

Fleet Services Review

Executive Summary - Fleet

AFSCME Local 88 engaged me to analyze the business operations of Multnomah County's FREDS business unit and the recommendations of the Coraggio report. To date I have reviewed and analyzed the Coraggio report, information provided to the County by Coraggio as backup data and the information that was provided to Coraggio by the County related to Fleet. My review of the other FREDS' programs and related information will be provided in a later report.

The Coraggio report made three basic recommendations related to Fleet and additional recommendations related to Motor Pool. The basics of their fleet recommendations were: to eliminate County vehicle maintenance and repair operations and replace them with external service contracts; to increase utilization of County fleet vehicles; and once the first two recommendations are implemented to explore alternative ownership options for the fleet.

The Coraggio report was very clear that the County had not asked Coraggio to provide information on how to implement the recommendations, that this would be done utilizing County expertise. It is my understanding that the County has now put together teams to develop the implementation plans for some of the recommendations including a team to plan for outsourcing Fleet Maintenance.

This review is written with three basic intentions. My first intention is to identify whether the analysis behind the Coraggio Fleet recommendations is, in my opinion, valid. Secondly, to provide some suggestions on items that should be considered during the implementation planning. My third intention is to provide alternative recommendations.

Analysis

Fleet Maintenance

My analysis indicates that the recommendation to outsource the fleet maintenance function was based on potential savings that were significantly overstated. The basic issues appear to be:

- Coraggio compared the cost of the County's fleet administration and fleet maintenance to the cost of outsourced fleet maintenance **only**;
- the cost of the outsourced model was understated by at least \$171,000;
- there were at least \$549,000 of County fixed costs classified as "savings" that will only be spread to other County programs unless the unmarketable Yeon Shops are totally vacated (Land Use, Transportation, Records Management, Electronic Services, and others) and the site sold;
- that approximately \$507,000 of significant items unrelated to fleet maintenance were identified as "savings" from outsourcing fleet maintenance; and
- the outsourced model created significant expenses (vehicle transport, contract administration, etc.) that were not identified or included in the analysis.

In addition to the items above, there were a number of technical errors described later in the report that were troublesome. **In my opinion, the analysis behind the Coraggio recommendation related to outsourcing fleet maintenance was not valid and the recommendation should not be implemented.**

Fleet Utilization

The Coraggio report recommends increased vehicle utilization in compliance with County policy FLT-1, but does not provide a significant amount of background data on fleet utilization. As described later in the report there are some errors in this section of the report, but in general I would agree that vehicle utilization should be reviewed periodically and conformance with the utilization standard of FLT-1 is, in my opinion, a good idea. As this periodic review is performed, it is important to recognize that vehicles are tools needed by County staff to get their jobs done, just like computers or telephones. Having the right tool at the right place at the right time is what should be focused on more than how many miles are put on a vehicle. Efficient use of staff time is more important to the County's overall effectiveness than how many miles are put on a vehicle.

Fleet Ownership

Coraggio recommends that once outside fleet maintenance is established and fleet utilization is improved, the County should enter the next phase of the analysis, exploring alternative ownership options for the fleet. The section of the Coraggio report on fleet utilization and ownership is technically flawed in that it compares County vehicle costs including fuel to lease vehicle costs excluding fuel. The analysis is not, in my opinion, valid. Any decision to explore alternative ownership options should be made independent of the Coraggio recommendation. The exploration of alternative ownership is, in my opinion, unnecessary at this time.

Motor Pool

My review of the Motor Pool analysis is complicated by the fact that I could not identify a source for the Coraggio report stated annual cost for the motor pool of \$585K. My review of the County data indicates a total cost of the motor pools of \$345,747 which is partially offset by \$83,898 of internal parking revenue at the Downtown Lot. The report contains a table that shows a first year cost of \$449,060 using a combination of ZipCar and rental vehicles and compares it to the \$585K. Without being able to validate the \$585K cost to the County, **I cannot validate the report's analysis of savings and believe it to be wrong.**

As explained later in the report, the Yeon and Blanchard motor pools were created to reduce the number of assigned vehicles at those locations. I would recommend that the use of these pools be reviewed further. My analysis of costs would indicate that the Downtown motor pool and Multnomah Building motor pool are more cost effective than the ZipCar/Rental Car model and should be maintained. The exact size of the pools should be frequently reviewed and adjusted as needed utilizing "reserve" vehicles or daily rentals as backups.

