



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 21, 2016 REPORT NO: 16-009-REV

ATTENTION: Committee on Budget and Government Efficiency

SUBJECT: Status of Fleet Services Division Operations

REFERENCE: N/A

REQUESTED ACTION:

This is an informational only item.

STAFF RECOMMENDATION:

Accept the report.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The Fleet Services Division transitioned to the Internal Operations Branch in spring of 2015. This move provides a consistent expectation among the City's internal support functions, the common goal of superior customer service. The internal support functions face similar challenges of competing priorities among the same customers, other City departments. Since that transition, a new Deputy Director was brought on and a full evaluation of the division began. While the evaluation of the division is still on-going, many developments have been made. This report will provide a summary of key developments; highlight the progress made to-date, and outline future goals of the division.

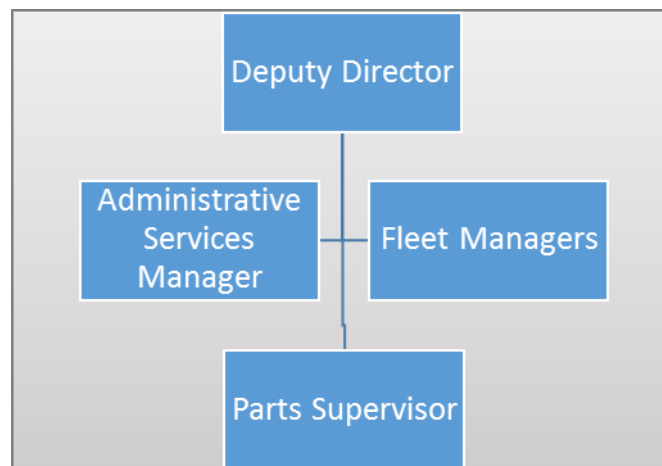
CST Fleet Services, a sub-contractor of Huron Consulting, which performed a review of the division in FY 2014 was brought back to assist in the evaluation. While it was anticipated to have a full report of their evaluation available for this report, the Consultants review is not complete yet. CST Consulting Group is based out of North Carolina and was affected by extreme flooding in the southern United States in the fall, resulting in a postponement of the evaluation and the final report.

STAFFING

The FY 2016 Adopted Budget included the addition of 27 new positions, including 20 shop positions and seven administrative positions. The division has filled nearly 60% of the new positions as presented in the FY 2016 First Quarter Budget Monitoring Report. The division anticipates eight more new positions will be filled early in 2016 bringing the percentage of FY 2016 new positions filled to 93%. The additional staffing and new management focus on customer service has made a significant positive impact. The most significant of the 27 new positions added in FY 2016 are the Program Manager, three Fleet Repair Supervisors and 17

various shop positions. The Program Manager was hired in November 2015 and the three Fleet Repair Supervisors were hired in August 2015. Thirteen, or nearly 65%, of the new shop positions have been hired and five more are expected to be hired in February 2016; bringing the total number of new shop positions filled to 90%.

The Program Manager is a key managerial position which oversees the division's administrative functions, with the exception of parts. These functions include, payroll, safety, accounts payable, revenue analysis, training (city-wide driver training and internal technician training), information technology, vehicle acquisitions and dispositions and budget development. Previously, nearly all of these functions were overseen by the Deputy Director. This level of oversight did not provide the direct supervisory support for these critical functions. As a result, policies, and procedures were not updated or utilized leaving inefficient processes and unreliable data. The vehicle maintenance and asset management software system was also neglected. The system is several versions behind in upgrades which contributes to obsolete reports and unreliable data, making analysis and long- and short-term planning challenging. Additionally, procedures for properly utilizing the system were either not developed or not maintained and became outdated.



As highlighted, the lack of effective oversight, combined with the loss of several positions, there is a deficiency in skilled staff familiar with the software system across the division. Going forward the Fleet Team Lead(s) position in every shop will be the designated super users of the software system. They will serve on the software policy and development committee and will serve as subject matter experts and the go-to source of information for employees of their respective shops. A routine training program for new hires and refreshers for existing staff will also be developed and required for all employees. Additionally, a comprehensive procedure manual for all processes in the software system will be updated and made available at every work station.

In November 2015 the administrative support functions were centralized, and all administrative support staff moved to the Chollas Operations Yard, forming one central administrative team. This move promotes cross training and consistency in operations, policies and procedures for the entire division.

