

**City Council Meeting Minutes**  
**June 22, 2017**  
**Special Session**  
**5:30 p.m.**

The Xenia City Council met in a Special Session on June 22, 2017, at 5:30 p.m. in the City Council Chambers, City Administration Building, with the following members present: Wesley Smith, Edgar Wallace, Dale Louderback, Sarah Mays, Jeanne Mills, Marsha J. Bayless, and Michael D. Engle.

Motion by Councilman Wallace, seconded by Councilwoman Mays, to adjourn to Executive Session to discuss Personnel Matters to consider the appointment, employment, dismissal, discipline, promotion, demotion or compensation of a public employee per XCO §206.04(a)(1) and ORC §121.22(G)(1). No discussion followed. The Roll on this was the following:

Ayes: Smith, Wallace, Louderback, Mays, Mills, Bayless, and Engle  
Nays: None                      motion carried.

The City Council convened in Executive Session in the Second Floor Conference Room, City Administration Building, with the same members present.

At 6:03 p.m., the Xenia City Council reconvened in Special Session with the same members present.

**Fleet Management Alternatives.** Mr. Merriman said it is always staff's priority to continue to try to find ways to provide high quality services and do so more cost effectively. Fleet management is one of the more costly items in the City budget to sustain operations and it is an ongoing expense and challenge, and they continue to look for ways to contain and reduce costs. They were approached several years ago and again last year by a company that provides lease services and evaluated it at those times and determined it was not the right time. Assistant City Manager Ryan Duke has spent some time over the last several months doing some calculations, talking with various departments who are significant fleet users about how alternative programs might apply and how effective it would be, and they now wish to present those concepts to City Council. They are not looking for any definitive direction this evening, and further recommendations can be brought back for Council consideration if so desired. He turned the presentation over to Mr. Duke.

Mr. Duke said fleet is a very important piece of City operations and impacts every single department whether it is Finance staff using a car to go to the post office or the bank or IT staff using a car to get to various City buildings. Obviously, police, fire, and public service are significant users of our fleet. From a financial standpoint, he presented the following numbers:

| Keeping our Fleet on the Road |                  |
|-------------------------------|------------------|
| <b>2016 Actual Costs</b>      |                  |
| Fuel costs                    | \$186,422        |
| Internal Labor Costs          | \$167,712        |
| External Labor Costs          | \$38,725         |
| Parts, Fluids, and Tires      | \$98,738         |
| Other Operating Costs         | <u>\$112,835</u> |
| Total                         | \$604,432        |
| 2015 Actual                   | \$687,885        |
| 2014 Actual                   | \$799,599        |
| 2013 Actual                   | \$761,325        |

He explained that internal labor costs are associated with repairs done in house and external labor costs are associated with repairs that cannot be done in house and the vehicles are sent out to another service provider for repair. He said “other operating costs” includes natural gas, electric, the facility itself, tools, janitorial services, etc.—basically the cost to operate the Service Center. He noted past years’ actual costs were significantly higher because as fuel prices fluctuate, it impacts the budget positively or negatively, and in past years, fuel prices were nearly double today’s cost. Inevitably, those prices will increase in the future and the costs in the 709 fund will also increase accordingly. He said the costs noted above do not include the actual capital acquisition costs. All costs are charged back to various departments depending on their use of the service and again, police, fire, and public service are the most significant users.

### **Evaluating the Operation**

- Changes in the personnel structure
- Evaluating software packages
- Creating a depth of knowledge about the operation
- Modifying the garage funding model
- Exploring other creative options

Mr. Duke said staff began evaluating operations several years ago and knew there was a lot of work to do. They have basically had two employees in the Garage: a Mechanic and an Equipment Mechanic Supervisor. A few years ago, a longtime employee who was the supervisor of that department left employment with the City, and when he left, it became obvious that they needed to evaluate the model because he knew it better than anybody else. A lot of knowledge about the system and the garage left when he left. The former equipment supervisor, who is now a mechanic, stepped in and did a nice job of filling in the gaps but never really got to a point where he fully understood the system. There was recently a change in personnel structure, which included the addition of a Public Service Supervisor over fleet and facilities and the Garage Supervisor was eliminated. Now, there are two mechanics instead of one mechanic and one supervisor.

Mr. Duke said they have looked at different software packages (currently they are using RTA) and it was evident early on that RTA was the best product available. Cities all over the country use this product, and it is really the most robust option. The two mechanics understand the RTA system, but their knowledge of the system is minimal. He now has access to it now as does Public Service Management Analyst Lisa Waters who just attended a week-long training. In the near future, the current supervisor (Keith Koch) as well as the Public Service Director will better understand that operation and that model. Finance Director Mark Bazalak also understands the garage funding model, but he is retiring soon. Previous employees including the previous Finance Director Jim Freeman as well as former Garage Manager Paul Gultice also understand it. They have considered outsourcing this function, but department heads have been very reluctant to do that on a broad scale because they are so reliant on garage operations and the fuel system from a 24/7 standpoint. Snow events and any natural disaster events also need to be considered because fleet would be needed 24/7 for those events. However, they have begun to look at how they can reduce the amount of maintenance that is required from the Garage considering they have added to their workload with medic unit maintenance, which used to be outsourced.

