



Legislation Text

File #: 2019-310, Version: 1

REVISED RESOLUTION

Contract No. 1802170

Fleet Management Services

Agenda of: August 28, 2019
Item No.: **2019-310**
Amount: \$8,318,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: August 12, 2019

RE: **Contract No. 1802710**
Fleet Management Services
Vendor: Enterprise Fleet Management

MOTION

Upon recommendation of William Wolfson, Chief Administrative and Compliance Officer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), authorizes the Chief Executive Officer (CEO) to:

1. **Enter into Contract No. 1802710 “Fleet Management Services” with Enterprise Fleet Management, at a cost not to exceed \$9,233,000 for a duration of 60 months; and**
2. **With the exception of short-term leases of 120 days or less in duration, GLWA will utilize the self-funded option available under this contract to obtain vehicles; and**
3. Authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA has a fleet of approximately 290 vehicles. Of the 290 vehicles, approximately 240 are currently in operation. Currently, GLWA’s fleet is maintained by the City of Detroit (“City”) pursuant to Schedule OPS - 001 of the 2015 Shared

Services Agreement between the City and GLWA. The proposed contract would allow GLWA to obtain fleet maintenance services and, where price advantageous, purchase or lease new or used vehicles from Enterprise.

JUSTIFICATION

There are several justifications for this agreement, including:

1) Cost Savings

GLWA currently purchases its fleet services from the City pursuant to its Shared Services agreement with the City. The Shared Services Agreement indicates that for a service to be canceled there should be at least a 10% savings to the canceling entity. As illustrated by the attached memorandum from GLWA's Chief Financial Officer, the proposed savings from this engagement satisfy this criterion.

2) Fleet Management Flexibility

The Enterprise Contract gives GLWA several options to manage its fleet:

a) Maintenance Only

Enterprise will provide maintenance services on vehicles currently owned by GLWA. In addition, should GLWA elect to purchase its own vehicle (See Section 2d, below) Enterprise will maintain those vehicles.

b) Short-Term Leasing

Enterprise is one of the largest vehicle leasing companies in the United States servicing retail and wholesale customers. GLWA will be able to lease vehicles for short-term projects or one-time uses at Enterprise's fleet rates.

c) Long-Term Leasing

Enterprise offers GLWA long-term leasing capability which, if necessary, can be used to finance a vehicle's purchase. Under such circumstances the leased vehicle would be sold to GLWA "for the reduced book value" which, depending on circumstances could be as little as one dollar (\$1.00) at the end of the lease term. Enterprise will maintain all lease vehicles throughout the lease term.

d) Purchase

As a large fleet management company, Enterprise enjoys competitive pricing advantages. Similarly, GLWA can obtain competitive pricing on its own behalf. The Enterprise Contract allows GLWA to purchase vehicles directly if Enterprise is unable to obtain a better price for the Utility. Vehicles purchased directly by GLWA or by Enterprise for GLWA, will be maintained by Enterprise.

3) Enhanced Fleet Management

a) Fleet Data

As a large fleet manager, Enterprise has large volumes of market data available and will assess that data, as well as vehicle specific data, to make recommendations on how to maximize the value of GLWA's fleet. These recommendations will include data such as possible sale price based upon residual value, maintenance, history, and other factors. GLWA ultimately retains the ability to accept or reject Enterprise's recommendation.

b) Vehicle Disposal

As a large fleet manager, Enterprise is not only involved in the purchase of vehicles for corporate fleets, the maintenance of corporate vehicles, but also oversees the sale or disposition of the vehicles through direct sale or auction. If Enterprise and GLWA agree that a vehicle in the GLWA fleet is to be sold, Enterprise will recommend a price for that vehicle. GLWA may accept that price or determine an alternative minimum price. Once a minimum price is established, Enterprise will act as GLWA's agent to maximize the ultimate sale price for the vehicle.

c) Fueling

Currently, GLWA maintains fueling facilities at certain facilities (water plants and WRRF) and, on a limited basis, utilizes DWSD fuel facilities at the Central Services Facility (CSF). Given the large size of the fleet it maintains, Enterprise will provide GLWA with fleet rate discounted pricing at service stations throughout southeastern Michigan. This means that GLWA team members working in the field or assigned to CSF, will typically be able to obtain fuel at a fleet rate within a mile or two of their location. This will not only save time, but the purchase will be tracked by vehicle and team member, providing GLWA with additional data for its fleet management services.

The Enterprise contract will provide GLWA not only with a cost savings but will supply it with greater data, flexibility, and benchmarks to utilize in its fleet management decisions.

BUDGET IMPACT

See attached analysis from GLWA's Chief Financial Officer/Treasurer, Nicolette Bateson.

COMMITTEE REVIEW

This item was presented to the Operations and Resources Committee at its meeting on August 14, 2019. The Operations and Resources Committee unanimously recommended to refer this item to the full Board of Directors without a recommendation.

SHARED SERVICES IMPACT

The proposed procurement will impact the shared services agreement between GLWA and DWSD as a portion of the contemplated services are currently provided to GLWA by DWSD. The proposed procurement will result in a cost savings to GLWA greater than the 10% threshold contemplated for the discontinuation of a service under the Shared Services Agreement.

