Fleet Management Performance Audit: The City's Central Fleet Services Operation Has Pillars of a Strong Fleet Program, However Improvements Can Be Made to Enhance Various Services

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Audit Performed by
Matrix Consulting Group

Fleet Management Performance Audit: The City's Central Fleet Services Operation Has Pillars of a Strong Fleet Program, However Improvements Can Be Made to Enhance Various Services

LONG BEACH CITY AUDITOR
LAURA DOUD

Report Summary

Why This Audit Is Important

The City of Long Beach's (City) central fleet operation within the Fleet Services Bureau (Fleet Services) of the Financial Management Department provides key vehicle and equipment services to most City departments (excluding Harbor and Water) to help them deliver programs to Long Beach residents. Fleet Services provides vehicle and equipment purchasing, preventative maintenance, unscheduled repairs, and fueling services for over 2,000 vehicles and equipment. Fleet assets are critical to City operations, for example, police patrol cars, ambulances, and street sweepers all help keep Long Beach safe and clean.

Audit Objective

The audit assessed the fleet operation against best practices across multiple areas: vehicle utilization, take-home vehicles, replacement planning, funding approach, maintenance and support staffing positions, and information system capabilities. The audit was performed by Matrix Consulting Group on behalf of the City Auditor's Office.

Acknowledgement

We thank management and staff at Fleet Services as well as user departments for their collaboration, assistance, and cooperation during this audit.

What Was Found

The audit found that the Fleet Services operation is aligned with industry best practices. The award-winning Fleet Services operation has all the pillars of a strong fleet program, including a robust policy framework, a solid asset management plan, a capable fleet information system, and dedicated staff. However, the audit did identify improvements, including capitalizing on the potential immediate savings of nearly $550,000 from eliminating or replacing vehicles based on utilization, purchasing a system to manage the motor pool, increasing mechanic staffing, and addressing the gap in staffing for data analytics.

What Was Recommended

Recommendations were made in six key areas, including:

- Governance: Reinstate a Fleet Steering Committee, develop a Driver's Handbook, and revise the application of the take-home vehicle policy
- Utilization: Encourage user departments to strictly apply utilization guidelines, enhance trailer equipment tracking, and implement a motor pool management software
- Replacement Plan: Ensure replacement funds are increased to account for vehicles being replaced where there are no grant funds, and create replacement funds for donated or grant vehicles that are essential to City operations
- Maintenance: Review number of mechanics with their salaries and bonuses, and reinstate a mechanic training plan
- Rates: Enhance transparency on mechanics rates
- Information Technology: Consider hiring a full-time fleet analyst, and add industry benchmarks to the monthly Key Performance Indicator report

Final Audit Report

CITY OF LONG BEACH FLEET SERVICES BUREAU (FSB), CA

April 15, 2022

matrix consulting group

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1 Introduction and Executive Summary

Matrix Consulting Group was engaged to conduct an audit of the Fleet Services Bureau (FSB), Harbor Department and Water Department at the City of Long Beach. This report covers the FSB and separate reports cover Harbor and Water. Between December 2021 and April 2022, Matrix collected and analyzed pertinent data and interviewed stakeholders in support of this audit.

1. Introduction and Scope

The Long Beach City Auditor's Office engaged Matrix Consulting Group to conduct a performance audit on their fleet operations across the three departments. This performance audit involves seven objectives:

- Assess vehicle utilization by department and asset type.
- Determine the effectiveness of current utilization guidelines.
- Evaluate the reasonableness of take-home vehicle policies and practices.
- Determine the adequacy of maintenance and support positions.
- Assess the effectiveness of the replacement plan including lifecycles, budget, and guidelines.
- Review funding approach and chargeback system adequacy.
- Evaluate Fleet Management Information System capabilities and data usage.

2. Study Methodology

The methodology employed in this audit involved analyzing and comparing FSB fleet data to a series of industry norms or best practices. These industry norms are derived from industry associations such as the American Public Works Association (APWA) and NAFA Fleet Management Association, as well as the project team's experience working with hundreds of government jurisdictions. The study approach also included:

- Collection of basic data on the City's fleet including asset type, assigned department, acquisition date, meter reading, and maintenance and replacement costs.

- Development of statistics on fleet operations such as historical utilization for fleet assets, average age, replacement funding, compliance with maintenance inspections, downtime, etc.

- Assessment of fleet service practices and comparison to industry best management practices in the areas of governance, utilization, replacement planning, maintenance, rates, and technology.
- Assessment of fleet utilization.
- Development of interim, draft and final reports.

This represents the final audit report for the City's FSB organization.

3. FSB Profile

FSB is located within the Department of Financial Management. FSB is the central entity responsible for citywide (except Harbor and Water Departments) fleet services. FSB's customers are the City Departments that they serve. As the entity responsible for fleet services, FSB provides vehicle and equipment acquisitions, preventative maintenance, unscheduled repair, and fueling services to City Departments so they can deliver services to the residents of Long Beach. FSB manages 2,268 vehicles and equipment. FSB has approximately 120 employees. The first table shows all active vehicles and equipment within FSB. The inventory is displayed by vehicle classification type and count.

Class Type	Count	Class Type	Count	Class Type	Count
Sedan	339	Sweeper	24	Boat Patrol	6
Truck Light Duty	323	Truck Heavy Duty	20	Refuse Roll-off	6
SUV	278	Air Compressor	19	Patrol Responders	5
Truck Med Duty	226	Equipment Heavy Duty	19	Tanker	5
Trailer	135	Van Medium Duty	17	Manlift	4
Generator	96	Equipment MISC	16	Mower Heavy Duty	4
Pump Station	67	Trailer Boat	16	Refuse Front Loader	3
Van Light Duty	56	Equipment Med Duty	14	Stump Cutter	3
Equipment Light Duty	53	Command Unit	12	Trailer Heavy Duty	3
Refuse Rear Loader	50	Rescue	10	Auxiliary Engine	2
Patrol SUV	45	Steam Cleaner	10	Bus Light Duty	2
Pumper	37	Boat	9	Helicopter	2
ATV	34	Tow Truck Med Duty	9	Patrol Sedan	2
Motorcycle	34	Boat Inflatable	8	Refuse Scout Truck	2
Cart	31	Sweeper/Vacuum Truck	8	Sprayer	2
Refuse Side Loader	30	Welder	8	Mower Light Duty	1
Trailer Enclosed	29	Truck Welding	7	Refuse Side Dump	1
Aerial	26	Van Heavy Duty	7	Street Flusher	1

Class Type	Count	Class Type	Count	Class Type	Count
Ambulance	25	Water Craft	7	Street Paint Truck	1
Boat Fire	25	ATV Jeep	6	Truck Med Duty	1
Dump Truck	27				
Total					**2,268**

This fleet has a replacement value of $243,905,900. Operating expenses have averaged $34,764,112 per year over the past five years. The average annual replacement is 200 units for $13,324,429.

4. Key Findings and Recommendations

As an overall assessment, the fleet and maintenance services provided by FSB are aligned with industry best practice in almost every area. FSB has a top-notch facility and the layout and cleanliness reflect capable leadership at all levels. The four pillars of a strong fleet program are a capable fleet information management system, a robust policy framework, a solid asset management plan, and dedicated staff, all of which are in evidence at the award-winning City of Long Beach fleet.

The focus of this report is on the changes necessary to improve performance or operations. A summary of the recommendations from each chapter of this report grouped by functional area follows.

Governance

Governance involves the organization and policies that create an efficient fleet organization. FSB can improve in this area by reinstating meetings of a Fleet Steering Committee, developing a Driver's Handbook, and tightening up the application of the take-home vehicle policy with information specific to the driver. Relevant content can be pulled from existing Administrative Regulations (ARs) and copies of the handbook should be kept in every vehicle.

Utilization

Annual utilization reviews are used by FSB to ensure that the fleet is the right size and composition to support operations. Improvements in this area would include encouraging user departments to strictly apply utilization guidelines, reviewing COVID-imposed allowances, and enhancing trailer tracking. FSB should continue to prioritize electric conversion where possible. Pool management software would help refine the location and composition of vehicle pools.

Replacement Plan

FSB has a long-term replacement plan that is effectively tracked and implemented. An area for improvement is to ensure replacement funds are increased to account for vehicles being replaced with an electric alternative where grant funds are not forthcoming. In addition, replacement funds should be created for donated or grant vehicles that are essential to City operations.

Maintenance

The shop is staffed with 31 Equipment Mechanics (EMs) and 11 Garage Service Attendants. Recruitment and retention of mechanics is an issue, and the City should review mechanic salaries and Automotive Service Excellence (ASE) bonuses. They should also reinstate the (pandemic-suspended) mechanic training plan and ensure all mechanics get 40 hours of training annually.

Rates

The rates in place to recover fleet operating and capital replacement costs are transparent and fair. FSB could enhance transparency to its customers departments by making the rates charged by different mechanics known. It would also be beneficial to establish a reserve for the fleet internal service fund.

Information Technology

FSB has a best-in-class Fleet Information Management System (FIMS) and excellent deployment of GPS. With a depth of information available, FSB could benefit from a full-time fleet analyst with a high level of training on the FIMS. They could also add common industry benchmarks to the monthly Key Performance Indicator (KPI) report.

2 Audit Checklist

As requested in the Request for Proposal (RFP), recommendations have been made in the following areas:

- Organization and policies
- Take-Home Vehicles
- Utilization guidelines
- Replacement planning
- Maintenance staffing
- Rates/funds
- Fleet Management Information Systems

Each of the topics is addressed in the summary best practices table and further details follow in subsequent chapters on each subject. The best practice in each area is stated, in column one and assessed in the middle column. The right column describes the practice at the city. A ✓ indicates that the city complies with best practice and a ~ indicates partial compliance with room for improvement. No mark in the column means that the practice is not met. Criteria with this rating are discussed in the narrative that follows each section.

