

December 4, 2024

Mr. Mahfuz Rahman, Buyer
Great Lakes Water Authority
735 Randolph Street
Detroit, MI 48226

Dear Mahfuz,

Thank you for engaging Plante Moran to estimate the financial implications associated with GLWA's fleet services RFP. The two respondents were Enterprise and Element. Throughout the analysis, Plante Moran had regular meetings with Purchasing staff and Fleet Management staff who supplied all documents and data used for the analysis. These individuals also confirmed or corrected all of the assumptions used in the analysis. Plante Moran did not correspond with either vendor, nor review current fleet operations, nor do we offer any advice related to responsiveness, staffing deployment, or other operational considerations. We completed our review and included our findings in this draft report.

Key Findings

From our analysis, which included reviews of fleet characteristics and the two proposals, Plante Moran reaches the following conclusions:

- The two proposals offer similar business models for fleet acquisition. Element offers fleet acquisition at a one percent discount off MRSP and the service is paid for over the course of five years. Enterprise uses capitalized cost based on government incentive pricing. One key difference is that under the Enterprise proposal, GLWA receives the title after 60 months, while GLWA receives the title immediately under the Element proposal.
- To estimate expenses associated with the two options, Plante Moran applied a five-year cost analysis on a current fleet size of 362 vehicles. This total includes 15 facilities and maintenance vehicles, including a range of specialty vehicles such as dump trucks, Vactor trucks, and other specialized equipment designed to meet specific operational needs. This analysis reveals:
 - Enterprise's monthly costs are **\$461,520** over the next 60 months.
 - Element's monthly costs are **\$255,360** over the next 60 months.
 - Enterprise estimates that existing leases amount to **\$1,063,725**. GLWA would need to pay Enterprise this amount to end its relationship with Enterprise.
- Our analysis of annual replacement cost is based exclusively on the two proposals which includes the purchase of 226 new vehicles to which vendors responded. We applied the replacement costs for the entire fleet, with the exception of 21 vehicles that are 2020 models and are not expected to be replaced in the immediate future. Applying the vendor criteria, we estimate the five-year **replacement cost** as:
 - **\$10,672,304** for Enterprise, and

- **\$11,713,671** for Element.
- When we include **monthly payment schedules**, the total five-year cost for each vendor is:
 - **\$11,384,685** for Enterprise, including the cost of buying out leased vehicles each year, and
 - **\$11,969,031** for Element. However, selecting Element requires the cost of exiting the Enterprise contract. When this is included, Element's cost increases to **\$13,032,757**.

Project Overview

GLWA entered into a contract with Enterprise in 2019 to manage GLWA's fleet services. GLWA staff report that the timing of the initial contract execution coincided with the COVID-19 pandemic. This caused delays in the original delivery date schedule. Staff also report that they have been pleased with Enterprise's services and appreciate the role that Enterprise played in assisting GLWA with developing fleet maintenance processes, identifying efficiencies, and applying industry best practices. This contract has expired and as a result, GLWA and Enterprise are currently on an automatic month-to-month agreement.

In anticipation of contract expiration, GLWA asked fleet management vendors to respond to an RFP for services for the next five years. Enterprise and Element submitted proposals and provided supplementary information to support GLWA's changes in fleet management preferences. For purposes of this analysis, Plante Moran assumes that vehicles would be replaced at a rate of twenty percent per year, for each of the next five years. Each proposal assumes the replacement of 226 vehicles from GLWA's current fleet, starting with the oldest owned vehicle.

