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Date: 08/06/2021
To: Mayor Steele and City Council
From: Jimmy Liles, C.A.
Subject: Fleet Management Lease Program

Staff has been exploring the option of utilizing a lease program through Enterprise Fleet Management instead of purchasing our vehicles. Ryan Owens from Enterprise Fleet Management will be at Monday night's meeting to present the lease program to Council for consideration in the 2022 budget.

The lease program provides the opportunity to replace some of the city's aging vehicles, lower maintenance and repair costs and have a significant long-term savings for the city.

Currently, staff has explored the option of utilizing the program with the Police Department and some of Public Work's vehicles. Upon realizing the potential savings, I have asked Ryan to provide information on possibly expanding the program to include other departments.

Ryan has provided a synopsis for Council's review that includes an analysis of savings that the program could provide. The synopsis is included in your Council packet.

Staff is currently working on the 2022 budget and is seeking direction from Council on either proceeding with the Enterprise Fleet Management lease program or continuing to purchase our vehicles as we are currently.

Thanks,
Jimmy



FLEET MANAGEMENT

FLEET SYNOPSIS | City of Nixa

715 W Mount Vernon St
Nixa, MO 65714

Enterprise Fleet Management, Inc.

600 Corporate Park Drive
Clayton, MO 63105
314-512-5000 Main
314-518-5583 Fax

Ryan Owens
Account Executive
314-363-5455
Ryan.J.Owens@efleets.com

FLEET SYNOPSIS | City of Nixa

Impact of Partnership

BACKGROUND

Location: Nixa, MO

Industry: Government

Total Non Emergency Vehicles: 38

THE SITUATION

The City of Nixa is looking for a solution to better manage its aging fleet.

- 47% of the current light and medium duty fleet is over 7 years old.
- Older vehicles have higher fuel costs, maintenance costs, and tend to be unreliable.
- It would take 13 years to cycle out the entire fleet at current acquisition rates.

THE OBJECTIVES

Enterprise Fleet Management's proposal is to save City resources and budget dollars through a managed vehicle program.

- Utilize an open-end lease* as a funding mechanism, allowing the City to acquire additional vehicles while avoiding a large capital budget outlay.
- Replace aged vehicles with newer models to increase fuel efficiency and reduce maintenance expense. Maintenance and repairs will be outsourced to local businesses to further stimulate economic growth and the integration of more fuel-efficient vehicles will reduce carbon footprint.
- Establish a proactive replacement plan that maximizes potential equity at time of resale, reduces operational expenses, and increases safety.

*An open-end lease means there are no early termination, mileage, or abnormal wear and tear penalties. Leases are written to a residual balance to preserve cash flow. The City receives flexibility of ownership, as well as net equity from sale at time of disposal.

CLIENT TESTIMONIAL

"The Enterprise Fleet Management lease program has not only alleviated some of the maintenance burden placed on our lean fleet maintenance staff and budget, it has also provided a level of flexibility that allows my team to promptly address the City's dynamic fleet needs without sacrificing service."

– Lisa Fowler, Public Works Manager, City of San Marcos

THE RESULTS

By partnering with Enterprise Fleet Management, it is estimated that the City will create a long-term sustainable cost savings while replacing the heavily aged fleet with newer, reliable vehicles on 48 month cycles. This is expected to reduce fuel costs by 20% and maintenance costs by 78%.