3 Governance

Fleet governance includes the organization, reporting structures and policy framework. Fleet operations are normally more efficient when they are centralized as management functions do not have to be replicated for separate organizations. A common Fleet Information Management System can ensure that there is a single repository for all fleet data. Best practice fleets communicate regularly with their customers and have a robust policy framework to facilitate decision making.

The following table shows how FSB compares to best practices in fleet governance.

	Criteria	Meets	Comment
1.	Fleet program is centralized to capture economies of scale.	✓	The FSB is the central authority for fleet for the City of Long Beach (excluding Harbor and Water). It operates a main shop (which does 75% of the work) and six satellites for the police and beach vehicles.
2.	There is a Fleet Steering Committee with representatives from all customers who meet regularly to discuss fleet issues including vehicle replacement and safety.		A Fleet Steering Committee was used in the past but was discontinued.
3.	A Fleet Policy Manual is in place that defines program objectives, responsibilities, and service standards.	✓	The City has extensive Policies and Standard Operating Procedures in place for every aspect of fleet management.
4.	A Driver's Handbook outlines key driver responsibilities and drivers sign to acknowledge compliance annually.		There is no one place for Driver Handbook information. Some relevant information is in the administrative directive, and some information is in Human Resource directives.
5.	Service level agreements (SLAs) are in place to ensure that the fleet organization and its customers are working in a collaborative manner.	✓	Memorandums of Understanding (MOUs) with smaller departments and SLAs with larger ones are in place and cover the responsibilities of all parties, and billing.

Criteria	Meets	Comment
6. Annual surveys are conducted to assess customer satisfaction.	✓	Regular customer meetings with all customers are held. Meetings with large customers (police and fire) are held every two months and meetings with small customers are once per year. In addition, customer surveys are done twice a year via a tablet online with five questions.
7. Take-Home Vehicle Policies are reasonable, communicated and understood.	✓	The policy requires supervisor sign-off (unless certain exceptions are sought). Most approvals are due to emergency or on-duty response requirements. Many exceptions are made to the policy. Further allowances were made during COVID where certain employees could bring vehicles home and go directly to job sites to avoid meeting with other employees at central office locations.
8. Departments ensure that take-home vehicles are not used for personal use.	~	The policy is clear on this. No formal verification is done and spot checks could be helpful in ensuring the policy is followed.
9. The approval process for Take-Home vehicles is reasonable, communicated and followed.	✓	There is a process in place that requires the completion of a detailed form and sign-off by the supervisor.
10. A list is maintained of all approved Take-Home vehicles and reviewed annually.	✓	FSB has a register of employees authorized to take vehicles home and the daily mileage involved.
11. Employee tax implications of Take-Home Vehicles are communicated.	✓	Administrative Regulation 4-2 describes the tax implications of take-home vehicles.

The following points discuss our findings and recommendations related to governance of the City's fleet operation.

1. Fleet Steering Committee (FSC) (BP 2)

An FSC is a valuable tool to ensure that fleet customers are heard, and FSB priorities and plans are communicated. Specific functions of an FSC include:

- Replacement planning - Review the annual replacement plan and discuss any changes or issues.
- Sustainable conversion - Discuss opportunities for Electric Vehicle conversion.

- Safety - Review accident statistics and primary causes.
- Maintenance concerns - Discuss issues of concern to all customers.
- Rates and fund - Present current rates and any changes or concerns about the fund balance.

Most importantly, the use of a FSC ensures that customers designate a representative who can talk knowledgeably about fleet. That representative should be familiar with the inventory, vehicle utilization, condition, safety concerns, budget and sustainable goals. During the utilization interviews, it was clear that several departments did not have a representative with this focus on fleet.

FSB does not currently have a committee but fulfills many of these functions in other ways. They meet regularly with each customer and have open conversations about vehicle replacement, specifications, rates, and ongoing maintenance. Customers, however, could benefit from interacting with other departments if a FSC was reinstated as an annual event.

2. Policy Framework (BP 4)

Municipal organizations benefit from a robust fleet policy framework comprised of a Fleet Policy Manual, a Driver's Handbook and Service Level Agreements (SLAs) with all customers.

The Policy Manual provides a reference for managers and staff to refer to as different situations arise and serves as a baseline for all employees to understand the mission, requirements, and constraints of the fleet management program. Without such a manual, departments are left to exercise their own judgment on a range of important fleet issues such as the type of vehicles that will be purchased, when vehicles will be replaced, and whether replaced vehicles are sold or kept in service to meet other program needs. This situation inevitably leads to wide variations in fleet conditions and practices among departments and limits the ability of the fleet manager to implement best management practices.

A Driver's Handbook is a supporting document that contains the information that needs to be readily available to drivers. It should include a signatory page indicating that a driver is aware of and will comply with its contents. Drivers should be required to review and sign the document annually, and their signature should also allow management to access their Motor Vehicle Record (MVR). Information in this document should include detailed instructions and requirements for pre- and post-trip inspections, service and fuel procedures, actions in case of collision and driver obligations to report all driving infractions on a timely basis.

The third element of a robust policy framework, SLAs, are written agreements between FSB and each of their customers that specify the responsibilities of each party. In a typical SLA, Fleet may be responsible to ensure a specific availability of vehicles, accomplish repairs in a specified timeframe and have final sign-off on vehicle acquisitions. Each fleet customer, on the other hand, will be responsible to make vehicles available for scheduled preventative maintenance, keep vehicles in a clean state, and pay for at-fault vehicle collision repair or abuse.

The City has an extensive policy framework made up of a mixture of Administrative Regulations (ARs), procedural manuals and standard operating procedures (SOP)s. AR 4-5, entitled Operation, Acquisition, Maintenance, Retirement, and Refueling of Fleet Assets has most of the information typically found in a Fleet Management Manual. It also, however, contains some information that would be better communicated in a Driver's Handbook such as information on the payment of fines, fuel conservation and action on breakdowns. An employee signature is required as having read the document.

A second regulation, AR 37-1 is entitled Battery Electric Vehicle (BEV) and Infrastructure Policy. It describes the City's priorities for replacing existing vehicles with BEVs. The content is very pertinent and thorough with one exception. It states that there is currently no emergency charging plan and that one will be created at a later date. This plan should be added to the AR.

Additional fleet policies are included in the Vehicle Accident Reduction Policy. This document also has a mix of information, some of which is better suited to a Driver's Handbook. It describes the Department of Motor Vehicle driver record pull program and requires a sign off by all drivers. It has a very good section on accident investigation and classification.

Multiple SOPs cover vehicle acquisition, administration, fuel/underground storage tanks and maintenance. There is also a Geotab FAQ document, a Motor Pool User Agreement form and a Fleet Acquisition Desk Procedures Manual. SLAs and MOUs with all customers exist and have appropriate content.

The policy framework is very thorough but stakeholders, especially drivers, may have difficulty finding a specific piece of information amongst so many references. A separate handbook, designed specifically for drivers, can ensure important information such as the need for a daily trip inspection and what to do in case of an accident, is not missed.

3. Take-Home Vehicles (THVs) (BP 7 to 11)

Take-home vehicles can be very costly for a city if not tightly controlled. Best practices in the control of take-home vehicles include a reasonable policy and approval process that is consistently applied, limitations on the maximum commuting distances, maintenance and regular review of a register of approved employees and safeguards against personal use.

There is room for improvement in the approval process and tracking for the City. Currently, there is a detailed form that must be completed for an employee to become part of the THV program. The form asks for the following information:

- Employee name, number, department.
- Whether the THV is daily or rotates.
- If it rotates, who are the other employees involved?
- Commuting distances travelled.
- Special equipment, decals, etc. found on the vehicle.
- How many times each month the employee is called out. Proof or description of call-out is not required.

The form is signed by the employee and the immediate supervisor. In certain cases, additional approvals may be needed. The first is for a supervisor or manager who is called out less than ten times each month. The second is for anyone residing more than 22 miles from their work location. In these cases, Department Head or City Administrative Officer approval must be sought.

The policy clearly states that personal use of these vehicles is not permitted. The vehicles are all equipped with GPS, but the city does not do spot checks of vehicle locations to confirm compliance.

FSB has a register listing all THV approvals. They have analyzed the maintenance and fuel costs of the program to be in excess of $800,000. This does not account for the additional capital costs associated with lower remarketing revenue or early replacement due to the additional mileage.

The City of Long Beach is an expensive place to live and naturally employees live in surrounding communities that are less expensive. Organizations usually put a mileage

cap on take-home vehicles to avoid excess. This cap varies greatly by area but would not normally exceed 60 miles each way.

During COVID, exceptions were made to the policy in the interest of health and safety. One example is building inspectors who were permitted to take vehicles home to be able to report to their first work site every morning. This alleviated the requirement to report to their work office to get a vehicle and potentially be exposed to other employees. At the time of the utilization interviews, this practice was still in place.

There are alternatives to permitting THVs (for other than emergency response). The program could be replaced with a reimbursement program where approved on-call employees are reimbursed for using their personal vehicles for city business on the occasions they are called in.

