ATTACHMENT VIII

COUNTY OF SACRAMENTO
CALIFORNIA

For the Agenda of:
February 10, 2009
Timed: 2:15 p.m.

To: Board of Supervisors

From: Department of General Services

Subject: Findings Of The Fleet Utilization Committee And Recommendations For Down-Sizing The County Light Fleet

Supervisorial Districts: All

Contact: Michael Morse, Director, Department of General Services, 876-6191

Overview
A Fleet Utilization Review Committee was formed in August to review the County's current Light Fleet and make recommendations to the County Executive, Chief Operations Officer and Board of Supervisors regarding potential fleet reductions, ongoing department-assigned vehicle policies, as well as Home Retention Vehicle (HRV) assignments. The committee considered factors such as a) the economic feasibility of having more County employees use their own vehicles for some business uses, and reimbursing them for mileage instead of using a County vehicle, b) more efficient sharing of County vehicles, c) vehicle replacement criteria, and d) current HRV policies.

Recommendation
Direct staff to implement policies and processes described in this report to include a 7,500 mile minimum utilization standard for department-assigned vehicles, encourage greater use of mileage reimbursement for employees who use their private vehicles, and meet and confer with the relevant bargaining units regarding standby pay versus Home Retention Vehicles and charging employees for use of HRVs.

Measures/Evaluation
The measure of these recommendations will be the number of vehicles in the Light Fleet over the next two years, and the corresponding decrease in vendor, parts and equipment and fuel costs.

Fiscal Impact
Potential savings to the County of approximately $3.0 million in vehicle replacement costs the first year, and an ongoing savings of more than $1.25 million in maintenance and fuel costs, as well as vendor/parts and equipment costs.

BACKGROUND

Since 2001, the County's light fleet has more than doubled, from 1,430 to 2,940 vehicles today. The budget for the light fleet operations is about $27.0 million a year (Staff = $3.0 million; parts, fuel, commercial repairs = $14.0 million; interest, depreciation and County Wide Cost Plan = $10.0 million). About 970, or almost one in three, are HRVs. Of the 30 counties polled in California, this is the highest ratio of HRVs in the state. A rough estimate suggests that the County spends about $1.0 million each year for fuel just for the commute mileage. In light of the current budget challenges we are facing, it is essential to take a hard look at our fleet and assess the need for all of these 2,940 vehicles. The Fleet Utilization Review Committee was formed to review the County's current fleet and make recommendations to the County Executive, Chief Operations Officer and Board of Supervisors regarding potential fleet reductions, ongoing department-assigned vehicle policies, as well as HRV assignments.

DISCUSSION

The committee included staff from many "department assigned fleet" users, including Health and Human Services, Human Assistance, Sheriff, General Services, District Attorney, Probation, Public Defender, Construction Management and Inspection, Transportation, Environmental Management, Parks and Recreation, Communications and Information Technology, and Water Resources. The goal was to discuss how to most prudently reduce the size of the fleet and the burgeoning economic impact on the County budget. To make an informed determination of potential reductions, a number of questions were raised and subsequent guidance was provided on a number of policy and procedural topics, to include: 1) an economic break-even point at which it may be cheaper to have an employee drive their own vehicle and reimburse them for mileage versus maintaining a County vehicle; 2) is it "legal" to require employees to use their own vehicles for County work; 3) if so, what are the insurance liabilities, and; 4) how do we address staff that have a Home Retention Vehicle (HRV) in lieu of standby pay?

A discussion of each of these points follows, including potential impact on working conditions, additional considerations particularly regarding the HRV program, as well as recommendations as to how to best manage the fleet program going forward.

1. *Economic break-even:* Committee members were provided the following chart to illustrate the break-even point for the most common department-assigned vehicles. (Due to the significant reduction in fuel prices in recent months, the $2.25/gl column has been added to the chart, but was not originally provided to the committee members.)

Class		**Avg MPG**	**Monthly Rate**	**Break Even Miles/mo**				**Avg Usage per mo. / FY07-08**
				$2.25/gl	**$3.50/gl**	**$4.00/gl**	**$4.50/gl**	
102	**SubCompact**	22	$175	361	411	434	459	562 miles
107	**Small PU**	16	$276	621	754	823	907	563 miles
110	**Sedan**	18	$306	665	783	841	913	727 miles

Example 1: Using a 102 class Subcompact. 434 miles x .585/mile (reimbursed mileage) = $253.09 versus 434miles/22mpg = 19.73 gallons x $4.00 = $78.92 + $175 ("Rental" Rate) = $253.92. Therefore, 434 miles is the break-even point for a 102 class vehicle at $4.00/gallon.

Example 2: Using a 110 class Sedan, 841 miles x .585/mile (reimbursed mileage) = $491.98 versus 841miles/18mpg = 46.72 gallons x $4.00 = $186.88 + $306 Rental Rate = $492.88. Therefore, 841 miles is the break-even point for a 110 sedan at $4.00/gallon.

