



City of Keller

Keller Town Hall
1100 Bear Creek Parkway
Keller, TX 76248
817-743-4000
www.cityofkeller.com

Legislation Text

File #: 18-217, **Version:** 1

To: Mark R. Hafner, City Manager

From: Aaron Rector, Director of Administrative Services

Subject:

Consider a resolution approving an agreement with Enterprise Fleet Management for vehicle procurement, mechanical maintenance, and disposal services; and authorizing the City Manager to execute all contract documents relating thereto on behalf of the City of Keller, Texas.

Background:

In fall 2017, the City was approached by Enterprise Fleet Management (EFM) for a fleet management services program which could lead to more efficient management of the City's fleet assets and potentially create long-term cost savings. The EFM program would be involved with purchase, some maintenance, and resell of City vehicles.

Related to vehicle purchases, EFM works directly with departments to help determine which vehicles should be replaced in the upcoming budget and help create the required specifications for the replaced vehicle. EFM helps identify the key time to replace a vehicle to receive the best return on resell based upon market data, repair costs, and age, whereas the City currently bases replacement only on repair costs and age. As part of their review of requests, EFM will recommend a vehicle that provides the lowest overall cost of ownership that meets the department needs, rather than simply replacing a vehicle with the newest version. For example, EFM recommended replacing two Ford Escapes in Community Development with Nissan Rogues. In addition, EFM handles the actual purchase of the vehicle including aftermarket needs, filing for titles and license plates, and delivery which are all activities the City currently has to handle. While technically the purchase agreements are considered leases, the City will buy full price for each vehicle minus one dollar and will act as owner of the vehicle. If the City needed to cancel the agreement, the City would pay EFM one dollar per title and would then be outright owner of the vehicle.

For non-public safety vehicles, the EFM provides maintenance coverage for mechanical needs of the vehicles including oil changes and engine repairs. Departments can take vehicles to pre-determined locations to receive repairs and EFM will handle any related paperwork. In addition, EFM will help determine appropriate costs or needs for repairs outside of the scope of maintenance coverage. The coverage does not include the cost of wear and tear items such as tires and brakes unless related to mechanical issues and body damage. For the wear and tear items, the City should be removing vehicles from the fleet prior to the repair being required in accordance with the EFM program. The body damage is related to risk management activities and the City's claims for damage have been extremely low. At this time public safety is not covered by the maintenance coverage, however, EFM is working to create an estimated monthly cost for public safety vehicles so they may be covered in future years.

When vehicles are ready for replacement, EFM handles all activity including taking them to market or auction. EFM is able to place the vehicles into an option that should maximize the resale value whereas the City only uses one local auction site at this time. The City receives the proceeds from the disposal of the vehicles. In addition to taking them for disposal, EFM can also handle decommissioning the vehicles in accordance with legal requirements for an additional cost. Currently, staff is required to decommission vehicles prior to auction.

Financial Impact:

The EFM monthly management fee is 0.08% of vehicle purchase cost before discounts. For FY 2018-19, the City is proposing to purchase \$637,045 vehicles after discounts for a monthly management fee of \$620 or \$7,437 per year. Based upon the fixed asset schedule, the city's fleet is valued at approximately \$3,730,000 which would result in an annual management fee of \$35,800 at full replacement. However, the fixed asset schedule reflects value at time of purchase, not future replacement cost which will be higher. The management fee should be offset in part by the increased trade-in value of vehicles being replaced. In addition to the management fee, non-public safety vehicles will have a monthly maintenance fee to handle any mechanical related issues which will vary based upon each vehicle's estimated annual mileage. For FY 2018-19, the annual maintenance cost will be \$2,443 and will be covered by a reduction in vehicle maintenance costs in the departments receiving the replacement vehicles.

Citizen Input/Board Review:

N/A

Legal Review:

The City Attorney has reviewed the proposed agreement.

Alternatives:

City Council has the following alternatives:

- Approve as submitted
- Approve with changes
- Denial

Council Action:

Consider approval of the proposed resolution as presented.