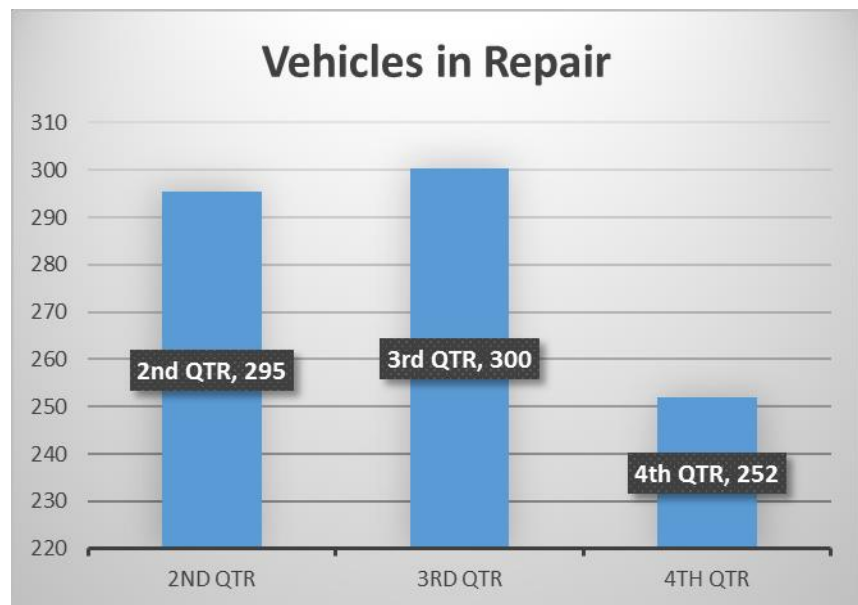
The preliminary review by CST consultants determined that three distinct sections of the division, each with their own policies and procedures were still in existence prior to the restructure to the Internal Operations Branch. This appears to be the remnants of the pre-centralization of fleet services. Previously, both the Fire-Rescue and Police Departments had their own internal fleet services divisions. When fleet services centralized in FY 2008 the two public safety fleet services divisions combined with the citywide “Equipment Division” to make one Fleet Services Division within the Public Works - General Services branch of the City. Unfortunately, these divisions continued to operate independently, although under the same umbrella, which created confusion and lack of consistency across the division. Centralizing the administration team of the division supports a unified mission with one set of policies and procedures.

The three new Fleet Repair Supervisors took supervisory positions at three shops where a swing shift with one supervisor was implemented to supervise both the day and night shifts at their respective shops. The additional supervisory role has increased productivity at the shops and increased overall morale by reducing the strain placed on Lead and Master Technicians to step in when the supervisor was not present. This is evident in our vehicle availability numbers, as discussed in the following section.

VEHICLE AVAILABILITY

The table below displays a snapshot of vehicles undergoing repair, beginning in the second quarter of calendar year 2105 when the transition to the Internal Operations Branch occurred. While the number of vehicles undergoing repair fluctuates hourly, a quarterly review illustrates a significant reduction in the number of vehicles undergoing repair in the fourth quarter, thus increasing the availability of these vehicles to City departments.

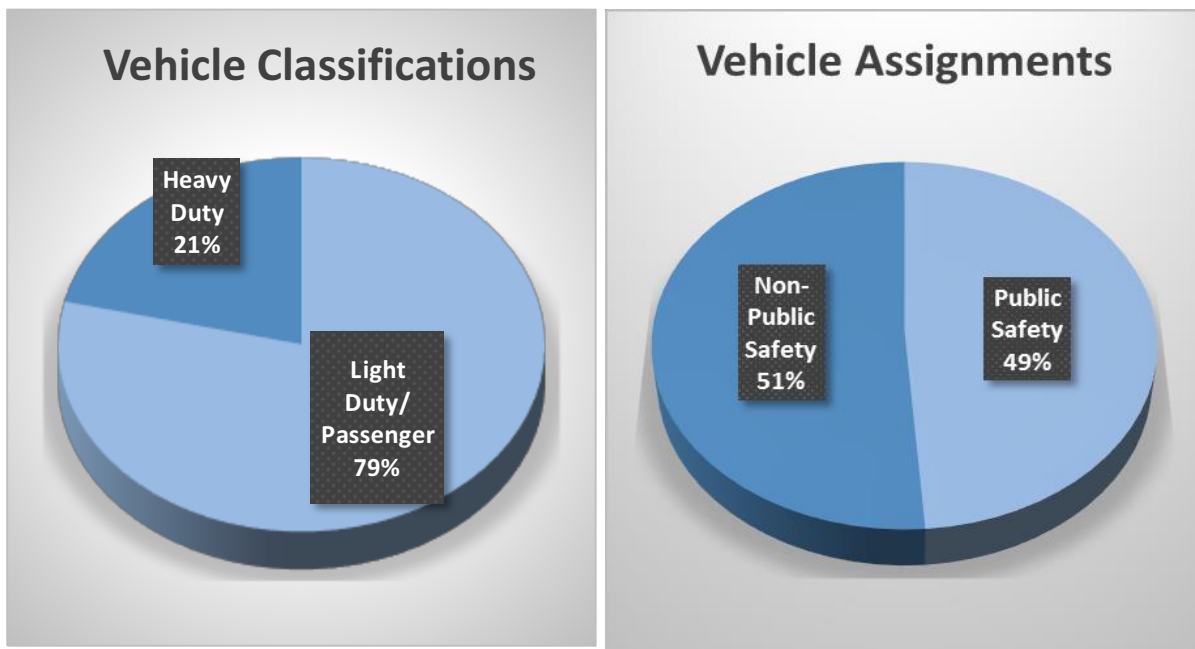
In comparison to the second quarter from the fourth quarter the reduction of vehicles undergoing repair reduced by 15%. This improvement has a significant impact on City services such as, public safety, street sweeping, pothole repairs, curbside recycling and trash pick-up and the City staffs’ ability to perform these duties efficiently. The increases in productivity also reflect the ability and willingness of the fleet technicians to meet the needs of their clients.