**A Creative Alternative:**

Capital Lease through Enterprise

- Enterprise acts as a purchasing agent
- The City leases vehicles from Enterprise
- Enterprise sells City vehicles at the City’s direction
- As a consultant, Enterprise evaluates and presents vehicle options
- The City chooses vehicles, the term of the lease, and aftermarket options (lights and sirens, markings on vehicles, etc.)

Mr. Duke said when looking at other alternatives, they considered a plan by Enterprise, which most people are familiar with as a car rental company. However, they provide a myriad of other services that includes buying and selling cars. Enterprise approached the City several years ago with an option for a capital lease, and he was very skeptical at first and has never been a fan of leasing vehicles. However, there are a few things that are different from traditional leasing models that may be beneficial in certain circumstances. Under this plan, Enterprise acts as a purchasing agent. They could use the state bid list, as the City has in the past, to purchase vehicles but they also have relationships with all the major manufacturers. Enterprise could purchase vehicles from a dealer and deliver those vehicles through the local dealership. For example, if they purchase a Dodge, Enterprise could run the purchase through Key Chrysler, and Enterprise would also sell the vehicle on the backend. Most leases are structured at 4%, which is fairly competitive. Enterprise also acts as a consultant since the City does not have any staff with the expertise to provide this function to determine the best vehicles to fit the City’s needs, the most reliable vehicles, the market value of the vehicles, the vehicles with the best fuel economy, etc. He explained the model to the right using a Toyota Tundra as an example. The only way this will be beneficial is if they have instant equity as shown and Enterprise can actually sell the vehicle for the value shown. He then reviewed the practical application shown below:

**How does it work?**

**Toyota Tundra**

|                     |                |
|---------------------|----------------|
| MSRP                | \$42,000       |
| Average Buyer       | \$40,000       |
| Our Price           | \$35,000       |
| Instant Equity of   | <u>\$5,000</u> |
| Sale one Year Later | \$35,000       |
| Residual Value      | \$29,500       |
| Gain on Sale        | \$5,500        |
| Lease Payments      | \$7,200        |
| Annual Cost         | \$1,700        |

**Practical Application** 

**Property Maintenance Vehicles – Two Vehicles Budgeted for 2017**

**10 Year Comparison**

| Traditional Purchase Option |                 | Leased Option |                 |
|-----------------------------|-----------------|---------------|-----------------|
| Purchase Cost               | \$42,000        | Lease Cost    | \$44,324        |
| Fuel                        | \$25,081        | Fuel          | \$22,001        |
| Maintenance                 | <u>\$21,690</u> | Maintenance   | <u>\$2,299</u>  |
| <b>Total</b>                | <b>\$88,771</b> | <b>Total</b>  | <b>\$68,624</b> |

**Savings over the 10 Years of \$20,147**

Mr. Duke said with the above property maintenance vehicles, this arrangement works well because there is not a lot of extra equipment in the vehicles. Vehicle markings can be done with magnets or vinyl vs. paint. As they consider other applications, it did not make sense to use this application for marked police cruisers due to the number of miles driven per year (about 30,000/year), the extra equipment/aftermarket improvements (light bars, radios, markings, computer consoles, etc.). Further, he did not anticipate a good re-sale value on the backend even with a



### Other Applications

|                                 |                      |
|---------------------------------|----------------------|
| <b>Unmarked Police Vehicles</b> | <b>Fire Vehicles</b> |
| 3 Captains (2018)               | Chief (2017)         |
| 5 Detectives                    | Deputy Chief (2017?) |
| 1 Chief                         | Inspection           |
|                                 | Battalion            |
|                                 | Utility              |

**Portions of the Public Service Fleet**  
Pool Cars – IT, CM Office, Finance, Planning, Engineering, etc.

three-year lease. However, for the unmarked vehicles, there are no outside markings, there is less equipment, the consoles are more generic, and the light bar can be temporarily installed inside the vehicle. After a few years, the Captains' unmarked vehicles go into the marked cruiser rotation. The benefit is the Captains are not putting high mileage on the vehicles; however, the downside is the vehicles are being outfitted twice—once as an unmarked vehicle and again as a marked vehicle. He and Mr. Merriman as well as the new Administrative Police Captain are not thrilled with this method, and they would prefer to go with the lease program. With the lease program, a lot of money will be saved in the first year because they would be making lease payments versus buying three new cars. Over a long period of time, the costs will increase, but over the long term, the program would benefit the City. He estimated a savings of \$20,000 over a six-year period, which isn't significant, but it is a savings.

