COUNTY OF MENDOCINO
General Services Agency
Central Services Division

JANELLE RAU
DIRECTOR

841 Low Gap Road
Ukiah, CA 95482-3734

Email: gs@mendocinocounty.org
Website: www.mendocinocounty.org/executive-office

Office: (707) 234-6050
Fax: (707) 463-4673

Staff Report

DATE: March 15, 20

TO: The Honorable Board of Supervisors

FROM: Janelle Rau, General Services Agency Director

SUBJECT: Discussion and Possible Action Regarding the County's Vehicle Replacement Program, Including Consideration of a Master Equity Lease Program between the County of Mendocino and Enterprise Fleet Management, Inc.

Background and Considerations:

The Board of Supervisors has given the General Services Agency (GSA) direction during several meetings and during the Budget development process to research and present a more efficient and effective vehicle replacement program for the County. GSA presented an update to the Board most recently in October 2021 during the First Quarter Budget Report that included a draft replacement schedule, along with an update on progress made to date.

Fleet Management alternatives have been building interest over the past several years with articles in the various fleet management periodicals about leasing programs. The County has worked with Enterprise Fleet Management numerous times over the past several years but fleet administration decisions and funding have been deferred due to other competing priorities. After an in-depth analysis of the County's fleet the last 6 months (including average age and miles, standard vehicle types, and the existing maintenance cost model) Based on the research and analysis, the most cost effective, efficient, and sustainable plan of action is to replace the County's qualified vehicles with leased vehicles. In order to meet the operational demands of the County's departments, staff is proposing a pilot program with the Social Services Department that will be scaled to other departments if successful. This phased in approach will allow County staff to analyze the costs and potential fiscal impacts, develop a more efficient fleet maintenance program, and analyze the composition of the current fleet v. more efficient vehicle options.

County Fleet and Fiscal Analysis:

The County has a fleet of approximately (395) vehicles across (18) departments and an additional (10) subdivisions. There are (251) light duty vehicles and (4) long term rentals, not including the Sheriff's department vehicles. Per the direction of the Board, the County suspended the internal service fund for vehicle replacement in 2008, and instead, have considered departmental vehicle replacement requests based on their fiscal and vehicle needs.

Each County operating department has a unique funding structure which may utilize enterprise, federal, general fund, non-general fund, or a combination when or if available. This method of vehicle fleet administration has led to an aged fleet where the average age of the (255) vehicles is (12.14) years and the oldest vehicle is from 1982.

Currently, when departments decide to replace vehicles, they are procured through local dealerships based on the state bid pricing. The state bid ensures strong government rebates and minimal dealer markup, but it cannot mitigate certain factory ordered vehicle options which may increase costs by a few hundred dollars regularly or a few thousand at worst. When surplused, vehicles are sold through auction well past their optimal life.

Based on the newly adopted replacement program criteria pictured below, (47) County owned sedans have aged vs (6) that have mileaged out, and (119) pick up/SUV/van have aged out vs (40) that have mileaged out. Vehicles do not depreciate in a straight line and values rapidly decline after (5) years or (100,000) miles. This creates a significant lost opportunity cost in resale value under the current plan, and auctions also charge 7% - 15% fees. From an operational perspective, maintenance is handled in-house and tracked through two different software systems.

From a utilization perspective, departments may assign vehicles to specific drivers, pass them down the line, or share them amongst personnel (pool). These (251) vehicles have a relatively low annual mileage pattern, in line with other counties of this size. Beside collecting total miles driven, there is no telematics (tracking) to check trip distance or location. There is also no check-in check-out software to evaluate who drives what/when for general fund departments.

Draft Mendocino County Replacement Program		
Vehicle Type	Repacement Miles	Replacement Age
Mid-size Sedan / Hybrid	100,000	5
Full size Sedan	100,000	5
Police Cruiser/Pursuit	90,000	4
4X4, 1/2 & 1 ton pick up, Vans, SUV	90,000	7

Social Services Vehicle Fleet Analysis

Social Services is a non-general fund department that operates (55) vehicles with an average fleet age of (9.17) years. Although they have a more proactive replacement plan than many of their counterparts, budgeting is still a challenge due to the large capital cost of unforeseen vehicle purchases. The departmental fleet primarily consist of sedans, SUV's and minivans with little to no aftermarket equipment (with the exception of SIU vehicles). Vehicles are disbursed between Ukiah (26), Willits (14) and Fort Bragg (15) and are shared between staff. (52) of these travel out of the county or to especially remote areas. Safety and reliability are primary considerations since at least (29) vehicles transport children. (8) vehicles predate the mandate of electronic stability controls (ESC) and (42) vehicles predate many recent advances including forward collision warning and blind spot monitoring. Based on the county's replacement guidelines, (14) sedans have aged out vs (3) that have mileaged out, and (13) van/SUV's have aged out.