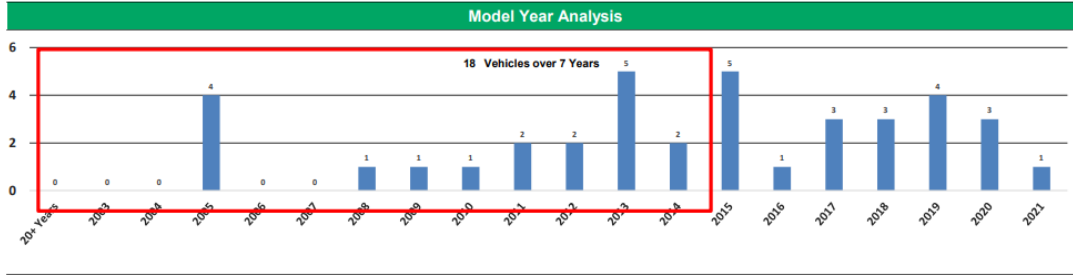
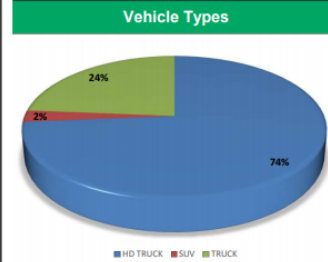
Leveraging an open-end lease maximizes cash flow and recognizes equity from vehicles sold. Furthermore, the City will leverage Enterprises Fleet Management's ability to sell vehicles at an average of 113.5% of Black Book values.

By shifting from reactively replacing inoperable vehicles to planning vehicle purchases, The City of Nixa will be able to field newer, safer vehicles with reduced downtime in a cost-neutral or better manner.

SUPPORTING EVIDENCE | City of Nixa

City of Nixa - Fleet Profile

Fleet Profile				Fleet Replacement Schedule					Replacement Criteria
Vehicle Type	# of Type	Average Age (years)	Average Annual Mileage	2021	2022	2023	2024	Under-Utilized	
Mid Size SUV 4x4	1	5.3	6,200	0	1	0	0	0	* Fiscal Year 2021 = 7 years old and older, or odometer over 90,000 * Fiscal Year 2022 = 5 years old and older, or odometer over 70,000 * Fiscal Year 2023 = 3 years old and older, or odometer over 50,000 * Fiscal Year 2024 = Remaining Vehicles * Underutilized = Annual Mileage less than 2,500
1/2 Ton Pickup Reg 4x4	5	7.5	5,500	2	0	1	1	1	
1/2 Ton Pickup Ext 4x4	3	11.4	5,800	3	0	0	0	0	
1/2 Ton Pickup Quad 4x4	1	3.3	5,600	0	0	1	0	0	
3/4 Ton Pickup Reg 4x4	5	7.9	5,900	3	0	1	1	0	
3/4 Ton Pickup Ext 4x4	10	7.0	7,000	5	3	0	2	0	
3/4 Ton Pickup Quad 4x4	4	5.3	4,300	1	1	1	1	0	
1 Ton Cab Chassis	6	6.8	4,600	2	0	0	3	1	
1 1/2 Ton Cab Chassis	1	10.3	3,600	1	0	0	0	0	
Med Duty Cab Chassis	2	4.8	4,800	0	1	1	0	0	
Totals/Averages	38	7.2	5,600	17	6	5	8	2	

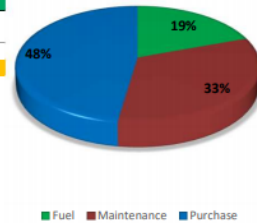


City of Nixa - Fleet Planning Analysis

Current Fleet	38	Fleet Growth	-1.20%	Proposed Fleet	36
Current Cycle	13.00	Annual Miles	5,900	Proposed Cycle	4.00
Current Maint.	\$125.00			Proposed Maint.	\$27.54
Maint. Cents Per Mile	\$0.25	Current MPG	12	Price/Gallon	\$1.90

Fleet Costs Analysis

Fiscal Year	Fleet Mix				Fleet Cost					Annual		
	Fleet Size	Annual Needs	Owned	Leased	Purchase	Lease*	Equity (Owned)	Equity (Leased)	Maintenance	Fuel	Fleet Budget	Net Cash
Average	38	2.9	38	0	82,492	0			57,000	33,693	173,186	0
'21	36	17	19	17	0	91,043	-18,000		34,119	30,511	137,672	35,513
'22	36	6	13	23	0	125,967	-12,000		27,102	29,388	170,456	2,729
'23	36	5	8	28	0	153,783	-17,500		21,254	28,452	185,989	-12,804
'24	36	8	0	36	0	196,615	-52,000	-211,933	11,898	26,955	-28,465	201,651
'25	36	17	0	36	0	196,615	0	-70,930	11,898	26,955	164,538	8,648
'26	36	6	0	36	0	196,615		-59,797	11,898	26,955	175,671	-2,485
'27	36	5	0	36	0	196,615		-108,274	11,898	26,955	127,194	45,992
'28	36	8	0	36	0	196,615		-211,933	11,898	26,955	23,535	149,651



