

City of Tucson
Independent Audit and Performance Commission

November 10, 2010

Subject: Review of the City's Fleet Services Division

To: City Manager Mike Letcher

Earlier this year you requested the Independent Audit and Performance Commission (IAPC) review the City's Fleet Services Division's costs and resulting internal customer rates. As part of the review, IAPC requested Internal Audit to review the rate model used in developing Fleet Services' rates to customers, to compare those rates to those of private vendors, and to prepare a report to the Commission. An IAPC Subcommittee was created to review that report and discuss it, and other matters, with Fleet Services staff.

The Subcommittee presented a draft report to the Commission at the November 3, 2010 meeting. A final report (attached) was approved (6-0) during the meeting by the IAPC.

The IAPC wishes to thank Internal Audit and Fleet Services staff for their assistance and cooperation during the course of this review.

The IAPC appreciates the opportunity to provide continuing assistance to the City and is available should you have any additional questions or requests.



David Cormier
IAPC Chair

City of Tucson
Independent Audit and Performance Commission

FLEET SERVICES REVIEW

BACKGROUND: On April 7, 2010, the Independent Audit and Performance Commission (IAPC) began its review of the Fleet Services Division (FSD) per a request from the City Manager. The request grew out of questions raised by the Mayor and Council during budget discussions in January 2010. The Manager clarified the scope of the review in an April 29th memorandum in which he stated that he “would like the IAPC to focus on determining and articulating the pros and cons of outsourcing this function.” More specifically, Mr. Letcher indicated that he would like the Commission to focus on the following two factors:

- 1) Are Fleet Services costs competitive locally?
- 2) How are Fleet Services costs calculated and are the components reasonable?

To comply with Mr. Letcher’s request, the Commission met with General Services director, Ron Lewis, and Fleet Services staff five times and established a subcommittee in October to review the information provided to the Commission and to prepare a report for the City Manager. Michael McDonald, Kevin Oberg, and William Tilden volunteered for and were assigned to the subcommittee.

During this period, the City’s Internal Audit staff also conducted a review of the methodology Fleet Services staff used to develop its service cost figures. Internal Audit staff presented the subcommittee with a draft of its report during the October 14th meeting.

The subcommittee used both the information provided by Fleet Services and the review undertaken by Internal Audit to prepare this report.

FLEET SERVICES DIVISION REVIEW

BUDGET INFORMATION: Fleet Services is a division of the General Services Department. The City of Tucson 2011 Adopted Budget summarizes the Division’s responsibilities by stating that it “provides direct vehicle, fuel, and equipment support to all City operations.” In short, it is responsible for purchasing, maintaining, repairing, and disposing of vehicles and their associated equipment. The division also purchases, stores and dispenses all fuels used by City vehicles.

FSD is budgeted as an Internal Services Fund (ISF). An ISF “provides goods and services to other funds, departments, or agencies of the primary government on a cost-reimbursement basis.” (See-Glossary, FY 2011 Adopted Budget) This fund allows an organization to calculate and recover the costs associated with the goods and services it provides to other operating organizations throughout the City. Further, the ISF carries forward any surplus accumulated during a fiscal year into the next one.

The Division’s Fiscal Year 2011 budget is \$27,211,900 for maintaining vehicles. That budget includes \$6.4 million to cover the salaries and benefits of 104 authorized personnel positions (with the closure of the Eastside Service Center in October 2010, the Division has eliminated 5

City of Tucson
Independent Audit and Performance Commission

FTEs from the originally budgeted staffing level), approximately \$10 million for fuel & CNG, approximately \$6 million for equipment/supplies, approximately \$3 million in outsourced and purchased services, and approximately \$1.8 million in miscellaneous other services. These budgeted figures are used to calculate the cost of providing services to other City departments.

FLEET SERVICES OPERATIONS: The Division is responsible for maintaining the City's fleet of approximately 2,600 vehicles (excluding Fire Department apparatus and ladder trucks). A brief survey of other public entities in the region indicated that Tucson is not unique in this regard. Large cities such as Phoenix, Albuquerque, Las Vegas, and San Diego maintain their own fleet services operations, as do Maricopa and Pima Counties. Smaller cities and towns, such as Oro Valley, Marana, Scottsdale, and Glendale also maintain their own fleet services functions.