Our approach examined the two proposals and assumes that the vendor will begin managing GLWA's fleet on January 1, 2025 and will expire on December 31, 2029. This five-year period coincides with a 60-month pricing structure from both proposals and assumes that older vehicles will be replaced first. A consistent annual 3.5 percent inflationary factor is applied to both proposals. Acquisition costs included in Element's proposal are based on Manufacturer's Suggested Retail Price (MSRP) to which Element offers a one percent discount. Acquisition costs included in Enterprise's proposal are based on capitalized costs with government incentive pricing, which is less than MSRP. Each proposal includes a monthly per-vehicle fee to recoup their investment in the acquisition. Element's monthly per-vehicle fee is \$10 for vehicles they help acquire and an additional \$8 is applied for all vehicles for use of fleet management software. Enterprise charges a monthly per-vehicle cost of \$30 for newly acquired vehicles added to the fleet, while existing vehicles incur a monthly fee of \$6.00. Both programs enable vehicles to be tracked and maintained throughout their lifecycle using the comprehensive enterprise fleet management software. In the Appendix, Enterprise's monthly per-vehicle cost is referred to as a "lease," as this is the language used in their proposal. Both vendors software costs apply to the entire fleet, not just for vehicles acquired. This software enables fleet management services such as scheduled maintenance and vehicle history information.

Throughout the next five years, GLWA will make business decisions related to its fleet requirements. Plante Moran does not incorporate any of these potential policy decisions and assumes that the future fleets will be the same number and models as today's fleet.

Conclusions

Based on the above methodology, Enterprise's costs are \$584,346 less than Element's over a five-year period. This is before factoring in the cost of exiting the existing Enterprise contract. When this is factored into the

total cost of Element's proposal, this cost increases to a \$1,648,072 million differential. The primary driver of the total cost of the two proposals is that Enterprise's vehicle purchasing price is less than Element's.

The total cost of operating a fleet will include maintenance, repairs and other typical operating costs. These costs are not included in the above analysis.

In Closing

We appreciate the opportunity to be of continued service to Great Lakes Water Authority. If you have any questions regarding our recommendations, please do not hesitate to contact Scott Patton at (248) 223-3503 or via email at Scott.Patton@plantemoran.com.

PLANTE & MORAN, PLLC



Scott Patton, Sr. Manager



Mark Warner, Partner

Copy: Nicolette Bateson, GLWA CFO and Treasurer

Sonya Collins, Chief Procurement Officer

Daniel Edwards, Manager

Joan Salwasser, Management Professional

APPENDIX A

Assumptions:

1. Element provides a 1% discount on the MSRP cost for the purchase of new vehicles. Enterprise's vehicle costs are represented by the Capitalized Price of Vehicle.
2. This analysis used 362 vehicles as the current size of the Fleet as of November 2024. This number includes 15 Facilities/Maintenance vehicles and does not include decommissioned vehicles.
3. '2025 Annual Replacement Cost' is 20% of the total cost of purchasing all 226 vehicles across all 5 years.
4. It is assumed that 46 new vehicles are purchased in the first year and 45 vehicles in the following four years for the purpose of this analysis.
5. For Enterprise, it is assumed that any leased vehicle will be owned at **the end** of the year the lease ends.
6. For Element, the proposal states that that each vehicle will be charged \$8/month. This \$8 accounts for \$4 for maintenance management and \$4 for fleet advanced service ("FPS"). Vehicles that GLWA purchase through Element incur an additional \$10/month for a total of \$18/month.
7. For Enterprise, it was relayed that each vehicle owned by GLWA, but not acquired through this contract will be charged \$6/month. Vehicles still being leased with Enterprise, or vehicles that are owned and acquired by this contract will be charged \$30/month.
8. For Enterprise, the buyout cost for each year is calculated by summing the total RBV cost of all vehicles whose leases end that year.
9. Each of these assumptions was validated through conversations with GLWA purchasing and fleet management staff.

