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CITY OF **VANCOUVER**

ADMINISTRATIVE REPORT

Report Date: June 25, 2007
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Meeting Date: July 10, 2007

TO: Vancouver City Council

FROM: General Manager of Engineering Services

SUBJECT: Replace Leases with City-Owned Units – Traffic and Electrical Operations Branch

RECOMMENDATION

A. THAT Council approve the allocation of $508,000 from the Truck and Equipment Plant Account to add nine (9) vehicles to the Traffic and Electrical Operations Branch fleet, to replace nine (9) existing leased vehicles.

B. THAT the capital and operating costs be repaid to the Truck and Plant Account through annual charges of $159,100, funding to be provided from the existing Traffic and Electrical Operations Operating Budget.

COUNCIL POLICY

Council approves expenditures from Reserves, including the Truck and Equipment Plant Account.

Council approves all increases in service levels, including the addition of vehicles and equipment to the fleet.

PURPOSE

The purpose of this report is to seek Council approval to replace nine (9) leased vehicles with City-owned vehicles. These vehicles will be used by the Traffic and Electrical Operations Branch (TEOB) fleet.

BACKGROUND

In response to recommendations from a 2004 Truck & Equipment Rental Audit done by the Internal Audit Group there is an initiative underway by the Equipment Services Branch (EQS) to review all long term leases. The review is based on the operational need for the unit and the cost effectiveness of converting the leases to City owned units. When a review indicates that fleet additions are appropriate, staff will seek approval from Council for these additions.

DISCUSSION

The TEOB is currently leasing eleven (11) units of various types. These leases were initiated between 1999 and 2005 to accommodate increased staffing levels, increased demand for services and increased infrastructure programs. Recently the TEOB and EQS reviewed TEOBs fleet requirements and determined that there was a demonstrated need for nine (9) of these units to maintain the efficiency and productivity of the branch (see Table 1). Two (2) leased units, A5360 and A5380, are not being dealt with at this time as their statuses are pending further review.

Detailed descriptions of the vehicle functions and justifications for their continued use are located in Appendix A.

Currently, the leased units are funded through the TEOB Operating Budget and are subsequently charged out by the TEOB to various Capital and Operating programs. By converting the nine (9) leased vehicles to right-sized City-owned units the TEOB can reduce their annual costs by approximately $69,600. The $69,600 in savings will be passed on to the TEOB customers through reduced capital and maintenance costs for the City's electrical infrastructure.

SUSTAINABILITY IMPLICATIONS

The operational requirements of the existing nine (9) leases were assessed to determine the appropriate type and size of vehicle. As a result, three (3) of the leased vehicles will be right-sized to smaller and more fuel efficient units.

FINANCIAL IMPLICATIONS

Table 1 lists the existing leased vehicles, their annual usage and the associated external lease costs. Also listed in Table 1 are the City-owned units that are proposed to replace the external leases and the anticipated internal rate for repayment of capital costs. Approximately $66,600 in annual savings can be achieved from purchasing City-owned vehicles and from right-sizing three (3) vehicles to less expensive models. Additionally, there will be a further $3,000 in savings in vehicle operating costs as a result of right-sizing to more efficient models. Savings in lease and operating costs combined result in a total annual savings of approximately $69,600. This will be realized by the TEOB through Capital program savings of $26,900 and Operating program savings of $42,700.

Table 1: Vehicle Information and External Lease Rate vs. Internal Capital Rate Comparison

Vehicle Number	Lease Vehicle Class	Leased Since	Average Annual Usage	External Lease Rate	Proposed City-Owned Vehicle Class	Internal City Rate	Potential Savings
A5089	Truck, Light, Pick-Up	09/2001	14,000 km	$9,000	Truck, Light, Pick-Up	$6,500	**$2,500**
A5092	Truck, Heavy, Pick-Up	11/2001	13,000 km	$8,700	Truck, Heavy, Pick-Up	$6,700	**$2,000**
A5269	Truck, Heavy, Pick-Up	12/2003	12,600 km	$8,400	Truck, Heavy, Pick-Up	$6,700	**$1,700**
A5256	Truck, Aerial, 40 Ft Boom	10/2003	6,500 km	$36,000	Truck, Aerial, 40 Ft Boom	$18,000	**$18,000**
A5257	Truck, Aerial, 40 Ft Boom	10/2003	7,200 km	$36,000	Truck, Aerial, 40 Ft Boom	$18,000	**$18,000**
A5368	Van, Aerial, 34 Ft Boom	07/2005	4,000 km	$25,200	Van, Aerial, 34 Ft Boom	$9,700	**$15,500**
A5005	Compact, Panel, Van	11/1999	17,000 km	$7,100	Auto, Compact, Wagon	$3,600	**$3,500**
B0528	Truck, Pick-Up, Compact	04/2003	19,500 km	$6,300	Auto, Compact, Wagon	$3,600	**$2,700**
B0583	Truck, Pick-Up, Compact	04/2003	12,700 km	$6,300	Auto, Compact, Wagon	$3,600	**$2,700**
			Total	**$143,000**		**$76,400**	**$66,600**

Table 2 lists the cost breakdown of the proposed City-owned units, including the estimated one-time capital costs and annual rental rates. There will be an estimated one-time charge to the Truck and Equipment Plant Account of $508,000. This will be repaid over the economic lives of the units through annual capital rates totalling $76,400. The annual operating costs of the units will total $82,700. The total annual capital and operating costs are estimated to be $159,100 and will be funded by existing TEOB budgets.