The services provided by Fleet Services include:

- Preventive maintenance and repair services;
- Vehicle fueling operations;
- Vehicle acquisition, preparation, and disposal;
- Parts procurement and inventory management;
- Vendor contract management when maintenance is outsourced;
- Warranty repair, maintenance, and warranty-reimbursement services; and
- Operation of City motor pools.

Tucson, as do other cities, outsources certain operations to vendors for efficiency and cost saving purposes. Tucson has contracts with outside vendors for radiator and glass repairs, major bodywork, and complex specialized equipment repair.

Over the last several years, the Division has undertaken a number of efficiency measures to improve its service. (See Attachment A for a full list of efficiencies.) Several of the more important efficiencies included installing a new maintenance management system, AssetWORKS. This system allows administrators to track the maintenance record of every vehicle in the fleet, the efficiency of mechanics, the cost of repairs, etc. In addition, FSD started using the Mitchell Labor Standards for Auto Mechanics and its own historical records to establish accepted labor standards for the division. In conjunction with these improvements, the division established a review process to determine whether personnel were meeting the standards and a training program to assist those who were falling behind.

These and the other actions summarized in Attachment A have reduced the Division's Fleet Labor Rates significantly since Fiscal Year 2008 (See Attachment B).

- Reduction in Labor Rates for Fleet Technicians, Attendants, Customer Service Representatives = 42.23%
- Reduction in Labor Rates for Auto Body Technicians = 10.20%
- Reduction in Labor Rates for Lead and Auto Mechanics = 4.60%
- Reduction in Labor Rates for Heavy Equipment Mechanics and Welders = 9.65%

City of Tucson
Independent Audit and Performance Commission

One indication of departmental efficiency is that FSD is maintaining 600 more (or 30% more) vehicles than in 1996 with 5% fewer people.

The Division continues to search for improvements that will enhance efficiency and reduce costs. Future plans include, but are not limited to, upgrading fuel software, establishing an apprenticeship program to improve the skills of its mechanics, and consolidating positions.

COST CALCULATIONS: The Fleet Services Division provided the Commission with the information that follows. Additionally, the City's Internal Audit Staff reviewed the methodology used by FSD to arrive at the rates being charged and concluded that "it appears that the cost components are reasonable and relate to the full cost recovery of the services provided." The following comments are based on input provided by FSD and on the review conducted by the City's audit staff.

The Division uses its fiscal year budget and AssetWORKS to develop costs to be charged back to organizations using FSD services. In general, rates are calculated to provide full cost recovery. The rates include:

- Direct costs associated with the actual work performed on vehicles;
- Indirect costs such as building maintenance and utilities; and
- Overhead such as division and department administration.

Overhead includes only those costs within the ISF. Central support services such as Finance, Human Resources, Procurement, etc. are not included in these calculations because their functions and staffing are arguably not affected by any adjustment to the budget or functions of the Fleet Services Division.

In general terms, FSD uses the following methodologies to develop rates (See Attachment C, paragraph A).

- Hourly labor rates are developed based on budgeted costs for several personnel classifications within FSD. The budgeted costs include salaries and fringe benefits. The Division uses these rates and AssetWORKS for time and costs to determine the labor cost for completed jobs. FSD also recovered Overtime costs for particular work orders when jobs required personnel to work additional hours.
- The cost of parts is included in full cost recovery. These costs also include a markup for indirect and overhead costs associated with operating the City's Auto Stores.
- As indicated, some maintenance is outsourced to commercial vendors. The costs for such commercial services are billed to the customer (the organization to which the vehicle is assigned) and include a markup for the costs FSD assumes for managing the process to ensure contracted service cost, quality, and value to the department's customers.

City of Tucson
Independent Audit and Performance Commission

- Compressed natural gas and liquid fuels are billed to customers on a per gallon basis and also include markups for operational and maintenance costs associated with their acquisition, storage, disbursement.

FSD allocates its maintenance and repair costs across rate categories in order to maintain a level of comparability with similar services provided by the private sector (see the “Jiffy Lube” example in Attachment D “Fleet Services Preventative Maintenance Program”). Audit staff reviewed these adjustments and found that they appeared to be reasonable.

