



# Asset Management Insights

## City Vehicles and Equipment

The Fleet Management Section of Public Works provides vehicles and equipment to City departments, including Police and Fire, so they will have properly functioning vehicles that are up-to-date and specific to their missions.

### Replacement Program

Well designed replacement programs, utilize a combination of variables such as depreciation, maintenance costs and other ownership costs in determining the optimal replacement point in a vehicle's life cycle (that point in a vehicle's life cycle when it is at its lowest cost for owning and operating). A vehicle's life cycle ordinarily increases after this point because maintenance and operating expenses tend to increase substantially as a vehicle ages.

There are a number of different schools of thought on the best method for replacing vehicles. Some believe that it is best to replace them when they are only a few years old and still have a high resale value, which also reduces preventative maintenance and repair costs. On the other end of the spectrum, some feel it is best to hold on to vehicles until the cost of keeping them running makes replacement of the vehicle the only viable economic alternative.

The public sector's fleet maintenance programs operate on the middle ground between these two extremes and attempt to replace vehicles when there is still a relatively good resale value and before maintenance costs become excessive. Use and age polices provide benchmarks for replacement, but sound equipment management requires an analysis of all costs and factors.

### Vehicle Replacement Scheduling Summary

In 1985, City Council authorized the establishment of a vehicle replacement policy and fund to provide for the planned replacement of the City's vehicular equipment (Resolution 1985-11984). Funds for replacement were previously collected annually from each affected department; with dollar amounts determined by the vehicle's estimated "life" and estimated "replacement" cost. However, due to budget constraints, funds for replacements have "not" been collected since FY2008/09.

Starting in FY2007/08, vehicles have not been replaced other than vehicles for the Wastewater program (funded by Sewer funds), and for police patrol sedans. For FY2009/10, the Police Department funded patrol car replacements from grant funds. However, the remainder of the City's vehicle fleet continues to age, and in some cases has resulted in expensive repairs that wouldn't have been required, had the vehicles been replaced at the optimum time. The following table summarizes the vehicles that will need to be replaced (or scheduled) over a six-year period:

Fiscal Year	Non-Safety Vehicles <sup>(1)(2)</sup>	Patrol Cars <sup>(2)</sup>
2012-13	0 of 48	12 <sup>(3)</sup> of 12
2011-12	0 of 24	12 <sup>(3)</sup> of 12
2010-11	0 of 19	10 <sup>(3)</sup> of 10
2009-10	0 of 12	14 <sup>(4)</sup> of 19
2008-09	0 of 10	10 <sup>(5)</sup> of 19
2007-08	0 of 8	8 of 8

<sup>(1)</sup> Excludes Sewer funded vehicles.  
<sup>(2)</sup> No. vehicles scheduled to be replaced.  
<sup>(3)</sup> Anticipated to be funded by grants.  
<sup>(4)</sup> Purchased with grant funds.  
<sup>(5)</sup> Replaced at 100,000 miles vs. 80,000 miles.

As an example of how deferred replacement can impact City finances, there is a vehicle in the Street Signs and Striping program that will require a major engine repair and installation of an exhaust emissions device in the near future. The total cost is estimated at \$25,000. Neither the repair or installation would be necessary if the vehicle was to be replaced at its optimal time, which will occur in the next fiscal year.

Regarding patrol vehicles, once they reach 100,000 miles immediate replacement is necessary as major mechanical problems & costly repairs such as transmissions, suspension work, and replacing timing belts are far more likely. It is also not practical to expend significant funds to make major repairs as the costs could exceed the re-sale value of the vehicle.

### Preventative Maintenance (PM)

PM Programs utilize a systematic approach of scheduling fleet maintenance to ensure that manufacturers' recommended service intervals are met and repairs are made before "major" mechanical failures occur. Prior to staff reductions, PM's were performed on sedans and light-duty trucks every 3,000 miles. PM's are now completed every 5,000 miles. Provided below is a summary of the PM's completed over the last four fiscal years:

Fiscal Year	PM's Completed	PM's Completed on Schedule (%) <sup>(1)</sup>
2009-10 <sup>(2)</sup>	738	58.9%
2008-09	942	51.5%
2007-08	873	76.9%
2006-07	899	80.6%

<sup>(1)</sup> Goal is 85%.  
<sup>(2)</sup> Year-to-date (thru March 2010).

Proactive PM Programs result in a more dependable fleet with extended equipment life, lower repair costs (by avoiding costly repairs), less vehicle downtime, warranty tracking, and helps ensure operators' safety.

The City has approximately 600 vehicles (including equipment), with an estimated replacement value of \$29 million. Of this amount, 51 are owned by the Sewer Enterprise Fund, with an estimated replacement value of \$5.8 million.