



North Carolina Department of Administration

Joint Legislative Oversight Committee on General Government 2018 Motor Fleet Management Annotation


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Tuesday, February 06, 2018



AGENDA

- ☐ Review of SB 257-Budget –DOA cost to agencies to maintain and operate Motor Fleet.
- ☐ Overview of the prior fee structure and rationalization of new structure
- ☐ New Monthly & Per Mile Rate
- ☐ Timeline of implementation and communication of changes to agencies
- ☐ Efforts to Right-Size Fleet & Find Cost-Savings
- ☐ Telematics implementation
- ☐ Questions and Answers



SB 257-Budget

DOA cost to agencies to maintain and operate Motor Fleet

SECTION 31.3.(a):

On January 1, 2018, the Department of Administration (hereinafter "Department") shall increase the amount allocated and charged to State agencies to which transportation is furnished as authorized by G.S. 143-341(8)i.6. For calendar year 2018, the Department shall, from funds available to it, subsidize the amount of the increase allocated and charged to State agencies. On June 30, 2018, the Department shall transfer to the motor fleet fund any unexpended and unencumbered funds from the General Fund to help offset deficiencies in the motor fleet fund that resulted from subsidizing the increase to State agencies. Beginning January 1, 2019, State agencies shall, from the funds available to them, pay the full amount allocated and charged for transportation furnished by the Department and the Department shall not subsidize any part of the amount allocated and charged

SECTION 31.3.(b):

The Department and Motor Fleet Management Division shall consult with each State agency to which transportation is provided to determine the types and sizes of vehicles needed by the agency and shall aid the agency in making adjustments to the size of its fleet to achieve maximum cost efficiency.

SECTION 31.3.(c):

The Department shall determine the amount required by each agency to cover the cost of the increase in the amount allocated and charged for transportation for fiscal biennium 2019-2021. Notwithstanding the provisions of Chapter 143C (State Budget Act) of the General Statutes, the OSBM shall include the increase in the amount allocated and charged for transportation in the base budget for each State agency for fiscal biennium 2019-2021.

SECTION 31.3.(d) G.S. 143-341 reads as rewritten:

§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties: To establish and operate a central motor fleet and such subsidiary related facilities as the Secretary may deem necessary, and to that end: To allocate and charge against each State agency to which transportation is furnished, on a basis of mileage or of rental, furnished its proportionate part of the cost of maintenance and operation of the motor fleet. The amount allocated and charged by the Department of Administration to State agencies to which transportation is furnished shall be at least as follows: take into account all of the following:

- (i) vehicle replacement cost,
- (ii) maintenance cost,
- (iii) insurance,
- (iv) use of telematics devices, and
- (v) the Department's administration cost.
- I. Pursuit vehicles and full size four-wheel drive vehicles \$.24/mile.
- II. Vans and compact four-wheel drive vehicles – \$.22/mile.
- III. All other vehicles – \$.20/mile.



Overview of Prior Rate

Prior Rate = Fuel + Maintenance + Replacement

- Motor Fleet Management demonstrated in the early fall of 2016 that the old rates were not keeping up with the necessary replacement schedule. Over the fall of 2016, OSBM and Motor Fleet Management worked together to come up with cost-effective models for the State fleet.
- The old rates were not allowing for Motor Fleet Management to recoup its full costs.
- The prior structure fee used a mileage rate from .27 to .65 per mile used, with an additional \$35.00 insurance fee per vehicle – to offset damages from state vehicle involved accidents.
- Fuel was taken out of the rates to promote cost-efficient behaviors



New Rate Effective January 1, 2018

The updated model, effective January 1, 2018, will promote better utilization of the State fleet; give agencies more flexibility and control over their costs; and ultimately allow the State to be more cost-effective with its fleet.

Charges a fixed monthly rate up to 1050 miles to cover: *(See Motor Fleet subsidy in Year One):*

- Replacement costs covers purchase price and Highway Use tax (3%)
- Maintenance costs cover unplanned and preventive maintenance
- Administrative costs consist of salaries, expenses, ARI, etc. *(subsidized in 1st year)*
- Insurance fee covers liability and repairs to damaged vehicles *(subsidized in 1st year)*
- Telematics cost covers monthly service fee (subsidized in 1st year)

Charges a per mile rate over 1050 miles to cover:

- Replacement Cost
- Maintenance
- Administrative

Agencies will see first bill in February 2018.



Timeline and DOA Communication to Agencies

- DOA Secretary and OSBM Budget Officer collectively sent memo out March 1st 2017
- Two CFO meetings - March 31 and September 29, 2017
- Two Deputy Secretary Meetings - June 15 and November 29, 2017
- Agency Vehicle Coordinator Meeting - August 2, 2017
- Reminder Memo in Mid-December from the DOA Secretary



2018 Rate Variance

Agencies can apply the 0.03 per mile new rate savings to help offset the cost of fuel purchases.

**New rate
0.40 per mile**

**Prior rate
0.43 per mile**



GOALS

- Provide passenger vehicles to state agencies employees in the performance of their official duties in the most cost-effective manner.
- Realize cost savings by lowering maintenance costs, increasing resale value and increasing fuel efficiency.
- Replace vehicles before they age out resulting in repair costs that exceed value of the vehicle. The replacement formula is constructed to predict a vehicle's lifecycle of years in service. Current target is to replace vehicles at 7-8 years on average. Ten years is the maximum vehicles remain in service.
- Right size vehicles for specific business application, agency purpose and to condense inventory of underutilized vehicles to cost effective levels. To date (since July 1, 2017) we have seen 166 vehicles right-sized resulting in \$582K cost reduction.



