

**Hamilton County, Ohio  
Business Case Report  
on Fleet Services  
to the Competition and Efficiency Committee**

November 21, 2006

# Hamilton County, Ohio Business Case Report Fleet Management

## I. PURPOSE

The purpose of this business case is to identify the suitability of pursuing a managed competition effort for fleet management services in Hamilton County. This business case provides a description of the current state of fleet management in Hamilton County and compares that state with information on comparable communities and market data to provide decision makers with sufficient information to make a go/no-go decision on pursuing a formal managed competition. Development of the Business Case is an integral part of the Gate Management Process which is designed to ensure that decisions on whether to proceed with a managed competition effort are rational and backed by facts and analysis. In addition, the business case seeks to identify additional efficiency efforts which may be initiated as it relates to the management of County fleet operations. Finally, the business case is helpful in providing institutional documentation on the state of a given service within the County so as to prevent duplication of effort at later times.

## II. RECOMMENDATIONS

### *Rationale for Introducing Competition and Employing Efficiency Improvements*

Fleet management in Hamilton County is a fragmented system of independent operations, each of which performs maintenance services for various departments and agencies. No singular entity, approach, policy or methodology exists for managing the County's fleet vehicles in total. The results of this system are that little specific attention is paid to the overall management of County vehicles with the exception of those under the direct control of one of these three direct County provider agencies, the County Engineer, Sheriff and Public Works. Understandably, these providers take an owner's interest in the management of the vehicles controlled by their individual department or agency – but this sense of ownership does not carry over to those vehicles managed on behalf of other departments.

While, as stated above, it seems evident that each of the County's three service agencies (Engineer, Sheriff, and Public Works) pays detailed attention to the operation and maintenance of their own vehicles, there is no system of regularly tracked performance data which would either confirm or refute that assertion empirically. In addition, management oversight (distinct from maintenance) of the 257 vehicles not owned by these service agencies tends to be provided by administrative personnel with little or no fleet management or vehicle experience.

From an industry perspective, it is evident that there is an adequate external market capable of providing fleet management services should the County determine that a managed competition is suitable in this case. This private market consists of firms which specialize in maintenance of public sector fleets, in total, to leasing firms which provide comprehensive maintenance programs, through local vendor networks, as stand alone services.

It is possible that introducing competition into the system may assist with providing the type of oversight which should be applied to County vehicles while reducing total system costs for vehicle maintenance. It should be noted, however, that a large portion of fleet management costs (notably the Engineer) fall outside of the county general fund. Thus the savings to the County general fund will not be as significant as it might seem when examining the overall fleet budget.

## **Options**

The following options were examined as they relate to enhancing the efficiency of County fleet management services:

- 1. Implement a managed competition process for the entire County vehicle fleet.*
- 2. Implement a managed competition process for general fund vehicles only.*
- 3. Implement a managed competition process for vehicles over which Board has direct control.*
- 4. Focus on consolidation.*

To a large extent, with the exception of option #4 which focuses on consolidation, the options detailed above differ in their approach based upon the number of vehicles involved with the process and based upon the entity which has control of those vehicles. The Board of County Commissioners has direct control over approximately 100 vehicles. An additional 157 vehicles fall under the control of other elected officials in the County. The remaining vehicles are under the control and management of either the Sheriff or the County Engineer.

In determining which of the above options to pursue, consideration was given to balancing the economies of scale associated with bringing a large number of vehicles into the process with the practicality of developing a unified approach among various elected officials and outside agencies. An ideal managed competition process would proceed with as many vehicles as possible in order to offer the most incentive to various bidders both public and private.

In the end, it was determined to follow an approach which balances these various concerns and which should provide the County with a high degree of flexibility while ensuring a competitive process and opportunities for efficiencies. This approach is described below.

### **Recommended Option: Implement a Managed Competition Process for the Entire County Vehicle Fleet**

By all accounts, Hamilton County is the beneficiary of a tremendous amount of in-house expertise as it relates to fleet management. That being said, however, and based upon a review of the County's fleet activity, the business models employed by comparable communities and the existence of a viable private sector market, it is recommended that a managed competition process be implemented for fleet services. The resulting procurement process should be structured to allow for a tiered approach where bids could be placed on various segments of the County's fleet (e.g. Engineer, Sheriff, etc.). This approach is deemed best in order to provide the most opportunity for enhanced management of the overall fleet system while also remaining

practical given the varying degree of control the Board possesses over different components of the County's fleet.