With clear and consistent direction and goals, the fleet shops are able to adjust operations and priorities to assist each other.

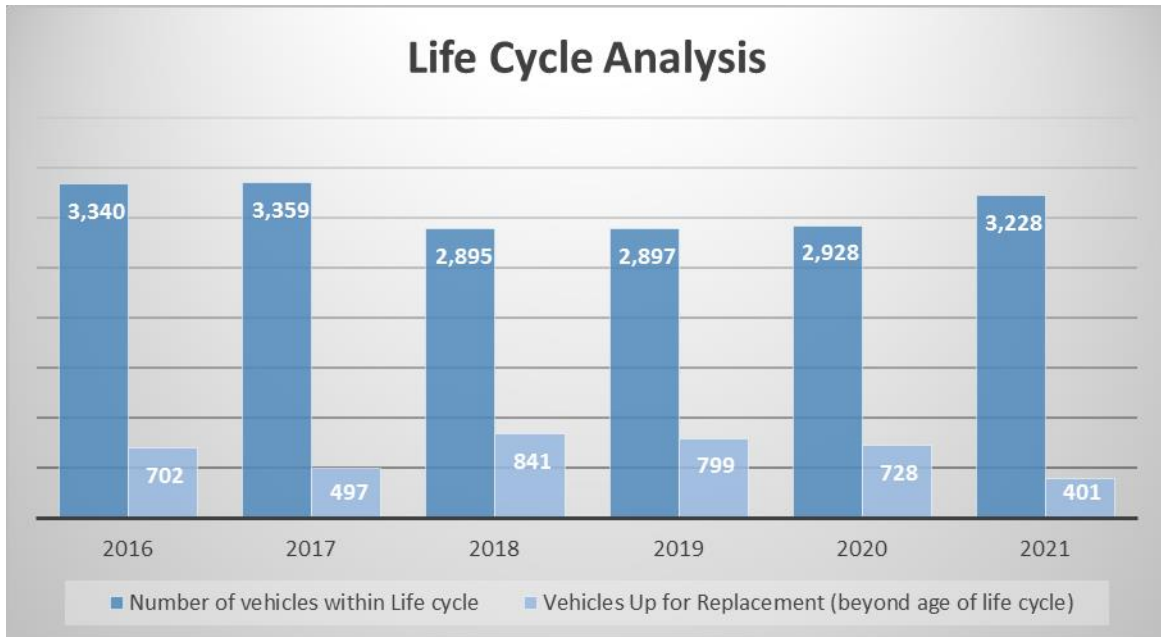
STATUS OF THE FLEET

The City's fleet consists of approximately 4,100 vehicles and equipment. Of this, there are nearly 700 different types of vehicles ranging from heavy duty trucks and tractors that maintain the City's beaches to police patrol cars to fire engines to golf carts and everything in between; all providing the essential services that support San Diego and its residents. Preliminary review by CST has identified that over 700, or 18%, of the fleet have exceeded their expected life cycle and are in need of replacement as illustrated in the table below. Overaged vehicles have a significant impact on fleet operations, as they are generally less reliable due to breakdowns. In addition to an increase in frequency of repairs, the repairs can be extensive, requiring a considerable amount of time. Furthermore, the ability to get original equipment manufacturer (OEM) parts for overaged vehicles becomes less and less reliable as a vehicle ages and can cause weeks of delays waiting on a specific part. There is also a significant impact on the parts room staff in searching and locating parts for older vehicles. When an OEM part cannot be located, parts staff turns to the aftermarket parts manufacturers. These parts are often not built for a specific vehicle and require fabrication and or other fittings/hoses for the part to fit correctly. While an aftermarket part is less expensive than an OEM part, the costs incurred to locate, wait and fit the part far outweigh any cost savings when compared against an OEM.