The future costs associated with current unfunded liabilities for pensions and retiree health benefits were not reviewed as part of this study. These liabilities will be funded in future fiscal years and costs will be reflected in Fleet Services’ customer rates during the years paid.

COMPARISONS WITH PRIVATE VENDORS: The City’s Internal Audit staff compared FSD hourly rates to the contracted hourly rates of the City’s commercial (private) vendors. The findings showed that the hourly rates charged by the City were lower than those of private vendors. The Audit review indicated that “On average, Fleet Services’ auto mechanic rate is \$5.00 per hour less than that of the City’s commercial vendors. Fleet Services’ heavy equipment rate averages \$8.50 per hour less than the City’s commercial vendors.”

The Audit review also found that the FSD markup on parts compared favorably with that of its commercial vendors. The City’s markup for indirect and overhead costs produces an average parts price that is approximately 22% below the manufacturers’ list price. Consequently, FSD charges to its customers appear to compare favorably with the parts pricing of the City’s commercial vendors. As a point of comparison, Fleet Services staff also provided information regarding the parts outsourcing experience of another Arizona municipality (Attachment E).

Two additional factors affect comparisons with private sector vendors. First, the City, being a government organization, does not pay property taxes. Second, the City does not require a financial return on investment, as would a private vendor. These two factors contribute to lower rates than would ordinarily be charged by private vendors who must take such considerations into account.

RECOMMENDATIONS: This review has led the Commission to make the following recommendations:

1. The City should continue to maintain an internal Fleet Services function. The information provided by Fleet Services and the review undertaken by Internal Audit indicate that the Division aggressively seeks out and implements efficiencies, that it has a rate structure and resulting charges which compare favorably to the private sector, and that it has the capability to effectively manage a large and diverse fleet of approximately 2,600 vehicles. Outsourcing would result in a loss of control over cost and quality. Decentralization of the function to the private sector would also result in a potential loss

City of Tucson
Independent Audit and Performance Commission

of efficiency and a potential increase in vehicle downtime. All these factors led the Commission to conclude that the City and taxpayers receive excellent value from its Fleet Services Division.

2. FSD should complete its development of a procedures manual to insure that staff turnover does not affect its ability to develop, calculate, and charge customers appropriately for services rendered.
3. Fleet Services should re-implement its former periodic anonymous customer surveys to determine their satisfaction with the services being delivered. Such surveys can result in additional efficiencies and improved services.

CONCLUSION: The IAPC wishes to express its appreciation to the General Services Department management and Fleet Services Administration for the support that they provided to the Commission during this review. Also, the Commission wishes to thank the City's Budget and Accounting staff. Finally, this review could not have been undertaken or completed without the assistance and input provided by Internal Audit.

Attachments:

- A – A History of Fleet Services' Efficiencies
- B – Fleet Rates and Markups
- C – Office of Budget and Internal Audit Fleet Services Review Update
- D – Fleet Services Preventative Maintenance Program
- E – Information Regarding the Outsourcing of the Auto Stores Function

A History of Fleet Services' Efficiencies

Fleet Services plays a vital role in supporting City core services. In addition to vehicle availability, operator and public safety are a primary focus. Value added services, continuous improvement and cost savings are practices Fleet Services incorporates in every aspect of daily operations. Listed below are examples of recent actions taken by Fleet Services which resulted in operational efficiencies and cost savings for our customers.

Actions Taken in 2006:

- Created customer shuttle service to return employees to their work site
- Enhanced alternate fueling program by replacing diesel fuel with biodiesel fuel at eight City of Tucson fueling sites
- Instituted customer feedback program which provides estimated time of completion for repair and maintenance work
- Entered into a cooperative agreement with the University of Arizona to buy and sell E85 fuel

Actions Taken in 2007:

- Restructured light-duty automotive parts contracts using a request for proposal
 - Combined 6 contracts into 1
 - Increased quality of parts and decreased costs
 - Improved parts availability
- Restructured auto body contract to improve turnaround time
 - Each job is estimated in-house and competitively bid among 3 contracted auto body vendors
 - Significant improvement in turnaround time, costs and quality of work

Actions Taken in 2008:

- Changed billing to time and materials basis to allow departments to see true costs of doing business
- Registered with the IRS and applied for CNG Excise Tax Rebate
 - Over \$1.3M received from rebate
- Replaced premium unleaded fuel with E85 at three fueling sites
- Installed new maintenance management system – AssetWORKS
 - Automated city-wide email notification of Emission and PM due dates
- Implemented work order reviews to compare to Mitchell Labor Standards for Auto Mechanics and historical labor standards for Heavy Equipment Mechanics
 - Shop Superintendent performs a random review of work orders and compares task times to appropriate standard for labor efficiencies

A History of Fleet Services' Efficiencies Continued

Actions Taken in 2008 Continued:

- Implemented the use of the pCard for vendor payment
 - Fleet Services' procedures for review, approval and record retention used by Procurement as an example for City departments
 - Monthly expenditures average \$550k each month

Actions Taken in 2009:

- Partnered with vendor to create modular refuse body dump-arm rebuild program
 - Increased availability of refuse vehicles and reduced rebuild costs
- Implemented Automotive Service Excellence and Tire Industry Association Certification and Training Programs for shop personnel
- Provided training and access to customer departments to view vehicle activity in AssetWORKS
 - Allows customers to view work orders including technician comments
 - Customers can run vehicle data reports
- Established labor productivity levels
- New automated billing report created
 - Billing reports now indicate UC code indicating user caused repair for departments to monitor
- Established comprehensive review process for monthly billing
 - Administrator reviews work orders over \$1000.00
 - Fleet Equipment Specialist reviews all PM work orders
 - Financial Superintendent and Administrative Assistant review exception reports, department billing reports, fuel charges and ensure data transfer from all systems are accurate
- Added propane to alternate fuel program

Actions Taken in 2010:

- Combined vacant Fleet Attendant position and Customer Service Clerk position into an Automotive Service Writer position for vehicle maintenance in-processing
- Reduced under utilized motor pool fleet from 64 to 25 vehicles
- Labor productivity levels and efficiencies used as performance evaluation criteria
- City of Tucson's CNG Excise Tax Rebate submissions audited by the IRS
 - Preliminary report indicated no issues detected and rebate appropriate
- In addition to being an authorized warranty repair facility for GM, McNeilus and Heil refuse bodies added Scorpion refuse bodies
 - Warranty work performed in-house at no cost to customers

A History of Fleet Services' Efficiencies Continued

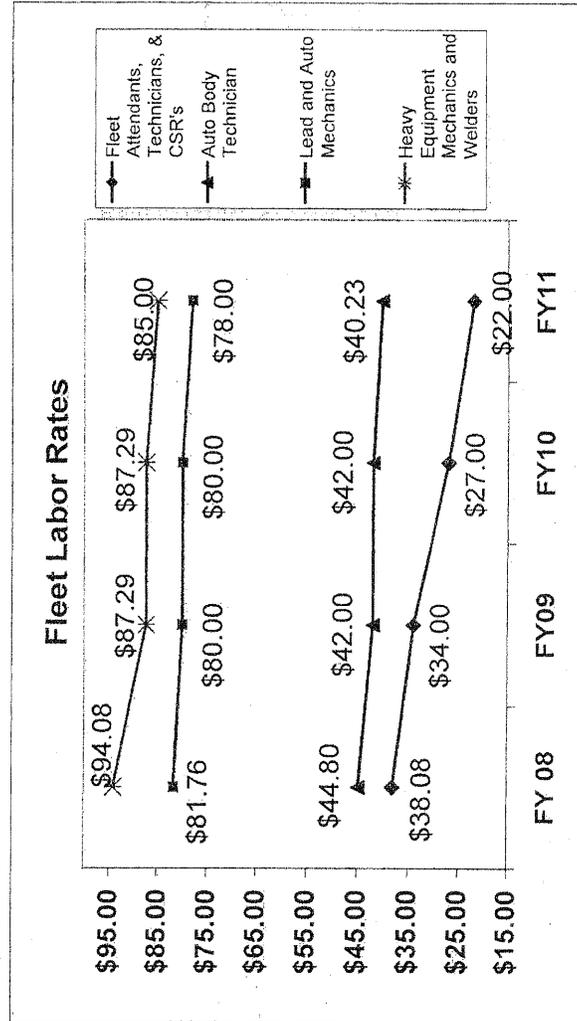
Actions Taken in 2010 Continued:

- Upgraded all fuel site connections from modem to IP
 - Reduces customer wait times at the pump from 10 minutes to 1 minute
- Tested and implemented super single tires for solid waste vehicles
 - Operators reported better handling capabilities
 - Increases the pay load by 1,000 lbs
 - Installed TPMS which allows operators to monitor tire pressure
- Closure of east side satellite facility which resulted in a reduction of labor rates and elimination of four overhead positions
- Stocking police car rebuilt transmissions for Fleet Services mechanics to install instead of sending out to a vendor
 - Decreases turnaround time from 3 days to 1 day
 - Decreases cost to customers by an average of 15%
- Current staffing level is 99 FTEs for 2,605 pieces of equipment
 - In 1996 staffing level was 104 FTEs for 2,065 pieces of equipment

Future Goals:

- Bring side loader lube contract in-house for cost savings
- Upgrade fueling software – will allow real time reporting and monitoring
- Partner with TPD to purchase test vehicles replacing the Crown Vic to ensure operational efficiencies
- Eliminate overhead position – vacant Heavy Equipment Operator and reallocate duties among Fleet Technicians
- Determine requirements for new urea technology for diesel vehicles
- Establish an apprenticeship program to grow automotive and heavy equipment mechanics

Fleet Rates & Markups					
Classification	FY 08	FY 09	FY 10	FY 11	
Fleet Attendants & CSR	\$38.08	\$34.00	\$27.00	\$0.00	
Fleet Technicians	\$38.08	\$34.00	\$27.00	\$22.00	
Auto Body Technician	\$44.80	\$42.00	\$80.00	\$40.23	
Lead and Auto Mechanics	\$81.76	\$80.00	\$80.00	\$78.00	
Heavy Equipment Mechanics and Welders	\$94.08	\$87.29	\$87.29	\$85.00	
Markup					
CNG	0.35	0.36	0.40	0.36	
Liquid Fuel	0.16	0.15	0.19	0.18	
Parts	25%	20%	20%	21%	
Work Order Charge	\$10.00	\$10.00	\$10.00	\$10.00	
Commercial	10%	10%	10%	10%	
OT Multiplier	1.3	1.3	1.1	1.1	



**OFFICE OF BUDGET AND INTERNAL AUDIT
FLEET SERVICES REVIEW UPDATE
OCTOBER 26, 2010**

Background

City Manager Mike Letcher has requested that the Independent Audit and Performance Commission review the General Services Department's Fleet Services operation. In Mr. Letcher's April 29, 2010, memorandum to the Commission, the scope of this review focused on two factors:

- 1) Are Fleet Services costs competitive locally?
- 2) How are Fleet Services costs calculated, and are components reasonable?

Fleet Services provides a very comprehensive array of services for 2,600 City vehicles and equipment (see Attachment). Fleet Services outsources some services such as major bodywork, windshield repair, and specialized equipment repair.

Fleet Services is an internal service fund (ISF) of the City. An ISF provides goods and/or services to other City departments on a cost-reimbursement basis. An ISF is required to measure and recover the full cost of providing goods or services through fees or charges.

FLEET SERVICES AUDIT PROGRAM

Internal Audit staff presented a Fleet Services audit program to the Commission at the June 2, 2010 meeting which included the topics listed in Sections A through C below. Staff has compiled information and/or analyzed data for each topic for the Commission to review. Staff can gather additional data and/or conduct further analysis if the Commission deems it necessary in order to prepare and finalize a report to the City Manager.

A. How are Costs Calculated

Fleet Services rates and markups are calculated to provide for full cost recovery. **Direct costs**, such as mechanics' time and vehicle parts; **indirect costs**, such as building maintenance and utilities; and **overhead**, such as department and division administration, are all included in determining the full cost. The costs to be allocated are based on fiscal year (FY) 2011 budgeted expenditures. Internal Audit staff reviewed Fleet Services' cost documentation and met with Fleet Services staff to gain an understanding of the cost allocation methodology.