Recommendations

I recommend maintaining Fleet Maintenance in-house, periodically reviewing vehicle utilization (as staff workload allows), maintaining County ownership of the vehicles, and maintaining the Downtown and Multnomah Building motor pools.

Suggestions related to implementation planning are identified in the report and on the attachment "Fleet Related Administrative tasks". More detailed and alternative recommendations are included in the rest of this review.

Fleet Services Review

Fleet Maintenance

My review of the Fleet recommendations consisted of reviewing and analyzing the Coraggio Report fleet related sections, the backup information supplied to Coraggio by the County, and the Coraggio methodology as reflected in the "Annual Savings Calculation" and backup material provided to me by the County. I focused on trying to verify the amounts in the "Annual Savings Calculation" of the "Fleet Option Analysis-JB", identifying the impacts of outsourcing the fleet maintenance function, and developing a list of items that should be considered during the implementation planning phase. I did this review and analysis assuming that the decision to outsource fleet maintenance services was based on significant cost savings and that the decision would be made independent of the rest of the Coraggio recommendations.

Major Findings

The basic issue with the Coraggio analysis of Fleet Services, from my perspective, is that they included the current County costs of fleet administration and fleet maintenance and compared that to the cost of outsourced fleet maintenance with no fleet administration. My analysis indicates that the savings estimated in the "Annual Savings Calculation" are significantly overstated. The cost of the outsourced model was understated by \$171,892, County fixed costs were included in savings calculations (\$548,865), significant items unrelated to the outsourced maintenance were included in the savings calculations (\$507,049), and the outsourced model created expenses that were not identified or included in the analysis. The County shop rate calculated by Coraggio dramatically overstates the costs, due to errors and including costs unrelated to fleet maintenance.

Coraggio Methodology

The document "Fleet Option Analysis – JB" appears to be the basis for the fleet related recommendations included in the Coraggio Report. The "Fleet Options Analysis – JB" used two alternative models, the "Time and Materials Outsource Model" and the "Monthly Fee and Mileage Rate Model".

My review of the "Annual Savings Calculation" compares the "Time and Materials Outsource Model" with the "Fleet Services Costs Under Current Model". There was not enough information provided to compare the "Monthly Fee + Mileage Rate Model". The "Monthly Fee + Mileage Rate Model" showed a flat monthly fee for 660 light duty vehicles of \$150 per month per vehicle and \$.09 per mile. It appears to assume that maintaining a subcompact car, fully equipped MCSO patrol car, cage car, passenger vans, pickup trucks, cargo vans, and the dozens of other types of vehicles would all cost the same or average \$150 per month. Without seeing the details behind this model there is no way to analyze the results.

As I understand the methodology in the "Fleet Option Analysis - JB", it utilizes a table entitled "Fleet Maintenance Summary Data" as the summary of the County's internal and outside agencies' demand for labor and parts. The "Internal County Only" labor and parts demand data is then applied to the shop rate and parts markup of an unidentified vendor in a table entitled "Outsourced Trucking Cost Analysis- Time and Materials Contract". This total outsourced cost is then compared to County Fleet Services expense data from the County provided "FY10 Expense Report". The County expenses are then adjusted to reflect the elimination of revenue offsets, which I believe is intended to represent services for external agencies.

Understated Outsourced Model Costs

The basic flaw with this methodology is that the "FY10 Expense Report" includes the cost of County fleet administration while the Outsource model does not include any fleet administration. There are also some issues with the details of their data comparison that understate the Outsourced Model's costs.