A few factors should be considered in determining when a vehicle is over-age. There are the basic measurements of lifecycle based on age and mileage (engine hours for diesel). Another factor to consider is the annual and cumulative maintenance and repair costs of an individual vehicle. This can fluctuate based on several factors such as the geographical area the vehicle operates in or the number of shifts in which the vehicle is used. An example is a lifeguard vehicle which is used nearly the entire day on the beach in close proximity to salt water increasing corrosion. The City also has public safety emergency mobile command vehicles that are used less frequently and are securely stored, which can increase the lifecycle. As technology

advances, the comparison of fuel economy on an overaged vehicle to its replacement can be substantial, and this must be considered when evaluating operating cost per mile.



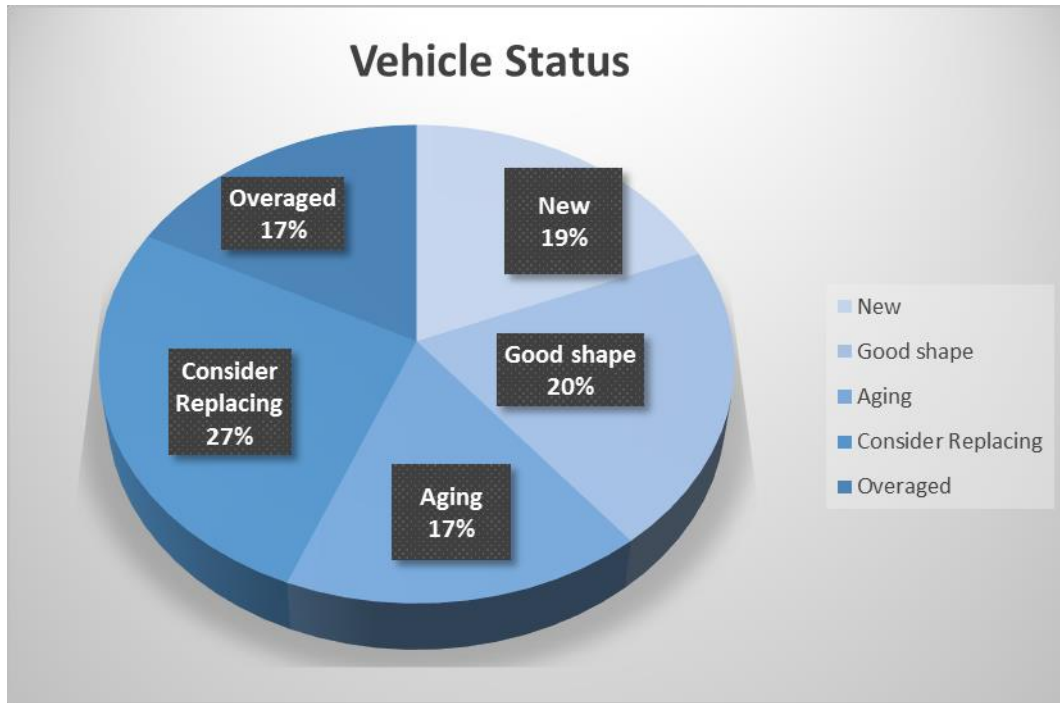
An accepted fleet industry standard is to replace a vehicle before the maintenance and repair costs approach 70 to 80% of the purchase price of the vehicle, or when the per mile operating cost spikes. Ideally, the optimal time to replace a vehicle is when the combined holding and operating cost per mile are at their lowest, maximizing the resale value and replacing with a newer, more fuel efficient and dependable vehicle.