Recommendations:

1. **Reinstate a Fleet Steering Committee to meet at least annually to emphasize the need for departments to appoint a dedicated fleet representative and to provide a forum for departments to share information on vehicle acquisition, safety, maintenance and sustainability.**

2. **Develop a Driver's Handbook with information specific to the driver. Relevant content can be pulled from existing Administrative Regulations (ARs) and copies of the handbook should be kept in every vehicle.**

3. **Create an emergency vehicle charging plan for AR 37-1.**

4. **Enhance the Take Home Vehicle (THV) policy by adding the requirement for applicants to provide proof of how many calls they respond to monthly. This information would also be helpful in developing a business case to compare the costs of employee reimbursement to THVs.**

5. **Enforce the stipulation that vehicles are not to be used for personal use by doing spot checks of vehicle locations through the GPS system.**

6. **Review any temporary arrangements made during COVID and ensure all THV meet the requirements of the policy.**

7. **Tighten up adherence to the policy by enforcing commuting mileage limits associated with Take-Home vehicles.**

8. **Conduct a business case analysis comparing the costs associated with take-home vehicles to that of the employee reimbursement program for non-emergency use vehicles.**

4 Utilization Guidelines

Utilization reviews call for organizations to have a mobility mindset. When a transportation requirement is identified, the default should not be to purchase an additional resource. Management and users should first ask whether that requirement can be met more efficiently by other means such as leasing, renting, public transportation, employee reimbursement or loaner pools. Vehicle ownership should be the last resort. Where ownership is the best option, care should be taken in matching the asset to the requirement in a way that promotes efficiency and sustainability.

Across the industry, vehicle utilization over the past two years has not been consistent. In some cases, vehicles were parked because staff was working from home, or had left the position and not been replaced. In other cases, utilization increased as employees could not travel together so had to each take a vehicle. Clarification on potential impacts of the pandemic on fleet utilization were sought through the interview process. Vehicles for which the end users stated that the pandemic altered utilization should be revisited before the end of the budget year.

The approach used to assess fleet utilization involved several steps. First, the average utilization for each vehicle classification was calculated. Next, a utilization threshold of 70% of the class average was established. Any vehicle falling below this threshold was a target for discussion. There are tables for each department showing the number of vehicles that fell below the 70% utilization threshold.

Once the target list was established, interviews were held with all departments to discuss fleet needs in general and units with relatively low usage in particular. In some cases, utilization was low due to the nature of how certain vehicles are used. For instance, some vehicles are stationed on campus-like stations such as the airport. In such cases, a unit may only show low daily mileage but the fact that the units are used daily means they would be considered highly utilized. Also, asset criticality must always be considered in studying emergency fleet utilization. A firetruck may be used only once a month, however, if it is the only asset of its type in the area, it is a critical asset and cannot be eliminated.

After the analysis and interviews with vehicle users, one of the following recommendations was made for each asset:

Retain	Keep current unit in service and replace according to a multi-year replacement plan based on optimum lifecycles.
Replace	Asset is overdue for replacement and should be replaced immediately.
Right-Type	The current asset is not the best or most economical for the job. It should be replaced with a different asset at the end of the current lifecycle.
Eliminate	Utilization does not justify retention of the asset. The asset should be sent to auction and not replaced.
Re-Examine Post-Covid	Review once normal operations resume.
Other	Other recommendations may include borrow, pool, rent or additional analysis.

Extensive interviews were held with all user departments regarding their use of their fleet assets. The summary which follows shows the total vehicles held by the department, how many fall under the 70% of average class utilization threshold, and how many were assigned to each category.

Department	Total Veh	Under	Retain	Repl	Right-Type	Elim	COVID Review	Other	Cost/ (Savings)
Airport	77	52	44	1	5	1	1	0	($38,000)
Disaster Preparedness	21	4	3	0	0	0	1	0	0
Development Services	66	46	40	0	1	4	1	0	($102,540)
Energy Resources	185	115	103	0	0	1	11	0	($86,800)
Financial Management	171	90	82	0	1	2	0	5	($194,000)
Fire	289	114	111	1	0	2	0	0	($58,654)
Health and Human Services	61	35	30	1	1	1	2	0	($41,037)
Police	707	224	193	7	1	0	23	0	$10,000
Parks, Rec and Marine	226	130	126	4	0	0	0	0	0
Public Works	449	124	111	0	0	1	9	3	($36,100)
Technology and Innovation	16	7	3	2	0	0	2	0	0
TOTAL	2,268	941	846	16	9	12	50	8	$547,000

The table reflects an immediate savings of $547,000 simply by not replacing these vehicles when due. This does not include resale of eliminated assets or capital and operating savings of not having to plan for asset replacement in the future.

The following table shows how FSB compares to best practices in fleet utilization.

Criteria	Meets	Comment
1. Asset utilization policies and guidelines are clearly defined to ensure that vehicles and equipment are allocated properly based on job requirements.	✓	Users must clearly substantiate the need for a vehicle based on job requirements. All vehicle procurement over $10,000 must go through FSB.
2. Processes are in place to capture utilization data from available sources and to validate and analyze the data. Annual utilization reviews are conducted, and vehicles are replaced, eliminated, pooled or rotated as needed.	✓	A study was done in 2014 (Management Partners) and cuts were made. Every two years, FSB does a complete analysis (SOP 3.1). Proposed cuts based on low utilization are made to City Management and need support to be implemented.
3. Motor Pool vehicles are available for occasional transportation needs. Motor Pools are located and managed to provide efficient service.	~	FSB has a motor pool. There are seldom times when they do not have a loaner available when needed and there are contracts for those vehicles they cannot provide. Several departments also have pooled vehicles for administrative use as the location of fleet vehicles is not always convenient. There is no pool management software in use.
4. Vehicles that are replaced are disposed of immediately.	✓	There are auctions every two weeks. FSB waits until there are enough vehicles (nine) to fill the hauler before sending them to the auction.
5. Fleet users are proactive in identifying vehicles with low utilization.		FSB sends utilization information to departments to ask them to give up lightly used vehicles and save money. This is not a priority for most departments.

1. Fleet Reductions (BP 5)

SOP 3.1 describes the process to be followed to identify and take action on vehicles with low utilization. Similar to the approach used by Matrix, FSB calculates average utilization by vehicle class. They then define utilization levels as follows:

- Severe - below 30% of average
- Medium Low Use - 50%-30% of average
- Low Use - less than 50% of average

- Medium Use - 50-80% of average
- High Use - over 80% of average

Odometer readings are captured automatically by the fuel management system and also by GPS.

FSB strictly follows this SOP and advises all user departments of their findings. Fleet reduction has not been the priority for city management or customer departments, except for the Police Department who eliminated more than 60 units in 2021, and a citywide review of the number and usage of electric carts, also completed in 2021.

The following issues associated with utilization were found during this audit:

COVID impacts. Departmental representatives frequently used the argument that vehicle utilization had been impacted by COVID and that its use should be re-evaluated once 'normal' working levels resume. This argument had some merit at the end of 2021 but should not be used to justify low utilization in 2022. Accordingly, all departments with vehicles in this category should be asked to provide justification for retention no later than September 1st, 2022. As mentioned in the last chapter, building inspectors have been taking vehicles home in order to proceed to work sites each morning without having to congregate at the office. This was implemented during COVID but should also cease.

Lack of meter readings. Hour/odometer reading were available for most vehicles and equipment. The usage of most trailers, however, is not being tracked. Trailer tracking is important to determine location, usage and opportunities to pool assets.

Vehicle not funded. There are vehicles with no replacement funds. This can be due to the fact that they were donated, or grant funded. If the future replacement of the asset cannot be assured through these means, and the asset is essential to support city operations, a replacement fund must be created.

Pool vehicles permanently assigned. Some organizations get around the requirement to establish a need for a vehicle by keeping a pool unit permanently. This is not the purpose of the pool. If a full-time need for a vehicle exists, organizations should follow the process to have one established.

Pool management. The number of City vehicles can be reduced by pooling assets where possible. Best practice for vehicle pools is that the right vehicles are available at the right locations at the right times. While multiple pools may be necessary to meet user needs, they should all be controlled centrally. Having different levels of pools results in fleet

creep. Pool software can assist in tracking pool use and adjusting pool composition. The current situation at the City is further described below.

Electric vehicle conversion. In compliance with the Administrative Regulation, FSB and users are proactive in identifying opportunities to replace units with electric vehicles. FSB has delayed the replacement of several pickup trucks in order to replace them with electric vehicles when available.

2. Motor Pools (BP 3)

Fleet Services operates several Motor Pools in the City, where employees can reserve and check out vehicles for temporary use. Available Motor Pool vehicles include specialized equipment and larger trucks. Most of the units are older, having served as departmental units before being replaced and retained for pool use. More than 30% of pooled assets appeared on the utilization list as below 70% of the average utilization for their vehicle class.

Motor Pool vehicles have a rental cost to cover their use and maintenance which is charged to the using department. Loaner vehicles are available at no charge to customers whose vehicle is receiving scheduled preventive maintenance.

User department requests for a long-term loaner vehicle (over a month or greater than the repair period) should be submitted by memorandum to the Fleet Manager for review and approval. The memorandum should indicate the purpose of loan, vehicle and auxiliary equipment requested, funding source, and term of loan period. An annual review and approval of any long-term loan will be coordinated in conjunction with the annual budget process.

Pooled vehicles are identified as either Acquisitions Motor Pool (ACQMP), City Hall MP (BMP), or Light Line MP (LMP) (at Fleet)). All users are asked to sign a Motor Pool agreement accepting responsibility for the vehicle.

FSB does not have an automated pool system. Procedurally, an employee is assigned to take reservations by phone or by email. The employee checks for vehicles available for the requested date and time. If the customer wants to proceed, they provide the index code to charge for the rental fee. FSB follows up with an email confirmation of the reservation. FSB will deliver the vehicle to City Hall, or the customer can pick it up at Fleet Services. Customers are asked to notify FSB immediately after the vehicle is returned, by email or phone call.

FSB was investigating options for a pool management system prior to COVID. They were also investigating the use of ride hailing for administrative requirements. Both projects were put on hold. An automated pool management system would have many benefits including tracking information to customize the size, composition and location of pooled assets. Accompanied by an automated key solution, it can make the pool use experience very easy for clients.