- Included in the analysis of the costs of parts in the outsourced model is what I believe is an error. The "Sum of Parts Costs (w/o margin) indicates that the County spent \$447,662 for the parts. The Outsourced Model costs indicate that the parts' costs to be marked up are \$406,969 (I believe this to simply be a calculation error.) This mistake appears to understate the outsource model costs by \$44,763.

- Included in the "Fleet Services Costs Under Current Model" is \$122,562 in Repairs and Maintenance (60220). This budget line item is for fleet repair work that is currently outsourced. After discounting the \$4,433 included in the Shop Rate calculations for shop equipment repair, the balance of \$118,129 would have been for repair work currently performed by external vendors and should have been added to the labor and parts demand of the costs of the outsourced model. **This appears to understate the outsource model costs by \$118,129.**
- Also included in the "Fleet Services Costs Under Current Model" is an item "All Other non-Omitted Accounts" with details provided in a footnote. A review of this footnote data and the "Materials and Services Notes" on the Billing Source worksheet of the "Fleet Shop Rate 10-11" workbook show that the costs for a number of services that are not included in the outsourced model are included in the comparison of the County expenses. Some of these services could be included in the costs of the outsourced model and some are entirely unrelated to fleet maintenance. Professional Services (60170) includes \$9000 for commercial towing which could be provided by the vendor. **This appears to understate the outsource model by \$9000.**
- **A more accurate comparison would have included these three items or a proxy for them in the Outsource Model cost calculations. The result is understating the Outsource Model costs by \$171,892.**

Fixed Costs included in Savings Calculations

The County's budget includes a number of overhead costs that are spread to departments through its internal services charges. Building costs and Information Technology costs are the two primary examples. Unless a building is sold, the costs for the building remain with the County. If building space is vacated and not sold, the costs of the space are no longer charged directly to the vacating program. The costs do, however, remain with the County and are spread to all remaining County programs. A similar, but less understood method of spreading overhead costs is utilized in Information Technology. Including these fixed County costs significantly increases the Coraggio identified savings from outsourcing fleet maintenance.

The "Annual Savings Calculation's" includes \$478,865 for Fleet "Building Management" and \$170,607 for Internal Services Distribution (identified in a footnote as Inventory-Related Building Space & Personnel). Discussions with County Budget staff clarified that unless the Yeon Shops, Hansen Station, and Blanchard shops are sold, the \$478,865 and the portion of the \$170,000 that is related to space costs would not be saved by the County with the outsourcing of fleet maintenance. These costs would be shifted to the rest of the County programs via a vacancy charge. Assuming \$70,000 of the Internal Services Distribution costs are related to building costs, the total Building Maintenance cost would be \$548,865. Since the space being vacated at Blanchard and Yeon are not marketable and part of a larger complex, the "savings" to the Fleet Budget will not be a savings to the County. **The vast majority of this \$548,865 will still exist as vacant space costs and will be recovered from the rest of the County programs.**

The total of the understated costs of the outsourced model and the facilities costs that the County will still have is \$720,757, which is more than the \$714,936 identified as savings. Based on my assumptions and analysis, it would appear that **there are no County savings to the outsourced model** and there are significant negative impacts from outsourcing as described below.

Non-Maintenance Items included in "Fleet Services Costs Under Current Model"

As I understand the Coraggio recommendation related to Fleet Services, all Fleet Services expenses other than fuel, capital equipment, cash transfer, and an adjustment for services to outside agencies are to be replaced by the outsourcing of fleet maintenance. The problem is that the Fleet Services budget currently provides a variety of services that will still be required and are not be replaced by the outsource model. Table I lists many of these items and their associated costs.

Examples of non-maintenance M&S items that are included in the "savings" ("Other" expense accounts) calculations but not provided by the outsource vendor include: \$3000 for Auctioneer Services for vehicle sales; \$5425 for Motor Pool Security Patrol; about \$2000 for fuel system communication lines; and some amount of vehicle rentals.

