

2015 MUNICIPAL VEHICLE AND EQUIPMENT REPLACEMENT PLAN

**PLAN REMPLACEMENT DES VÉHICULES ET DE L'ÉQUIPEMENT
MUNICIPAL POUR 2015**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Receive the proposed 2015 Municipal Vehicle and Equipment Capital Replacement Plan;**
- 2. Approve funding be drawn from the Corporate Fleet Reserve in 2014 in the amount of \$5.719M representing 25% of the Municipal Vehicle and Equipment Replacement Plan to permit the procurement of vehicles and equipment in advance of the approval of the 2015 Budget; and**
- 3. Authorize Fleet and Supply to issue requests for proposals and requests for tenders for the estimated \$22.914M 2015 Municipal Vehicle and Equipment Capital Replacement Plan provided the award of contracts is limited to 25% of the Municipal Vehicle and Equipment Capital Replacement Plan until final approval by Council of the 2015 Municipal Vehicle and**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

- 1. prenne connaissance du projet de Plan de 2015 de remplacement des véhicules et de l'équipement municipal;**
- 2. approuve en 2014 le prélèvement dans le fonds de réserve du Parc automobile d'une somme de 5,719 millions de dollars, représentant 25**

pour cent du Plan de remplacement des véhicules et l'équipement municipal, afin de permettre l'acquisition de véhicules et de l'équipement avant l'adoption du budget de 2015;

- 3. autorise Parc automobile et Approvisionnement d'émettre des demandes de propositions et des demandes d'offres pour le Plan de 2015 de remplacement de véhicules et de l'équipement municipal, d'une valeur estimée à 22,914 millions de dollars, à condition que l'attribution de marchés soit limitée à 25 pour cent du Plan de remplacement de véhicules et de l'équipement municipal, jusqu'à l'approbation définitive par le Conseil du budget d'immobilisation du Plan de 2015 de remplacement de véhicules et de l'équipement municipal, noté dans la recommandation n° 2.**

DOCUMENTATION / DOCUMENTATION

1. Steve Kanellakos, Deputy City Manager, City Operations, report dated May 28, 2014 (ACS2014-COS-PWS-0018)

Steve Kanellakos, Directeur municipal adjoint, Opérations municipales, rapport daté du 28 mai 2014 (ACS2014-COS-PWS-0018)

**Report to
Rapport au:**

**Transportation Committee
Comité des transports**

**and Council
et au Conseil**

**May 28, 2014
28 mai 2014**

**Submitted by
Soumis par:**

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City Operations/ Opérations municipales**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2014-COS-PWS-0018

SUBJECT: 2015 Municipal Vehicle and Equipment Replacement Plan

**OBJET: Plan remplacement des véhicules et de l'équipement municipal pour
2015**

REPORT RECOMMENDATIONS

That the Transportation Committee recommend that Council:

- 1. Receive the proposed 2015 Municipal Vehicle and Equipment Capital Replacement Plan;**

2. Approve funding be drawn from the Corporate Fleet Reserve in 2014 in the amount of \$5.719M representing 25% of the Municipal Vehicle and Equipment Replacement Plan to permit the procurement of vehicles and equipment in advance of the approval of the 2015 Budget; and
3. Authorize Fleet and Supply to issue requests for proposals and requests for tenders for the estimated \$22.914M 2015 Municipal Vehicle and Equipment Capital Replacement Plan provided the award of contracts is limited to 25% of the Municipal Vehicle and Equipment Capital Replacement Plan until final approval by Council of the 2015 Municipal Vehicle and Equipment Capital Replacement Plan Capital Budget noted in Recommendation 2.