A study by Washington, DC showed the costs per mile of ride hailing to be half the costs of using pooled vehicles. They conducted a pilot with a taxi company where employees could make bookings on an app. The pilot program was very popular and showed significant savings. The City should do a business case analysis to compare the costs of the current pool with ride hailing and personal reimbursement. As this only replaces the administrative fleet, an automated pool management tool would still be needed for the remaining pool vehicles.

Recommendations:

9. **Implement the recommendations in the utilization review, which were summarized in the table on page 15.**

10. **Revisit the utilization of all vehicles assessed as "Other – re-examine post COVID" no later than September 2022 after requiring departments to submit substantiation no later than September 1, 2022.**

11. **Acquire an automated solution to monitor trailer location and utilization and use the data to refine the need for trailers.**

12. **Create replacement funds for grant-funded or donated vehicles where there is an established, ongoing need for the asset.**

13. **Establish the permanent need for a vehicle where a pooled asset is used on an ongoing basis.**

14. **Continue to consider electric vehicle options for all vehicle replacements and increase the replacement funds to accommodate higher acquisition costs, provided no external funding source can be identified.**

15. **Conduct a business case analysis to compare the per mile costs of a motor pool, ride hailing and employee reimbursement.**

16. Acquire an automated tool to manage the motor pool.

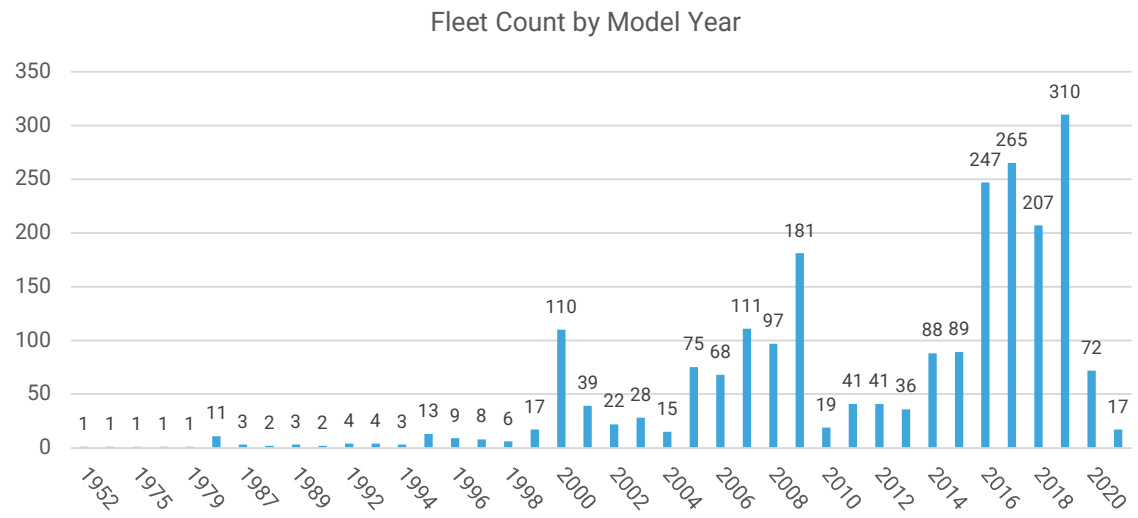
5 Replacement Practices and Plan

Establishing optimal lifecycles and a corresponding multi-year replacement plan are fundamentals of fleet management. The theory of effective capital asset management is well established in the fleet industry and is based on these principles.

- The failure to replace vehicles on time costs an organization more money, both in hard dollars and in indirect costs, than replacing them according to schedule.
- An old fleet has a negative impact on staff productivity, as unreliable vehicles are frequently in the shop and not available for work.
- If a fleet is old, departments seek to keep extra vehicles to act as backups and spares, so they can survive the increased unreliability of front-line vehicles. As a result, there are often more vehicles in service than are needed.
- The older vehicles in a fleet use more fuel and emit more pollution than newer vehicle, because standards for emissions and fuel economy were lower in the past than they are now.
- Older vehicles are not as safe as new ones as they lack many of the advanced safety features that are standard with new cars (such as cameras, sensors, lane departure warning, collision avoidance systems, side curtain air bags, etc.).

FSB employs a sophisticated fleet replacement planning process and a multi-year replacement plan. After a number of years of underfunding, they are now receiving adequate funding to return to replacing vehicles at the end of their optimum lifecycles.

The next graph shows vehicles and equipment by model year. When displayed graphically, peaks and valleys in vehicle acquisition can be identified that will impact replacement planning later in the study. Low numbers of vehicles replaced between 2010 and 2015 were followed by replacement spikes in 2016 to 2019.



The following table shows how FSB compares to best practices in the area of fleet replacement.

Criteria	Meets	Comment
1. Vehicles are procured to meet specific customer job requirements and customers are given ample input into the specification process.	✓	Users are involved from the start and fill out a checklist (Customer Questionnaire). Fleet completes specification for customer sign-off.
2. Non-technical requirements such as parts lists, repair manuals, diagnostic tools, and training are included in vehicle specifications.	✓	Parts, manuals, tools and training are standard in RFPs.
3. Cooperative purchasing agreements are used in order to take advantage of volume pricing.	✓	Piggyback contracts (NJPA, Sourcewell) are used where possible for heavy duty purchasing. Multi-year contracts are used for light duty.
4. Vehicle upfitting processes minimize the use of in-house resources and put newly acquired vehicles into service as quickly as possible.	~	FSB has a dedicated inhouse upfitting capability. They have developed expertise in ensuring vehicles comply to customer requirements but should remain open to other ways to accomplish the task.
5. Decommissioning practices ensure that vehicles are disposed of in the most efficient and cost-effective manner possible. Vehicles determined to no longer be needed are physically removed from service to control fleet size.	✓	The City has a contract with a live/online auction (JJ Cain and US Auctions). They pick up vehicles, remove decals, and have security in place. They handle all administration, making the process very efficient for the city.

Criteria	Meets	Comment
6. Funds from vehicle disposal are returned to the equipment replacement fund.	✓	Funds from resale go back to the equipment replacement fund and are a part of the total cost of vehicle to customer.
7. Replacement cycles have been determined for all vehicle classes.	✓	FSB has calculated replacement parameters by years and mileage/hours for over 200 vehicle classifications. These lifecycles are within industry parameters.
8. Replacement is based on Total Cost of Ownership (TCO) which includes the capital and operating costs of assets.	✓	FSB considers TCO in determining when to replace vehicle.
9. Replacement cycles are based on age, usage, condition, or some combination of these criteria and are reasonable and appropriate.	✓	Replacement is based on age, mileage, and condition.
10. A ten-year (minimum) replacement plan exists and is updated regularly.	✓	Can project out 20 years with Flagship but the plan is most accurate in the five-year window.
11. Funding adequately supports the ten-year replacement plan.		FSB is in a five-year catch-up to make up for lack of adequate funding in the 2016 to 2019 timeframe. Funding has been adequate for the past three years. Average fleet age is 8.9 years and 17% of vehicles are over 15 years old.
12. Customers are involved in decisions regarding replacement of their vehicles.	✓	FSB meets with every customer at least annually and vehicle replacement is discussed in detail.
13. Sustainability is considered in the replacement decision.	✓	Sustainability is an additional criterion mandated by AR 37-1. As a result, some units may be underfunded for replacement with electric vehicle equivalents. FSB is planning funding adjustments to deal with the increased purchase costs of electric vehicles.

The following points discuss our findings and recommendations related to FSB's replacement plan and practices.

1. Upfitting (BP 4)

Industry best practice is to purchase vehicles that are as close as possible to being fit for use. This alleviates long wait times while the shop struggles to find time for upfitting work and ensures that industry experts do any work needed prior to delivery of the vehicles.

The city does not align with this best practice, but they have procedures in place that minimize delivery delays caused by vehicle upfitting.
FSB operates a dedicated internal upfitting operation. This allows them to prioritize the build of new assets and complete them in a timely fashion. The technicians working in this area develop expertise and can apply that to future builds. Most importantly, customers get exactly what they want, in a relatively short time and at a fair cost. For these reasons, FSB should continue the practice of a dedicated upfitting line but remain open to other options that may be more efficient in the future.

2. Replacement Funding (BP 11)

FSB has the data they need and the tools and methodology to project their long-term replacement needs. Their planning can only be effective, however, if they receive the budget necessary to replace vehicles at the optimum time to minimize the total cost of ownership (TCO). The city should ensure this funding is forthcoming and should increase funding for vehicles being replaced by electric vehicles and for all necessary vehicles that do not have a replacement fund. Savings from fleet rationalization can assist in this area as well as grant funding for electric vehicles.

Recommendations:

Increase funding for vehicles being replaced with electric vehicles. (per recommendation 14)

Establish replacement funding for donated or grant vehicles that are essential to City operations. (per recommendation 12)

6 Maintenance

Fleet maintenance and repair processes have a significant impact on vehicle availability, reliability, safety, economy, and environmental integrity. The principal ingredients of fleet maintenance are technician labor, facilities and equipment, parts, and commercial (i.e., sublet or outsourced) services. The challenge of any fleet maintenance process is to mix these ingredients together to maximize operating performance while minimizing costs.

The indirect costs of fleet maintenance activities are also important and can far exceed the direct costs. For example, mechanical failures that idle employees or disrupt service activities can result in productivity losses or more severe problems whose costs can often be much higher than those of repairing a vehicle.

The following table shows how FSB compares to best practices in the area of fleet maintenance.