Besides the break-even point, committee members were also encouraged to consider the manner in which a vehicle is used. For example, if the vehicle is generally “assigned” to one individual, can it be shared? If the mileage is low (7,500 miles/year is a recommended minimum level), can it be shared by more staff? In some cases, some low use vehicles may be due to a unique usage such as a Branch Center “campus” maintenance vehicle; therefore, the mileage was not considered, but sharing and redundancies factors were reviewed.

<u>Recommendation</u>: Issue a countywide policy that sets a minimum utilization standard of 7,500 miles per year, to include annual revalidation wherein vehicles that do not meet the minimum mileage are turned in or reassigned unless compelling justification is provided to keep them. Many California counties have such a standard, some as low as 6,000 miles/yr, others as high as 10,000 - 12,000 miles/yr. There are at least 110 vehicles that currently do not meet the proposed criteria - 4 vehicles were turned in during this review process. DGS will begin automated monitoring of vehicle mileages in March 2009*. Department heads will be contacted semi-annually regarding low use vehicles so that they may assess the ongoing need for the vehicle – at the end of the year, if the mileage does not meet the minimum requirement, the vehicles will be turned in for reassignment to other departments, if a need exists, or considered for surplus, unless the department head can provide specific and compelling justification to retain the vehicle.

(*Today, the only opportunity to verify odometer readings is when a vehicle is turned in for maintenance. New software will require users to enter valid odometer readings each time they refuel at a County fueling station so Fleet Services can better manage routine maintenance schedules and vehicle utilization patterns.)

2. ***<u>Can we require an employee to use their own vehicle for work?”</u>*** Many jobs require employees to attend events or meetings outside of their own workplace, but there is no requirement that the County provide transportation to get them to those appointments. Sacramento County has a high ratio of County vehicles to employees. The average in California counties is around 1:7; in Sacramento County, the ratio is1:4 in the light fleet.

A notable reason for our fleet size is the large unincorporated area and the need for additional Sheriff patrols to adequately serve those rural regions (approx. 990 square miles in total). Sacramento County also requires a significant number of departmental service vehicles to cover the larger rural area; services including Water Resources, Probation, Parks, and Environmental Services. Even General Services has a service area of almost 700 square miles.

County vehicles for jobs that require a specially equipped vehicle, first responder demands, or that have greater security concerns, are to be expected, but even these jobs do not account for the extensive number of department-assigned pool vehicles that have evolved over the years. Access to a "company car" has become an expectation, but it is not a requirement or condition of employment that the County continue to provide them.

Recommendation: Develop language to be included in future job announcements such as "…this position requires occasional travel within the County for meetings or assignments. Employees are expected to provide their own transportation for such assignments." Due to the variety of jobs throughout the County, as well as the myriad of labor agreements, Personnel recommends that we include the language in selected job announcements, but not in position descriptions.

3. ***Insurance Liabilities:*** The County will not pay for an employee's insurance if they use their personal vehicle for County business. The IRS mileage reimbursement rate (55 cents/mile in 2009) is intended to include costs for fuel, maintenance, depreciation and insurance coverage. Also, there is no difference in the California minimums for insurance coverage if an individual uses their own vehicle for business purposes.

If an employee is in an accident in their own vehicle versus a County vehicle, the County is not responsible to subsidize the employee's potential increase in premiums. It is important to clarify that if an employee is in an accident, and they **are** at fault, it doesn't matter if they are in their own vehicle or a County vehicle; they will be assessed points regardless, and their premiums will likely increase. Conversely, if they are **not** at fault, no points are assessed and their premiums are not affected. On a related matter, if they are in their personal vehicle, their insurance will be the first payor, regardless of fault.

4. ***Home Retention versus Standby Pay:*** Some departments provide HRVs instead of assigning specific employees to standby duty. If a callout is necessary, phone calls are placed to employees on a list until someone answers the phone and/or agrees to respond. These departments are concerned that if all those people that have HRVs were to be paid standby pay instead, the cost would be significantly higher than maintaining the HRVs.

Recommendation: Rather than assigning 20 HRVs (for example) on a permanent basis and hoping to find one that will respond, assign just 4 people *on standby pay* who will be expected to respond *and provide Home Retention Vehicles in addition to their standby pay*. Standby assignments could be rotated on a weekly/monthly/quarterly basis. The savings of the 16 vehicle payments plus the fuel would more than cover the standby pay. A rough estimate indicates a savings of at least $20,000 per year if standby pay is reestablished *with* an HRV, plus the ongoing savings of replacing the additional 16 vehicles; a cost avoidance of about $400,000 plus associated maintenance and fuel.