1. Fleet Rates

Fleet Services has established hourly labor rates for the following categories of service: Fleet Technicians, Auto Body Technician, Lead and Auto Mechanics, and Heavy Equipment Mechanics and Welders. These categories generally reflect the job classifications of the assigned employees.

Salary, benefit, and liability insurance costs are allocated to the rate categories based on the percentage of time employees spend on direct and indirect job tasks. Salary and wage costs and annual billable hours were reduced to reflect the projected number of unpaid furlough hours during FY 2011.

Shop expenses, indirect labor, and overhead costs are allocated to the rate categories based on the ratio of billable full-time equivalent positions in each rate category to the total number of billable full-time equivalent positions in all rate categories.

2. **Markups and Fees**

Not all Fleet Service costs are recovered through the hourly labor rates. Fleet Services has established markup rates and fees to fully recover the costs of Maintenance and Repair (including commercial vendor contract services), Auto Stores, Compressed Natural Gas service, Liquid Fuel service, Motor Pool, and Acquisitions and Dispositions.

a. Work Order Charge: This charge recovers the cost of maintenance and repair expenses (such as tools, shop supplies, and computer and software maintenance) that benefit all work accomplished and cannot be readily assigned to the job specifically benefitted. The charge is a flat rate applied to each work order that is billed.

The charge is calculated by dividing the annual expense of these cost objects by the number of work orders completed annually.

b. Commercial (Outsourced Repair): This markup recovers the cost of contract administration for those services outsourced to commercial vendors, such as heavy equipment maintenance at the Los Reales landfill. The costs include those incurred by Fleet Services staff to manage the outsourcing process, oversee and coordinate vendor activity, and to monitor compliance with contract terms. According to staff, the markup is only charged to those work orders for which commercial contract maintenance is utilized.

The markup is calculated by dividing the annual cost of direct labor and overhead for contract administration activities by the annual cost of vendor contract maintenance.

c. Overtime: This markup recovers the indirect and overhead costs of operating the maintenance and repair facility during periods of overtime. The markup is applied to the fleet labor rate for those work orders which incur overtime expense.

In order to prevent the double-billing of overtime, the budgeted overtime costs for mechanics are not included in the calculation of the fleet labor rates. Instead, the overtime markup is billed to the customers as incurred. A separate line item is displayed on the customer's billing statement for each work order for which overtime was required.

During the review, it was noted that the original overtime multiplier calculation of 1.3 was completed in 2008 and upon subsequent evaluation, was lowered to 1.1 beginning in FY 2010. It is recommended that Fleet Services staff continue to evaluate the overtime multiplier during FY 2011 as data becomes available.

d. Parts: This markup recovers the direct, indirect, and overhead costs associated with operating the Auto Stores activity. The markup is applied to the contracted parts price paid by the City and is included in the parts cost billed to customers.

The markup is calculated by dividing the annual operating expenses, less the cost of parts purchased, by the projected annual cost of purchased parts.

e. Compressed Natural Gas (CNG): This markup recovers the direct, indirect, and overhead costs associated with operating the CNG fuel activity. The markup is applied to the contracted CNG price paid by the City and is billed to customers on a per gallon basis.

The markup is calculated by dividing the annual CNG fuel operating expenses, less the cost of fuel purchased, by the projected number of gallons of CNG dispensed annually.

f. Liquid Fuel: This markup recovers the direct, indirect, and overhead costs associated with operating the liquid fuel activity. The markup is applied to the contracted fuel price paid by the City and is billed to customers on a per gallon basis.

The markup is calculated by dividing the annual liquid fuel operating expenses, less the cost of fuel purchased, by the projected number of gallons of liquid fuel dispensed annually.

g. Motor Pool: Direct, indirect, and overhead motor pool costs are recovered through a combination of daily vehicle rates and mileage charges. The rates and charges are calculated by vehicle type and are based on projected FY 2011 expenses.

A portion of motor pool vehicle cost is recovered through the application of a daily rate. The daily rate is calculated by applying the projected number of annual motor pool checkouts to the allocated daily cost for each vehicle type. The remaining portion of vehicle cost is recovered through the use of a mileage rate (cost per mile). The mileage rates are calculated by dividing the allocated mileage cost for each vehicle type by the number of projected billable annual miles.

h. Acquisitions and Dispositions: These fees recover the direct, indirect, and overhead costs of acquiring and disposing of vehicles. In accordance with the City's FY 2011 Operating Budget Manual, departments are charged a 3% surcharge on the acquisition cost of new or replacement vehicles. The disposition costs of auctioning enterprise and mass transit vehicles are recovered through a flat fee of \$100 per vehicle auctioned.