The much more significant items left out are the personnel costs included in "Fleet Services Costs Under Current Model" that are not related to fleet maintenance and would not be expected to be performed by the outsource maintenance vendor. Based on the personnel allocations included in the "Overhead Calculation FY11" workbook's "Overhead Calculation FY10" worksheet the following non-maintenance fleet functions include Fleet and FREDS Admin staff time devoted to:

- Vehicle Replacement - \$32,010
- Vehicle Disposal - \$7768
- Fuel Provision Cardlock and Retail - \$7394
- Fuel Provision County Fuel Sites - \$19,908
- Motor Pool - \$54831
- Parking - \$7814
- Fleet Billing Process - County - \$34,248 (An unknown amount of this is related to maintenance. Total below will assume 75% related to maintenance.)
- Fleet Billing Process - Outside Agencies - \$16,938 (Since outside agency work is eliminated, this currently provided service and cost would be unnecessary.)
- General Fleet Administration - \$137,512
- Fleet's share of FREDS General Admin - \$220,825 (\$255,783 is included in the Assess Dept Support the different data sources budget planning vs. actual expenses probably explain the differences.)

These items total \$539,248 worth of staff time that is cut, but is not all directly related to fleet maintenance. Much of this would normally be "paid for" through Fleet's monthly overhead charge per vehicle, motor pool rates, parking revenue, and fuel markups. I believe that adjusting for the outside maintenance billing and a portion of the County Fleet Billing Process that **\$507,049 of labor and M&S costs in the "Fleet Services Costs Under Current Model" is unrelated to fleet maintenance and could no longer be performed if the recommendation is followed.**

Unidentified Expenses from following the Recommendation

Transport Cost

Fleet Services is focused on supporting County programs and staff by minimizing the amounts of time that the County's other programs' staff have to spend related to Fleet Services. This is why the County fleet shops are co-located with major fleet users, the County Fleet Services has a loaner vehicle program, and users can drop off vehicles at the Downtown motor pool for transport to a County Shop.

A review of 2010 fleet work order counts indicates that of the total 3825 repair and maintenance work orders 1734 or 45% are performed at the vehicle's "home" location and require no transport for repair. Assuming that the outsource vendor does not include loaner vehicles or pickup and delivery services in their shop rate or parts markup, the County program staff will need to deliver and pickup vehicles from the vendor(s)' shop. This would typically mean that 2 vehicles and 2 staff are required to drop off or pick-up a vehicle for repair. Assuming a **very optimistic** 15 minutes distance from the vehicle parking location to the outsource vendor's shop; each repair would take 2 hours of non-productive County staff time. For the 1734 work orders not currently requiring transport, this would be 3468 additional hours of non-productive staff time. Assuming a very conservative fully burdened average staff cost of \$50 per hour, this would be an additional \$173,400 expense. (The fully burdened hourly rate is a guess on my part.) DEQ inspections currently performed by Fleet Services will need to be taken by County programs' staff to the DEQ inspection stations and then on for repair, if needed. Assuming that the vehicle does not need repairs following the inspection, this would add at least an hour of transport time per year

for the County's light duty vehicles. During implementation planning some alternative method of pickup and delivery should be explored.

Contract Administration

If fleet maintenance is outsourced and the Fleet and FREDS Admin staff are gone, someone will need to approve the work to be done, review the work order costs, pay the bills, establish and monitor the contracts, monitor the outsourced work, determine whether a vehicle should be repaired or replaced, determining which repairs should be done by the vendor and which should not, and perform all of the other fleet administrative functions currently provided by the eliminated staff (see attached Fleet Administrative Tasks). Identifying and determining how best to accomplish these functions will be one of the most critical implementation planning tasks. The costs of this will be significant, but I cannot hazard a guess of what they would be.

Emergency Response

The County's Fleet Services is a significant emergency services provider operating 24 hours a day during emergencies. While the typical emergencies that occur every year include weather related incidents, there has been a history of other types of responses including slides, a plane crash, and a volcano cleanup. Outsourcing emergency response can probably be accomplished, but could be difficult and expensive. Emergency response can be an often overlooked and critical area that should be fully addressed during implementation planning.

