The Corporation of the

Municipality of Arran-Elderslie

Staff Report

Council Meeting Date: February 13, 2023

Subject: SRW.23.03 Municipal Fleet Review

Report from: Scott McLeod, Public Works Manager

Appendices: Schedule A – Mileage Details
Schedule B – Fleet Details
Schedule C – 3 Year Purchase vs Lease
Schedule D – Annual costs of proposed replacement schedule
Schedule E – August 8, 2022 Enterprise Council Presentation

Recommendation

Be It Resolved that Council hereby,

1. Direct Staff to continue with the current practice of acquiring municipal vehicles through future purchase rather than leasing in accordance with municipal procurement policy; and
2. Continue to budget for these purchases as required in the annual Capital Budget process.

Report Summary

The intent of this report is to provide comparable details regarding the purchase and lease of municipal vehicles.

Background

In 2022, Enterprise Fleet Management made a presentation to Council regarding their vehicle leasing program. At that time, Council requested that Staff undertake a comprehensive review of Municipal fleet and report back with comparable details regarding the two (2) options.

Currently, the Municipality fully purchases all vehicles in accordance with municipal procurement policy. There are 21 vehicles licensed and operational at this time ranging in age from new to 30 years old. Heavy vehicles and equipment have not been included in this comparison.

Analysis

Staff made several considerations when undertaking this analysis. To assist with highlighting the comparisons, five (5) schedules have been attached with the following details:

Schedule A – This schedule provides a 5-year snapshot of the mileage travelled by each vehicle, broken down by department.

Schedule B – This schedule provides the following details for the current fleet:

- Year
- Age
- Description
- Department
- Purchase Cost
- Mileage at December 2022 and 2021
- Annual Mileage
- Maintenance since 2016

Schedule C – This schedule provides the 3-year cost of three recently purchased vehicles compared to the 3-year lease costs for three similar vehicles.

Schedule D – This schedule provides the annual cost outlay required by the proposed fleet replacement schedule provided by Enterprise as compared to the current fleet costs over time.

Schedule E – This is the presentation that was provided to Council in August of 2022. All of the lease figures used have been drawn from this report.

The key factors associated has been considered individually.

Fuel

The municipal fuel budget includes gasoline, dyed diesel and clear diesel.

In 2022, the total fuel cost was $299,724.86 with only 17% of that being gasoline. When vehicles are properly maintained, fuel mileage is only mildly affected with age. The following comparison is provided for illustrative purchases. Based on these figures, by switching the entire fleet of 21 vehicles to a 2022 Chevrolet Silverado from a 2005 Silverado, fuel savings of $8,477.85 would be realized annually.

Maintenance

Maintenance costs have been tracked for each fleet vehicle and piece of equipment since 2016. **Schedule B** shows the total maintenance costs for each vehicle since 2016 as well as the average over the past 7 years. These include all costs associated with the vehicles, excluding fuel. It is important to note that this includes decals and stickering, emergency lighting, radios and other specialized equipment that must be installed on or in each vehicle.

It illustrates that the maintenance costs of the municipal fleet are minor in nature with the average per KM being low at $.06 cents. In both situations, purchase and leasing, maintenance costs will be incurred. However, in the leasing scenario, costs to install the decals, emergency lighting, radios and other specialized equipment would be incurred each time leased vehicles are upgraded.

Staff reached out to Enterprise to enquire how this would be addressed however, at the time of this report, a response was still pending.

Departmental Need

Each department has a varying need to have a vehicle at its disposal. These needs also vary based on the season. The Recreation Department typically uses its vehicles the most during the summer months to travel between the various parks and facilities to perform landscaping and maintenance activities. In the winter time, most work is performed within the community centres and travel is limited, if required at all. Across all departments, the demand for vehicles increases in the summertime when students are brought in to assist with grass cutting and other maintenance. Additional vehicles are needed to transport staff from site to site.

Schedule A shows the 5 Year Annual Mileage by department. You will see that the Recreation Department incurs very low kilometers annually and some of those kilometers are shared use with the Works Department, which has utilized one of the Rec pickups for winter patrol purposes in the past. Each of these vehicles have served another department prior to arriving in the Recreation

Department. Historically, when new vehicles are purchased to replace more heavily used vehicles, the older vehicle is moved to a lower use area.

Schedule B shows the purchase cost and mileage current to December 2022 for the entire fleet.

The total cost for the three Recreation vehicles, AE06, AE3 and W4 was $86,620.52 and together they have travelled 784247 kms. The cost per KM for these vehicles has been .11 cents.