B. Are the Cost Components Reasonable

Based on the review of Fleet Services' cost allocation methodology and supporting documentation, it appears that the cost components are reasonable and relate to the full cost recovery of the services provided.

C. Are the Costs Competitive Locally

Fleet Services allocates its maintenance and repair costs across rate categories in order to maintain a level of comparability with similar services provided by the private sector. Internal Audit compared the contracted hourly rate of the City's commercial vendors to the calculated hourly rate of Fleet Services' auto mechanics and heavy equipment mechanics. On average, Fleet Services' auto mechanic rate is \$5.00 per hour less than the City's commercial vendors. Fleet Services' heavy equipment mechanic rate averages \$8.50 per hour less than the City's commercial vendors.

Based on a review of City contracts and vendor invoices, Fleet Services is able to provide its customers with an average parts discount of approximately 22% below the manufacturers' list price. As a point of comparison, Fleet Services staff also provided information regarding the parts outsourcing experience of another Arizona municipality (Attachment E).

In fiscal year 2007, Tucson Water and Fleet Services concluded a 14-month pilot project to compare specific vehicle maintenance and repair services provided by an outside vendor and Fleet Services. The pilot project was conducted to enable Tucson Water to evaluate the best way to have its fleet maintained. The project attempted to compare performance across the dimensions of cost, downtime, quality of work, and customer satisfaction. Upon completion of the pilot project, Tucson Water concluded "that the private sector provider did not out-perform the COT in-house provider, particularly with regard to the quality of work performed" and recommended that Tucson Water continue "to employ Fleet services (*sic*) as its provider."

Based on this information, it appears that the City's Fleet Services function provides services at levels of cost and quality that compare favorably to the private sector.

FLEET SERVICES PREVENTATIVE MAINTENANCE PROGRAM

The Fleet Services Division provides City of Tucson departments with safe, reliable fleet units by performing high quality maintenance and repairs. The purpose of performing regular preventive maintenance (PM) on our fleet is to maintain vehicle safety, availability and dependability, lower operating and maintenance costs by reducing costly breakdown repairs, extend vehicle life cycles and increase vehicle resale values. Fleet Services has a comprehensive automotive PM program which is essential in achieving this purpose.

Fleet Services' light-duty vehicle A-PM services include specific tasks performed at specific time intervals or mileages based on vehicle manufacturer recommendations, industry standards, and vehicle repair histories. Light-duty vehicles include marked Police units and other vehicles under 1 ton. Fleet Services technicians perform the following twelve tasks on a light duty vehicle A-PM:

- **Review Vehicle Discrepancy Report (VDR)/Operator Complaints:** In addition to performing the PM service, the technician reviews the VDR to ensure completion of any operator requested additional repairs or services before the vehicle is released.
- **Lubrication per Lubrication Chart:** Performed per manufacturers recommended service intervals in order to maintain vehicle warranty and prevent premature part failures.
- **Perform Safety Inspection:** Performing the 10-point safety inspection in accordance with all vehicle manufacturer recommendations and the established Fleet Services' vehicle safety guidelines allows the technician to detect safety check list items that have failed or have the potential to fail while the vehicle is in service. This reduces tow/service calls and lowers repair costs.
- **Check/Service All Fluid Levels:** Performing this task during all preventative maintenance service work as required by all vehicle manufacturers maintains vehicle warranty and prevents costly breakdowns. This reduces tow/service calls and lowers repair costs.
- **Inspect Brakes:** Ensures brake system components are not worn and are functioning properly, maintaining vehicle capability to stop safely during normal and emergency situations. Performed in conjunction with tire rotation.
- **Change Engine Oil & Filter:** Performed per manufacturers recommended service intervals in order to maintain vehicle warranty and prevent costly engine repairs or replacement.
- **Inspect Engine Components/Accessories:** Performing this task identifies potential part failures to prevent breakdowns while the vehicle is in service. This reduces tow/service calls and lowers repair costs.
- **Inspect Air Filter-Replace as Needed:** Inspecting the air filter during all preventative maintenance service work and replacing it as needed, prevents engine damage due to particulate abrasion.
- **Clean Battery/Cables/Box:** Performing this task prevents vehicle electrical failures before breakdowns occur while the vehicle is in service. This reduces tow/service calls and lowers repair costs.

