



REDUCING COSTS ASSOCIATED WITH VEHICLE USE

EXECUTIVE APPROPRIATIONS COMMITTEE
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ISSUE BRIEF

SUMMARY

The State has taken significant steps to reduce vehicle costs since the Legislature centralized fleet management in 1996. However, we believe agencies can achieve additional savings through improved user information, vehicle sharing, and eventual fleet size reduction. We recommend the following:

1. The Division of Finance create separate accounting object codes for “standard” (\$0.36/mile) and “high” (\$0.50/mile) personal vehicle mileage reimbursement.
2. The Division of Fleet Operations implement an automated decision tree for use in reserving a vehicle.
3. The Division of Fleet Operations collect and maintain in its database the “home” address of each fleet vehicle.
4. Capitol Hill agencies organize and participate in a cross-agency vehicle sharing pilot project.
5. The Division of Fleet Operations report on the first year results of its new usage model to right size the fleet and eliminate “low use” vehicles.

BACKGROUND

In 1996, the State of Utah began consolidating its fleet with the passage of Senate Bill 266, “Division of Fleet Operations” (passed during the 1996 General Session). This legislation created the Division of Fleet Operations and implemented a central vehicle management system. Fleet Operations performs all administrative duties related to the management of state vehicles, coordination of vehicle purchases, management of the fleet information system for all state vehicles, rulemaking, operation of a fuel dispensing service, and rates formulation to recover costs.

Since the creation of the Division of Fleet Operations, the Department of Administrative Services has made a number of changes that save money. These changes include: requiring legislative approval for fleet expansion; privatizing certain daily pools; and implementing the \$0.36 and \$0.50 alternative per mile reimbursement rates (depending on other state vehicle availability) for state employees utilizing privately owned vehicles (POVs) for state business travel. It identified a low-use vehicle standard of less than 625 miles per month over a six month period and encouraged agencies to eliminate low-use vehicles.

We believe Fleet can build upon these successes by implementing some of the suggestions we make below.

COST PER MILE

When traveling by car to conduct state business, state employees have three vehicle options:

1. **Long-term vehicle** owned by the agency or leased to the agency by the Division of Fleet Operations (DFO);
2. **Short-term vehicle** rented from the state’s contracted provider or from an internally run daily pool; or
3. **Privately-owned vehicle** (POV) with mileage reimbursement from the state.

As part of its statutory obligations, Fleet Operations conducts research and analysis of various aspects of fleet costs. One measure the division evaluates is the cost per mile (CPM). Fleet calculates the CPM for state vehicles by tracking the following costs:

- Depreciation;
- Fuel;
- Repair Labor;
- Repair Parts;
- Preventative Maintenance Labor; and
- Preventative Maintenance Parts.

The total of these costs is then divided by the total miles driven in the fiscal year to derive the CPM. The following table compares the state vehicle CPM to the other options.

Table 1 - FY 2010 Cost Per Mile (CPM) Utah State Government	
Option	CPM
Long-Term Vehicle	\$0.2575
POV at Standard Reimbursement	\$0.3600
Short-Term Vehicle	\$0.4448
POV at High Reimbursement	\$0.5000
Sources: Office of the Legislative Fiscal Analyst and Division of Fleet Operations, July/August 2010.	

As shown in Table 1, average long-term vehicle CPM is the lowest cost option. Reasons for this include economies of scale in purchasing, insuring, and maintaining vehicles. The next lowest cost option is \$0.36 per mile mileage reimbursement. However, we are unable to determine exactly to what extent state employees use long-term vehicles versus standard reimbursement POV's.

In fiscal year 2010, the state reimbursed employees using POVs on state business trips \$2,590,480.90. But because the Division of Finance codes \$0.36 per mile reimbursements and \$0.50 per mile reimbursements the same in the state's accounting system, we do not know the number of miles reimbursed at the lower rate. In a report presented to the Executive Appropriations Committee on September 9, 2008, we recommended Finance begin tracking the reimbursements separately. The division has not yet done so. Thus we repeat our recommendation here.

Recommendation 1: We recommend the Executive Appropriations Committee send a letter to the Division of Finance requesting that it bifurcate mileage reimbursement information by establishing separate object codes for \$0.36 per mile versus \$0.50 per mile reimbursement rates.

