



North Carolina Department of Administration

Pat McCrory, Governor
Bill Daughtride Jr., Secretary

Bill Buchanan, Director
Motor Fleet Management Division

October 15, 2015

To: Representative George Cleveland, Co-Chair
Joint Appropriations Committee for General Government
Senator James Davis, Co-Chair
Joint Appropriations Committee for General Government
Senator Norman Sanderson, Co-Chair
Joint Appropriations Committee for General Government
Representative Dennis Riddell, Co-Chair
Joint Appropriations Committee for General Government

From: Bill Buchanan Director, Motor Fleet Management

Re: Report on New or Revised Replacement Formula

North Carolina General Statute, G.S. 143-341(8)(i)(4) requires the Department of Administration, Division of Motor Fleet Management, to report semi-annually to the Joint Appropriations Committee for General Government on the effect of any new or revised replacement formula on the cost of operating the central motor pool, including the amount of any savings from use of any new or revised replacement formula.

Attached is a description of the new replacement formula that Motor Fleet staff will be implementing in the coming months which is based on total cost of vehicle ownership.

Please contact Bill Buchanan or Zach McLawhorn at (919) 733-6540 if there are questions.

cc: Secretary Bill Daughtride, Jr.
Deputy Secretary Kathryn Johnston
Rhonda Todd, Legislative Liaison

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Report: Report on New or Revised Replacement Formula as Required by G.S. 143-341(8)(i)(4)

Motor Fleet Management uses a replacement formula that is primarily based on minimum mileage or vehicle age when determining whether to replace a passenger vehicle in the state fleet. Specifically, Motor Fleet will replace vehicles that have at least 125,000 miles or are ten (10) years or older. In addition, a vehicle needing repair may be replaced if the total cost of repair is greater than the value of the vehicle regardless of whether it has met the minimum mileage or age threshold. We report that no changes to the formula have been made since the last report on March 15, 2015.

Moving forward, Motor Fleet is working on a new replacement formula that incorporates the total cost of ownership for each class of vehicle. This includes all acquisition, operating expenditures, and disposition costs. The anticipated effect of this change will result in a lower total cost of ownership for the state for each vehicle in the fleet.

Motor Fleet staff are working to implement the new formula and expect to fully report on the cost savings to the state in the upcoming March 15, 2016 report.

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