



Fleet Buy-Back Analysis

Presented to: AWA Budget & Finance Committee

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AWA Fleet Cost Analysis

The following analysis provides a high-level comparison of costs and other benefits of the AWA shifting seven vehicles—currently at the end of their Enterprise lease—to AWA ownership. The analysis evaluates the cost impact/savings from this shift over a 15-year period.

Current Lease Program

The AWA leases fleet vehicles from Enterprise Fleet Management. When this relationship was entered into, the AWA had not been replacing or maintaining its vehicle fleet at industry standards, nor did the Agency have the resources to purchase new vehicles. The lease program allowed the AWA to upgrade and maintain its fleet at industry levels¹. As shown below, the Enterprise lease cost is a combination of vehicle depreciation, annual maintenance costs, taxes, and a monthly fee to Enterprise. Vehicles are replaced every five years or so, as the depreciated amount approaches zero, but before the vehicles have no value.

Enterprise Lease		
Depreciation	Maintenance	Tax & Enterprise Fee

While the Enterprise program provides good value to the Agency, it also reduces the Agency's ability to flexibly replace fleet vehicles based on low usage or other factors. Additionally, fleet replacement costs are currently high with limited new-vehicle availability.

Shift to AWA Ownership

Staff believes that removing seven vehicles (at the end of their leases) from the Enterprise program is a valuable first step to see if the Agency will benefit from more control over its vehicle fleet. The amount for the buy-out is included in the current budget.² Staff expects that buying vehicles at the expiration of their leases will be beneficial. Taking the first step with regard to seven vehicles does not commit the Agency to this course of action for all vehicles. There are many economic uncertainties at this time, and staff proposes to take this step and then re-evaluate in advance of other leases expiring, considering additional facts at that time. This shift will allow the Agency the following advantages:

¹ The Agency maintains ownership of five back-up vehicles and a Ford F550. The back-up vehicles can be updated as active vehicles are replaced. The Ford F550 is a heavy-duty active vehicle that will need to be replaced in the next two years.

² The FY22 budget includes \$72,000 for the buyout of six vehicles at the end of the Enterprise lease. We are recommending adding a seventh vehicle whose lease expires this April. The actual buy-out amount of the seven vehicles is estimated to be just over \$50,928.

- Control timing over vehicle replacement (e.g., can use vehicles longer if low-milage or high vehicle cost dictates). This will allow the Agency to better control its annual costs
- Reduced costs (taxes and Enterprise fees)

AWA Ownership	
Replacement Cost	Maintenance

One difference in the ownership structure of the Enterprise vs. AWA ownership is the way that vehicle costs are paid. Under Enterprise, vehicles are purchased and charged back in lease payments reflecting the vehicle cost. Under AWA ownership, after vehicles are purchased, the AWA will set money aside for the next purchase of vehicles. The amount of this cost is based on the expected life of a vehicle and expected future vehicle cost.

Impact of Shift

The shift to AWA ownership will have an initial cost impact. This is due to the cost of buying out the Enterprise lease and then setting aside funds to buy new vehicles in approximately five years—current leased vehicles are five-years old. This is offset somewhat by ending the Enterprise lease payments.

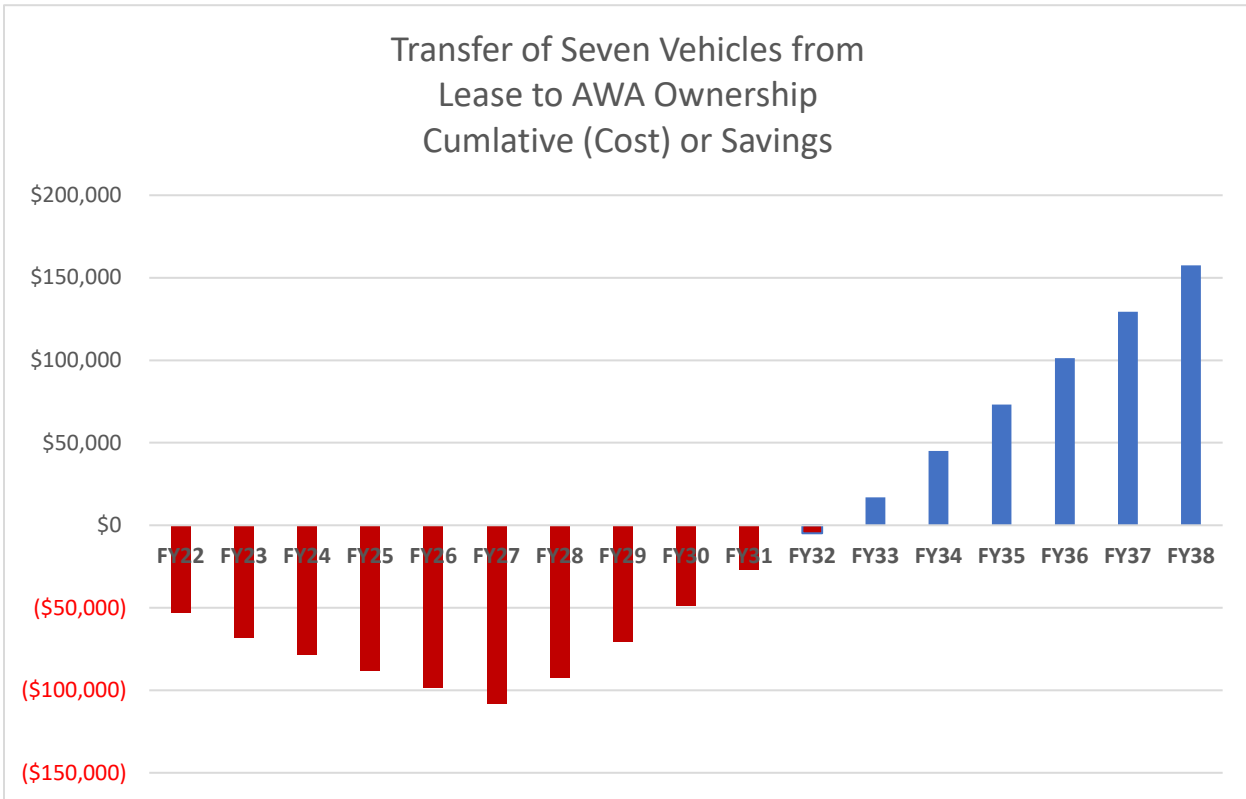
Based on the high-level assumptions (possibly quite conservative) made in this analysis, it will take approximately 10 years to break even on a cumulative cost basis. This will be followed by significant savings as the replacement costs drop to reflect a longer replacement window. The table on the following page shows the detailed figures used in this analysis.

