Fleet

Over the past few months, Town staff provided Enterprise with a general overview of our existing Fleet and provided specifics on the needs of the vehicle, however, did not identify any additional preferences to ensure Enterprise could complete an analysis to provide the best light duty fleet at an optimal cost to the Town. Enterprise reviews all available options that meet the Town's operational needs including make of vehicle, model of vehicle, length of lease period, anticipated end of life kilometers on vehicles, average maintenance, fuel costs, specialized needs for use, and best return on investment given the use of the vehicles.

As part of their Fleet Management program, Enterprise analyzed 26 of the existing fleet vehicles that are identified as light duty and are eligible to be incorporated into their program. As part of the analysis, they completed an evaluation of the replacement cycle and vehicle selection for each vehicle to determine the best lease structure.

Based on our review and detailed analysis by Enterprise under the LAS/AMO program, staff are proposing that 26 light duty vehicles be transferred over to the fleet management program over the next 5 years gradually to allow the full benefit of the program to be realized.

Replacement Cycle

As part of the Fleet Management program, Enterprise determines the optimal replacement for each vehicle based on the type of vehicle, use and mileage to ensure the lowest overall costs. Based on the Town's fleet and the usage trends, Enterprise is suggesting that vehicles are replaced every 2 to 5 years depending on the vehicle, what it is used for, and aftermarket requirements to get the best return on investment.

Enterprise has evaluated operational considerations from fuel and maintenance costs but also what the Town would get back on the resale of our existing and future vehicles. The proceeds of the resale will either be rolled into the acquisition price on the next new vehicle or be provided directly to the Town. Rolling the proceeds of the existing vehicle into the cost of the next acquisition makes the most sense from a reduction in cash outlay and results in the lowest average monthly cost, providing the highest market value and maintaining high reliability/safety of the fleet.

Enterprise will evaluate the Fleet Management program annually and recommend a revised replacement cycle if there are changes in the market

that would cause a revision to the program to optimize costs.

Vehicle Selection

Enterprise completed an assessment of each vehicle and its use patterns, to determine the best replacement option to optimize operations as well as vehicle costs and provided an in-depth example of the top three truck replacement options for 2022 half-ton pick-up trucks. The assessment identified the preferred truck to replace the existing light duty pick-up truck to allow for the lowest overall cost to operate and greater return on investment for the Town.

From the analysis, the review went into specifics regarding the intended and ongoing use of each vehicle to determine a model that would most benefit the Town, and to confirm that staying with one brand would also provide cost savings to the Town. The preferred vehicle identified by Enterprise from the lowest cost to operate overall and the greater return on investment based on the existing fleet and usage trends was the Chevrolet Silverado 1500 4x4 crew cab in a white exterior color. The Town can work with Enterprise to order from all manufacturers and exact specifications (cab configuration, bed length, engine size, etc.) that is most ideal for its intended use and application. Other options may be considered depending on the Town's need and availability.

A similar evaluation has been completed for all light duty vehicles and would be updated on an annual basis. Overall, the level of evaluation that occurs prior to replacing each vehicle is in-depth and includes more real time access to vehicle markets and better pricing than could be obtained by Town staff.

Program Evaluation

Based on the fleet evaluation completed by Enterprise, a financial model was created to determine the costs of switching to an open-ended lease, and management program. The financial evaluation is compared with the Town's current light duty fleet costs in the Financial Impact section of this report.

Based on the financial and non-tangible benefits of the Enterprise Fleet Management Program, Staff recommends the Town transition to the Enterprise program in 2022 as it will allow for the full benefits of the program to be realized immediately. By doing so, the Town will no longer be required to provide the vehicle costs upfront through the capital budget but instead will pay a monthly fee through the annual operating budget over the replacement cycle, with any cost saving being incorporated into the program following the sale of each vehicle. Moving forward, to allow for consistent annual fleet management costs an operational fund of \$236,745 will be budgeted annually to eliminate any variations in year-to-year costs.

Christopher Lockhart, Account Executive – Enterprise, will be in attendance at the meeting to present the results of the overall Town's Fleet Analysis illustrating the financial benefits of the program.

It should be noted that the Master Equity Lease Agreement, if supported by Council, will not commit the Town financially initially or going forward. It is open-ended and can be dissolved/cancelled at any point in time at the Town's sole discretion. That said, staff are of the opinion, that similar to other LAS programs which are offered to municipalities, there is short- and long-term financial value in this offering. Aside from being financially appealing, a solid fleet replacement strategy will result in safer vehicles for use by staff, as well as increased productivity due to the effects of unscheduled required maintenance of the 26 front line vehicles, reduced fuel and maintenance costs and provide access to new technology as it comes on the market.

