



DATE: January 16, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Public Works Department

SUBJECT: **APPROVAL TO REJECT ALL PROPOSALS RECEIVED FOR THE FLEET MAINTENANCE REQUEST FOR PROPOSAL**

SYNOPSIS

Staff recommends that the City Council approve the rejection of all proposals received for the Fleet Maintenance RFP and continue to provide the services by City staff.

BACKGROUND

In an effort to identify potential cost-savings and reduce the budget through privatization, staff solicited proposals from qualified private companies in June 2012 to perform Fleet Management and Maintenance Services. These services are currently performed by City staff which consists of a supervisor and twelve employees and includes providing scheduled preventative maintenance, repairs, towing, parts inventory acquisition and management, generator maintenance, fuel management and other fleet services to an operation which includes 480 vehicles and pieces of heavy equipment.

Requests for proposals were sent to qualified firms in May 2012, as well as noticed in local newspapers and on the Internet. After receipt of only one proposal and conducting an interview with the proposer, First Vehicle Services (FVS), staff compared in-house costs versus contractor costs to see if outsourcing was cost-effective and found it more cost-effective to continue to perform these services with City staff.

The recommendation to not outsource this program was based on several factors. Current salaries proposed by FVS seemed too low by industry standards to attract competent mechanics and technicians. Staff called several outside private garages and vendors and found the proposer's average hourly rate to be approximately \$5 per hour below industry standard for the San Diego area. Increasing each employee's hourly wage by \$5 per hour would raise FVS personnel costs by almost \$125,000 which would eliminate any savings to the City.

Non-Target Costs including emergency work, repairs for accidents, theft, vandalism, misuse and acts of nature, directed work and other unforeseen repairs are unpredictable and this uncertainty could cause costs to creep higher. Staff called references provided by FVS and found several cities were generally satisfied with their work but some indicated overall costs crept higher over time. Some cities which previously outsourced these services have changed to provide service with City staff.

All of the potential proposers who attended the mandatory pre-bid meeting, which included the two largest fleet managers in the United States, complimented staff on how efficient the operation appeared. Staff was told more bids weren't received because other proposers felt there wouldn't be significant savings to the City to justify submitting a proposal. The proposers also indicated it typically made sense to outsource when customers weren't satisfied with service and this has not been the case. City staff is providing a good service to other departments and has been recognized as one of the 100 Best Fleets in North America for six consecutive years by Government Fleet Magazine.

Fleet Maintenance is a large operation with many responsibilities and there is a real concern that costs could creep higher over time providing no savings to the City with a possibility of being more expensive than City staff.

ANALYSIS

City staff costs, contractor costs, and costs to remain are provided below. City staff costs include all labor at the fully burdened rate, materials, tools, equipment and incidentals used to perform these services and are based on the FY 12/13 budget. Costs to remain will continue to be charged to this program even if services are outsourced which will provide no additional savings to the City.

City Staff

Personnel Costs (12 Employees - Full Burdened Rate)	\$1,069,769
Unfunded Pension Liability	(\$ 10,774)
Parts/Supplies/Outside Services	\$ 800,000
Operating Costs (Materials, supplies, uniforms, licenses, etc.)	\$ 128,796
Software License Fee (Faster)	\$ 7,500
Accident Repair, Vandalism Repair, Glass Repair, etc.	(\$ 160,092)*
Generator Maintenance	\$ 26,000

*Costs incurred by the City that weren't included in the Estimated Non-Target Costs by FVS so this figure was subtracted from City costs.

Total \$1,861,199

Contractor (FVS)

Personnel Costs (12 Employees)	\$ 818,418.52
Parts/Supplies/Outside Services	\$ 507,432.78
Overhead Expenses	\$ 145,334.55
Non-Target Costs (Estimated)	\$ 123,223.79
Administrative Costs and Management Fees	\$ 164,298.00
Software License Fee (Faster)	\$ 7,500.00

Total First Year \$1,766,207.64

Potential First Year Savings to the City of Oceanside **\$ 94,991.36**

These costs will remain if services are outsourced:

Fleet Supervisor (Full Burdened Rate)	\$ 130,686
Internal Service Charge - General Admin Allocation	\$ 104,612
Internal Service Charge - IT Support/Facility Lease	\$ 452,339
Fuel	\$1,366,550
Overtime	\$ 20,000
Pension Obligation Bond	\$ 11,282

The Fleet Supervisor would be retained to manage the contract. The Internal Service Charges are fixed and will continue to be charged to this program. Fuel was separated out for comparison purposes. Overtime not included in contractor costs.

FISCAL IMPACT

The five-year proposed costs by FVS total \$9,329,812.57 which includes CPI increases ranging from 2.5 to 2.9 percent. The individual year costs are \$1,766,207.64 for the first year, \$1,816,897.80 for the second year, \$1,865,954.04 for the third year, \$1,916,894.59 for the fourth year and \$1,963,858.50 for the fifth year. Based on current MOU language, there would not appear to be increases in staff salaries for the foreseeable future.

COMMISSION OR COMMITTEE REPORT

Does not apply.

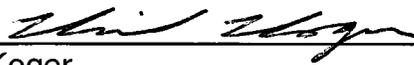
CITY ATTORNEY ANALYSIS

The City Council has the discretion to reject all proposals.

RECOMMENDATION

Staff recommends that the City Council approve the rejection of all proposals received for the Fleet Maintenance RFP and continue to provide the services by City staff.

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