Electronic Vehicles and Carbon Footprint Reduction Directive

In addition to the new replacement guidelines below, there has been additional Board direction to transition to an all-electric vehicle fleet. Several variables are required to add the necessary infrastructure. These include electric vehicle (EV) charging station cost and maintenance plans, construction cost and permits, and cost and permits for using additional electricity from the grid. While considering options to implement a more effective and efficient leased vehicle fleet, staff will research various models such as EV stations for county use only, the public, or a combination, and how that impacts cost and utilization. Staff has already installed (3) charging stations for a total of (6) chargers, (4) of which are online and currently in use. The cost for the install of the two stations at the County Garage was approximately $36,000, and approximately $20,000 for the third station at the County's Crisis Residential Treatment Center.

There is an annual maintenance plan cost per station of $1,698.00, and cloud data plan cost per station of $1,316 per year. The price for hardware per station is approximately $6,800. For a majority of 2023 (estimated) (2) of the (3) current charging stations will be out of service do to the upcoming jail add on construction project. Time lines for construction and permits, construction costs, and available locations will all vary and play a vital part in moving forward with this portion of the project. Staff estimates that it will take three to five years before robust charging infrastructure is available at all county offices.

Enterprise Fleet Management:

The County of Mendocino is a member of Sourcewell (Formerly the National Joint Power Alliance (NJPA)), a national cooperative purchasing program whose membership includes government and other entities in various states, including California. This cooperative purchasing program enables member entities to purchase on an "as needed" basis from competitively awarded contracts with high-performance vendors. Enterprise Fleet Management, Inc. is one of the vendors and has secured a contract with Sourcewell through a competitive process for the fleet leasing and management services under Sourcewell's Contract.

Enterprise Fleet Management has presented a cost effective, efficient, and sustainable plan of action to replace the County's vehicle fleet with leased vehicles, starting with Social Services vehicles. New vehicles can be leased and replaced in roughly half the age and miles, and at a lower total cost of ownership than the most recent board guidelines. More specifically, instead of replacing sedans at 5 years or 100,000 miles like the newly adopted board vehicle replacement guidelines, staff will replace at 1-5 years or 75,000 miles, if not sooner.. The main reasons this is possible is due to strong government vehicle incentives, low annual miles and a flexible funding structure. This lease program allows the county to acquire at a much lower upfront cost than the public and take advantage of strong resale value that we do not have the expertise or infrastructure to take advantage of on our own. The proposed open-end* lease structure will allow the County to acquire vehicles more quickly, reduce large capital outlays, and take advantage of equity. Vehicles will be initially leased for a period of one to five years, based on the vehicle type, budget, estimated mileage and resale value, with the option to early term, extend or purchase based on county needs and data driven recommendations.

Enterprise has the ability to acquire any make/model and created models showing a roll-in of like-for-like, hybrid and electric vehicles. In the hybrid versions, assuming no change, staff estimates a savings of between $1,520,127 and $1,561,614 over (10) years. This proposed phased in approach creates an ideal bridge program to transition to electric vehicles as soon as more robust charging infrastructure is in place. A proactive plan for vehicle purchases also allows staff to account for the average 3–6-month lead time required to order vehicles factory direct. Staff can select ideal makes/models and corresponding options to create consistency and control. Upon surplus and sale, vehicles will be run through Enterprise channels that have generated a 13.5% over auction values the last few years in Northern California, and they charge a flat fee of $400 vehicle, as opposed to a 7%-15% fee assessed by other auction venues. This savings alone may offset the entire cost of doing business with Enterprise and it is also expected to save County resources. Staff expects the program to quickly reduce carbon footprint and overall cost, as well as improve safety and reliability.

*An open-end lease has no early termination, mileage or abnormal wear and tear penalties. Leases are written to a residual balance to streamline the budget and refresh the fleet more often. The county receives flexibility of ownership, as well as net equity from sale at time of disposal.

Mixed Term Hybrid Cost Comparison

Based on a review of historical costs, Social Services has an annual maintenance and fuel cost per vehicle of $459.50 for a total $303,272/annually. (6) vehicles are surplused and auctioned annually for between ($0) to ($1,000) each. Capital replacement costs for each new vehicle average ($33,156) for a total ($198,936). This equates to a total fleet budget of ($502,208).

