

Motor Pool

Report No. 97-09

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INTRODUCTION

The study of Motor Pool vehicle repair and maintenance costs, staffing level, and vehicle

replacement reserves was requested by Metropolitan King County Council Motion 10231 and included as an amendment to the Auditor's Office 1997 work program. The request for the study was prompted by concern over issues emanating from the planned transfer of management of Department of Natural Resources, Wastewater Treatment Division (WTD) vehicles to Fleet Administration.

OBJECTIVE

The objectives of the study were: (1) to compare Motor Pool charges to those of other jurisdictions, (2) develop benchmarks or standards for which Motor Pool performance could be compared to other jurisdictions, (3) identify the trend in Motor Pool staffing level and fleet mileage, and (4) evaluate replacement reserve requirements of the Motor Pool fund.

CONCLUSION

With respect to the first three objectives, the study provided both internal as well as external comparisons of performance. However, the comparisons should be viewed as "ballpark" comparisons, since the figures presented may not be directly equivalent because of differences in accounting and vehicle use by the various jurisdictions compared. The study recommended that Fleet Administration continue to expand its efforts in comparing its performance with other jurisdictions.

As far as the fourth objective is concerned, it is our opinion that the level of reserves being maintained by the Motor Pool fund for equipment replacement could be reduced. We recommended that the County Council consider transferring \$3.0 million from the Motor Pool fund to the Current Expense fund and the other user funds based on their proportionate contribution to the reserves.

MAJOR FINDINGS AND RECOMMENDATIONS

Finding 2.1. Motor Pool operating and maintenance costs appear to be lower than other jurisdictions.

A survey conducted by Fleet Administration shows that King County's fleet average operating and maintenance costs are lower than the other jurisdictions surveyed. The survey and source documents were reviewed by audit staff.

The study recommended that Fleet Administration should continue to conduct regular surveys of other jurisdictions to provide assurance that costs continue to be within a reasonable level and comparable to other jurisdictions.

Finding 2.2. Motor Pool rates appear to be lower than those charged by jurisdictions included in the comparison.

Motor Pool charges include operating and maintenance cost, administrative overhead, and projected replacement cost. The methodology used by Fleet Administration appears to be reasonable and consistent with generally accepted practices. Although we found Motor Pool rates to be lower than those of other jurisdictions, it should not be concluded that Motor Pool rates are, in fact, more or less than other jurisdictions, because the rates have not been equalized for differences in usage, accounting, and other factors which impact the rates.

Finding 2.3. Motor Pool operating and maintenance costs appear to be comparable to similar vehicles in **Motor Trend** magazine long-term tests.

In order to provide another perspective on operating and maintenance costs, we compared Motor Pool's operating and maintenance costs to those of similar vehicles included in long-term tests performed by *Motor Trend* magazine. For all types of vehicles compared, the *Motor Trend* test vehicles had lower O&M costs. However, vehicles included in the *Motor Trend* long-term tests are not directly equivalent to those in the Motor Pool fleet because they were newer, and the lower O&M costs may be partly attributable to their lower mileage, and King County's inclusion of overhead in their figures.

Finding 3.1. Comparison of Motor Pool performance to the survey performed for the National Association of Fleet Administrators (NAFA) indicates comparability in seven of fourteen indicators.

Using the National Association of Fleet Administration Foundation (NAFA) developed benchmarks, we determined where King County is positioned compared to the aggregate of jurisdictions surveyed for the NAFA study. We found that King County and the NAFA survey figures were comparable in seven out of fourteen benchmarks included in this study.

The study recommended that Fleet Administration should examine the NAFA study and consider incorporating the benchmarks suggested in the management reports produced by the Fleet Management System. Additional benchmarks could be developed which are tailor-made to King County's specific use and requirements.

Finding 4.1. For the last six (6) years, Motor Pool Vehicle miles per mechanics/service persons has generally been consistent.

We obtained the fleet mileage and number of mechanics/service persons and calculated the miles per staff. The ratio of miles per staff has slightly increased over the last six (6) years. Significant, however, is the mechanics/service persons staffing level which has remained the same for the last six (6) years.

Finding 4.2. For the last six (6) years Motor Pool mechanic/ service persons staffing per vehicle ratio has generally been consistent.

We obtained the fleet size and number of mechanics/service persons and calculated the ratio of vehicles to mechanics/service persons. We calculated the vehicle to mechanics/ service persons average ratio to be about 74. This means that, on the average, a mechanic/service person provided maintenance to 74 vehicles.

Finding 5.1. The methodology used by Fleet Administration in calculating the replacement portion of the rental fee charged user agencies appears to be reasonable. However, the methodology results in an accumulation of replacement reserves which is unnecessarily high.

The methodology used by Fleet Administration in calculating the replacement portion of the monthly rental charges results in accumulation of reserves for each piece of equipment.

Our review of the Motor Pool financial plan and projected fund balance up to the year 2004 indicated that the average annual cost to replace the fleet is about \$20.2 million. The average annual projected equipment replacement expenditure (adjusted for historical under-expenditure) is about \$2.8 million. This suggests that approximately 14% of the value of the fleet is needed annually. For the 11-year period, the average fund balance is projected at about \$6.5 million. This average fund balance level is about \$3.7 million more than the average annual projected replacement needs. It is our opinion that this level of fund balance is unnecessarily high.

It is also our opinion that basing the fund balance or accumulated replacement reserves

on a percentage of the projected fleet replacement cost would be reasonable and could be consistently applied. A replacement reserve balance which would result in no less than 10%, nor more than 20%, of the projected fleet replacement cost over a 7-year period would be reasonable.

Application of this approach would result in the availability of \$3.0 million. As a percentage of the fleet replacement cost, the fund balance ranges from a low of 11% in 2001, to a high of 18% in 1998 and 2003.

The study recommended that:

- Fleet Administration should continue to calculate the rental rates charged user agencies based on its current methodology. However, Fleet Administration should expand its efforts to make sure that the data used in the rate analysis are accurate to minimize the variance between actual and projected figures.
- Fleet Administration should annually evaluate the ending fund balance and projected fund balance and determine whether they are still within the range proposed in this study. If the balance is expected to increase over the upper range, then a transfer to the Current Expense or other contributing fund should be made to keep the fund balance within the target range.
- The County Council should consider transferring \$3.0 million from the Motor Pool fund to the Current Expense fund and the other user funds based on their proportionate contribution to the reserve.

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