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DEPARTMENT OF
GENERAL SERVICES

OFFICE OF THE DIRECTOR

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DIVISIONS:

COMMUNICATIONS
FACILITY MANAGEMENT
FLEET MANAGEMENT
PROCUREMENT SERVICES

June 19, 1991

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: FLEET EQUIPMENT UTILIZATION - REPORT BACK

SUMMARY

This report is in response to Mayor Rudin's request at the Wednesday, May 15, 1991 Operating Budget Hearings for the Department of General Services regarding equipment utilization by city departments we serve.

BACKGROUND

Fleet Management operates as an internal service fund with an annual budget of approximately \$16 million. It owns, manages and provides over 1900 pieces of equipment that serve the needs of all city activities, to include a variety of vehicles such as sedans, trucks, heavy duty construction equipment, fire apparatus as well as compressors and riding lawn mowers.

New equipment (additions to the fleet, not replacements) are initially purchased with funding provided by a using activity and the equipment is permanently assigned to that department. At the time of purchase of an additional or a replacement vehicle the needs of the activity are considered to properly size the equipment to meet the needs of the user, and provide safety and operational efficiency (i.e. fuel, maintenance, utilization, etc.).

The vehicles are then placed into service and the using activity is charged a monthly rental rate per mile or hour, or a flat rate when the monthly equipment utilization is below a pre-established minimum. The rates charged per piece of equipment are determined based on the cost of operation, maintenance, repair, and replacement criteria.

DISCUSSION

Equipment efficiency is very important to the operation of a cost effective fleet. Fleet Management's role is to provide equipment that meets the stated needs of the activity. Once a piece of equipment is assigned to the user activity, efficient utilization of the equipment is the responsibility of that activity.

To assist user activities with monitoring the utilization of the assigned equipment, the Fleet Management Division through its "charge and billing system" provides the users the means for monitoring costs and utilization. The monthly billing reports list the mileage, rate and total charges per piece of equipment permanently assigned to a user activity or "rented" from the "equipment pool" (to be discussed later). User activities can rotate under-utilized equipment to areas of higher use in order to equalize usage of their entire assigned fleet. Or they might, at their discretion, turn in the equipment to the pool and request that it be retained for their specialized needs as well as provide usage for other departments or divisions.

The Fleet's billing system also provides for a rental system, separate from the equipment pool whereby user activities can "loan" their assigned equipment to another activity within the City. The "loaning" activity with permanent assignment of the equipment is credited mileage used by the "renting" activity. This system makes available to departments with short-term needs the usage of specialized equipment that may be assigned to other activities, and provides a means for maximum utilization of the equipment.

Should a user activity determine it is not cost effective to have an assigned piece of equipment, the Fleet Management division operates an "equipment pool". The "equipment pool" retains both surplus and under utilized equipment that may be used by different departments or divisions for special projects; during seasonal peaks, and/or for times of emergency. The "equipment pools" are also used when new programs are approved and there are delays in obtaining equipment. In addition, the pool retains equipment that is not cost effective for a single using activity and equipment that may otherwise be sold at surplus. For example, many City Hall users "rent" sedans for errands or out-of-town trips; Parks & Community Services department "rents" surplus refuse trucks during leaf season for clean-up of the various parks throughout the city. These "rentals" provide users with a vehicle for a short period of time without incurring the capital expenses of yearly ownership.

A third option for users requiring specialized or limited term equipment is outside rental. This is cost effective in areas where equipment is needed for a single, one-time-only or limited term type project, or when either city owned equipment or a "pool" unit is not available.

By monitoring their permanently assigned vehicle usage, and utilizing the equipment pools, and/or outside rental firms, user activities can minimize their equipment expenses and maximize utilization. The Fleet Management Division will continue to promote, monitor and make recommendations to using departments on equipment that is under-utilized.

FINANCIAL DATA

Equipment is charged a minimum rate each month regardless of its usage. Through closer monitoring of equipment usage, departments may be able to reduce their monthly costs.

POLICY CONSIDERATIONS

Equipment operating efficiently is consistent with Council's continued support for fuel efficiency and clean air.

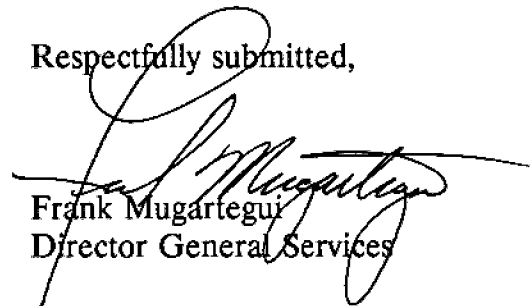
M/WBE EFFORTS

Not applicable.

RECOMMENDATION


This report is provided as information only and requires no action.

Respectfully submitted,



Frank Mugartegui
Director General Services

APPROVED FOR CITY COUNCIL INFORMATION:



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June 19, 1991
All Districts

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