Based on the mixed lease term hybrid vehicle model, transitioning to a proactive lease and replacement plan with Enterprise is expected to cost $1,561,614 over (10) years. Fuel and maintenance costs will decrease each year by an estimated $232,470. Acquisition costs are conservatively expected to remain the same, but average resale will improve from $1,000 to $18,915. Average equity at term from the first (55) vehicles will improve from $1,000 to $8,367.87, and even more during the second-round if equity is applied toward new leases as a down payment. While some of the oldest vehicles may not have any value resale, the County will likely receive more than the $1,000 projected average in the Current Fleet Equity Analysis due to the ongoing new vehicle shortage.

Proposed Lease Program Phase-in

Enterprise Fleet Management, Inc. provided a flexible vehicle leasing program, starting with vehicle leases in Fiscal Year 2022/2023. Staff has identified (23) vehicles (7) years old or older, or with 70,000 miles or more, to be considered for the initial phase. The first round of leases will consist of hybrid vehicles wherever possible (there may not be a cargo van option) on a 12-month to 60-month term, with the understanding these will be switched to electric vehicles as soon as more robust charging infrastructure is in place. Staff is conducting an ongoing utilization audit and may include some hybrid electric vehicles in the first round if possible. If there are no changes to the model and additional leases are approved in the future, the number of annual new vehicle needs based on the mixed term hybrid analysis is show in the third graphic below.

Replacement Criteria

* Fiscal Year 2022 = 7 years old and older, or odometer over 70,000
* Fiscal Year 2023 = 6 years old and older, or odometer over 60,000
* Fiscal Year 2024 = 4 years old and older, or odometer over 40,000
* Fiscal Year 2025 = 2 years old and older, or odometer over 20,000
* Fiscal Year 2026 = Remaining Vehicles
* Underutilized = Annual Mileage less than

Current Fleet Equity Analysis

YEAR	2022	2023	2024	2025	2026	Under-Utilized
QTY	23	20	7	4	1	0
Est $	$1,000	$2,000	$3,500	$6,500	$8,500	$0
TOTAL	$23,000	$40,000	$24,500	$26,000	$8,500	$0
Estimated Current Fleet Equity**					$122,000	

Fleet Mix		
Annual Needs	Owned	Leased
6.0	55	0
23	32	23
20	12	43
7	5	50
15	1	54
9	0	55
18	0	55
27	0	55
10	0	55
6	0	55
15	0	55

Fiscal Considerations and Commitment

Should staff receive Board direction to proceed with the lease model presented, a future consent calendar item will be presented that will include the Master Enterprise Fleet Management agreement and resolution; once approved, orders will be placed following manufacturers release of additional 2023 model year information and staff conduct a further review of vehicle utilization, with a target for July 1, 2022, as having the leased program in place.

In future fiscal years, staff will re-evaluate the replacement needs for Social Services on an annual basis and bring recommendations for the budget as typically occurs and amend the vehicle lease agreements each year, as deemed beneficial.

Staff have been researching options associated with a more efficient and effective maintenance cost recovery, along with an interim funding formula for replacement during the lease model phased in implementation. A metered maintenance and replacement rate has been established that will be applied to all owned and new leases delivered. This replacement metered rate will be revised as the leased vehicles are acquired and then surplused, with the surplus proceeds being invested back into replacement and future lease up-front costs.

Fiscal Impact

Based on staff's review of the proposed lease model, there are no negative fiscal impacts with moving forward. The anticipated expense of approximately $175,000 for the lease of the (23) vehicles will be budgeted by Social Services in the Fiscal Year 2022/23 budget. The surplus/sale equity from the leases will be applied to new leases as a down payment to reduce monthly principal and interest**,** which is projected at $81,145 for midsize SUV's year three and $88,714.16 for the remaining vehicles year (5).

The proceeds from both the current and future fleet equity may increase because the model uses auction values that are 13.5% less than what Enterprise channels net and the model does not account for increases in the vehicle resale market due to the microchip shortage. The proceeds could decrease if staff early term leases at a breakeven to quicken the transition to electric vehicles. However, there will still be budget savings at the end of the lease, from which the County will benefit.

Staff Recommendation

Accept presentation and provide direction to the General Services Agency to proceed with the phased in implementation of the Enterprise Fleet Management program, with Social Services fleet in the first phase and return with a future consent calendar item that will include adopting a resolution approving a Master Enterprise Fleet Management agreement.