Goals of pursuing this strategy include the possibility of reducing cost to the County, enhancing service to County departments and improving accountability surrounding the management of County fleet assets. From reviews of comparable bidding processes in other communities as well as conversations with vendors, it is expected that 3-5 outside agencies may compete in this process in addition to the in-house teams currently providing service.

As it relates to the procurement process, however, care should be taken to ensure that all required information is available and documented so as to allow for the most accurate and complete bids from public and private participants. While a managed competition process is being recommended, it is not completely evident that all necessary and pertinent information has been acquired, at this point, to publish a comprehensive procurement document. It is crucial that this be done in order to avoid the types of problems (service inequities, cost overruns, etc.) seen recently in high profile fleet managed competition initiatives. Feedback from private sector vendors, and participation from in-house providers, will continue to be of the utmost importance as it relates to refining available information and initiating the resulting procurement.

Following the business case being presented to the CEC, a recommendation will be brought to the Board of County Commissioners for final policy direction. Following that discussion, and presuming concurrence of the Board, a procurement process will be entered into where the County will seek bids for the regular repair and maintenance of fleet vehicles across the various departments, boards and agencies that comprise county operations. The procurement process will be structured in such a way so as to allow for multiple vendors, public or private, to handle the County's fleet needs.

The procurement process is expected to begin in early 2007 with the concurrence of the Board to pursue this course of action. It is expected that the entire procurement process may take at least 6 months depending upon the degree of additional information required by vendors and the ability of the County's current operations to produce that information.

Prior to initiating the procurement process, County staff will take steps to put in place a comprehensive training program for in-house entities expected to compete in this process. Such training will focus on the required elements of submitting a bid through this process while also allowing for training on streamlining processes and reducing the cost of work activities.

### **III. CURRENT STATE**

#### *Fleet Profile*

Hamilton County operates a fleet of 905 vehicles. As seen from the following table, the majority of these vehicles are operated by the County Engineer and the Sheriff. Of the 905, only 257 are operated by user departments other than the Engineer and Sheriff.

**Table 1**

<b>Fleet Size by Organization</b>	<b>Number in Fleet</b>
Sheriff	437
Engineer	211
Juvenile Court	35
MRDD	31
Clerk of Courts	28
Probation	25
Job and Family Services	24
Public Works	20
Environmental Services	19
Facilities	15
Building Inspections	13
River City Correctional	11
Auditor	6
Paul Brown Stadium	5
Board of Elections	4
Board of Health	3
Communications Center	3
Coroner	3
Probate Court	3
Prosecutor	3
Soil and Water	3
Treasurer	2
Community Development	1
<b>Total</b>	<b>905</b>

The County's fleet can be further broken down by vehicle type. The following table details the County's fleet by vehicle type.

**Table 2**

<b>County Fleet Breakdown</b>	<b>Number of Units</b>
Passenger Cars	560
Vans/SUVs	126
Light Trucks	88
Heavy Trucks	79
Rolling Construction Equipment	44
Trailers	8
<b>Total</b>	<b>905</b>

**Costs**

The County currently spends approximately \$4.9 million on fleet activities each year. Of this amount, \$1.86 million is spent on labor and parts for vehicle repair and maintenance. The remainder is spent on vehicle acquisition and fuel. The total amount spent on labor and parts for repair and maintenance, however, must be examined closely in order to discern actual general fund costs. Of this \$1.86 million, only \$765,451 constitutes expenses paid by the County general

funds. The remaining funding is restricted funds allocated to fleet management through the Engineer’s office. Table 3, shown below, details the operating and maintenance costs of internal service agencies relating to fleet management.

**Table 3**

<b>Department</b>	<b>Number of County Vehicles Maintained</b>	<b>Total Operating Costs</b>	<b>Annual Operating Cost per Vehicle</b>
Engineer	448	\$1,032,272	\$2,304
Sheriff	437	\$618,583	\$1,416
Public Works	20	\$33,815	\$1,691
User Departments	Included in Above	\$141,498	NA
<b>Total</b>	<b>905</b>	<b>\$1,826,168</b>	<b>\$2,017</b>

As shown in Table 3, departments throughout the County also allocate funds for the maintenance and repair of their individual fleet vehicles. This amount is detailed in Table 4 below.

**Table 4**

<b>User Department Maintenance Costs</b>	
Total cost of user department maintenance and repair	\$141,498
Total Number of Vehicles in User Departments	244
Annual Operating Cost/Vehicle	\$580

While the \$141,498 listed above includes funding spent on various outside vendors, the majority of these funds are paid by user departments to the Engineer’s Office for maintenance and repair of vehicles.