RECOMMANDATIONS DU RAPPORT

Que le Comité des transports recommande au Conseil :

1. De prendre connaissance du projet de Plan de 2015 de remplacement des véhicules et de l'équipement municipal;
2. D'approuver en 2014 le prélèvement dans le fonds de réserve du Parc automobile d'une somme de 5,719 millions de dollars, représentant 25 pour cent du Plan de remplacement des véhicules et l'équipement municipal, afin de permettre l'acquisition de véhicules et de l'équipement avant l'adoption du budget de 2015;
3. D'autoriser Parc automobile et Approvisionnement d'émettre des demandes de propositions et des demandes d'offres pour le Plan de 2015 de remplacement de véhicules et de l'équipement municipal, d'une valeur estimée à 22,914 millions de dollars, à condition que l'attribution de marchés soit limitée à 25 pour cent du Plan de remplacement de véhicules et de l'équipement municipal, jusqu'à l'approbation définitive par le Conseil du budget d'immobilisation du Plan de 2015 de remplacement de véhicules et de l'équipement municipal, noté dans la recommandation n° 2.

BACKGROUND

In January 2005, [Council motion 27/139](#) directed staff to provide pre-budget reports in advance of the draft budget for the purchase of any new growth or replacement fleet.

The pre-budget reports detail the following information; proposed vehicles to be purchased, expected costs, and expected savings through strategic procurement.

The Fleet Services Branch prepares the annual Fleet Vehicle and Equipment Capital Replacement Report on behalf of its clients and based on client-identified requirements. As part of the preparation process, the respective client groups identify their replacement requirements and the Fleet Services Branch prepares minimum vehicle specifications to meet these needs in the most cost effective way.

The 2015 Municipal Vehicle and Equipment Capital Replacement Plan include capital projects of four major operational vehicle classes: paramedic, fire, heavy and light fleets. Leased and rented vehicles are not part of this replacement plan. Transit, Police, Library and Ottawa Community Housing Corporation vehicle replacement programs are dealt with by their respective organizations and are not discussed in this report.

DISCUSSION

The City's fleet is integral to achieving corporate operational objectives. As a result, a significant portion of the City's annual Capital Budget is expended on the procurement of fleet. In order to operate a cost effective and operationally efficient fleet, it is critical that vehicle and equipment build-out and delivery deadlines are met each year.

The process to acquire fire trucks, heavy vehicles and ambulances is between twelve months and two years, while light vehicles can take up to twelve months if the spring manufacturing deadlines are not met. Vehicle manufacturers have a typical last-order or "build-out" date in March of every year. This date is in place to ensure the production of subsequent models in the fall. If the March build-out date is missed, the option is to re-tender for the fall model. If vehicles are not replaced on schedule, this results in existing vehicles being kept in operation beyond the economically optimum time, resulting in increased maintenance and rental costs.

In the past, Fleet Services has been permitted to issue a request for tender or proposal in advance of the approval of the Annual Capital Budget to order the vehicles immediately following budget approval in Q1 of the budget year. However, the budget approval is not expected until mid Q1 2015 and manufacturers will not accept orders for vehicle and equipment builds without a purchase order. In addition, there are many issues associated with missed spring build out dates. Primarily, it is problematic for the

City operating units, as the vehicles and equipment are required to meet operational objectives.

In previous years, Fleet Services has been required to rent replacement units to bridge the gap between vehicle and equipment requirements and delivery dates. In addition, when dealing with a new model there is the possibility of increased cost and performance issues, as well as the possibility that a new tender may be required due to specification differences. Finally, orders have delivery deadlines of 90 to 120 days, which, after up-fitting, places the vehicles in operation in the last months of the year; almost one year from the request date.

If approved, Fleet Services would continue its current priority services practice. The expenditure would be done on a priority basis evaluating the nature of the services and the dependency of service delivery on vehicle or equipment availability.

Life Cycle Cost Management

An increase in savings is anticipated through improved procurement strategies. Past practice has awarded contracts on the basis of lowest initial cost. The potential addition of life cycle costing as merit criteria in the procurement process would ensure that vehicles and equipment are procured on the basis of cost of ownership. The life cycle costing will include procurement cost and fuel efficiency, which will result in higher long-term operational savings.

Costs will be minimized by developing common specifications for fleet vehicles where possible and by determining best practices in developing multi-year contracts with suppliers.