Cost Saving Strategies Vehicle Utilization & Right-Sizing

Right-Sizing: *A fleet management practice of ensuring that vehicles in a public or private sector are utilized by the right employees, at the right times, in the right locations, for the right amount of time based on the job tasks associated with use of the vehicles. Motor Fleet is working with Agency vehicle coordinators to provide resources to better manage their fleets.*

- Increase vehicle sharing between agency divisions.
- Evenly utilize vehicles - prioritize driving vehicles that have not reached 1050 miles for the month.
- Turn in vehicles where there may be a less expensive option to meet the same goal.
- Goal is to provide the lowest cost of travel to the state:
 - State-owned vehicle (pool)
 - Private rental
 - Personal reimbursement



Cost Saving Strategies – Vehicle Rightsizing

- Motor Fleet anticipates \$2,500 average savings per vehicle replaced.
- Each time a vehicle is replaced, we are looking to find the most cost effective vehicle that enables the business unit to operate more efficiently.
- Vehicles very close to their expected replacement times will generally not be repaired and will become a priority for replacement.
- Steady stream of replacements available each month (except for trucks).
- Agencies should centralize rightsizing activities to ensure rightsizing is done consistently during the replacement process.



Right Sizing - Cost Saving Strategies & Vehicle Utilization

Agency	Total Rightsizing Savings FY17-18	# of Vehicles Rightsized	Total Replacements	Average Savings Per Vehicle
Department of Administration	\$ 13,783.54	2	3	\$ 4,594.51
Department of Agriculture	\$ 19,468.80	2	10	\$ 1,946.88
Board of Cosmetics	\$ 5,490.06	3	3	\$ 1,830.02
Department of Commerce	\$ 6,271.21	1	4	\$ 1,567.80
Community College System	\$ (6,879.89)	0	5	\$ (1,375.98)
Department of Natural and Cultural Resources	\$ 35,801.39	4	7	\$ 5,114.48
DHHS	\$ 20,771.65	4	16	\$ 1,298.23
Department of Transportation	\$ 21,567.66	3	9	\$ 2,396.41
Department of Environmental Quality	\$ 17,204.14	4	6	\$ 2,867.36
Department of Insurance	\$ -	0	1	\$ -
Department of Justice	\$ 35,021.55	2	5	\$ 7,004.31
Department of Labor	\$ 15,993.47	3	5	\$ 3,198.69
Department of Military and Veterans Affairs	\$ 2,230.47	1	1	\$ 2,230.47
Department of Public Instruction	\$ 18,464.46	3	7	\$ 2,637.78
Department of Public Safety	\$ 55,685.31	10	127	\$ 438.47
Department of Revenue	\$ 7,665.26	1	3	\$ 2,555.09
UNC System	\$ 67,331.93	9	31	\$ 2,172.00
Total	\$ 335,871.02	52	243	\$ 1,382.19¹



Telematics Advantage 2018 and Beyond

Focus on the Driver - By monitoring driving behaviors telematics helps minimize collisions, speeding tickets, and downtime, ensuring drivers are able to get their jobs done and arrive home safely.

Advanced Safety Training - Telematics can help identify unsafe driving practices and then target those specific habits for training.

Data Integration - Integration helps ensure that the automatic reports and analysis you get create a more accurate picture of your fleet's performance

Utilization Analysis - Provides in-depth information about the performance of each vehicle, allowing to better maintain the fleet at its optimal size and performance levels.

❖ *As the saying goes, you can't fix what you don't track. Telematics provides the raw data that allows Motor Fleet Management the insightful data to make changes that result in a safer, more reliable and cost-effective fleet.*



Telematic Program Operations

- Installation is ongoing to MFM vehicles under 110,000 miles.
- Motor Fleet will have 15 different installation locations throughout NC selected to reduce driver travel for installation – with a goal of full implementation in 2018.
- Motor Fleet will collect data on usage, idling, seat belt use, and to confirm or deny driver behavior. Mileage will be collected monthly to relieve agencies of data entry into the MFM system.
- Agencies will have access to system to monitor their drivers location and routes.
- No vehicles are exempt at this time.
- Fuel data feeds from all sources will be tracked in the telematics system:
 - Fraud reports will sync vehicle location and fueling location.
 - Tracks driver behaviors that increase fuel cost at the vehicle level (e.g. excessive idling; harsh acceleration).
 - Streamlines fuel invoice verification.



Cost Saving Strategies – Telematics & Fuel

- In partnership with NCDOT, telematics service was renegotiated:
 - Annual telematics service costs decreased by 28% with future cost reduction guarantees as vendor costs for the technology decline.
 - Service level improvements – ‘active’ tracking and free roadside assistance included. \$90/per year per vehicle that will be passed along to agencies directly.
 - Prioritized on cellular network during emergencies.
- Agencies have access to use this contract for their owned vehicles (915A). Now three tiers (formerly 1 tier at \$25/month):
 - \$8.50/month basic
 - \$15.00/month pro
 - \$18.00/month pro plus



Telematic Program and ROI Strategies

- Route optimization
 - Studies have shown increased oversight along with commitment will lead to reductions in personal use mileage that equates to lower fuel costs
- Prevents vehicle breakdowns:
 - Agencies will see lower roadside assistance and towing costs
 - Reduction in vehicle downtime
 - More warranty recovery on newer vehicles



Q&A

Thank You!