EDUCATE USERS ON COST OF VARIOUS OPTIONS

As found in the Table 1, the Division of Finance has set the standard POV reimbursement rate at \$0.36 per mile. This rate is applied when another state vehicle is reasonably available. The Internal Revenue Service approved rate of \$0.50 per mile is used when no other state vehicle is available. These rates are subject to the approval of the executive director of the Department of Administrative Services. The director of the Division of Finance is authorized to make rules governing in-state and out-of-state travel expenses, including mileage reimbursement for POVs used for state business travel. (See UCA 63A-3-107)¹

In deciding the correct rate to use, "The traveler must first determine if their department has an agency vehicle (long-term leased vehicle from Fleet Operations or owned by the agency) that meets their needs

¹ The rules governing mileage reimbursement for POVs are found in the Utah Administrative Code R25-7-10 and State of Utah Accounting Policies and Procedures FIACCT 10-02.06.

and is reasonably available for the trip (does not apply to special purpose vehicles). If reasonably available, the employee should use an agency vehicle. If an agency vehicle that meets their needs is not reasonably available, the agency may approve the traveler to use either a daily pool fleet vehicle or a private vehicle. If a daily pool fleet vehicle is not reasonably available, the traveler may be reimbursed at 50 cents per mile.” (See Utah Administrative Code R25-7-10 (3) (b) (i))

When comparing current Fleet Operations daily pool rates for a compact sedan, the breakeven points for cost savings to the state for POVs are 62 miles for the reimbursement rate at \$0.50, and 97 miles for the reimbursement rate at \$0.36. As stated above, the higher mileage reimbursement rate currently set at \$0.50 per mile applies when an agency vehicle is unavailable and a daily pool vehicle is not reasonably available per Division of Finance policy.

However, there are instances where a \$0.36 per mile and even a \$0.50 per mile POV reimbursement are less cost to the State. For example, reimbursing employees for private vehicle use on a trip around town, or even a longer trip over multiple days, might cost less given that it avoids fixed daily rental costs associated with short-term state vehicles.

In our review of vehicle rentals from the State’s contract car rental provider in FY 2010, we found 748 or 27.5 percent of the rentals were less than 97 miles, 391 that were less than 62 miles, and 30 instances where car rental trips were less than ten miles. As noted above, for a trip less than 97 miles in a compact sedan, it is cheaper for the State to reimburse POV use at \$0.36 per mile than it is to pay for a rental. At \$0.50 per mile, POV use for trips less than 62 miles is cheaper. A one day, ten mile trip in a rented compact sedan costs the state \$25.10. The POV reimbursement would be at most \$5.

We found one rental car trip for two miles. While this trip is not typical and likely had extenuating circumstances, it is illustrative. The vehicle rental charge to the state for this trip was \$93. Had the average state vehicle been used in this instance, the cost to the state would have been \$0.52 based on the \$0.2575 cost per mile of the state fleet. Had a POV been used, the State’s cost, at most, would have been \$1. In both alternatives, employee time for requesting, obtaining and returning the vehicle could have been saved.

Fleet Operations has a vehicle cost comparison webpage at its website to assist customers with determining the lowest cost option. The title of the webpage is, “Vehicle Cost Comparison Utility” (please see the following link: <http://168.177.192.56:8080/general/>). There is no requirement for state employees to access this website. It is not known to what extent employees access the website and use this tool to determine vehicle travel costs.

Recommendation 2: Fleet Operations modify its current web portal for daily pool vehicle reservations to require the state employee making a reservation to first access and complete the Vehicle Cost Comparison Utility. The intent is for the employee to become aware of the cost to the state depending on the choice. The employee can then gain access to the reservation page.

The Department of Administrative Services and Division of Fleet Operations have already begun to respond to this recommendation. In the course of our investigation, DFO developed a “beta” web tool that will help users determine which vehicle option they should use. A screen-shot from that tool is shown below. With a few minor changes and presuming this tool must be accessed before a user can reserve a vehicle, we believe this tool will address Recommendation 2.

Cost Comparison Utility for a Short-Term Vehicle

Trip Information:

1. Estimated round-trip miles: 100
2. Estimated days: 2
3. Vehicle class: COMPACT
4. Enter the reimbursement rate based on the following criteria. All state reimbursement is based on a \$.36 per mile program, unless the following criteria is met.
 - a.) Agency vehicle (lease from Fleet Operations) is not reasonably available.
 - b.) Daily pool fleet vehicle is not reasonably available.
 - c.) Other Attach Documentation.

.36 cents per mile.
 .50 cents per mile.

Click to see the lowest cost option highlighted in green.

<p>Taking a personally owned vehicle (P.O.V.): <i>*Be aware that the owner of the vehicle is responsible for the vehicle repair costs if the vehicle was damaged (or causes damage) in an accident.</i></p>	\$36.00
<p>Taking a vehicle from Enterprise Rent-A-Car (or another state agency pool):</p>	\$59.00

Please follow [this link](#) to proceed to the Enterprise Rent-A-Car rental form, even though a P.O.V. will be less expensive for this trip.