Criteria	Meets	Comment
1. Staffing levels are consistent with the size and type of vehicles in the fleet. There are an adequate number of heavy duty and light duty mechanics, and operations are centralized where reasonable.	✓	Staffing and bays are within acceptable ranges. The analysis found that the fleet consists of 5,868 Vehicle Equivalent Unit (VEU)s divided almost equally between heavy and light duty. This equates to 44.6 mechanic (wrench-turning) positions, not including upfitting work.
2. Ratio of supervisory and support positions to technicians is reasonable.	✓	The ratio of parts personnel to mechanics and supervisors to mechanics are within acceptable ranges.
3. Job descriptions, covering a reasonable range of functions and responsibilities are available and up to date.	✓	Job descriptions exist but are out of date and largely consist of job ads posted as positions became vacant.
4. A comprehensive Preventative Maintenance (PM) program is in place that complies with manufacturer recommendations. Customers receive notification of scheduled service dates and compliance levels are 90% or better.	✓	The main driver of service provision is the PM program. Fleet determines the PM schedule which directly impacts maintenance costs. Customers rely on fleet to determine how much maintenance is done.

Criteria	Meets	Comment
5. Outsourcing versus insourcing processes determine the best option (capability, cost, downtime, etc.) for undertaking a repair. Fleet uses outsourcing to manage peak workloads.	✓	FSB outsources 10-15% of workload, which is within best practice parameters. The types of work normally outsourced include: ▪ LD – engine jobs ▪ HD – firetruck aerial, bigger body repair Cummins engine repair.
6. Shop business hours have been set for customer convenience.	✓	Garage hours are 6 AM to 5 PM except for the heavy line second shift which operates Mon to Thurs 1 to 11:30 PM.
7. Customers are always contacted when repairs are complete.	✓	The service writer (maintenance planner) on each line is responsible to let them know and does so by phone or email. Fleet goes directly to the driver, supervisor or fleet representative depending on the department.
8. Customers are given regular status updates about vehicles in the shop.	✓	Real time updates are available on request. The bureau tried giving customers access to M5 but the fleet liaison would get bottlenecked with 100 notifications each day.
9. Field service is available for roadside breakdowns and construction equipment.	✓	During hours –Each line has a service truck equipped for road calls. After hours – A mechanic and tires person are on call. Towing will call the mechanic or tire person as needed. There are not a lot of calls with the majority being for Police and Fire.
10. Warranty work done in-house is recoverable from the original equipment manufacturer.	✓	The City is a major warranty repair center for Ford. They do warranty work including brakes, alternators, and recalls except air bags. It has been a very successful program. FSB is preapproved to do the work and Ford pays the standard repair rate for the type of repair. The City also has agreements with GM, Elgin for sweepers and Seagrave for fire engines.
11. Warranty recoveries are actively pursued for both repairs and parts.	✓	FSB has a dedicated Warranty Coordinator who sets up all warranties for vehicles and parts in M5. The Coordinator then reviews work orders as they are completed, bills Ford, and then credits the money to the vehicle when received.
12. A formal skills assessment and training plan has been developed to keep employees current with changes in the fleet industry.	~	The aim is to provide 40 hours per mechanic each year. With pandemic, training is greatly reduced. The Training Coordinator tracks all training completed.

Criteria	Meets	Comment
13. Technicians are encouraged to keep skill levels current through financial incentives to obtain Automated Service Excellence (ASE) and/or electric vehicle training.	✓	Mechanics are not required to be ASE but incentives are provided if they are. Master = $1.10/hour, and double master = 2.20/hour. In addition to ASE certification, mechanics receive training at the Fire Academy, from manufacturers of special equipment and complete inspection training for CNG tanks. Ford provides training on light duty vehicles, and electric vehicle safety.
14. Trip inspections are completed before and after each use of a vehicle.	✓	Operators have a pre and post trip process. When a defect is noted, the operator brings the paper copy of the inspection report to the mechanic for sign off once the defect is repaired. FSB is looking into the move to an electronic system.
15. Completed trip inspection reports are kept on hand as legislated.	✓	Copy of form stays with heavy line in a file cabinet.
16. Where defects are noted on the trip inspection report, they are signed off by a mechanic prior to the vehicle being used.	✓	The defect process is followed.
17. Staff vacancies are minimal and efforts are being made to fill them.		With a large staff, vacancies are common. Technician pay is below average in the area so hiring and retention are issues. In 2020 and 2021, mechanic vacancies were as high as 7 out of 45 positions.
18. Staff fluctuations during COVID were tracked and used to measure performance.	✓	This past year FSB created a technician scorecard. They are now in the process of explaining to staff what is included. This will lead to productivity discussions next year. Productivity is also one of the Key Performance Indicators (KPIs) tracked monthly.

The following sections discuss the staffing, outsourcing, and training practices in the FSB garage.

1. Shop Staffing (BP 1)

The number of technicians and related positions required for a maintenance operation to operate effectively is primarily driven by the size and composition of the fleet it serves. Because most fleet operations service a wide variety of vehicles and equipment, it is

necessary to establish a relative measure that allows for the evaluation and comparison of staffing needs and costs.

A process known as Vehicle Equivalent Unit (VEU) calculation is used to equate the level of effort required to maintain dissimilar types of vehicles to a passenger car, which is given a baseline VEU of 1.0. Work with other fleet organizations has shown that a VEU of 1.0 is equal to between 10 and 15 annual maintenance labor hours, depending upon a number of factors unique to each organization. All other types of vehicles are allocated a VEU value based on their relationship to a passenger car. For example, a law enforcement patrol sedan is assigned a VEU of 3.0. This means that a squad car on average requires about three times the annual maintenance hours of a passenger car, or between 30 and 45 hours per year.

A VEU was assigned for each class of vehicle. The 2,268 vehicles and equipment pieces in the fleet total 5,907 VEUs. Therefore, FSB is responsible for maintaining a fleet that is the equivalent of 5,907 sedans. The following table summarizes the VEU calculations:

Vehicle Type	VEU's Per Unit	Units	Total VEU's
Electric Motor	0.10	61	6.10
Air Compressor	0.50	15	7.50
Engine Portable	0.50	2	1.00
Generator Portable	0.50	69	34.50
Portable Equipment	0.50	19	9.50
Trailer	0.50	183	91.50
Trailer Sign	0.50	18	9.00
Welder	0.50	8	4.00
Air Compressor Trailer	0.75	4	3.00
ATV	0.75	34	25.50
Cart	0.75	37	27.750
Manlift	1.00	4	4.00
Minivan	1.00	16	16.00
Patrol Motorcycle	1.00	34	34.00
Sedan	1.00	138	138.00
1/2 Ton Van	1.25	27	33.75
3/4 Ton Van	1.25	9	11.25
Pickup Compact	1.25	49	61.25
Police L-Car	1.25	94	117.50
SUV	1.25	174	217.50
1 Ton Van	1.50	22	33.00
1/2 Ton Pickup	1.50	78	117.00
Equipment Misc.	1.50	16	24.00
Fire SUV Large	1.50	6	9.00
Forklift Light	1.50	18	27.00

Vehicle Type	VEU's Per Unit	Units	Total VEU's
Mower MD	1.50	1	1.50
Police Sedan	1.50	87	130.50
Police SUV	1.50	92	138.00
1/2 Ton Utility	1.75	32	56.00
3/4 Ton Pickup	1.75	64	112.00
1 Ton Pickup	2.00	9	18.00
3/4 Ton Utility	2.00	96	192.00
Boat Small	2.00	15	30.00
Mower HD	2.00	4	8.00
Trailer Equipment MD	2.00	3	6.00
Van Large	2.00	8	16.00
1 Ton Utility	2.25	25	56.25
2 Ton Truck	2.25	1	2.25
3/4 Ton Dump	2.25	2	4.50
1 Ton Dump	2.50	11	27.50
1 Ton Flatbed	2.50	30	75.00
1 Ton Truck Tow	2.50	3	7.50
2 Ton Truck Tow	2.50	2	5.00
2 Ton Utility	2.50	8	20.00
Equipment MD	2.50	5	12.50
Generator / Engine	2.50	33	82.50
Police Command Unit	2.50	12	30.00
Tanker	2.50	5	12.50
Aerial	3.00	13	39.00
Forklift Heavy	3.00	6	18.00
Off-road Vehicle	3.00	6	18.00
Patrol Sedan	3.00	27	81.00
Police SUV K9	3.00	7	21.00
Police SUV Large	3.00	28	84.00
Patrol SUV	3.25	174	565.50
Sweeper Small	3.5	6	21.00
Boat	5.00	40	200.00
Equipment HD	5.00	15	75.00
Rescue Truck	5.00	10	50.00
Truck HD Dump	5.00	11	55.00
Truck HD Flatbed	5.00	2	10.00
Truck HD Flatbed Tow	5.00	4	20.00
Aerial Heavy	6.50	9	58.50
Truck HD	6.50	19	123.50
Equipment HD Beach	7.00	7	49.00
Equipment MD Beach	7.00	6	42.00
Sweeper Vac	8.00	11	88.00
Truck HD Dump 6x6	8.00	5	40.00
Ambulance	10.00	25	250.00
Pumper	12.00	37	444.00
Truck HD Refuse	12.00	90	1,080.00

Vehicle Type	VEU's Per Unit	Units	Total VEU's
Truck HD Specialized	12.00	2	24.00
Aerial Ladder	15.00	8	120.00
Sweeper	15.00	15	225.00
Total		**2,268**	**5,868**

The next step in the analysis is to determine the number of labor hours required to maintain one VEU. The baseline is ten hours per year, but adverse or challenging conditions can increase this while unusually good conditions can drive labor demand down. In determining the number of hours per VEU for an organization, several factors that are unique to each fleet are considered. These factors include fleet age and condition, usage levels, degree of outsourcing, and overall operating environment. Of these, fleet age and the distribution of mechanics across 7 sites present an additional degree of complexity in Long Beach, so the labor factor required to properly maintain the fleet is calculated at 11 hours per VEU. The calculation for this is shown in the following table:

Factor	Value	Explanation
Baseline hours required per VEU	10.0	Standard starting point for mixed vocational fleets
Adjustment for fleet age	0.5	The average fleet age is 8.9 years. About 17% of units are more than 15 years old.
Adjustment for utilization levels	0.0	Utilization and territory served are not uncharacteristic for a full-service city
Adjustment for operating environment	0.0	Weather in Long Beach is not disruptive
Adjustment for facility and tools	0.5	Tools do not create delay or hardship, but vehicles are spread around 7 different sites, some with a single mechanic.
Adjustment for parts support	0.0	The Bureau has a sophisticated parts supply operation.
Adjustment for mechanic skills and training	0.0	Mechanics are experienced and well-trained.
Adjusted hours per VEU	**11.0**	**Adjusted hours per VEU.**

With 11 labor hours per VEU expected, the annual workload is calculated to be 64,984 hours[1].