Recommendation

Staff recommends that the Agency move forward with the buy-out of these seven vehicles.

Other opportunities will come to replicate this action as vehicle leases expire. Separate analysis will be completed for any additional fleet-purchase recommendation.

Transfer of Seven Vehicles from Lease to AWA Ownership Cumulative (Cost) or Savings



AWA Fleet Analysis

Comparison of Buy-Back vs. Lease on Seven Agency Vehicles

Cost	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38
Enterprise Lease																	
Rent Per Year	\$17,179	\$51,536	\$56,690	\$56,690	\$56,690	\$56,690	\$56,690	\$62,358	\$62,358	\$62,358	\$62,358	\$62,358	\$68,594	\$68,594	\$68,594	\$68,594	\$68,594
Service Charge	\$2,625																
Annual Charges	\$19,804	\$51,536	\$56,690	\$56,690	\$56,690	\$56,690	\$56,690	\$62,358	\$62,358	\$62,358	\$62,358	\$62,358	\$68,594	\$68,594	\$68,594	\$68,594	\$68,594
<i>Cumulative Charges</i>	<i>\$19,804</i>	<i>\$71,340</i>	<i>\$128,029</i>	<i>\$184,719</i>	<i>\$241,408</i>	<i>\$298,098</i>	<i>\$354,787</i>	<i>\$417,146</i>	<i>\$479,504</i>	<i>\$541,863</i>	<i>\$604,221</i>	<i>\$666,579</i>	<i>\$735,174</i>	<i>\$803,768</i>	<i>\$872,362</i>	<i>\$940,957</i>	<i>\$1,009,551</i>
AWA Ownership																	
Buy-Out	\$50,928																
Annual Maintenance	\$1,400	\$4,200	\$4,284	\$4,370	\$4,457	\$4,546	\$4,637	\$4,730	\$4,824	\$4,921	\$5,019	\$5,120	\$5,222	\$5,327	\$5,433	\$5,542	\$5,653
Replacement Cost	\$20,771	\$62,312	\$62,312	\$62,312	\$62,312	\$62,312	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233	\$33,233
Annual Cost	\$73,099	\$66,512	\$66,596	\$66,681	\$66,769	\$66,858	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511
<i>Cumulative Cost</i>	<i>\$73,099</i>	<i>\$139,610</i>	<i>\$206,206</i>	<i>\$272,887</i>	<i>\$339,656</i>	<i>\$406,513</i>	<i>\$447,024</i>	<i>\$487,535</i>	<i>\$528,045</i>	<i>\$568,556</i>	<i>\$609,067</i>	<i>\$649,577</i>	<i>\$690,088</i>	<i>\$730,599</i>	<i>\$771,109</i>	<i>\$811,620</i>	<i>\$852,130</i>
Cumulative (Cost)/Savings	(\$53,295)	(\$68,271)	(\$78,177)	(\$88,168)	(\$98,248)	(\$108,416)	(\$92,237)	(\$70,389)	(\$48,541)	(\$26,693)	(\$4,846)	\$17,002	\$45,086	\$73,169	\$101,253	\$129,337	\$157,421
Replacement Cost																	
Starting Balance	0	\$20,771	\$83,082	\$145,394	\$207,705	\$270,017	\$0	\$40,511	\$81,021	\$121,532	\$162,043	\$202,553	\$243,064	\$283,574	\$324,085	\$364,596	\$0
Replacement Set-Aside	\$20,771	\$62,312	\$62,312	\$62,312	\$62,312	\$62,312	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511	\$40,511
Replacement Cost	0	0	0	0	0	0	(\$332,328)									(\$405,106)	
Ending Balance	\$20,771	\$83,082	\$145,394	\$207,705	\$270,017	\$0	\$40,511	\$81,021	\$121,532	\$162,043	\$202,553	\$243,064	\$283,574	\$324,085	\$364,596	\$0	\$40,511