Fleet Maintenance Conclusion

Based on my analysis as described above, and the data provided by the County and Coraggio, I believe that the total costs to the County of outsourcing the Fleet Maintenance function will result in a significantly higher total cost to the County than exist today. This is summarized in Table 1.

Alternative Recommendations

While this section of the Coraggio report analysis has been done in isolation from the rest of the report, my alternative recommendations will consider some of the other ideas within the Coraggio Report.

I recommend:

- Not outsourcing Fleet Services due to the significant increase in County costs that would result;
- Continuing to provide (and expand) services to other agencies to help share overhead costs and support our partners' efforts to reduce their costs.
- Improved utilization of the Yeon Facilities and Blanchard Fleet Shops. This supports Coraggio's recommendation to "improved utilization of all County buildings, especially those that are not marketable."
 - Improved utilization at Yeon would appear to me to be possible by moving other functions into the facility that could result in the sale of other County property or termination of existing leases. Ideally the relocated functions would be heavy fleet users. Moving those portions of the MCSO located at the Hansen Building would seem the most logical to me and I believe that the Hansen Building and Hanson Fleet Shop property is one of the most valuable and marketable properties in the County's building portfolio.
 - While I have not recently studied the advantages and disadvantages of adjusting the space needs of Central Stores and the feasibility of moving them, I believe that there is good potential to accommodate Central Stores at Yeon in the warehouse and part of the shop space. I recommend that this be studied by County staff.
 - Encourage more outside agency fleet work. The Portland Public Schools and recent experiences providing repair and maintenance services to the State DAS Fleet are examples of how this work can be grown. These partnerships serve the other agencies well; more fully utilize County shops, and spread part of County facility costs to other agencies. Discussions by the elected leaders of Multnomah County with their counterparts in other local governments could help in that effort.

- Change the Fleet Maintenance staffing to reduce the amount of non-billable staff costs in the shop rate. While there are a number of approaches to accomplishing this idea, I believe that the mechanic staff count has shrunk enough to consider consolidating the Fleet Maintenance Supervisor, the lead portion of the Equipment Mechanic III's and potentially some clerical staff into a single Service Writer/Dispatcher type of position. There would be a number of issues that would have to be considered before deciding what method of reducing the non-billable staff costs should be implemented. This change would support Coraggio's recommendation related to "Increased management span of control....."
- Another more ambitious alternative to increase Yeon Shop utilization and potentially management's span of control would be the creation of an Operations and Maintenance Division that could include FREDS, Facilities Managements' trades and dispatch group, and road maintenance primarily located at the Yeon Shops. A similar organization existed when I started at the County in 1976. At that time, the asset management functions were performed in other organizations, (Fleet Management, Facilities Management, and Road Engineering). Advantages of this type of organization include: it would contains all (I think) of the County's "blue collar" functions improving labor contract development and compliance; it could make all of these services available to outside agencies potentially spreading the costs of County overhead and reducing the costs of our partners; increasing the utilization of the Yeon Shops; and allow the development of an organization with improved management span of control. Again this would have the potential to implement the Coraggio Report's strategies related to space utilization and span of control. It could be implemented within the existing departmental organization structure or a new one that might be implemented.

Fleet Utilization

The Corragio report states: *"The County's Fleet division should establish an overall plan to increase the utilization of its fleet vehicles. Specifically, the division should establish immediate actions to increase the minimum annual fleet mileage to 6,000 miles per vehicle, in conformance with County policy FLT-1."* (Italics added) I agree that compliance with the 6000 miles per year standard would be good. There was a significant effort for a few years after the development of FLT-1 to gain compliance with this standard. Many vehicles were eliminated, exemptions to the policy were made to address high use (time)/ low mile or specially equipped vehicles (i.e. cage cars).

