

- **Board of Directors**
Budget, Finance, Investment and Insurance Committee

January 10, 2006 Board Meeting

7-2

Subject

Appropriate \$1.6 million; and authorize the purchase of 83 replacement vehicles for Metropolitan's fleet (Approp. 10005)

Description

The Corporate Resources and Water System Operations Groups have recently completed an assessment of Metropolitan's fleet operation. One of the most significant results was the need to revise Metropolitan's current fleet replacement practice using mileage as the principal criterion. Using mileage as the principal criterion for replacement has resulted in an aged fleet, which substantially increases risk to conducting reliable operations and maintenance of district facilities. As an example, more than 53 percent of Metropolitan's 225 sedans are 10 years or older. The assessment recommended implementing a new procedure for vehicle replacement that includes multiple criteria in addition to mileage (e.g., age of vehicle, annual maintenance cost, etc.).

The problem of aging fleet vehicles was also raised by employees during the Board members' recent visits to various Metropolitan facilities, and staff was directed by the Board to address the issue. At the October meeting of the Budget, Finance, Investment and Insurance Committee, staff provided a summary of the actions that would be undertaken to improve Metropolitan's fleet operation. The most immediate action was to create a new seven-point evaluation system to assess the condition of 106 high mileage/old sedans and light duty trucks out of a total light duty fleet of 913 vehicles.

New criteria for evaluating the useful life and appropriate utilization of vehicles was developed and discussed at the Budget, Finance, Investment and Insurance Committee in October 2005. The Fleet Management Team has completed the evaluation of each vehicle based upon this criteria, which include age, mileage, annual maintenance cost, level of utilization, service, reliability, and condition, and found that all 106 vehicles are at or have exceeded their useful life and should be salvaged. Due to the advanced age and low value of the vehicles, there is no benefit to retaining these vehicles in Metropolitan's fleet. Maintenance costs often exceed the vehicles' Bluebook value, while parts are difficult to find or are no longer available. In addition, a number of the vehicles lack the standard safety features required in all newer models, such as air bags.

The Fleet Management Team Manager, in consultation with the Office of the Chief Financial Officer, Corporate Resources, Water System Operations and External Affairs Groups, recommended that 83 of the vehicles be replaced with new sedans, light duty trucks and vans to meet ongoing operational needs. The remaining 23 units to be salvaged will not be replaced due to their low level of annual utilization. In addition, the Fleet Management Team evaluated the purpose and use of vehicles, rather than simply replacing a vehicle with a new model. For example, staff determined that one aging truck was best replaced with a utility cart.

This action requests authorization to purchase 83 vehicles to replace aging units in Metropolitan's fleet. The replacement cost is estimated to be \$1.6 million. Consistent with the Budget, Finance, Investment, and Insurance Committee direction to complete the evaluation and to ensure timely action to promote a safe and cost-efficient fleet operation, it is recommended that procurement of these units take place during FY 2005/06 rather than be deferred until the next fiscal year.

Policy

Metropolitan Water District Administrative Code Section 8121 (a): Contracts for Equipment, Materials, Supplies, and Routine Services

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as purchases, general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and authorize the purchase of 83 fleet vehicles.

Fiscal Impact: \$1.6 million of unbudgeted funds under Approp. 10005 (Operating Equipment)

Option #2

Do not authorize purchase of new vehicles during FY 2005/06. These vehicles will be included in the 2006/07 operating equipment budget requests.

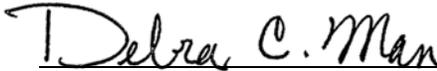
Fiscal Impact: Delay in reducing maintenance and repair costs to maintain these units

Staff Recommendation

Option #1


Roy Wolfe
Manager, Corporate Resources

12/22/2005
Date


Debra C. Man
Interim CEO/General Manager

12/22/2005
Date