Table 2: Anticipated Vehicle Capital and Operating costs for City-owned vehicles

Vehicle Number	Proposed City-Owned Vehicle Class	Expected Vehicle Life	One-Time Capital Costs	Annual Rental Rate		
				Capital	Operating	Subtotal
A5089	Truck, Light, Pick-Up	8 years	$44,500	$6,500	$7,800	$14,300
A5092	Truck, Heavy, Pick-Up	8 years	$45,500	$6,700	$8,700	$15,400
A5269	Truck, Heavy, Pick-Up	8 years	$45,500	$6,700	$8,600	$15,300
A5256	Truck, Aerial, 40 Ft Boom	10 years	$118,000	$18,000	$15,900	$33,900
A5257	Truck, Aerial, 40 Ft Boom	10 years	$118,000	$18,000	$16,100	$34,100
A5368	Van, Aerial, 34 Ft Boom	8 years	$66,000	$9,700	$11,700	$21,400
A5005	Auto, Compact, Wagon	8 years	$23,500	$3,600	$4,700	$8,300
B0528	Auto, Compact, Wagon	8 years	$23,500	$3,600	$5,000	$8,600
B0583	Auto, Compact, Wagon	8 years	$23,500	$3,600	$4,200	$7,800
		Total	**$508,000**	**$76,400**	**$82,700**	**$159,100**

CONCLUSION

There is an ongoing need for nine (9) new units of various types in the TEOB fleet. It is more economical to purchase City-owned units than it is to continue to lease as there is an estimated savings of $69,600 that can be realized annually. Therefore, it is recommended that Council authorize the addition of nine (9) vehicles to the TEOB fleet.

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Appendix A: Vehicle Justifications and Usage

Vehicle Number	Leased Vehicle Class	Replacement Vehicle Class	Vehicle Justification and Usage
A5089	Truck, Light, Pick-Up	Truck, Light, Pick-Up	These vehicles are required because of an increased demand for TEOB services. The TEOB supports several CoV sections including Film & Special Events, the Police Department, Traffic Management, and Street Construction. The activities these vehicles are used for are driven by these sections, which provide funding from their budgets and from work that is charged out to external customers. As filming work, special events held in the City, and City paving programs have increased, so has the demand for TEOB services to support these activities. These activities include line painting, sign installation and maintenance, and the installation of traffic control devices to cordon off areas while special events are held. These vehicles are utilized on all shifts. The TEOB has also seen an increase of $188,700, or 30%, in its Operating Budget since 2000 to fund maintenance of additional road markings, bike lanes, speed humps and various signs installed in the City. On top of the work described above, these vehicles will be used to carry out this maintenance. Since 1986 the staffing levels have increased from 14 full time employees to 26 full time employees, 6 temporary full time positions, and up to an additional 14 seasonal employees from May to October. The light pick-up carries up to half a ton of cargo while the heavy pick-ups carry up to one ton of cargo including traffic control devices such as cones and barricades, various types of signs and sign mounts, road marking equipment, aggregate and concrete. The signs installed and maintained by the TEOB include street signs, construction signs, advisory signs, and traffic signs such as stop signs, warning signs and regulatory signs. These vary in size, weight, materials, and types of mounts required. One of the larger pick-ups will be outfitted with a large cone rack for operations that require coning while at the same time provide enough cargo space for carrying materials. In addition, this heavy pick-up will be used to tow trailers to job sites.
A5092	Truck, Heavy, Pick-Up	Truck, Heavy, Pick-Up	
A5269	Truck, Heavy, Pick-Up	Truck, Heavy, Pick-Up	
A5256	Truck, Aerial, 40 Ft Boom	Truck, Aerial, 40 Ft Boom	These vehicles are required due to the increased number of traffic signals installed on bike routes, greenways, and pedestrian routes over the last 6 years, as well as to manage the resulting increase in maintenance of the City's traffic signal plant. Between 2000 and 2006 the number of traffic signals has increased by 17%. The average number of installations per year also increased to 21 signals per year during that time, up from an average of 15 per year in the preceding 15 years. Between 2003 and 2005, the TEOB added 3 leased aerial trucks to deal with construction and maintenance of the additional plant. This amounts to a 15% increase in fleet size for this type of specialized vehicle. The TEOB has considered their staffing needs and has determined that the addition of these 3 aerial trucks will provide sufficient resources for their operations. This will result in 17 trucks with 2 person crews and 5 trucks with 1 person crews for a total of 39 staff utilizing 22 trucks. The ability to deploy staff during the afternoon shift has also been examined to make more effective use of vehicles. However, for safety reasons overhead work around energized high voltage lines is primarily done during the day shift to avoid hazards. The TEOB uses 4 aerial vehicles at sites that require maintenance, inspection and repairs during non-operational hours, and in any emergency situations such as power outages and storm damage. The leased units have low mileage because they are primarily used for construction projects where the operator drives them to a construction site and uses them at the site for most of the day. These mileages are consistent with other City owned vehicles of the same class that are in use on a full time basis.
A5257	Truck, Aerial, 40 Ft Boom	Truck, Aerial, 40 Ft Boom	
A5368	Van, Aerial, 34 Ft Boom	Van, Aerial, 34 Ft Boom	

A5005	Compact, Panel, Van	Auto, Compact, Wagon	These vehicles are used by trade supervisors. Trade supervisors are responsible for managing work crews, ensuring crews are working safely and productively, ensuring projects are constructed correctly and inspecting the final output. In order for supervisors to perform these duties, vehicles are required to monitor the performance of work crews who work throughout the City. These vehicles have been right-sized to compact wagons to reduce fuel consumption and reduce emission of greenhouse gases, while still providing a level of cargo capacity.
B0528	Truck, Pick-Up, Compact	Auto, Compact, Wagon	
B0583	Truck, Pick-Up, Compact	Auto, Compact, Wagon	