FINANCIAL IMPLICATIONS

The analysis completed by Enterprise to develop the lease structure utilizes conservative numbers to ensure that it represents the worst-case scenario and accounts for potential fluctuations in the market. The calculations include the vehicle resale value of our 26 existing vehicles at black book pricing for poor condition, however Enterprise generally sells the vehicle above the black book price. Enterprise has a team managing the resale of vehicles to ensure the best results.

Cost Analysis

Below is a high-level overview of the cost comparison to the current fleet replacement cycle. More detailed information about the current fleet management cycle and the Enterprise Fleet Management Program are provided in Appendix 1 and 2, respectively.

Existing Fleet Program

The Town completes budgeting for the replacement and maintenance of vehicles based on historical costs and revises the evaluation based on changes in the market. For each type of light duty vehicle (half ton, one ton and smaller cars/SUV) there is a general evaluation of the costs completed to understand the funding requirement for each type of vehicle over the 7 to 10-year life span with the Town. The costs for each vehicle vary slightly depending on use and variation in required maintenance, however, they are generally reflected by the analysis. A summary of the analysis completed for our 26 vehicles is set out in Table 1. Through the current Town fleet replacement cycle, our fleet typically costs \$275,226 annually in capital and operating costs combined to purchase 3.5 vehicles annually on average, as well as the costs to maintain and fuel the entire 26 vehicle fleet. The Enterprise

fleet program provides all licensing and titling all vehicles; it is the Town's responsibility to provide insurance for these vehicles as we normally do today.

Enterprise Fleet management Program

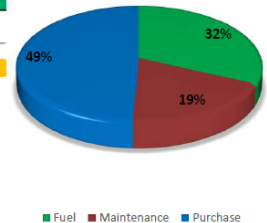
Enterprise has completed a fulsome review of the Town's light duty fleet vehicles to determine the annual costs of transition to a lease, maintenance, and management program with Enterprise. The evaluation reviewed current specifications and requirements for all vehicles and provided a price per vehicle under the lease structure. The lease would include costs of purchase, resale of each vehicle and all service provided by Enterprise.

Corporation of The Town of Carleton Place - Fleet Planning Analysis

Current Fleet	26	Fleet Growth	0.00%	Proposed Fleet	26
Current Cycle	10.40	Annual KM	8,700	Proposed Cycle	5.00
Current Maint.	\$127.82			Proposed Maint.	\$53.68
Maint. Cents Per KM	\$0.18	Current L/100KM	15	Price/Liter	\$2.00

Fleet Costs Analysis

Fiscal Year	Fleet Mix			Fleet Cost							Annual	
	Fleet Size	Annual Needs	Owned	Leased	Purchase	Lease*	Equity (Owned)	Equity (Leased)	Maintenance	Fuel	Fleet Budget	Net Cash
Average	26	2.5	26	0	104,825	0	-10,000		39,879	67,860	202,564	0
'22	26	12	14	12	0	108,703	-24,000		29,204	60,632	174,539	28,025
'23	26	4	10	16	0	145,542	-12,000		25,645	58,223	217,410	-14,846
'24	26	3	7	19	0	171,930	-15,000		22,976	56,416	236,322	-33,758
'25	26	1	6	20	0	184,772	-8,000		22,086	55,814	254,672	-52,108
'26	26	6	0	26	0	236,745	-66,000	-270,714	16,749	52,200	-31,021	233,585
'27	26	12	0	26	0	236,745		-78,966	16,749	52,200	226,727	-24,163
'28	26	4	0	26	0	236,745		-62,871	16,749	52,200	242,823	-40,259
'29	26	3	0	26	0	236,745		-29,372	16,749	52,200	276,321	-73,758
'30	26	1	0	26	0	236,745		-138,718	16,749	52,200	166,975	35,589
'31	26	6	0	26	0	236,745		-270,714	16,749	52,200	34,979	167,585
											10 Year Savings	\$225,890
											Avg. Sustainable Savings	\$12,999



Current Fleet Equity Analysis

YEAR	2022	2023	2024	2025	2026	Under-Utilized
QTY	12	4	3	1	6	0
Est \$	\$2,000	\$3,000	\$5,000	\$8,000	\$11,000	\$0
TOTAL	\$24,000	\$12,000	\$15,000	\$8,000	\$66,000	\$0
Estimated Current Fleet Equity**					\$125,000	

* Lease Rates are conservative estimates

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

Lease Maintenance costs are exclusive of tires unless noted on the lease rate quote.

KEY OBJECTIVES

Lower average age of the fleet

46% 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

Confidential

5/17/2022

Enterprise
FLEET MANAGEMENT

STAFF RECOMMENDATION

THAT Council pass a by-law authorizing the Mayor and Clerk to execute a Master Equity Lease Agreement with Enterprise Fleet Management Inc. for the leasing of the Town's light-duty vehicles with varying lease terms of 2-5 years including the disposal of surplus vehicles.