The presentation by Enterprise indicated that a 36-month lease would cost $1370.65 per month, a total of $49,343.40. Assuming the annual mileage remains the same for the Rec department at 25862.4 kms per year, that is a cost per KM for three vehicles of $1.91.

These scenarios do not account for fuel costs or maintenance however, the fuel and maintenance costs could certainly be accommodated with the funds saved by the outright purchase.

Insurance

Staff reached out to the municipal insurance broker to inquire as to whether or not there would be any insurance implications by moving to a leasing model.

Intact confirmed that there could potentially be premium increases related to the newer age of the municipal fleet as opposed to the current age of vehicles. However, simple leased vs owned does not affect premiums, only who a total loss would be payable to.

Minor and Major Damages

Municipal vehicles are used in a varying degree of situations all of which come with risks. Minor scratches, dents and other defects are bound to occur to vehicles from time to time. These could potentially affect the costs associated with the lease.

There is also the risk of a major incident resulting in damage that requires major repairs. These types of damages negatively affect the vehicle report and could have a major impact on the end of term factors for a leased vehicle.

Staff reached out to Enterprise to obtain information of how these scenarios would be addressed however, at the time of this report, a response was still pending.

Other Factors to Consider

1 Ton Trucks

These trucks are purchased as a truck chassis and the dump box is then tendered as a separate item to be manufactured and installed. The cost of this is typically about 50% of the vehicle cost. In 2022, the actual cost of the dump box on CH22 was $17,970.11. Although there may be some possibility to move the box from one vehicle to another, as body style change year to year, some modifications would be needed to ensure the box is properly fitted. This would come at an additional expense to the Municipality. A response from Enterprise is pending on whether there would be implications associated with this modification in a lease scenario.

Mileage

All of our vehicles drive a varying number of kilometers annually. Due to patrol requirements for the roads department, there may be overages in the mileage. For the water department, the mileages may be unpredictable year to year as they would be dependent on the number of emergencies and callouts that take place in a year. Unpredictable factors such as the weather effect all of these situations. On the other hand, other vehicles may incur extremely low mileage and would not justify the annual lease commitment for a vehicle that may sit for a large number of days each year.

Apportioning Vehicles to Need

As noted previously, the Municipality has historically moved the older vehicles to areas that do not require vehicles on a daily basis but the need to have a vehicle at the department's disposal is still necessary. If the fleet was transitioned over to a fully leased fleet, eventually there would be no older vehicles to move to underutilized areas.

Conclusion

Trucks and smaller vehicles make up only 42% of the municipal fleet. Many of the largest expenses, including fuel and maintenance are in the heavy equipment portion of the fleet. Heavy Equipment is vital to the operation of the municipality and encompasses snowplows, loaders, dump trucks, sanders, graders, backhoes. Also included in the fleet is all lawnmowers, tractors, trailers and Zambonis. Although it may seem desirable to have newer vehicles, the higher outlay of expenses could be better invested into our heavy equipment and other important fleet needs that encompass the other 58%. Pickup trucks and cars are used for transporting people from point A to point B however, the rest of the fleet is required to ensure that all of our municipal assets are kept in the best shape and in accordance with legislated requirements.

Link to Strategic/Master Plan

6.4 Leading Financial Management

Financial Impacts/Source of Funding/Link to Procurement Policy

The financial impacts are explored in the attachments to this report.

Staff used a cost per KM approach when assessing both options. Actual data available regarding the fleet was used to provide a more accurate comparison.

The cost per KM to purchase three vehicles outright is $1.27. The cost per KM to lease three vehicles is $1.37. There is a cost savings of .10 cents per KM by purchasing.

The cost per KM for the current fleet which has all been purchased outright is $0.20 cent per KM.

The maintenance costs per KM for the current fleet have been $0.06 cents per KM on average.

As noted above, the gasoline costs for the municipal fleet are minor and only account for 17% of the budget. The Municipality currently purchases gas in bulk at a discounted rate for the Arran Shop and Tara Water/Sewer uses this source as well. The municipality also has an ESSO fleet account to realize some cost per litre savings.

The presentation made by Enterprise proposed transitioning 12 vehicles to the leasing model in year one. Based on the cost provided, this would cost a total of $376,393.16 plus fuel and maintenance for the first 36-month term. To maintain ownership of these vehicles, the Municipality would be required to purchase them at an additional cost.

Schedule D provides an illustration of the annual costs of the proposed fleet replacement schedule compared to the costs of our current fleet over time.

For illustrative purposes, the cost to purchase two large fleet equipment pieces has been provided below.

2018 CAT Grader – Purchased for $460,260.26 in 2018

2020 Tandem Plow Truck – Purchased for $278,605.90 in 2020.

Approved by: Sylvia Kirkwood, Chief Administrative Officer