8 Year Savings

\$428,895

Avg. Sustainable Savings

\$50,451

Current Fleet Equity Analysis

YEAR	2021	2022	2023	2024	Under-Utilized
QTY	17	6	5	8	2
Est \$	\$1,000	\$2,000	\$3,500	\$6,500	\$500
TOTAL	\$17,000	\$12,000	\$17,500	\$52,000	\$1,000
	Estimated Current Fleet Equity**				\$99,500

* Lease Rates are conservative estimates

**Estimated Current Fleet Equity is based on the current fleet "sight unseen" and can be adjusted after physical inspection

Lease Maintenance costs are exclusive of tires unless noted on the lease rate quote.

KEY OBJECTIVES

Lower average age of the fleet

47% of the current light and medium duty fleet is over 7 years old
Resale of the aging fleet is significantly reduced

Reduce operating costs

Newer vehicles have a significantly lower maintenance expense
Newer vehicles have increased fuel efficiency with new technology implementations

Maintain a manageable vehicle budget

Challenged by inconsistent yearly budgets
Currently vehicle budget is underfunded

CASE STUDY | CITY OF SAN MARCOS



The City of San Marcos Reduces Costs by 27% and Replaces Aging Vehicles.

BACKGROUND

Location: San Marcos, CA
Industry: Government
Total vehicles: 90 vehicles

THE CHALLENGE

Half of The City of San Marcos' vehicles were operating past their useful life. The City's fleet was deteriorating rapidly, and many of the vehicles needed to be replaced to mitigate escalating repair and maintenance costs. Budget challenges prevented the City from purchasing new vehicles. Major repairs reduced the number of available vehicles, and the City vehicle downtime was significantly affecting its operations. Maintenance costs continued to erode the budget and interfere with the efficiency of City operations.

THE SOLUTION

Enterprise Fleet Management evaluated the City's entire fleet to identify the most cost-effective way to replace its aging vehicles. Ten vehicles were identified as under-utilized and completely removed from service. By implementing an open-ended lease structure, the City was able to replace the remaining ninety vehicles within a three-year period. The program did not require a large initial outlay of funds. The City of San Marcos was not burdened with extensive capital requirements for vehicle replacement, allowing them to replace highly important, heavy-duty and emergency vehicles first.

"The Enterprise Fleet Management lease program has not only alleviated some of the maintenance burden placed on our lean fleet maintenance staff and budget, it has also provided a level of flexibility that allows my team to promptly address the City's dynamic fleet needs without sacrificing service."

— Lisa Fowler, Public Works Manager- Administration & Fleet

The Full Maintenance Program provides a low fixed monthly cost, which is easily budgeted for every year. The program eliminates the need for City resources to work on the light-duty fleet, so the maintenance staff can solely focus on the heavy-duty equipment.

THE RESULTS

The partnership with Enterprise Fleet Management has significantly reduced the portions of the Public Works-Fleet Operations budget and the Vehicle Replacement fund that was affected by the declining condition of the light-duty fleet. The City realized a 27% decrease in the cost to purchase and maintain the light duty fleet. The program will result in a combined fund savings of \$1.1 million over a five-year period.

To learn more, visit efleets.com or call 877-23-FLEET.

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Key Results

**27%
DECREASE
IN FLEET COSTS**



**RIGHT-SIZED
FLEET BY 10%
FOR BETTER
UTILIZATION**

**REPLACED
90 VEHICLES
OVER A 3-YEAR PERIOD**



PROGRAM RESOURCES | City of Nixa

SAFETY

-7 vehicles are older than 10 years of age and do not contain the most up to date safety features, such as electronic stability control and airbag standardization and anti-lock brake control.