This effort carried on for a few years with County departments collecting data, sending it to Fleet for review, and vehicles being cut from the fleet. It was decided (by me) after a few years of departmental reporting and Fleet Service review of the data, that the countywide effort which had produced significant results for a few years had reached the point where the utilization increases could no longer justify the amount of County staff time expended on the data gathering and upkeep. It may (or may not) be time to renew the data gathering effort to see if things have changed enough to be of benefit. This could best be decided by current staff based on workload and potential of savings.

One of the most important things to remember about County vehicles is that they are basically just another tool required for County staff to get the County's work done. If the tool is not available, the work cannot get done. (I thought about this concept a lot recently as I remodeled a vacation house, sometimes I had the tool available and other times the tool was at our primary home and the work could not get done.) The size of the County's fleet includes loaner vehicles, motor pool vehicles, and assigned vehicles at a variety of locations. Ensuring that there are sufficient vehicles available at the right locations allows the County's direct service staff to get their jobs done. It is truly a balancing act to keep the size of the fleet meeting the needs of County staff without having excess vehicles. Fleet Services has attempted to economically meet this balancing act in part by using "reserve" vehicles (vehicles that have been replaced, but retained).

Fleet Ownership

While the Corragio report does not recommend a change in fleet ownership at this point, I need to comment on the report's table comparing County Ownership with a lease model. While I did not attempt to verify the data, I did notice what I believe is a significant mistake.

The data in the table shows the County's costs for a group of heavy duty Facilities Management cargo vans and the lease cost for what I assume are comparable vehicles. I noticed that the lease mileage charge was significantly lower than the County costs for those vehicles. The lease mileage charge is \$.089 per mile. Since the cost of fuel is currently at least \$3.00 per gallon and these heavy duty vehicles would get less than 15 miles per gallon, the cost for fuel would be at least \$.20 per mile. This means to me that fuel is not included in the lease's \$.089 cost per mile side of the comparison, but it is included in the County costs side of the comparison. The result is an understating of the lease side of the comparison by about \$7833 (@\$.20 per mile for fuel) or four times the identified savings. **This is, in my mind, another example of comparing apples and watermelons, like the comparison of County fleet administration and maintenance costs to the outsourced costs of maintenance only.**

Motor Pool

Background

The Multnomah County Motor Pool is, I believe, the largest public or private car-sharing program in the region and perhaps the State providing 786 County drivers with 14291 vehicle trips totaling 440931 miles in FY10. It serves a variety of functions, but primarily it is tasked with supplying vehicles on an hourly use basis to County staff to allow them to do their jobs. It also serves as a method of: reducing private vehicle commuting; reducing parking demand in Downtown and near the Multnomah Building; and reducing the number of assigned County vehicles. The Motor Pool staff also manages the paid parking at the downtown lot. They transport assigned vehicles, dropped off at the lot by program staff, to the County shops for repair or maintenance and provide loaner vehicles to save the program staff from non-productive transport time. To keep costs down, it uses a combination of replacement eligible vehicles, reserve vehicles, and occasionally rental vehicles to ensure vehicle availability for County staff to get their jobs done.

Unlike a car-providing business (rental or car-share) whose primary goal is to maximize the use of each vehicle, the County Motor Pools primary goal is to ensure that transportation is available to allow County employees to do their jobs. As mentioned before the car is a necessary tool required by many employees to get their direct service jobs done.

The Downtown Motor Pool and the Multnomah Building motor pool are the higher use motor pools and designed for frequent short-term vehicle use. The Yeon and Blanchard pools were established as a means of reducing the need for some low use assigned vehicles at those locations and resulted in the reduction of assigned vehicles at both locations.

To provide transportation for its employees to get their jobs done efficiently, the County uses a mix of public transportation, assigned vehicles, motor pools, and mileage reimbursement for the business use of employee vehicles. The type of transportation utilized depends on a number of factors that vary based on employee work type, location of work, frequency of use, and amount of use. Motor pools are best used for locations with significant numbers of employees who have the need for frequent short-term use. Assigned vehicles are best used at locations that do not have access to motor pools or have specific vehicle needs. Mileage reimbursement is best used as backup to locations with very limited numbers of assigned vehicles and for field workers that can increase their productive time by driving between home and their first or last stop in the field. Having the right balance between transportation alternatives is a good way to keep the overall costs of to the County the most efficient.

