

# Objective

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- Analyze alternatives to fund the City's Fleet program
- Identify an alternative way to fund Fleet that will provide some relief for the General Fund
- Make recommendation of possible solutions

# Current Situation

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- Fleet meets with Departments and fleet needs/changes are discussed
- Fleet requests are submitted through the budget process
- Fleet requests are approved/denied during budget discussions
- GF makes budgetary contributions at the department level
- Enterprise funds make budgetary contributions at the fund level
- GF cannot continue to support Fleet in its current capacity
- GF has taken contribution “holidays” while Enterprise funds continue to contribute

# What We Looked At

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- Buying used
- Eliminate Commuter Trip Reduction Program
- Leasing
- Electric vehicles
- Shrinking fleet
- Sharing vehicles between departments

## Recommendation

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- Fleet leasing
- No cuts to department's fleet size
- Accounting change for GF fleet in Dept. 20 (Nondepartmental)

# Equity Lease vs. Traditional Lease

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- City retains all rights of ownership/equity
- No mileage restrictions
- No time restrictions
- No wear & tear penalties

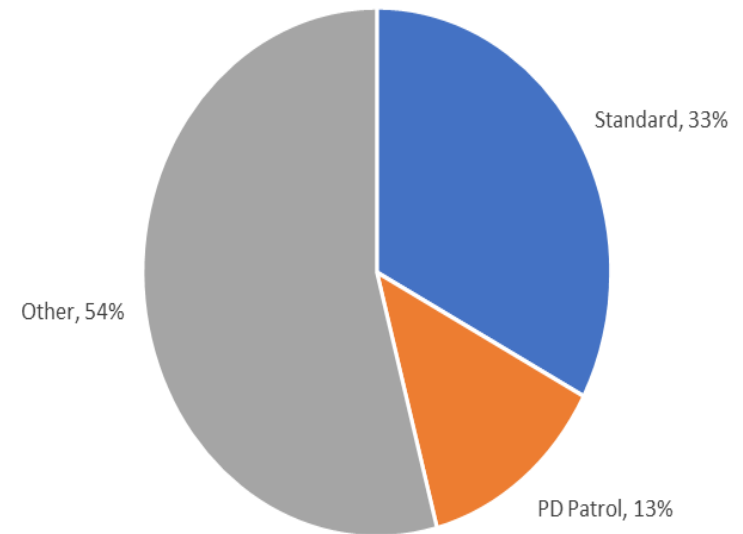
# Fleet Makeup

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## Fleet Count

- Standard Fleet 115 (33%)
- PD Patrol 46 (13%)
- Other 190 (54%)
- Total 351

## Fleet Percentage



## What Does Fleet Leasing Look Like?

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### Included (approximately 115 Vehicles)

- PD non-patrol vehicles
- Standard fleet
- Enter into leasing as budget is approved 9 cars in 2021, 2 vehicles in 2022
- Entire Fleet replaced by 2025

### Not Included

- PD Patrol vehicles
- Mowers
- Trailers
- Forklifts
- Tractors

## Why Fleet Leasing (Benefits)

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- Increase cash flow
- Reduce large fluctuations to fund balance
- Replace the white fleet by end of 2025
- New vehicles are good for morale
- Maintenance reduced to oil changes/warranty work
- Consider PD Patrol vehicles later
- More nimble
  - Better positioned to transition to e-vehicles
  - Get out of vehicles that do not fit our needs
  - Reduced fleet as recognized



**Fun Fact:** Enterprise is not in the rental car business. They are really in the secondary car business.

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### Why This Model Works

- Buy low
- Low miles
- Sell at optimal period

### Purchase Example

Vehicle Value	40,000
City Purchasing Power	29,000
Lease Payments (2 yrs.)	<u>(12,000)</u>
Payoff Amount	17,000
Sell Vehicle	31,000
Payoff Amount	<u>(17,000)</u>
Enterprise Fee	(500)
Less Lease Payments (2 yrs.)	<u>(12,000)</u>
<b>Net Income</b>	<b>\$ 1,500</b>

# References

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- Spokane City
- Mason County
- Muckleshoot

Resale value

Service

Cash flow

# Who Else is Using Enterprise Fleet Leasing

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- Bainbridge Island
- Grays Harbor
- Pacific County
- Cowlitz County
- City of Forks
- City of McCleary
- City of Sultan
- City of Vancouver
- 10 + Local School Districts

## Worst Case Scenario

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- We have the vehicles we would have had anyway
- Exit strategy is same as how we entered

# Change in Accounting

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- Fleet Fund owns all the fleet vehicles and equipment
- Account for GF Fleet in Dept. 20 (Non-departmental)
- Fleet budget will not be assigned to GF departments
- Departments will continue to determine fleet needs
- Fleet operates as pooled cash
- Streamline fund balance
- Eliminate fleet fund balance at the department level (off book tracking)
- Eliminates department reconciliations

# Penultimate Slide

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## Overall, there is not big savings

- This program is for obtaining vehicles
- We would still outfit the vehicles ourselves
- We will still maintain the vehicles in house
- No reduction in fleet
- Applies to 33% of total fleet
- Primarily this frees up cashflow

# Conclusion

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## Recommendations for the Directors

- Fleet will continue to be funded at its current level of service
- No cuts to department's fleet size
- Enhance cashflow by utilize fleet leasing
- General Fund fleet accounting will be maintained in Dept. 20 NonDepartmental