The 2013 Audit of Procurement Practices recommended that Fleet conduct studies on purchasing entry level vehicles with only the base work related options (Recommendation #3) and that the trade-in allowance not be considered when acquiring new vehicles (Recommendation #4). Fleet conducted these studies with the following results.

RECOMMENDATION #3 (BASE OPTIONS ONLY):

An analysis of the base level trims versus higher trim levels was conducted in order to establish the options that are included within the various trim level packages for each of the three main manufacturers (Ford, GM, Dodge). The challenge was that each of the

manufacturers has different items included at their base level packages and each manufacturer has different packages of higher trim options. Because the City's vehicle tenders go on Merx.com and are awarded to the lowest responsive bidder, Fleet Services does not know what manufacturer will end up being the provider of the vehicles. Therefore, the vehicle tender cannot specify a specific trim level associated with any specific manufacturer. In addition Fleet Services cannot specify the base level trim since it differs for each manufacturer resulting in the inability to predict who the lowest bidder will be. One particular manufacturer's base level trim may be acceptable, but another manufacturer's base trim may not include what the City needs. As a result, and consistent with the auditor's recommendation, Fleet Services builds vehicle specifications to only include the City's minimum requirements; the vendors bid accordingly indicating whichever trim level they feel meet the City's requirements.

RECOMMENDATION #4 (NOT CONSIDER TRADE-IN ALLOWANCE):

Fleet's Services analysis revealed that predicted residual values are impossible to confirm until the vehicle comes to the end of its lifecycle. Since at the time of building the specification Fleet cannot definitively predict that residual value, and since the inclusion of the predicted residual value does result in acquiring a vehicle with a higher initial capital cost, it is fiscally prudent not to include the residual value in the vehicle tender. As a result and again consistent with the auditor's recommendation, Fleet Services no longer includes residual value in vehicle tenders.

Donations / Directed Sales

The City of Ottawa donated a decommissioned ambulance to The Salvation Army. The vehicle was a 2008 Ford E450 ambulance with 189,490 kilometres of usage at the time of the donation. The estimated fair value of the vehicle when donated was \$5,000. This donation was approved by the Community and Protective Services Committee on 20 February 2014.

The City of Ottawa entered into an Agreement of Purchase and Sale which resulted in the direct sale of an ice resurfer to the Bradley Estates Community Association. In following the City's Purchasing By-Law, the agreement was approved and signed by the General Manager of Public Works on 12 February 2014. The item sold was a 2000 model year Zamboni with 7,119 hours of operation at the time of the sale. The sale

occurred for an amount of \$3,559.50 (taxes included) which represented the fair market value of the asset at that time.

Municipal Vehicle and Equipment Replacement Plan

The timely replacement of vehicles and equipment is critical for ensuring vehicle reliability, safety and efficient service delivery. Vehicles that are retained past their expected life have little to no resale value, and once the expected life point is surpassed the operating costs begin to increase rapidly.

The City fleet consists of over 2,270 vehicles and equipment in the four operational classes: paramedic, fire, heavy and light. A detailed description of each class is attached as *Document 1 – Fleet Classifications*. The current replacement value of the municipal fleet is \$281M.

A comprehensive fleet management strategy is dependent on an efficient replacement model. Delayed vehicle replacement not only increases the age and operating costs of a fleet but also results in an accumulation of replacement requirements, which if left unmanaged can become overwhelming. There is variability in the expected life point for the City fleet. Generally, the expected life can range between 4.5 – 15 years. This variability is caused by differences in units and class, operating environments, maintenance of the units and specific uses.

Municipal Vehicle and Equipment Capital Replacement Plan – 10 Year Forecast

Table 1 displays the ten (10) year forecast for municipal vehicles and equipment capital replacement funding. The request for 2015 already takes into account the re-payment of borrowed funds from the Environmental Services Reserve to accommodate the City's new Solid Waste contracts (Zone 3 and 5).