The following table details the annual General Fund costs allocated to the maintenance and repair of fleet vehicles in Hamilton County.

**Table 5**

<b>Fleet Costs within General Fund</b>	
Fleet Personnel	\$398,367
Parts/Service Contracts	\$93,505
Vehicle/Equipment Repair	\$273,579
<b>Total</b>	<b>\$765,451</b>

Management of Hamilton County’s fleet is fragmented in nature. Multiple agencies manage various components of the fleet and there is no overarching management system for tracking

critical vehicle information - let alone for comprehensively planning for future needs. While it is likely that this sort of planning is done individually by various departments, there is no comprehensive planning for fleet needs at the County level.

Typically, departments allocate a small portion of one administrative person’s time to managing vehicles. This person has fleet management responsibilities along with numerous other job duties.

Servicing of County vehicles is managed by the County Engineer, Public Works, and various private vendors. No comprehensive policy exists dictating where County departments must take vehicles for service nor do performance standards exist for monitoring fleet operations. Based upon conversations with user departments, however, the current system of fleet management is far from being in a state of disarray. It has evolved over the years to one where most departments have a certain comfort level with the current system – despite the widespread feeling that certain incremental improvements in both cost and quality are possible. The following paragraphs describe the roles of various organizations in maintaining the County’s fleet and also describe some of the efficiency improvements these agencies have made over recent years:

Hamilton County Engineer: The County Engineer maintains 448 vehicles throughout the County. Of these, 211 are owned by the Engineer’s Office with the remaining vehicles brought to the Engineer for service by other County departments. While the Engineer performs maintenance on County vehicles, the Engineer does not take a stewardship role in overseeing the operation of vehicles outside of those owned by the agency. The Engineer’s Office maintains an information system for tracking work and vehicle maintenance histories, but reports are not regularly provided to departments on the status of vehicles. Departments are asked to track and monitor their vehicles individually.

In maintaining its own vehicles, the Engineer’s Office has made several improvements to improve efficiency and cost-effectiveness. The Office services and treats key electrical connections on dump trucks to combat corrosion from salt and calcium in snow treatment materials. The Office is also experimenting with different oil pan materials to increase useful life. The Office switched to stainless steel truck beds and salt spreaders, eliminating the need for bed repairs and repainting in addition to researching and finding a more durable snow plow with a much longer lifespan, saving replacement costs and reducing downtime. Lastly, the Office is using a durable LED truck lighting system that carries a ten year warranty, reducing repair time and costs.

**Table 6**

<b>County Engineer – Annual Fleet Costs</b>	
Fleet Personnel	\$882,014
Parts/Service Contracts	\$121,558
Vehicle/Equipment Repair	\$28,700
<b>Total</b>	<b>\$1,173,770</b>

\* Includes \$141,498 allocated from user departments.

Hamilton County Sheriff: The County Sheriff provides maintenance for its fleet of 437 vehicles as well as service for several outside agencies which find it convenient to use the Sheriff’s garage. No internal County departments utilize the Sheriff for servicing or maintenance of vehicles – however service is provided to several external agencies. The Sheriff has made various improvements to service operations to improve fleet efficiency. For instance, the Department keeps two transmissions on hand so that one can be replaced immediately when needed, decreasing downtime of vehicles. The Department added three hydraulic lifts, for a total of five, which increases the workload which can be handled at one time. Two wreckers were purchased which enables the Department to haul its own vehicles rather than paying an outside towing company. The Department also purchased a computer to read engine codes, an air compressor, a second lathe, a welding unit, and upgraded hand and power tools, all which enable the Department to do more maintenance and repair work in-house, reducing vehicle downtime and saving the costs of using a commercial repair shop.

**Table 7**

<b>Sheriff – Annual Fleet Costs</b>	
Fleet Personnel	\$348,844
Parts/Service Contracts	\$78,774
Vehicle/Equipment Repair	\$190,965
<b>Total</b>	<b>\$618,583</b>

Public Works: Public Works possesses a fleet of 20 vehicles and provides the majority of the service and maintenance for these. The maintenance work is done by one FTE who works in a dual capacity of equipment operator and mechanic. The mechanic does repair and maintenance on department vehicles as well as heavy excavating equipment. Having this function available within the department allows them to consistently achieve their goal of performing all maintenance and repair within 24 hours of notification.