Mr. Duke said the Police and Fire Chiefs respond to certain incidents, so it is important to outfit their cars with lights and sirens. The Fire Chief's vehicle is a 2008 and is due for replacement. The Fire Division's rotation of vehicles is a little slower than the Police Division and Fire Division vehicles have more miles and are older vehicles. They need to evaluate the Fire Division's fleet replacement process with this application. He said this application could also be a good fit for some public service fleet. Other cars used by IT staff, Finance staff, etc., are also great candidates for this application. All situations need to be evaluated on a case-by-case basis. He was not completely sold on the program, especially for some of the City's fleet, but they should certainly try it where it makes sense. He felt the property maintenance vehicles would be a good place to start. He then entertained questions.

Mayor Bayless asked if the current mileage was used to establish the monthly payment. Mr. Duke said they provided an estimate of mileage for any particular vehicle on an annual basis, and Enterprise considers the number of miles at the end of the lease term. Mayor Bayless asked if the drug epidemic is increasing the mileage on police vehicles. Mr. Duke said it may be, but those miles are being put on marked vehicles, and they have already determined this application would not be a good fit for those vehicles.

Councilwoman Mays asked what the consequence would be if they go over the allowed mileage on a lease. Mr. Duke said there are no mileage restrictions with this application. It really comes down to what the vehicle can be sold for on the backend, and a high-mileage vehicle is less desirable than a vehicle with low mileage and the resale value would reflect that.

Vice President Smith said the example shown on “How Does It Work” slide is on a one-year lease. Mr. Duke said that is correct. Mr. Merriman said that vehicle would be turned over every year, and staff would get a new vehicle every year.

Councilman Louderback said the example is for a Toyota Tundra. He asked if there is any way to guarantee a resale value. Mr. Duke said no. Mr. Merriman said they asked that question; he agreed it really comes down to that resale value. Mr. Duke said it is important to work Enterprise to select vehicles that meet the City’s needs and hold their values. For example, for Code Enforcement vehicles, they really don’t need a Toyota Tundra and could get by with a smaller truck like a Chevy Colorado or an S-10; however, those vehicles don’t hold their values as well as Toyota Tundras and Ford F-150s.

Vice President Smith said Enterprise is a huge company, and he rented a box truck from them last winter and was very impressed. Mr. Merriman said this program is a corporate fleet program, and they are just getting into the government market. Mr. Duke said the City of Monroe, Miami of Ohio, and Central State are recent clients.

Councilwoman Mays said with the resale, she asked if the City could decide to purchase the vehicle and sell it outright. Mr. Duke said yes; the program is very flexible. He further noted they expect wear and tear, and normal fabric stains and dents/dings will not impact the resale value.

Councilwoman Mills said she personally is always a little leery to purchase a car that was a leased vehicle, and she was concerned about the resale value. She would be interested in learning more from communities that have gone completely through the lease term and resale. Mr. Duke agreed that information would be helpful, but it may take a long time to do that. They could look at the City of Monroe, but they signed three-year leases and are only about half-way through those leases.

Councilman Louderback asked if the vehicles have warranties. Mr. Duke said yes; normal factory warranties would apply such as for the drive train, etc. Councilman Louderback asked about routine maintenance (oil changes, etc.). Mr. Duke said there are maintenance programs available to purchase for oil changes, tire rotations, etc., but he did not feel those programs were advantageous because they can accomplish those things in house.

Councilwoman Mills asked what is in it for Enterprise; she asked how they are making their money. Mr. Duke said there is a 4% rate on the lease; therefore, they will make money off the lease. Further, he assumed they have worked out deals with various manufacturers.

President Engle asked how long the City of Monroe has used this program. Mr. Duke believed they are in year two of a three-year lease. Mr. Merriman said they just looked regionally at other municipalities and/or entities that have used this application, but they can go back to Enterprise and ask for other examples.

Councilwoman Mills assumed the City would carry the insurance, and nicer and newer vehicles will cost more to insure. Mr. Merriman believed that amount would be negligible.

Mr. Merriman said they are suggesting they do a pilot program with the Code Enforcement vehicles that are scheduled for replacement this year, which would be a good way to literally test the program out. Council tasked staff with finding cost savings measures, and he felt this was worth exploring. President Engle agreed.

Councilwoman Mills said she needs more information about insurance costs, etc., but she was willing to try it for a limited number of vehicles.

Mr. Duke said one Fire Division vehicle is also scheduled to be replaced this year that he feels would be a good fit for this application.

Councilman Louderback asked about gas for city vehicles. Mr. Duke said they go through a bidding process annually to establish a vendor list for fuel purchases. Mr. Merriman said they use a “just in time” process, which means when the tanks are running low, they call the vendors on the list to get prices and they chose the cheapest one. They usually place orders on a monthly basis and are able to purchase diesel and unleaded fuel on a wholesale basis and pay a much lower per gallon cost.

Mr. Merriman asked if Council wanted staff to bring back a proposal for three vehicles. They agreed.

At 6:53 p.m., the Council adjourned their Special Session to prepare for their Regular Session immediately following. No discussion followed. The Roll on this was the following:

Ayes: Smith, Wallace, Louderback, Mays, Mills, Bayless, and Engle

Nays: None                      motion carried.

Michelle D. Johnson  
City Clerk

Michael D. Engle  
President, Xenia City Council