Review

My review of the motor pool section of the report is complicated by the fact that I could not identify the backup for the statement on page 23 that the motor pool "...total approximate cost is \$585K." This does not allow a complete review of Coraggio's motor pool recommendations, but the following information leads me to believe that the \$585K is an overstated number and worthy of additional County staff research prior to any type of implementation planning.

Using the County Fleet Services data, I was able to derive the County's motor pool costs from the "Overhead Calculation FY11 110609" workbook, "Overhead Calc FY10 Bdgt 102908" worksheet which show the **costs** to be: Parking/Motor Pool Overhead - \$182,796; vehicle expenses from the Cost Maintenance report (plus fuel from MPRentals – \$113,453 including loaner pool; and replacement charges for motor pool vehicles (all locations) - \$49,498 (from FBud10, no Loaner Pool & no Yeon shuttle). This total cost of \$345,747 is offset by \$83,898 of parking revenue from the motor pool lot. The result is a net cost of the Motor Pool/Parking/Loaner Pool of \$261,849 or less than ½ of the \$585,000 referred to as the total cost of motor pool vehicles. The parking revenue is included as an offset because the lot attendants staff that parking, as well as the motor pool. Significantly fewer spots could be rented without the attendants because they move vehicles to unblock parkers allowing for much denser parking than could be accomplished in an unattended parking lot.

The only information that I have on the Coraggio methodology is on the outsource model and the sheet provided by Coraggio, "Downtown Motor Pool Vehicle Comparison". This sheet again indicates, in my opinion, the lack of understanding of the County system by Coraggio and a resulting comparison of apples to watermelons. The chart attempts to compare the County costs to an outsourced model and indicates that the Outsourced model saves \$749.32 per year per vehicle. There are a couple of basic flaws with the approach used.

First, they compare the fleet administration, maintenance, and fuel charges of an assigned vehicle to an outsourced maintenance only model excluding fleet administration and fuel. I conclude this based on the inclusion on the County side of the comparison of the fleet administration monthly charge and the \$.25 per mile mileage charge which includes fuel. The outsourced model mileage rate is \$.085 (\$764.14 mileage charges / 8990 miles). I don't know where this number comes from since one of their outsourced models shows a \$.09 per mile maintenance cost and the other uses a \$.089 mileage charge for maintenance. While I don't know the County's current fuel costs or miles per gallon, conservatively assuming \$3.00 per mile and 25 miles per gallon, the fuel cost would be \$.12 per mile. The fuel is clearly not included in the outsourced mileage charge of \$.085.

Adjusting the report's stated "savings" for the addition of fuel (\$1078.80 at the above assumed rate and the 8990 miles included in the Coraggio example) would make the "savings" change from a reduction of \$749.32 per vehicle to an increase in County costs of \$329.60 per vehicle. If you were to also add the \$816 per vehicle charged for fleet administration that is not included in the outsourced side of the comparison, the stated savings of \$749.32 would change to an increase in County costs of \$1145.60 per vehicle. An apples to apples comparison reveals an \$1145.60 increase in costs per vehicle of the outsourced model over what is described as the County's motor pool model. **This represents an error, in my opinion, of \$1894.92 (\$1078.80 fuel + \$816 fleet administration) per vehicle.**

The **second** basic flaw included in this table is the use of **assigned** vehicle charges (**prices**) rather than actual motor pool **costs**. The actual costs of various components of the fleet system (assigned vehicles, motor pool, parking, etc.) are used to develop pricing for those components. The pricing model is based on a variety of incentives and disincentives intended to promote some County policies. A thorough review of these policies and the methods used to promote them would require more additional research than is required for my review.