-All 7 vehicles predate Electronic Stability Control. According to the Highway Traffic Safety Administration, this is the most important safety feature since the seatbelt.

ACCOUNT MANAGEMENT

The City of Nixa will have a dedicated, local account team to proactively manage and develop your fleet while delivering the highest level of customer service to facilitate your day-to-day needs.

- Meeting with you at minimum 4 times a year- 2 of those are financial planning meetings. These are an Annual Client Review and a Fleet Analysis Meeting.
- Your Account Manager will provide ongoing analysis, which can include best makes/models, cents per mile, total cost of ownership, and replacement analysis.
- Monthly management reports consisting of a single invoice with all charges

ANCILLIARIES

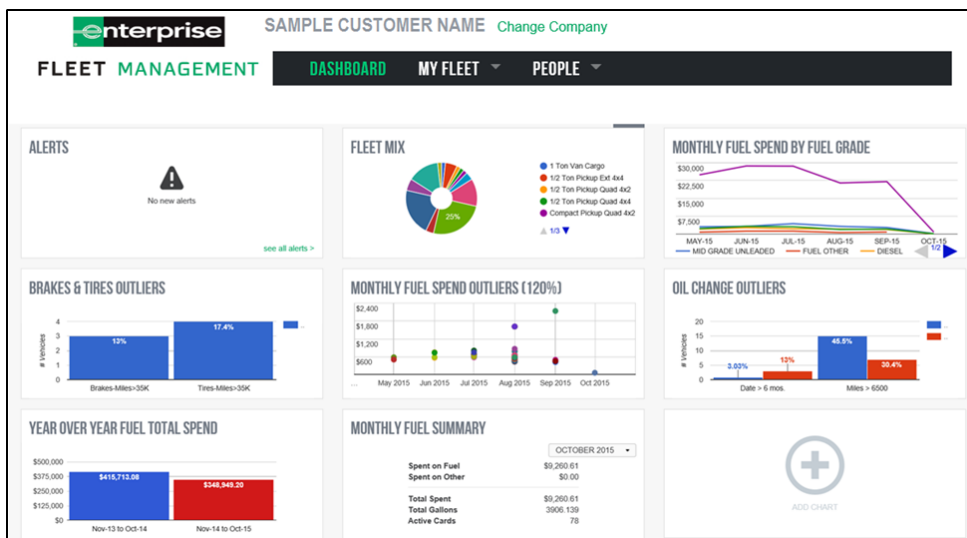
Enterprise Fleet Management has the ability to offer a total fleet solution should the City need further evaluation of the fleet. These can include:

- Fuel Card
- Telematics Device
- Physical Damage Coverage

TECHNOLOGY

Enterprise Fleet Management's website provides vehicle tracking, reporting, and metrics. Our website can be customized to view a wide range of data to have a comprehensive and detailed look at all aspects of your fleet and the services provided. Our *Mobile App* also allows drivers a wide range of functions.

- **Invoices**- to include lease, maintenance, and ancillaries- all in one invoice
- **Maintenance Utilization**- review the life-to-date maintenance per vehicle
- **Recall Information**- see which units that are approaching the lease term still have open recalls
- **License & Registration**- see which plate renewals are being processed by Enterprise; view status
- **Alerts**- set customizable alerts for oil changes, lease renewals, license renewals, and billing data
- **Lifecycle Analysis**- see data regarding all transactions for the lifecycle of the entire fleet, with drill-down capability to any specific lease or transaction



REFERENCES | City of Nixa

CURRENT PARTNERS

- State of Missouri
- City of Mt. Vernon, IL
- City of Branson, MO
- City of Ozark, MO
- Village of Round Lake Beach, IL
- City of Freeport, IL
- City of Crystal Lake, IL
- Cahokia School District

REFERENCES

Below is a list of client/customer references including name, contact person, and telephone number.

City of Mount Vernon

Mary Ellen-Bechtel, City Manager - (618) 242-6802

Mike Shannon, Fleet Manager – (618) 237-6385

City of Jefferson City

Steve Crowell, City Manager - (573) 634-6306

Cahokia School District

Ciara Corley, CFO – (618) 332-3700