

BOARD MEETING DATE: November 4, 2022

AGENDA NO. 7

PROPOSAL: Enter into Agreement with Enterprise Fleet Management to Lease Fleet Vehicles, Transfer Budgeted Funds to Make Lease Payments, and Direct Future Vehicle Resale Revenue for Lease Payments

SYNOPSIS: South Coast AQMD maintains a fleet of 220 vehicles for use by field staff and daily business. This action is to authorize the Executive Officer to execute an open-ended lease and maintenance agreement with Enterprise Fleet Management and to execute individual vehicle leases. This action also seeks approval to transfer \$545,000 from the General Fund (Administrative & Human Resources Capital Outlay Account) to Administrative & Human Resources Services and Supplies Account for FY 2022-23 annual vehicle lease payments. Finally, this item would direct future revenue from the resale of fleet vehicles into the Infrastructure Improvement Fund (02) to use for ongoing lease payments. Funding will be requested in future budgets for ongoing fleet vehicle leases.

COMMITTEE: Administrative, October 14, 2022; Recommended for Approval

RECOMMENDED ACTIONS:

1. Authorize the Executive Officer to execute an open-ended lease and maintenance agreement with Enterprise Fleet Management and to execute individual vehicle leases under the fleet management services program;
2. Approve the transfer of the currently budgeted \$545,000 from the General Fund (Administrative and Human Resources Capital Outlay Account) to Administrative and Human Resource's FY 2022-23 Budget, Services and Supplies Major Object, Rent & Leases Equipment Account to pay for vehicle leases for this budget year; and
3. Direct upon receipt, any funds from the resale of South Coast AQMD fleet vehicles as part of the fleet management services program, into Fund 02 – Infrastructure Improvement Fund, Miscellaneous Revenue Account.

Wayne Nastri
Executive Officer

Background

South Coast AQMD is responsible for the maintenance, distribution, and recordkeeping of a vehicle fleet assigned to field staff and available to employees for daily business use and the Rideshare Program. The fleet currently consists of over 200 vehicles, mostly sedans but also a few SUVs, trucks, and vans. An analysis of the fleet is conducted annually to determine which vehicles should be replaced, based on condition, miles, and age. Replacement vehicles are purchased through the South Coast AQMD Capital Outlay fund. Over the recent years, vehicles have not been replaced on a regular basis, due to budgetary constraints. As a result, the average age of the fleet is 12 years old, with some vehicles reaching 20 years. The older vehicles lack optimal safety features and equipment to minimize risk of injury. Staff seeks to utilize a fleet management services program that will reduce this extended lifecycle of fleet vehicles by maximizing the use of budgeted funds and establishing a structured, ongoing mechanism for procuring replacement vehicles. Staff has determined that initiating a vehicle leasing program with Enterprise Fleet Management (Enterprise) would serve this purpose.

Cooperative Purchase Agreement Process

South Coast AQMD's Procurement Policy and Procedure Section IV(A)(5) allows, whenever possible, the use of cooperative purchasing programs, provided that the quality of the available goods or services meets South Coast AQMD requirements. Cooperative purchasing agreements reduce costs by aggregating the purchasing power of public agencies nationwide. This proposal utilizes a cooperative purchasing agreement with Sourcewell, a cooperative purchasing organization for government, public and private K-12 schools, colleges, universities, and non-profit organizations. All contracts available through Sourcewell are competitively solicited, evaluated, and awarded. Sourcewell awarded a contract to Enterprise to provide fleet management services to its members, such as South Coast AQMD. After review of fleet vehicle requirements and budget impacts, this proposal is to utilize Enterprise to provide South Coast AQMD with fleet management services.

Enterprise is experienced in contracting with other government agencies for these services, such as Bay Area Air Quality Management District, Elsinore Valley Municipal Water District, San Diego Metropolitan Transit System, City of Duarte, and City of Corona.

Proposal

A fleet management services program that leases vehicles, instead of purchasing, will allow for a shorter turnover of existing vehicles. This will bring newer vehicles into the fleet with updated safety features and technology, such as forward collision warning, electronic stability control standardization, and rearview camera standardization, to increase safety for employees and the public. Vehicles with a shorter lifecycle will also reduce fuel and maintenance costs due to better fuel efficiency and less wear and tear.

Under a fleet management services program with Enterprise, South Coast AQMD would identify vehicles to replace and appropriate vehicles to serve as replacements. Selection criteria for vehicles would be based on duty cycle with preference for hybrid and zero-emission vehicles. With this year's budget allocation of \$545,000, the goal is to lease approximately 70 vehicles this fiscal year, depending on inventory availability. As a comparison, under the existing purchase model, the same amount would only enable a purchase of 15 vehicles. Under this fleet management plan proposal, staff would seek to turn over the entire fleet within the next 4 years and to establish an average 5-year lifecycle for fleet vehicles. However, there is no requirement to lease a specific number of vehicles under the Enterprise fleet management services program. South Coast AQMD can lease any number of vehicles in any given year, based on need and budget constraints. The vehicle leases would have no mileage restrictions, abnormal wear and tear costs, or early termination penalties.

At the end of a vehicle lifecycle, Enterprise will be responsible for selling the vehicle. The proceeds from the sale, less a minimal service charge, will be returned to South Coast AQMD. This proposal requests that the Board recognize such future revenue and direct it to Fund 02 Infrastructure Improvement Fund, Miscellaneous Revenue Account where it can be allocated for ongoing lease payments. As newer vehicles are turned over for resale, the expectation is that there will be significant revenue to help fund this program. However, there is no guarantee as to the resale value of vehicles and the agency may decide to purchase the vehicles at the end of the lease, based on operational and financial considerations.

Enterprise's fleet management services program also includes a maintenance program that covers all routine services recommended by the manufacturer of the vehicle and all unexpected repairs, not related to damage or neglect, for all leased vehicles under the fleet management services program, as well as South Coast AQMD's current fleet vehicles. Under the maintenance program, Enterprise also provides 24/7 roadside assistance and tow services and access to over 100 local contracted maintenance and repair shops. Even with the additional maintenance program fee per vehicle, this feature would provide cost savings for the current fleet maintenance budget.

Resource Impacts

Upon approval, FY 2022-23 budgeted funds in the amount of \$545,000 in the General Fund (Administrative and Human Resources Capital Outlay Account) will be transferred to Administrative and Human Resource's FY 2022-23 Budget, Services and Supplies Major Object, Rent & Leases Equipment Account to lease new vehicles this fiscal year.

Funding will be requested in subsequent budgets for ongoing lease payments, budgeted as an operating services expense, rather than a capital outlay.