- **Check Tires-Inflate to Proper PSI:** Improperly inflated tires may result in poor vehicle handling, rapid tire wear, and sudden tire failure with a loss of vehicle control.
- **Tire Rotation:** Extends tire life by evening tread wear resulting in the longest possible tread life while adding minimal labor time to the work order. Tire rotation is one of the tasks Fleet Services performs on its light duty vehicle A-PM that is not normally included in the private sector A-PM. Vehicle and tire manufacturers recommend tire rotation to ensure optimum tread life especially on front wheel drive cars. Fleet Services performs tire rotation at 3,000 miles for marked police cars and 4,000 miles for other light-duty fleet units.
- **Road Test for Operation & Condition:** Performing this task allows quality assurance of the service work performed and identifies any problems with the vehicle not detected in the safety inspection.

When compared to the quick service outlet chain Jiffy Lube, Fleet Services provides more comprehensive services for a light-duty A-PM at a lower cost to our customers. In calling two different Jiffy Lube locations on September 29, 2010, both representatives stated the charge for their basic oil change is \$37.99. There is an \$8.00 off coupon available on their website. The Jiffy Lube basic oil change includes up to 5 quarts of oil. Police vehicles require a total of 7 quarts of oil which Jiffy Lube charges an additional \$4.99 per quart. This basic service does not include brake inspection, tire rotation, battery cable cleaning, road test, or an air filter replacement if needed. If the Jiffy Lube location is equipped to do a tire rotation, there is an extra charge of \$24.99 for this service. An air filter replacement if needed is also an extra charge that can be as high as \$29.00. The total bill Jiffy Lube charges for the same services that Fleet Services provides on a light-duty A-PM could be as much as \$102.00 plus tax. Jiffy Lube does not provide battery cable cleaning or a brake inspection at any location. Fleet Services technicians perform all of these services during a light-duty vehicle A-PM, along with the basic oil change and fluid services at an average cost of \$62.00.

Currently, 45% of PM safety inspections performed by Fleet Services technicians identify additional required repairs before the vehicle is released back to the customer. Since Jiffy Lube is not a full-service repair facility, any identified additional repairs will require the customer to bring the vehicle to Fleet Services for the additional work causing further downtime for the vehicle.

In order to maintain high maintenance standards, Fleet Services only employs experienced technicians while providing ongoing training in vehicle maintenance as the vehicle industry changes. The Jiffy Lube service outlet chain requires “no experience necessary” for their potential employees.

In conclusion, Fleet Services provides superior customer service and high quality full service vehicle maintenance while keeping costs to the customer below private sector service facilities.

INFORMATION REGARDING THE OUTSOURCING OF THE AUTO STORES FUNCTION

Fleet Services staff provided the following information regarding the costs of outsourcing the auto stores function encountered by another Arizona municipality:

The City of Glendale has been contracting with a commercial parts vendor to provide all of their stocked parts for the last 5 years. Prior to that, its Procurement Department provided the parts services that did not meet the needs of the fleet division.

To summarize the vendor contract:

- The vendor supplies a mutually agreed list of vendor brand stocked parts in the City's warehouse space on consignment
- The City pays all costs associated with vendor staff plus 10%
- The City has also retained a Buyer to procure all parts not normally stocked by the vendor, refuse and specialized OEM parts. These parts are owned by the City but issued by the vendor to work orders.
- The City marks up the parts to the customer a total of 28% to cover the costs of the parts operation. (Our current parts markup is 21%)
- The City is supplied with parts from the vendor that are "OEM Equivalent" which may or may not be the top line vendor parts. If the City wants OEM parts for certain applications they must buy them outside of the vendor contract.
- The City's fleet services is not a true ISF and is not currently recovering full costs from their customers
- It took a full 5 years for the City to save any money with this contract.