[1] The City's calculations of workload have previously included an unallocated work factor of between 5,500 and 7,500 hours per year for mechanic hours spent in direct support of customers but not recorded to a particular vehicle. Our methodology only encompasses time spent directly on vehicles, with the assumptions that all time spent on vehicles will be recorded, and that indirect time will be performed by support staff or considered part of mechanics' unproductive hours.

While a fleet mechanic's salary is based on 2,080 hours per year (52 weeks x 40 hours per week), only approximately 1,456 labor hours per year (70% of annual hours) are available to perform actual maintenance work (the remaining payroll hours are lost to vacation, sick time, holidays and indirect time such as training and meetings). Therefore, a fleet mechanic in Long Beach can be assigned a total of about 132 VEUs per year (1,456 hours available per year divided by 11 hours per VEU). When the 64,984 mechanic hours required to maintain Long Beach's fleet are divided by the 1,456 annual labor hours available per mechanic, the result is a need for 44.6 mechanics.

The actual situation at the City is that they have the following 31 Equipment Mechanics (EMs) and 11 Garage Service Attendant (GSA) positions as shown below:

Organization	Garage Service Attendants	Equipment Mechanics
Tire Shop	2	
Fire, Helicopter and Boats		7
Light, PD and Motors	6	9
Heavy Line and Sweepers	3	15
Total	11	31

Note, that this does not include Maintenance Assistants, the welder or the helicopter mechanic. It is also exclusive of the electric shop. The 42 budgeted positions assigned to turning wrenches are not sufficient, especially given past and current vacancy rates.

Parts support includes 6 positions as follows: 1 Supervisor, 1 Mechanic Equipment Stock Clerk I, 3 Mechanic Equipment Stock Clerk II, and 1 Warranty Coordinator. The ratio of parts technicians to mechanics should be 1 to 8 to 10 so this is within range.

Not all this workload has to be handled by City mechanics. Depending on the types of vehicles in the fleet, the availability of warranties and favorable vendor contracts, and the strategy and approach of the City, a portion of these hours may be outsourced. In fact, best practice is to outsource 10-15% of maintenance and repair hours.

With a requirement of 44.6 mechanics and an establishment of 42 before vacancies, there are three options to bridge the gap. The City would need to establish additional positions, pay overtime to existing staff, or outsource the excess work.

The Municipal Equipment Maintenance Association recently conducted a mechanic salary survey of municipal fleets in California. The average starting wage for a journeyman mechanic was found to be $8.37 (32%) more per hour than the equivalent wage at the City of Long Beach. This is a critical shortfall when it comes to recruiting and retaining mechanics.

2. Outsourcing (BP 5)

Fleet organizations use vendors to complete services for a variety of reasons, including maintaining service levels during periods of peak workloads and/or staff shortages, avoiding costly investments in tooling, and to provide service in remote locations. No fleet organization can expect to be proficient in all areas of maintenance and repair services. Moreover, it is not practical for an organization to staff to the peaks of its workload. Developing partnerships with key vendors is an efficient way to meet peak and specialty demands.

In addition to determining the amount of work to outsource, organizations should have a decision matrix or flow chart to determine what to outsource. Outsourcing decisions should be based on the following criteria:

- Shop capacity
- Time required for repair
- Requirement for specialty tools
- Mechanic experience/training
- Proximity to outsourced facility

FSB outsources an appropriate percentage of work but has no formal decision-making process to determine what work should be outsourced.

3. Technician Training (BP 12)

Fleet organizations are increasingly recognizing that adopting programs designed to ensure that technicians are well trained and technically expert is a business necessity. Vehicles and fleet equipment are becoming more complicated and increasingly expensive. Training and professional certification provide an organization with assurance that equipment will be properly maintained and, therefore, that the value of the organization's equipment investments will be preserved. Training can also act as a retention tool in areas where technicians are in high demand, such as the Long Beach area.

In the past, fleet organizations relied almost entirely on training that was provided by vehicle and equipment manufacturers free of charge. While these programs are still

available, organizations can no longer make them the centerpiece of their training efforts. This is due to the increasing demand for these programs from dealerships and private fleets, which has severely reduced the number of seats available to municipal technicians. Moreover, manufacturer-training programs have become increasingly complex with strict prerequisites that make it nearly impossible for an organization to rely on these programs to provide technicians with well-rounded training.

Consequently, municipal fleet organizations today are having to develop training programs that tap a variety of sources to provide technicians with the technical knowledge and updated skill sets that are required to maintain modern fleet equipment. Investing in technician training today is a business necessity and should be a high priority for Long Beach.

In addition to training, certification is an excellent means of enhancing efficiency and productivity. Long Beach has an ASE program, however, the current skill pay increment should be reevaluated and adjusted for current market conditions.

The current plan to allocate 40 hours annually per mechanic is sufficient in ensuring skills are maintained and developed further. The plan should be reinstated, and training started.

Recommendations:

17. **The City should review mechanic salaries and ASE bonus increments in light of the Municipal Equipment Maintenance Association survey and FSB problems recruiting and retaining qualified staff.**

18. **FSB should reinstate the (pandemic-suspended) mechanic training plan and ensure all mechanics get 40 hours of training annually.**

19. **The City should make up the current mechanic shortfall of 2.6 FTE (before vacancies) through a prudent mix of outsourcing, overtime, and additional staffing.**

7 Rates

A key component of the audit was a review of the current allocation methodologies for maintenance and replacement. As a guiding principle, rates must be fair, equitable and defensible.

The following table shows how FSB compares to best practices in the area of fleet rates.

Criteria	Meets	Comment
1. A cost charge-back system is in place that promotes fairness, equity and transparency and incentivizes fleet users to reduce ownership and operating costs.		Overall, the charge-back system is transparent as costs are communicated to customers monthly. There may be issues with equity in the assignment of work to mechanics who charge different rates, as customers are not aware of rate differences.
2. An Internal Service Fund (ISF) is in place.	✓	Fleet is funded through an ISF. There is an in-depth City MOU that dictates the capital and operating charges to the departments so they know how much it will cost to operate their fleet that year.
3. Rates have a capital equipment replacement as well as an operating component.	✓	Rates cover maintenance, fuel and capital replacement.
4. Mark-up percentages are reasonable.	✓	Mark-ups are within industry parameters: Parts - 34.7% Sublet - 16.75% Fuel - 36 cents per gallon
5. Overhead costs are recovered in the rates.	✓	All FSB and City overhead including facilities, supervisory positions and information technology are recovered in the fleet rates.
6. Reserves are created for emergency requirements.		Overall, the City does not have any reserves for any of their Internal Service Funds, including the Fleet Fund.

1. Rate Model (BP 1)

FSB allocates three different types of charges to customers:

- **Maintenance.** This refers to the typical annual expenses associated with ensuring the equipment is functioning properly and includes any internal or external labor and parts charges.

- **Fuel.** This refers to annual expenses associated with refueling vehicles or equipment

- **Replacement.** This refers to the annual charges associated with setting aside funds to replace vehicles, as well as any administrative costs associated with disposing or acquiring new assets.

For each of these three charges, FSB has a Memorandum of Understanding (MOU) with the City funds and departments outlining service areas and charges assessed. While FSB calculates and estimates the annual operating cost (maintenance and fuel) charges for each department, billing is based upon actual charges incurred. For replacement, because this is set-aside funding, the budget estimate is divided by twelve and billed monthly to the City funds and departments.

The current rate model was developed in 2014 in conjunction with Management Partners, a government consulting firm. Since 2014, the City has updated the model annually, incorporating cost and labor allocation adjustments. The model starts with determining the time spent per activity by FSB staff. The following table shows the three types of charges, and the eleven activity codes that are assigned and associated with each area:

Activity Code / Charge	Maintenance	Fuel	Replacement
Admin / Asset Management	X		
Sublet	X		
Fleet Maintenance	X		
Parts	X		
Regional Fueling Function		X	
LNG Fueling Function		X	
CNG Fueling Function		X	
UST Program		X	
UST CIP		X	
Acquisition			X
Non-Fleet			

The last activity, non-fleet, refers to time spent by FSB staff in support of non-fleet funded activities. One example is the Towing Fund, which is a separate enterprise fund within the City. The costs associated with these activities are not built into the rate calculation but instead funded by outside revenue sources.