LEVERAGING THE STATEWIDE MOTOR VEHICLE POOL

The state fleet consists of 7,444 vehicles as of August 13, 2010. There are 211 vehicles which are compact, mid-sized, or full-sized sedans in the 29 “daily pools” throughout the state. Table 2 shows the number of reservations for each of these daily pools in Fiscal Year 2010.

Table 2 - FY 2010 State Agencies Motor Vehicle Daily Pools	
POOL LOCATION	RESERVATION COUNT
NATURAL RESOURCES MOTOR POOL	4,281
UTAH STATE UNIV MOTOR POOL	2,533
USH - MOTOR POOL	2,037
BE-SCHOOL FOR DEAF & BLIND-OGD	1,579
UNIVERSITY OF UTAH-MOTOR POOL	1,485
HUMAN SERVICES MOTOR POOL	1,375
SUU MOTOR POOL	1,301
HSDC - RECYCLING POOL	1,139
HEALTH MOTOR POOL	1,121
UVSC MOTOR POOL	962
BE-SCHOOL/DEAF & BLIND-SALT LAKE	959
UDOT CENTRAL MOTOR POOL	809
BOARD OF EDUCATION POOL	735
WEBER STATE MOTOR POOL	644
SLCC MOTOR POOL	629
CEU - MOTOR POOL	394
UINTAH BASIN ATC - MOTOR POOL	368
ORS SALT LAKE POOL	330
DIXIE COLLEGE MOTOR POOL	323
SALT LAKE CITY - UTAH	266
ORS PROVO POOL	244
BRIDGERLAND ATC	199
DAVIS APPLIED TECH CENTER	168
UTAH FIRE AND RESCUE ASSOC	159
STATE DEVELOPMENTAL CENTER-MP	94
ORS RICHFIELD POOL	60
SLCC MINI POOL - LHM	57
SLCC MINI POOL AT SOUTH CITY	24
HSDC WAREHOUSE POOL	22
Total	24,297

In FY 2010, state employees rented vehicles from the State’s contract rental provider on 2,716 occasions. 775 of these rentals were for trips of less than 100 miles. Given the size and range of the fleet across state agencies, the existing 29 daily pools, and the fact that the CPM for state vehicles is \$0.1873 less than the contract rental provider, an important question is, could the state generate savings by establishing a statewide motor vehicle pool as a viable alternative to vehicle rental for many in-state trips?

Some agencies with large vehicle counts already have made it known throughout state government that they will rent any unused/uncommitted vehicle as a courtesy to other agencies on a short term basis when

such a need arises. The Department of Natural Resources (DNR) is one such agency that provides this service. DNR maintains detailed financial records of such loan/rental arrangements along with its other vehicle use records.

Fleet Operations does not specifically report the extent to which agencies share vehicles (on a rental basis). Nor does Fleet track the location of long-term vehicles assigned to the various agencies. Fleet Operations officials have indicated that adding such information to the Fleet Information database would not pose any significant problems. We believe such data would be vital to leveraging existing state vehicles to avoid higher POV or rental costs.

Recommendation 3: EAC send a letter requesting Fleet Operations report information concerning inter-agency vehicle sharing and track the address at which each state vehicle is typically parked.

CAPITOL HILL AGENCIES MOTOR VEHICLE POOL PILOT PROJECT

On any given day, one might see as many as a dozen long-term vehicles parked on Capitol Hill. It would be logical to presume that these vehicles would be available to any agency located at the Capitol Complex. However, these vehicles are "owned" by individual agencies and typically are not shared. On one Friday, we did an informal survey of state vehicles parked on Capitol Hill all day. Table 3 lists the vehicles by number and the entities to which each belongs.

Table 3 - FYs 2009 and 2010 Capitol Hill Agencies Vehicles					
VEHICLE NUMBER	DEPARTMENT	MILES PER YEAR		COST PER MILE FOR THE FISCAL YEAR	
		FY 2009	FY 2010	FY 2009	FY 2010
FO10074	DAS -- RISK MANAGEMENT	11,418	13,183	\$0.31	\$0.23
FO10075	DAS -- RISK MANAGEMENT	10,084	6,187	\$0.33	\$0.12
FO10076	DAS -- RISK MANAGEMENT	7,824	8,661	\$0.35	\$0.27
FO10077	DAS -- RISK MANAGEMENT	11,764	11,690	\$0.22	\$0.19
FO10621	DAS -- RISK MANAGEMENT	10,063	5,672	\$0.18	\$0.26
FO10755	PUBLIC SAFETY	19,914	20,198	\$0.32	\$0.14
FO11017	GOPB	5,242	3,721	\$0.48	\$0.33
FO11618	GOPB	7,497	5,816	\$0.27	\$0.26
FO11902	PUBLIC SAFETY	5,818	7,422	\$0.37	\$0.32
FO11903	PUBLIC SAFETY	9,951	7,884	\$0.30	\$0.37
FO13270	DAS -- DFCM	23,745	34,384	\$0.22	\$0.27
FO13554	DAS -- DFCM	231	11,688	\$8.27	\$0.31
FO13983	DAS -- DFCM	N/A	1,744	N/A	\$0.05
FO7499	DAS -- DFCM	6,914	4,593	\$0.33	\$0.13
FO9475	STATE AUDITOR	10,167	8,557	\$0.24	\$0.29
FO9637	STATE AUDITOR	8,923	5,378	\$0.31	\$0.34
FO9766	TECHNOLOGY SERVICES	5,734	5,802	\$0.31	\$0.27