The ZipCar and rental car example included in the report shows that Coraggio believes the total cost of replacing the motor pools under the outsourced model would be \$449,060 per year (year 1) and \$430,585 annually thereafter. (It also notes that their analysis assumes all motor pools would have access to ZipCar. I think that this

is an inaccurate assumption.) The report also states that the annual savings would be \$135K. **The savings is based on Coraggio's stated current County Cost for the Motor Pools of \$585,000. Again, I do not know how this current cost is calculated.** The County should review the Coraggio backup information to try to identify how this current County cost was estimated.

My calculation described above shows a current County cost of \$261,849 or \$187,211 less than their outsourced example. Since the County Motor Pools charge \$5 per hour and the ZipCar service charges \$7 per hour, it is logical that the County cost would be lower than ZipCar.

Coraggio's motor pool analysis appears very detailed and using a mix of rentals and ZipCar is a reasonable approach to outsourcing the motor pool. The outsource model includes 2,353 days of non-ZipCar "Car Rental" days or over 9 rental cars per day.

Prior to any implementation planning, it will be important to verify that there is a savings from outsourcing. I could not verify a savings and believe that the outsourced model is significantly more expensive. I would also suggest that any implementation planning include a thorough review of ZipCar's locations and vehicle count, I do not believe that they currently have the capacity to serve the County's high demand for vehicles. I would also suggest that the implementation team closely review the ZipCar or any other alternative's reservation and late return policies. While I have not looked into this lately, I know that other governments have been surprised at the impact of late fees and individual drivers began overestimating their reservation time to avoid late fees. The over-reserving and late fees can have significant cost impacts.

Alternative Recommendation

I would recommend keeping the motor pools, at least Downtown and the Multnomah Building Pool. The costs and benefits of the Blanchard and Yeon pools may suggest other alternatives, but I have not reviewed the data on this.

I would also suggest that an alternative site for the Downtown Motor Pool be explored, so that the current lot can be used for a higher and better use. I would suggest using a long-term lease of the existing downtown lot to generate ongoing revenue rather than selling the property and using the funds for one-time-only project or to deal with a short-term revenue issue.

I would also recommend that the County departments do periodic reviews of their mileage reimbursement expenses and fleet expenses to ensure that the mix of mileage reimbursement, motor pool vehicles, and assigned vehicles meet their need for employee transportation at the lowest overall cost to the County.

Fleet Services Conclusions

My review indicates that there are some significant issues with the Coraggio analysis as reflected in the report. These issues lead to Coraggio recommendations that I believe will significantly increase the County costs. The following are a listing of significant points.

Outsourcing Fleet Maintenance

While total costs could not be calculated, Table I shows that rather than saving \$714,936 per year by outsourcing Fleet Maintenance, the County would spend at least \$514,378 more than it currently spends using the outsource model. Based on these costs:

- I recommend against outsourcing fleet maintenance;
- I recommend continuing to provide and increasing services to other agencies;
- I recommend increased utilization of the Yeon Shops facilities;
- I recommend reducing the non-billable staff costs included in the Shop Rate by consolidating positions;

- I recommend considering an operations and maintenance type of organization as suggested above increasing facility utilization and improving span of control.

Fleet Utilization

I agree with the Coraggio recommendation to review fleet utilization, but the goal should be focused on direct service staff efficiency (how to get the most production from employees) rather than on vehicle reductions. I think periodic reviews should be performed, but balanced with the amount of staff effort required.

Motor Pool

I am disappointed that backup information was not available to identify how Coraggio estimated the County's current motor pool costs, but believe that the information available clearly shows that maintaining a motor pool function in-house is the more cost effective model. Based on the information and review described above:

- I recommend maintaining the Downtown Motor Pool (perhaps at a new location) and the Multnomah Building pool;
- I recommend reviewing the effectiveness and need for the Blanchard and Yeon pools; and
- I would recommend an analysis of the benefits of leasing out the downtown motor pool lot rather than selling it.

In this report there are a series of recommendations of items that should be considered during any implementation planning that is undertaken. I have not made a separate list of these items, since the rationale for them is best kept in context. The tasks included in the attached document, "Fleet Related Administrative Tasks" could be useful as part of the implementation planning.