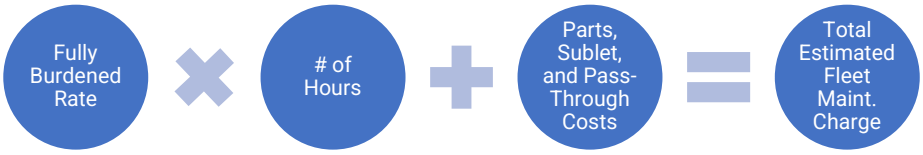
FSB does an annual review of the percentage of time allocated to each functional area by each employee. Generally, the percentages stay consistent, but an annual review is important to ensure rates reflect changes as new positions are added or operational changes take place.

Once FSB has determined costs associated with each of those activities, the next step is to determine how to estimate the annual charges for each of the categories.

2. Operating Rates (BP 1)

Maintenance costs are based on fully burdened hourly rates for the mechanics working on the equipment. The fully burdened hourly rates incorporate average salaries and benefits per position, productive hours (i.e., wrenching hours), and any internal FSB and Citywide overhead. FSB calculates the direct hourly rate based upon position title and not person, which is consistent with industry best practice. Additionally, the productive hours calculation takes into account the average amount used for each category (i.e. sick, vacation, breaks, trainings, etc.) rather than the maximum amount. Lastly, any indirect costs are factored, to ensure that the rate covers the true cost associated with that employee.

Along with fully burdened rates, the Bureau also calculates a Parts Markup and Sublet Markup based upon the annual amount of staff time allocated to overseeing those activities. The total maintenance charge estimates are calculated as shown:



FSB estimates the total fleet maintenance charge based upon prior year work order information. The work order information shows total labor hours, parts, and any outside pass-through costs incurred by each fund and department. As the fund, department, division, and index code are billed based upon actual usage, the estimate is primarily a budgeting tool for Fleet and the departments to ensure there are sufficient funds allocated for providing and receiving these services. The Police repair budget is deliberately underfunded for collision repairs to act as an incentive to drive safely.

The fully burdened hourly rate utilized to calculate the fleet maintenance charge is based upon the position classification working on the equipment. There are currently five different classifications for hourly rates – Equipment Mechanic I, Equipment Mechanic II, Welder, Garage Service Attendant, and Helicopter Mechanic. The hourly rates can vary greatly from $131/hour for a Garage Service Attendant to $184/hour for an Equipment

Mechanic II. Rates also increase for the swing shift and for overtime. While some classifications are unique and specific to the service being provided such as the Helicopter Mechanic, others might be interchangeable and based on availability (i.e., Equipment Mechanic I or II). Customers are unlikely to know ahead of time what level of mechanic will be assigned to their work, and which rate will apply. Therefore, for consistency and transparency purposes a single blended Equipment Mechanic rate should be calculated. This blended rate should be weighted based upon the number of staff within each classification.

For example, based upon the City's current staffing levels, there are 13 Equipment Mechanic I's and 18 Equipment Mechanic II's, meaning 42% of the rate should be weighted based upon Equipment Mechanic I's rate and 58% based upon Equipment Mechanic II's rate. The following table shows the calculation of the blended rate:

Classification	Current Rate	Proportion Based upon Staffing Levels	Total Rate
Equipment Mechanic I	$163.67	42%	$78.56
Equipment Mechanic II	$184.81	58%	$96.10
		Total Blended Rate	$174.66

The blended rate shown for the Equipment Mechanic classification(s) would be $174.66. This would ensure that regardless of which classification works on the equipment or vehicle, funds and departments are billed more consistently.

Fuel charges are billed to departments based on actual utilization plus a fuel markup. There are different fuel markups based upon the different types of fuel activity categories. The fuel markups are added to last years' utilization to estimate the budgeted fuel activity for the current fiscal year. However, similar to maintenance, at the end of each month, departments are only billed for the fuel used.

3. Replacement Charges

The final charge assessed to funds and departments is the replacement charge. This charge is comprised of two components:

- **Acquisition/Administration Charge:** This represents the staff time associated with overseeing the acquisition and disposal of equipment, as well as any direct services and supplies associated with managing the process. This is assessed as a per equipment charge.

- **Replacement Charge:** This represents the actual capital cost estimated for each asset to be replaced.

The Fleet Replacement charge is the only charge component that is not assessed based upon actual utilization, because it cannot be done in that manner, as there is no actual "utilization" associated with replacement. The purpose of the Replacement fund is to collect sufficient monies over the useful life of the equipment to be able to replace it when needed.

4. Best Practices

Overall, the City of Long Beach's FSB funding and rate mechanism aligns with the industry best practice of being fair, defensible, and equitable across rate payors. Other best practice criteria that are met through the current funding mechanism include:

- There is an annual review and update of all rate components to capture any updated processes and costs.
- Productive (wrenching) hours are incorporated in fully burdened hourly rates.
- Indirect costs (FSB and citywide) are incorporated into hourly rates.
- Customers are charged based on actual utilization to allow for fairness.
- A clear methodology is used and replicated from year to year.
- Indirect costs associated with acquisition are incorporated.
- Supporting documentation and materials are provided to customers to outline the methodology.

FSB works closely with their customers and Financial Management to ensure that services are clearly documented and that the billing of services is fairly and equitably charged. Any remaining fund balances are reviewed annually to determine if they can be used to offset any cost increases.

5. Reserves (BP 6)

A reserve fund is considered a best practice for internal service funds to ensure that there is sufficient funding in place to ensure that operations are not adversely impacted in an emergency or disaster. These reserves can be built into the rates calculation to ensure that there is "over-collection" annually to help fund the set-aside or reserve. There is currently no reserve in the fleet fund.

The fleet fund is not the only City fund without a reserve, in fact, the City does not have a reserve fund policy for internal service funds. Therefore, the creation of a reserve fund for fleet maintenance and replacement should be pursued as part of a larger policy discussion that would be put in place for all internal service funds.

Recommendations:

20. **Ensure transparency to customers by using a single blended rate for mechanic hours.**

21. **Establish a reserve for the fleet internal service fund.**

8 Information Technology

Comprehensive, accurate, and readily accessible records regarding fleet operations is essential to optimize performance and manage costs. In the past, fleet maintenance records were kept on paper orders, vendor invoices, and handwritten notes. However, as with all business activities, fleet maintenance shops have evolved to use management information systems to document operations and produce management reports. Having all maintenance and other data available in a computerized system and accessible by all fleet program stakeholders provides an effective tool for managing shop operations, an efficient way to retrieve and report key information, and a basis for timely management decisions.

The following table shows how FSB compares to best practices in the area of fleet technology and information management.

Criteria	Meets	Comment
1. A Fleet Information Management System is in place that uses modern technology and provides up to date functionality for asset management, maintenance management, performance measurement, and cost reporting.	✓	FSB uses the Asset Works M5 system. This is a very capable system that has capabilities beyond what is currently being used.
2. Data integrity procedures produce accurate and timely fleet information.	✓	Data is accurate and timely.
3. Access to the fleet system is readily available to all staff, including parts clerks and technicians.	✓	Access is given to all fleet staff who require it. Customers can access M5 through the Customer Portal.
4. All members of staff have been appropriately trained in the use of the fleet system.		A contractor is brought in to generate reports to augment staff capacity. Training in M5 is ongoing.
5. A fuel management system is in place.	✓	Integrated into Fuel Focus. Captures vehicle ID and odometer.
6. The fuel system tracks both the vehicle being fueled and the driver.	✓	Fuel Focus tracks the vehicle being fueled as well as the driver.

Criteria	Meets	Comment
7. A telematics system is in place to improve routing and scheduling of services, identify driver training issues, and provide timely fleet data.	✓	The on-road fleet of 650 units have Geotab. The remaining units have a passive telematics system from Fuel Focus. Departments were consulted in the decision on which vehicles needed active or passive capabilities.
8. Information produced by systems are routinely used to make management decisions and reports are provided to customer departments.	✓	Flagship is a program being implemented to augment M5's reporting and decision support capabilities. It is compatible with M5 and can create custom reports to assist in replacement planning.
9. A formal performance measurement system is in place to track the effectiveness of service outcomes, and that performance levels compare reasonably well to industry benchmarks.	~	KPIs are tracked monthly in the areas of Finance and Administration, Acquisitions, Fuel and Maintenance. Some common industry benchmarks are not included.

The following sections discuss the use of technology and its application for FSB.

1. Fleet Information Management System M5 Training (BP 4)

The Fleet Information Management System (FIMS) is M5 which is a complex and capable system. All staff members who use M5 in their duties should receive annual training on upgrades. A contractor assists in developing reports in M5. M5 replacement planning activities are augmented by Flagship and a former staff member assists current staff in updating the replacement plan.

The only gap in staffing is in data analytics. There is one position titled "IT Support" but a full-time fleet analyst is common for a fleet this size. This position would be responsible to refine and improve Key Performance Indicators (KPIs) aimed at enhancing the overall efficiency of the fleet.