**Table 8**

<b>Public Works – Annual Fleet Costs</b>	
Fleet Personnel	\$15,709
Parts/Service Contracts	\$14,731
Vehicle/Equipment Repair	\$3,375
<b>Total</b>	<b>\$33,815</b>

**Customer Service Requirements**

Currently, for fleet management in Hamilton County, there are no performance standards which would provide any usable information relating to fleet performance. A comprehensive survey sent to both user and service departments revealed few policies or standards employed by either of those groups – other than attempting to ensure that preventive maintenance follows

manufacturers warranty specifications. While users may independently have concerns regarding cost, turnaround time, availability, downtime, etc. no agency has formalized these expectations into any sort of service level agreement with a service provider.

#### **IV. OTHER SERVICE DELIVERY MODELS**

A review of other public and private entities revealed several models of providing fleet management services within a given organization. These are as follows:

1. a. In-house maintenance - Fragmented

This is the current model employed by Hamilton County. Each department is responsible for setting policies, determining requirements, and maintaining their own fleet.

b. In-house maintenance - Centralized

A central fleet management department is established to enforce policies and manage all aspects of the County-wide fleet.

2. Outsourced maintenance using government-provided facilities

An external vendor would employ fleet personnel, and would provide vehicle and equipment maintenance in existing garage facilities owned by the County or another government entity.

3. Outsourced maintenance using network of local private vendors

An external vendor contracts to provide fleet acquisition and maintenance. All repairs and maintenance are provided using local commercial providers.

**V. COMPARABLES**

	<b>Fleet Size</b>	<b>Service Delivery Model</b>	<b>Maintenance Budget</b>	<b>Fleet Mgmt Software Used</b>	<b>Standard Replacement Policy</b>	<b>Vehicle Acquisition</b>	<b>Performance Measures</b>
<b>Franklin County, OH</b>	394	Central county fleet department for all except the County Engineer	\$689,987 \$1,751/vehicle	FleetMax	10 yrs/100,000 miles; 3 yrs/100,000 miles for police vehicles	Cash purchase	One day turnaround; <5% rework rate
<b>Cuyahoga County, OH</b>	245	Centralized county fleet department	\$400,000 \$1,632/vehicle	FleetMax	No formal policy.	Cash purchase	Monthly report of vehicles overdue for preventive maintenance (every 7,000 miles or 12 months)
<b>Lucas County, OH</b>	250	Centralized county fleet department	\$672,679 \$2,691/vehicle	RTA	No formal policy.	Cash purchase	None
<b>Indianapolis/Marion County, IN</b>	2,762	Centralized county fleet department	\$10,800,000 \$3,910/vehicle	Maximus M4	No formal policy.	Lease, cash purchase and financing	95% fleet availability
<b>Peoria County, IL</b>	215	Centralized county fleet dept	\$368,052 \$1,711/vehicle	CFAWin	Every 10 years, with exception guidelines	Cash purchase	ICMA performance standards
<b>Mecklenburg County, NC</b>	1,040	Decentralized (Currently in process of bidding out fleet maintenance)	\$832,000 \$800/vehicle	FleetTracker	No formal policy. Average 12 years due to funding	Cash purchase	None

## **VI. OTHER EFFICIENCY RECOMMENDATIONS**

### *1. Establish performance standards for all fleet operations.*

None of the agencies surveyed were able to provide measured or stated performance standards for fleet operations. A performance audit of the County Engineer was conducted by the Auditor of State in October 2005. One of the key recommendations made was to “develop, implement and monitor performance measures for all departments and functions. HCEO could implement this recommendation using current resources, although it would need to allocate time for the development of the benchmarks and measurement system.”

Every department would benefit from following this recommendation. Some of the basic fleet performance standards that should be measured are repair turnaround time, rework percentage, fleet availability, and preventive maintenance compliance percentage.

### *2. Acquire fleet management software for use by all departments.*

All three service providers use software to track their work, but none of these systems seem adequate to provide reports of billing, labor hours, or even an effective vehicle maintenance history. A single software package would allow the administrator to maintain oversight of the entire fleet.

In addition, the fleet inventory maintained by each agency varies greatly from the initial inventory established by Purchasing. A consolidated fleet management software package would utilize a single identifier for each vehicle, and track it from acquisition to disposal.

### *3. Evaluate vehicle replacement policy.*

Currently, each department establishes its own replacement policy. A single policy should be developed utilizing industry standards for individual vehicle classifications, and applied to each department.

### *4. Examine current cash purchase model.*

Currently, County vehicles are all purchased with cash. There is an external market that provides leasing services for government fleets similar to our own. Leasing and debt financing, whether pursued internally or through a third-party vendor, should be investigated as possible cost-saving options.