Subsequent to discussions of these issues, committee members reviewed their vehicle lists and identified each vehicle as meeting one of three criteria: 1) the vehicle met the *economic* scrutiny, inasmuch as the vehicle fits the cost comparison/break even criteria; 2) the vehicle is necessary because it has *specialized equipment* necessary to a particular job function, or; 3) there are *safety or security* issues particular to the mission the vehicle supports such that an employee should not be expected to use their own vehicle. This may include, for example, Probation, Child Protective Services vehicles, Construction Inspection, or emergency responders. After two rounds of reviews, the following is a final breakdown of the vehicles to be turned in.

DGS Fleet Rental Pool	70
CMID (Construction Inspection)	37
Probation	18
DHHS	4
DHA	8
Total	137*

* Exhibit A is a complete chart of each department's assigned vehicles, the number of HRVs (and how many of those are unrepresented), and the number of vehicles turned in.

Based on these reductions, we realized a 4.6% reduction in the light fleet. This reduction will have virtually no impact on the rental rates in the near future, but the reduction *will* mean a cost avoidance of about $3.4 million in replacement costs over time. There will be an additional cost avoidance of $1.0 million annually for ongoing maintenance (137 x avg $7,300/yr/vehicle), and approximately $250,000 per year in reduced fuel consumption, depending on fuel prices**.** As for staffing impact, according the National Association of Fleet Administrators staffing standards, DGS Fleet Services is currently 5 full time equivalents (FTE's) short of mechanics for the size of our fleet. The reduction of these 137 vehicles equates to a reduction of 1.2 FTE mechanics. Mathematically it brings our current staffing closer to industry standards, but we are still at least 3.5 FTE's understaffed, so there is no staff savings this year.

Recommendation: 67 vehicles from a department-assigned fleet of more than 2,600 suggests that long established business practices are slow to adapt to the changing economic and operational demands we face today. Besides the 137 being turned in this year (67 department-assigned plus 70 from the motor pool), the County should reduce an additional 2% - 5% each of the next two years to have a real impact on the efficiency and economy of the fleet. The first target should be older vehicles that do not meet Enhanced Vapor Recovery* standards, as well as those that do not meet a minimum mileage standard; these categories will in themselves realize significant decreases in vehicle replacement costs, parts and supplies budgets, reduced fuel costs, and potentially some staff savings.

(*The Enhanced Vapor Recovery (EVR) Phase II standard is a federal standard that requires all fueling stations in California to incorporate a vapor recovery system by April 1, 2009 so that older vehicles that do not have on-board EVR can fuel without fuel vapors escaping into the ozone. Cars that are model year 2000 and newer and pickups that are model year 2003 and newer have on-board EVR. The County still has several hundred 1999/2002 and earlier vehicles in the fleet.)

Recommendation: A final recommendation is to require HRV assignees to pay for the gas and maintenance for their commute miles. Recommend that the Office of Labor Relations begin discussions as soon as possible with bargaining units to adapt this initiative, which will cost some 800 employees a payroll deduction of $100 - $300 per month, depending on the commute miles. Similar initiatives have been implemented around the country, including two counties in Florida, and cities in Ohio and Indiana. In Sacramento, such a change would save as much as $1.0 million to $1.5 million annually.

DGS is also considering other initiatives to control costs in Fleet Services. When we turned in the 70 rental pool vehicles, 14 of those were loaner vehicles that were loaned to employees when they turned in their County vehicle for maintenance. Because of the significant cost of maintaining 35 vehicles as loaners (over $400,000/yr), and the excessive abuse of this privilege, we reduced the loaners available to 21 vehicles. The abuse occurs regularly; customers are notified that their vehicle is ready for pickup, but they do not pick up their vehicle for a week, two weeks or more after they are notified. We have implemented a policy that if a "borrower" does not return the loaner within 24 hours of the time they are notified that their County vehicle is ready for pickup, their department is charged the regular rental charge for each additional day they keep the loaner. Customers have to wait longer for a loaner, but we will never be able to maintain a rate neutral position, or hope to reduce rates in the longer term, as long as we continue to maintain so many vehicles that generate no revenue. Also, customers always have the option of using their own vehicle for the short time the County vehicle is in maintenance and getting their business mileage reimbursed.

As a point of information, with over 350 vehicles due for replacement this fiscal year and 478 in Fiscal Year 2009-10, DGS is closely managing the replacement lists, revalidating each vehicle with the owning department, and considering purchases of lower emissions, and/or alternate fuel vehicles where possible. Reviews for Fiscal Year 2009-10 will also be elevated through the appropriate department head to encourage closer scrutiny by each department rather than an automatic sign-off.

FINANCIAL ANALYSIS

There is a potential savings to the County of approximately $3.0 million in vehicle replacement costs the first year, and an ongoing savings of more than $1.25 million in maintenance and fuel costs, as well as vendor/parts and equipment costs.

Respectfully submitted,

APPROVED:
TERRY SCHUTTEN
County Executive

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MICHAEL M. MORSE, Director
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By:____________________________

MARK NORRIS, Administrator
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Exhibit A: Chart of Assigned Vehicles by Department