New Vehicle Purchase Price Comparison

	Qty over 5 years	Vehicle Prices			
		Element (MSRP with 1% discount)		Enterprise (Government)	
		Single Unit	Total Quantity*	Single Unit	Total Quantity*
Ford E-450 Cutaway	11	\$41,980.95	\$461,790.45	\$39,003.00	\$ 429,033.00
Ford Escape	12	\$33,080.85	\$396,970.20	\$29,633.00	\$ 355,596.00
Ford Explorer	45	\$38,268.45	\$1,722,080.25	\$36,856.00	\$ 1,658,520.00
Ford F-150 Crew Cab	37	\$49,039.65	\$1,814,467.05	\$42,775.00	\$ 1,582,675.00
Ford F-350 Crew Cab	22	\$56,766.60	\$1,248,865.20	\$52,312.60	\$ 1,150,877.20
Ford F-550 Crew Cab	16	\$73,423.35	\$1,174,773.60	\$66,655.40	\$ 1,066,486.40
Ford Transit 250 Low Roof	63	\$54,949.95	\$3,461,846.85	\$49,242.15	\$ 3,102,255.45
Ford Ranger	9	\$38,214.00	\$343,926.00	\$36,153.00	\$ 325,377.00
Ford Maverick	11	\$27,017.10	\$297,188.10	\$25,464.50	\$ 280,109.50
Totals	226		\$ 10,921,907.70*		\$ 9,950,929.55*

*Note: Inflation is not factored into this table. Inflation is factored below and the totals here correspond with “Total 5-year cost of replacements” in the tables below.

Element Cost Breakdown		Vehicles at \$8	Vehicles at \$18
Fleet Size:	362		
Monthly Cost Per Owned Vehicle in Fleet:	\$ 8.00		
Monthly Cost Per Element Assisted Acquisition Vehicle in Fleet:	\$ 18.00		
2025 Monthly Payment:	\$ 3,356.00	316	46
2026 Monthly Payment:	\$ 3,806.00	271	91
2027 Monthly Payment:	\$ 4,256.00	226	136
2028 Monthly Payment:	\$ 4,706.00	181	181
2029 Monthly Payment:	\$ 5,156.00	136	226
2025 Annual Replacement Cost:	\$ 2,184,381.54		
2026 Annual Replacement Cost:	\$ 2,260,834.89		
2027 Annual Replacement Cost:	\$ 2,339,964.12		
2028 Annual Replacement Cost:	\$ 2,421,862.86		
2029 Annual Replacement Cost:	\$ 2,506,628.06		
Total 5-year cost of Monthly Payments:	\$ 255,360.00		
Total 5-year cost of Replacements:	\$ 11,713,671.47		
Total 5-year Element cost:	\$ 11,969,031.47		
One-Time Enterprise Buyout Cost:	\$ 1,063,725.55		
Total 5-Year Cost:	\$ 13,032,757.02		

Enterprise Cost Breakdown		Vehicles at \$6	Vehicles still leased (\$30)	New Vehicles (\$30)
Monthly Managed Maintenance Per Owned Vehicle:	\$ 6.00			
Monthly Cost Per Enterprise Assisted Acquisition Vehicle:	\$30.00			
Vehicles owned in 2025:	177			
Vehicles still being leased in 2025:	185			
2025 Monthly Payment:	\$ 7,716.00	131	185	46
2026 Monthly Payment:	\$ 7,284.00	149	122	91
2027 Monthly Payment:	\$ 7,692.00	132	94	136
2028 Monthly Payment:	\$ 8,004.00	119	62	181
2029 Monthly Payment:	\$ 7,764.00	129	7	226
2025 Annual Replacement Cost:	\$ 1,990,185.91			
2026 Annual Replacement Cost:	\$ 2,059,842.42			
2027 Annual Replacement Cost:	\$ 2,131,936.90			
2028 Annual Replacement Cost:	\$ 2,206,554.69			
2029 Annual Replacement Cost:	\$ 2,283,784.11			
2025 Leased Vehicle Buyout Cost:	\$ 68,209.92			
2026 Leased Vehicle Buyout Cost:	\$ 36,067.10			
2027 Leased Vehicle Buyout Cost:	\$ 48,952.33			
2028 Leased Vehicle Buyout Cost:	\$ 89,786.21			
2029 Leased Vehicle Buyout Cost:	\$ 7,845.54			
Total 5-year cost of Vehicle Buyouts	\$ 250,861.10			
Total 5-year cost of Monthly Payments:	\$ 461,520.00			
Total 5-year cost of Replacements:	\$ 10,672,304.03			
Total 5-year cost:	\$ 11,384,685.13			