A pilot project of limited size would test the practicality of sharing these vehicles across agency and might lead to a statewide vehicle sharing policy. This approach would permit Fleet Operations to plan, develop, implement and study a vehicle sharing operation in a controlled environment to identify strengths and weaknesses.

This type of reservation environment would require agencies with excess vehicle capacity to place their vehicles into a pool to be shared on set days when they would normally go unused. State employees desiring a vehicle from a sister agency (before turning to POV reimbursement or the contract rental provider) would go to a web portal hosted by Fleet Operations to see if vehicles were available on Capitol Hill. If vehicles were available for rent, a phone call would be made to the renting agency to set up a time when keys and gas cards could be given. It is anticipated that the employee desiring to rent a vehicle from a sister agency would typically pick-up and return the vehicle to/from front desk personnel at the renting agency.

Fleet Operations would be involved in the reservations processing, billing services for the renting agency, training of state personnel participating in the program, and gas card coordination as personal identification numbers (PIN's) for state fuel cards will typically only be valid for vehicles assigned within the employee's agency.

Recommendation 4: Direct Fleet Operations to develop and implement a vehicle sharing pilot project limited to State Capitol agencies for a period of one year. Upon completion of the pilot, Fleet will report to the Legislature, Governor and respective fiscal staff offices delineating the merits and liabilities relative to possible implementation statewide. The Analyst recommends the following intent language for Legislative consideration and approval during the 2011 General Session to implement this pilot project:

The Legislature intends that the Division of Fleet Operations develop and implement a vehicle sharing pilot project limited to State Capitol agencies for a period of one year beginning Fiscal Year 2012. Upon completion of the pilot, Fleet will report to the Legislature, Governor and respective fiscal staff offices delineating the merits and liabilities relative to possible implementation statewide.

NEW USAGE MODEL:

The former definition of a "low use" was a vehicle which averaged less than 625 miles per month over a six month period. This definition was a starting point for the state to right size its fleet and eliminate underutilized vehicles. However, this broad definition did not adequately recognize special circumstances such as seasonal usage, absolute need but only occasional use for crisis situations, and daily/frequent but short distance usage.

In October 2009 Fleet changed its standard to 45 miles per month minimum for vehicles we call "people movers"—typically compact or mid-sized sedans. This action was part of a comprehensive change to develop a more thorough examination and differentiation of state vehicles within the fleet. This new model groups vehicles by their distinct purposes and associated levels of use, which serves as the basis for eliminating those which cannot be justified. The model identifies five separate usage categories and minimum mileage thresholds to distinguish the varied purposes of different vehicles within the state fleet:

- Emergency: Public Safety Enforcement – 5 miles per month minimum;
- Maintenance: Facilities Maintenance – 34 miles per month minimum;
- People Transport: People Transport – 45 miles per month minimum;
- Supply Transport: Items other than People – 15 miles per month minimum; and
- Training: Educational Purposes – 14 miles per month minimum.

The minimum mileage thresholds were intentionally set low to identify those vehicles in greatest need of consideration for elimination. The division analyzed data during a twelve month period in determining the minimum use standard. These mileage thresholds will be periodically raised going forward.

Recommendation 5: Direct Fleet Operations to report to the Legislature (Capital Facilities and Government Operations Appropriations Subcommittee) during the 2011 General Session on the first-year results of this new model in right sizing the state's fleet and eliminating underutilized vehicles. The report should include details of vehicles eliminated; strengths and weaknesses of the new model; and any plans for modification/improvement going forward. Minimum mileage threshold changes going forward should also be specifically addressed.

CONCLUSION:

Fleet service operations are a highly dynamic and integral part of Utah State Government Administration. Implementation of these recommendations will enhance fiscal information accuracy and management for policy and decision makers. It will assist state employees to make more informed decisions regarding vehicle travel costs and test the viability of statewide vehicle sharing to increase utilization and reduce more costly vehicle travel choices.