2. Performance Measurement (BP 9)

FSB formally tracks performance measures on a regular basis and distributes results to user departments. Some of the KPIs recommended as industry best practices include:

- **Average Fleet Age**: This measure tracks the average age of the fleet in comparison to average replacement cycles. Major classes of vehicles and data for different customer groups should be tracked separately. Trends should be presented for

multiple years and associated with other KPIs as the age of the fleet has a fundamental impact on program performance. The industry benchmark for municipal fleets is an average age of 6 years, which would correspond to a fleet replacement cycle average of 12 years. **Tracked annually.**

- **Fleet Availability**: This measure tracks the percentage of the fleet that is available for work each day. The calculation is simply the total number of vehicles and pieces of equipment in the fleet divided by the number of vehicles out of service for repair (i.e. in the shop, waiting in the deadline to come into the shop, or at a vendor). The target of performance for this KPI in the industry for high performing fleet organizations is 95%. **Not tracked in monthly KPI report.**

- **Service Turnaround Time:** This measure tracks the percentage of repairs that are completed within 24, 48 and 72 hours. The target of performance for this KPI is 70% of repairs and services completed in 24 hours, 80% in 48 hours, and 90% in 72 hours. **Tracked in the monthly report but not broken down in the same way.**

- **Scheduled Repairs**: This measure tracks the percentage of work orders resulting from scheduled activities (such as PMs, inspections, work discovered during PMs and inspections, recalls, etc.) versus unscheduled activities (such as breakdowns and road calls). The standard of performance for this KPI is 66% scheduled. **Tracked in the report and typically exceeds benchmark.**

- **Preventative Maintenance Compliance**: This KPI measures the percentage of PMs and scheduled inspections that are completed before they are overdue. The target of performance for this KPI is 95%. **Tracked in report and typically falls just short of benchmark.**

- **Billable Hours**: This KPI tracks how productive technicians are in terms of the annual number of hours billed to work orders. The target for this KPI is 70% of annual regular payroll hours (1,456 of 2,080 hours per year). **Tracked in the report and typically exceeds benchmark.**

Recommendations:

22. Create a full-time fleet analyst position with a high level of training on M5.

23. Institute the common industry benchmarks in the monthly KPI report.

CITY OF LONG BEACH

Memorandum

Date: June 15, 2022

To: Laura Doud, City Auditor

From: Kevin Riper, Director of Financial Management

Subject: **Department Response – Fleet Management Final Audit Report**

We have thoroughly reviewed the April 15, 2022 Final Audit Report from Matrix Consulting Group regarding the Fleet Services Bureau (FSB). We are in general concurrence with the recommendations with the exception of item 23. For this item, the Financial Management Department disagrees with establishing a reserve for the fleet internal service fund, because the different City departments and funds that contribute to the fleet internal service fund already have reserves of their own, which could and should be used for any unexpected fleet-related costs. Adding a whole separate reserve in the fleet internal service fund would be "double counting" or "double reserving" – to the detriment of current service levels in the funds that pay into the fleet internal service fund.

Please find attached the FSB Action Plan which indicates our plans to comply with the audit's recommendations. Thank you for this opportunity to review and comment.

If you have any questions, please contact Dan Berlenbach at (562) 570-5401.

ATTACHMENT – FSB ACTION PLAN

MANAGEMENT RESPONSE AND ACTION PLAN

Fleet Services Bureau

Fleet Management Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1	Reinstate a Fleet Steering Committee to meet at least annually to emphasize the need for departments to appoint a dedicated fleet representative and to provide a forum for departments to share information on vehicle acquisition, safety, maintenance and sustainability.	M	12	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will work with City mgmt. and departments to develop and implement a Fleet Steering Committee (FSC) to meet regularly and provide guidance on fleet matters and further involve customer departments. Fleet will update current Fleet Policy/AR to include FSC.	March 31, 2023
2	Develop a Driver's Handbook with information specific to the driver. Relevant content can be pulled from existing Administrative Regulations (ARs) and copies of the handbook should be kept in every vehicle.	M	12	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will work with City Safety Personnel to review, update as necessary, and consolidate guidance from current ARs and policy directives into a Driver's Handbook.	June 30, 2023
3	Create an emergency vehicle charging plan for AR 37-1.	M	12	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will develop an Emergency Vehicle Charging Plan (EVCP) to include in AR 37-1.	December 31, 2022
4	Enhance the Take Home Vehicle (THV) policy by adding the requirement for applicants to provide proof of how many calls they respond to monthly. This information would also be helpful in developing a business case to compare the costs of employee reimbursement to THVs.	L	12	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will revise AR 4-2 to define and include the burden of proof of call outs for departments. Fleet will also revise the Take-Home Vehicle Report (THVR) and associated processes to incorporate new data for further review and approval of exceptions by designated City personnel.	June 30, 2023
5	Enforce the stipulation that vehicles are not to be used for personal use by doing spot checks of vehicle locations through the GPS system.	L	12	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will review and amend AR4-2 to clarify practice of spot checks and determine the best method and frequency for checking and reporting non-compliance.	June 30, 2023
6	Review any temporary arrangements made during COVID and ensure all THV meet the requirements of the policy.	H	12	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will review Matrix data on customer department use and notify departments of compliance requirements of AR4-2. Further, Fleet will report and summarize any residual non-compliance to appropriate City management.	September 30, 2022
7	Tighten up adherence to the policy by enforcing commuting mileage limits associated with Take-Home vehicles.	M	13	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will review current compliance policy and propose an enforcement level and methodology to City Management for further direction.	December 31, 2022

MANAGEMENT RESPONSE AND ACTION PLAN

Fleet Services Bureau

Fleet Management Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
8	Conduct a business case analysis comparing the costs associated with take-home vehicles to that of the employee reimbursement program for non-emergency use vehicles.	M	13	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will conduct additional analysis as part of the THVR to include mileage reimbursement for callouts. Fleet will also provide summary, inclusive of monetary impact, for CM review in THVR. Finally, Fleet will add language in AR4-2 to address the reimbursement alternative.	June 30, 2023
9	Implement the recommendations in the utilization review, which were summarized in the table on page 15.	M	19	Agree	Fleet Services Bureau and various departments	Fleet concurs with the audit recommendation and will provide strategy and solutions to support recommended reductions and, under CM direction, facilitate appropriate fleet reductions.	December 31, 2022
10	Revisit the utilization of all vehicles assessed as "Other – re-examine post COVID" no later than September 2022 after requiring departments to submit substantiation no later than September 1, 2022.	H	19	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will compare Matrix-provided data against current utilization to identify reduction candidates and work with departments to effect recommended reductions.	September 30, 2022
11	Acquire an automated solution to monitor trailer location and utilization and use the data to refine the need for trailers.	L	19	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will develop a program and procure location monitoring equipment to monitor trailer usage and collect data. In coordination with using departments, Fleet will develop recommended reductions and validate others.	December 31, 2022
12	Create replacement funds for grant-funded or donated vehicles where there is an established, ongoing need for the asset.	M	19, 24	Agree	CFO and Fleet Services Bureau	Fleet concurs with the audit recommendation and will review and strengthen current policy and procedures regarding replacement of grant-funded vehicles in situations where either (i) a condition of the grant is that the City must continue the grant-funded program or service even after the grant funding expires; or (ii) City Council indicates upon grant acceptance that the City intends to continue the grant-funded program or service even after the grant funding expires.	September 30, 2022
13	Establish the permanent need for a vehicle where a pooled asset is used on an ongoing basis.	M	19	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will review current long-term pooled asset assignments and adjust billing rates for full cost recovery. Fleet will collect all loaned units to departments without a formal and approved enhancement/replacement solution agreement.	December 31, 2022
14	Continue to consider electric vehicle options for all vehicle replacements and increase the replacement funds to accommodate higher acquisition costs, provided no external funding source can be identified.	M	19, 24	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will continue strong EV replacement program with consideration to EV market availability, regulatory requirements and citywide budgetary support.	ongoing

MANAGEMENT RESPONSE AND ACTION PLAN

Fleet Services Bureau

Fleet Management Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
15	Conduct a business case analysis to compare the per mile costs of a motor pool, ride hailing and employee reimbursement.	M	20	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will complete a motor pool/ride hailing and reimbursement analysis, inclusive of possible demonstrations and/or pilot testing. Based on analysis and testing, Fleet will amend policy; adjust motor pool size and use accordingly.	March 31, 2023
16	Acquire an automated tool to manage the motor pool.	M	20	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will investigate commercially available automated tools for managing motor pools for implementation consideration.	March 31, 2023
17	The City should review mechanic salaries and ASE bonus increments in light of the Municipal Equipment Maintenance Association survey and FSB problems recruiting and retaining qualified staff.	M	33	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will initiate a formal review of comparable cities' techician wages through the Human Resources Departmenmt, to include appropriate wage adjustments for various classifications.	December 31, 2022
18	FSB should reinstate the (pandemic-suspended) mechanic training plan and ensure all mechanics get 40 hours of training annually.	L	33	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will resume its advanced training program, as ongoing pandemic conditions allow.	December 31, 2022
19	The City should make up the current mechanic shortfall of 2.6 FTE (before vacancies) through a prudent mix of outsourcing, overtime, and additional staffing.	H	33	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will review options for correct allocation of additional staff, OT and sublet resources, with consideration for current and future workloads and ongoing staffing challenges. Additional FTE requests to be proposed as mid-budget cycle requisitions.	September 30, 2022
20	Ensure transparency to customers by using a single blended rate for mechanic hours.	L	40	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will adjust Mechanic I and II rates to a blended billing rate, adjust customer labor billing rates as needed and communicate any changes to customers via appropriate outreach opportunities.	September 30, 2022
21	Establish a reserve for the fleet internal service fund.	L	40	Disagree	CFO and Fleet Services Bureau	The Financial Management Department disagrees with establishing a reserve for the fleet internal service fund, because the different City departments and funds that contribute to the fleet internal service fund already have reserves of their own, which could and should be used for any unexpected fleet-related costs. Adding a whole separate reserve in the fleet internal service fund would be "double counting" or "double reserving" -- to the detriment of current service levels in the funds that pay into the fleet internal service fund.	Not applicable
22	Create a full-time fleet analyst position with a high level of training on M5.	L	42	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will research and determine the correct classification and add position to the FY 24 Proposed Budget.	October 1, 2023

MANAGEMENT RESPONSE AND ACTION PLAN

Fleet Services Bureau

Fleet Management Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
23	Institute the common industry benchmarks in the monthly KPI report.	L	42	Agree	Fleet Services Bureau	Fleet concurs with the audit recommendation and will add necessary benchmarks to existing Fleet KPI program.	December 31, 2022

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

Yellow areas - to be completed by the department

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