24 MONTH REPLACEMENT PLAN

As mentioned earlier more than 700 vehicles are over-aged. While all of these vehicles should be disposed, not all will be replaced. A highly effective fleet management program requires a continued analysis of vehicle utilization. Under-utilized vehicles of similar types should be swapped, ensuring maximum utilization of the vehicle, thus maximum return on investment. Given the variety of types of vehicles (more than 700) in the City's fleet the ability to swap under-utilized vehicles for over-utilized vehicles is diminished. One of the goals of the new management is to incorporate industry best practice and focus on standardizing the fleet. This will not only assist in maximum utilization; savings may be realized in the repair and maintenance costs when less variety is presented and expertise can be achieved. Additional savings can be realized with a more efficient ordering process when less is available to select from. Careful consideration of the specific tasks and mission of the vehicles would be required to ensure there is not a loss of productivity on the operator side. To assist with the standardization, maximum utilization and overall fleet management policies, a committee of key stakeholders will be assembled.

In FY 2016, Fleet Services anticipates replacing more than 60% or approximately 450 vehicles and 600 vehicles in FY 2017. Of the 700 overaged vehicles, 413 vehicles are so far beyond the

life cycle they are critical to replace this fiscal year. The vehicle status is displayed on the table below.



This aggressive 24 month replacement plan requires a review of funding options. Fleet Services management began reviewing options with both the Financial Management and Debt Management Departments in the fall. The initial conclusion is a recommendation to finance fire apparatus as these vehicles have a long lifecycle and average approximately \$700,000 each.

CITY'S ADOPTED CLIMATE ACTION PLAN

The City's goals, as outlined in the recently adopted Climate Action Plan, is to convert 50% of the gasoline fleet to electric vehicles (EV) by 2020 and 90% by 2035. This is being led by the Environmental Services Department. The Department will be breaking ground on a Compressed Natural Gas (CNG) fueling station and Fleet Services is has initiated the acquisition of 20 CNG refuse packers this fiscal year.. These first 20 CNG refuse packers are expected to be in service in FY 2017, with the entire fleet converted by FY 2021. The next round of champions in this effort will be shared citywide as all overaged passenger and light duty vehicles may be replaced by plug-in hybrid zero-emissions vehicles. These vehicles require very little infrastructure, only a 110 volt outlet is required and they are not limited to 70 miles as they automatically convert to fuel when needed.

This is a great time for this change-over as State and federal incentives and rebate programs are expected to be widely available. Fleet Services is currently engaging with its vendors and the State Air Quality Resources Board to ensure we are ready to take advantage of all rebates available.

As alternative-fuel fueling stations and solar panels, etc., are developed, Fleet Services will be adapting to the new technology and replacing low-fuel economy vehicles with the best zero-emissions vehicles available. This focus coupled with an aggressive replacement plan allows the City's fleet to make this transition quick. Additional investments in training of the fleet services staff and tooling-up of the shops will be necessary; however, the reduction of greenhouse gas will be invaluable.

SUMMARY

As of January 2016 orders have been placed for nearly 200 vehicles. The vehicles are delivered, outfitted and are put into service. The list below highlights some of the activity for new vehicles for this fiscal year.

- Seven fire apparatus were placed into service in the first quarter of FY 2016.
- 76 police patrol vehicles are expected to be in service by February 2016.
- Two vehicles for the Fire Rescue Department's Fast Response Squads will be in service by the end of this month.
- 20 refuse packers were put into service in the first quarter of FY 2106
- Five wastewater drain cleaners were put in to service in the second quarter of FY 2016.

The Fleet Services Division staff's successes so far include, increased vehicle availability, building a robust replacement plan and laying out the groundwork for technology improvements are only possible due to the great dedication of the Fleet Services Division employees. Through active and positive partnerships with the recognized employee associations, AFSCME Local 127 and the San Diego Municipal Employees Association (MEA), Fleet Services staff have embraced the transformation of the division and are coming out on top.

Many enhancements have been implemented or will be this fiscal year, with more to come in the next fiscal year. The replacement plan is already underway and several vehicles have been received as noted above. The financing plan will apply to fire apparatus ordered in the fall of FY 2016 through FY 2017 and is expected to be a valuable tool for the City in its effort to establish an efficient and award winning fleet.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #1: Provide high quality public service.

Objective #1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services.

Objective #2: Improve external and internal coordination and communication.

FISCAL CONSIDERATIONS:

Future endeavors will require additional funding which will be prioritized with other needs through annual budget process.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS: N/A

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS: N/A

Signature on File

Alia Khouri
Deputy Director
Fleet Services Division

Signature on File

Ronald H. Villa
Deputy Chief Operating Officer
Internal Operations Branch