Table 1 - Ten (10) year forecast for municipal vehicles and equipment capital replacement funding

Year	Request (000)
2015	\$22,914
2016	\$23,629
2017	\$25,201
2018	\$17,006
2019	\$16,520
2020	\$15,923
2021	\$15,057
2022	\$16,321
2023	\$16,810
2024	\$17,146

2015 Municipal Vehicle and Equipment Capital Replacement Plan

The estimated 2015 envelope for Municipal Vehicle and Equipment Capital Replacement is \$22.914M, which will replace 229 vehicles and equipment and is broken down as follows:

Table 2 - 2015 Municipal Vehicle and Equipment Estimated Funding Envelope Breakdown

Vehicle Class	2015 Funding Envelope (000)	Comments
Ambulances	\$2,480	These are Paramedic Services ambulances only.
Fire Trucks	\$0	These are Fire trucks only.
Heavy	\$16,215	All heavy municipal fleet vehicles except ambulances and fire trucks.
Light	\$4,219	All light municipal fleet vehicles except ambulances and fire trucks.
Municipal Total	\$22,914	

It should be noted that 34 of the 229 units being replaced in 2015 will be funded from the Environmental Services Reserve, which accounts for \$1,195,000 of the total \$22.914M.

The total Fire request including fire trucks, heavy and light units is \$470,000.

The 2015 Municipal Vehicle and Equipment Capital Replacement Plan is based on the anticipated Municipal Funding Envelope for each classification, which is described in *Document 2 – 2015 Municipal Vehicle and Equipment Capital Replacement Plan*.

Consequence of Not Funding Vehicle Replacements

Deferring vehicle replacement results in the accumulation of additional maintenance costs until capital is invested. For example, once the expected life of a snow plow salt spreader is passed, the annual maintenance cost per kilometre escalates rapidly by 255%. The maintenance costs are determined by dividing the sum of the average cost of the vehicle per kilometre for years greater than the life of the vehicle by the sum of the average cost of the vehicle per kilometre for years less than the life of the vehicle (Average Cost/Km for the years > Life of vehicle) / (Average Cost/Km for the years < Life of vehicle).

A detailed current fleet Maintenance Cost for Expired Vehicles is further described in *Document 3 – Maintenance Cost for Vehicles Exceeding Optimal Lifecycle*, attached.

RURAL IMPLICATIONS

There are no rural implications as a result of implementing the recommendations contained in this report.

CONSULTATION

No public consultations required, as this is internal policy.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations as outlined in this report.

RISK MANAGEMENT IMPLICATIONS

The risks associated with the recommendations have been identified in this report.

FINANCIAL IMPLICATIONS

Funds representing 25% of the forecasted 2015 Municipal Vehicle and Equipment Capital Replacement Plan would be drawn from the Corporate Fleet Reserve in 2014, which will permit the issuance of requests for proposals and tenders, provided the award will be capped at \$5.719M and that any further awards would not occur until after the 2015 Fleet Replacement Program Capital Budget has been approved by Council.

ACCESSIBILITY IMPACTS

Staff will ensure that applicable accessibility standards are adhered to during the execution of the Municipal Vehicle and Equipment Capital Replacement Plan.

ENVIRONMENTAL IMPLICATIONS

The life cycle costing includes fuel efficiency. In addition, the replacement of old vehicles has a positive impact on the environment because the new vehicles are more fuel efficient and are built to conform with the current emissions standards.

TECHNOLOGY IMPLICATIONS

There are no technical implications associated with receiving this report.

TERM OF COUNCIL PRIORITIES

To improve operational performance: To ensure that operational department's vehicles are replaced in a timely fashion according to life cycle best management practices. To make sustainable choices: The life cycle costing will include procurement cost and fuel efficiency, which will result in higher long-term operational savings.

SUPPORTING DOCUMENTATION

Document 1: Fleet Classifications

Document 2: 2015 Municipal Vehicle and Equipment Capital Replacement Plan

Document 3: Maintenance Cost for Vehicles Exceeding Optional Lifecycle.

DISPOSITION

The Public Works Department will implement the recommendations as approved by Council.