

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-231
JUNE 3, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
FLEET MANAGEMENT AND VEHICLE MAINTENANCE CONTRACT	◆ RESOLUTION ORDINANCE RECEIVE/FILE	MARTIN K. FREDERICKSON FINANCE DIRECTOR

SYNOPSIS —

The current agreement for fleet management and vehicle maintenance expires on June 30, 1996. The time required in addressing the upcoming budget reductions and reorganization changes has prevented the preparation of a comprehensive Request for Proposals and Qualifications document necessary to determine if other qualified firms are interested in providing fleet maintenance services to the City.

Due to the short time period remaining between now and the June 30, 1996, expiration date, an extension of the current contract is necessary to prepare a comprehensive proposal document, distribute the document, receive and evaluate responses, obtain approval of a new contract, and if a new contractor is selected, flow for an orderly transition between contractors.

FISCAL IMPACT —

The adopted 1996-97 budget contains appropriations for fleet maintenance services for the 1997 fiscal year. The budget, to be negotiated with the contractor as part of the six-month extension, will be funded from the budgeted appropriations.

RECOMMENDATION —

Approval for: 1) the Legal department to prepare a six-month extension with Managed Logistics Systems, Inc. for fleet management and vehicle maintenance services; and 2) the Mayor to execute such agreement on behalf of the City.

BACKGROUND —

The City of Des Moines privatized its fleet maintenance services effective June 1, 1983. On February 25, 1986, the City Council directed that a ten-year Fleet Management and Vehicle Maintenance Contract be executed for an initial term of four years and with two additional three-year renewal option periods. The agreement is between the City of Des Moines and Fleet Services, now known as Managed Logistics Systems, Inc.

The final option on the contract expires on June 30, 1996, which would normally present an opportunity to issue a Request For Proposal and Qualifications (RFP) to determine if there are other qualified firms interested in providing the fleet maintenance services, and if so, to submit proposals. While it could be in the public's best interest to issue an RFP, the time expended in recent months addressing the significant financial and organizational changes that were required to be made to address the City's budget problems, has prevented the timely preparation of a detailed and comprehensive RFP. Such a document is necessary to ensure that the RFP adequately addresses the critical fleet maintenance

service needs which are essential if the City is to ensure that the delivery of City services is not interrupted by the unavailability of equipment.

In addition, several of the City's organizational changes which will occur during the 1996-97 fiscal year, as a result of re-engineering, could have an impact on the size and mix of the equipment fleet as well. It would be desirable to complete implementation of the reorganizational changes before preparing an RFP for fleet maintenance and without the additional complications which would occur if a new fleet maintenance contractor began operations simultaneously with implementation of the other organizational changes.

When a fleet maintenance contractor is selected to provide vehicle maintenance services, the City's commitment should again be a multi-year agreement due to the significance of the contractor's investment and commitment as well as the efficiency and effectiveness that results from continuity. If a change in contractors results, the change would involve implementation of new computer systems, employment of a new workforce, training new management, acquisition of parts and supplies inventories, learning the details of the City's fleet and systems, familiarizing City employees with new maintenance and computer systems, and the integration of the new contractor's systems with City systems.

Such a transition is estimated to require between 60 and 90 days, if it is done in an orderly fashion, and would add to the many changes which departments will be undergoing at the same time.

Due to the short period of time remaining between now and June 30, 1996, and because the level of user satisfaction with and performance of the current contractor have been good, it is recommended that City Council authorize a six-month emergency contract extension with the current contractor to begin July 1, 1996 and end January 1, 1997. The extension will allow for preparation of a comprehensive RFP for equipment maintenance, an opportunity for the City to effect the planned reorganization and downsizing without the potential complications which could result from a concurrent change in fleet maintenance providers, and allow for a planned and reasonable transition period to occur between providers, should the process result in a new contractor. It is estimated that 90 days will be required to draft an appropriate RFP, issue the document, and receive and evaluate the responses. Once City Council selects a contractor and a contract is approved, the 60-90 day transition period will be required, if a new contractor is selected. Managed Logistics Systems, Inc. has agreed to the proposed extension.

Contracting fleet maintenance has successfully addressed the problems that existed prior to privatization. The contractor has been very responsive to the City's needs and has provided services that extend beyond those required of him by the contract. The two departments that are major users of fleet maintenance services, Public Works and Police, were contacted regarding fleet services and both are satisfied with the services they are receiving and are supportive of the extension. While other users were not contacted, complaints have been few, and any contractor problems have been corrected upon notification to the contractor about the problems.

Maintenance service was provided for 1,204 pieces of equipment at the beginning of the 1986-87 fiscal year, and currently, maintenance service is being provided for 1,537 pieces of equipment which is a growth of 333 units or approximately 27.7 percent. In addition to the growth, a satellite shop was opened as part of the new WRA facilities to provide on-site maintenance service to WRA's expanded equipment fleet.

While the actual growth in the number of pieces of equipment maintained is 333 units, the mix of the fleet has changed with the proportion of more costly maintenance—heavy equipment increasing at a higher rate. As a result, in terms of repair cost equivalent units, the fleet has grown by 371 pieces of equipment or 30.8 percent.

When the City first privatized fleet maintenance services in 1983, the average age of the fleet was 5.3 years, while the current average age is 6.46 years, or an extension of 1.16 years, which represents an increase of approximately 21 percent in the average life of equipment.