



City of Burlington

Department of Public Works

645 Pine Street

Burlington, VT 05402

802.863.9094 P

802.863.0466 F

Chapin Spencer

DIRECTOR OF PUBLIC WORKS

Ashley Parker

Capital Program Director

Lee Perry

DPW Division Director Maintenance Division

Date: May 23, 2023
To: Transportation, Energy, and Utilities Committee
From: Chapin Spencer, Director Public Works
Lee Perry, Division Director – Maintenance Division
Ashley Parker, Capital Program Director

Subject: FY24 Vehicle Purchase Recommendation

REQUEST:

The Fleet Committee requests Council approval for the proposed FY'24 vehicle purchase recommendations and approval to sell at auction the vehicles being replaced.

BACKGROUND:

Annually, the City's interdepartmental Fleet Committee, staffed by the Department of Public Works (DPW) Fleet Manager Dave Hammond, coordinates fleet purchases for the General Fund (GF) and several enterprise/special revenue funds in order to realize cost savings and provide management oversight. As per the City of Burlington Fleet Policy, the Fleet Manager and the Maintenance Division Director meet with each Department Head, or their designee, to review their annual recommended Fleet replacements and receive input on upcoming vehicle/equipment needs. With that information, the Fleet Manager researches electric and hybrid options for each item, calculates the carbon pricing on fossil fuel options, and make his recommendations to the Fleet Committee. The Committee reviews the Fleet Manager's list of needs and provides purchase list recommendation for review and approval by the TEUC, Board of Finance, and City Council.

The Fleet Committee has identified and is recommending (7) vehicles/equipment to be replaced in FY24. Six vehicles/equipment to be replaced are for enterprise/special revenue departments and one for the City's Recycling program (funded by the Solid Waste Generation Tax). Due to limited funding being available for General Fund Fleet, the Fleet Committee significantly reduced the amount of vehicles/equipment to be replaced in FY24, and will limit purchases to only enterprise/special revenue departments (see Attachment A for Fleet Funding History). There will be no General Fund (GF) vehicle/equipment purchases in FY24 unless other funding is secured. GF Departments that are able to acquire grants or have other identified funding sources will be allowed to make requests to purchase vehicles/equipment with Chief Administrative Officer (CAO) approval in FY24. The FY24 General Fund Fleet budget is focused on supporting all FY24 General Fund Fleet lease payments for vehicles that have already been purchased.

The recommended purchase list has been reviewed by BED, who provided additional recommendations and shared available incentives which further refined the purchase list through the lens of the City's 2030 NetZero goals. The Fleet Committee has worked hard to balance two key policy goals – the City's 2030 Net Zero energy goal and the City's operations and safety goal to replace as much of the fleet that is at end of life as possible – while also managing the identified financial constraints. We are now seeking the TEUC to recommend this FY'24 fleet purchase list to the Board of Finance and City Council (see Attachment B for Fleet purchase list).

GENERAL FUND FLEET FUNDING:

In FY22 and FY23, it became apparent there were no funds available to support future GF Fleet needs, as previous funding strategies had been depleted. In FY23 the Fleet Team requested \$715K from the GF unassigned fund balance to purchase GF fleet vehicles/equipment in urgent need of replacement. At the same time, the Fleet Team also communicated that FY24 and FY25 were going to require the same amount of GF support.

As the Team began planning for FY24, many difficult decisions needed to be made. There are \$1M in lease payments that need to be covered and \$2M in annual Fleet replacement with no funding to support these needs. In September 2022, the Fleet Committee formed a subcommittee to identify any possible sources of funding that could be used to cover the FY24 lease payments, as well as to discuss strategies for funding a sustainable fleet replacement plan for future fiscal years. The sub-committee met several times over the past 6 months to develop a strategy for funding FY24 lease payments, as well as exploring opportunities to create a sustainable fleet replacement

plan for future GF purchases. Recommendations for funding FY24 lease payments and long-term financing strategies were made and brought back to the full Fleet Committee for approval.

The Fleet Committee supports and recommends the following financial strategy in order to establish a more resilient funding plan for Fleet, which would kick off with the FY24 budget season, and includes the following:

- No General Fund fleet purchases in FY24 without special CAO approval (see below).
- Secure funding for FY24 existing lease payments.
- FY24 General Fund vehicle/equipment replacement requests (i.e.: no additions) need to include a funding proposal utilizing only non-fleet funding sources that have received the approval of the CAO.

FY24 Fleet Budget Overview:

- General Fund purchases of Fleet vehicles and equipment have been put on hold.
 - Exceptions have been considered for departments that have an identified source of funding an identified vehicle or equipment (i.e.: grant, dedicated tax revenue, etc.)
 - Current average Fleet need is ~\$2M/year.
- Focus for FY24 budgeting has been on ensuring we have appropriate revenues to cover our FY24 lease payments.
 - FY24 Lease Payments = \$1,037,678.33
 - FY25 & FY26 Payments = ~\$1M/year

Department (GF)	GF Fleet Lease Payment Forecast FY24*		
	Principal	Interest	Total
Fire	\$137,913.63	\$5,619.18	\$143,532.81
Library	\$7,782.06	\$295.78	\$8,077.84
Parks	\$151,435.94	\$6,375.96	\$157,811.90
Parks/Admin	\$14,935.50	\$184.13	\$15,119.63
DPW Streets	\$387,333.74	\$17,277.68	\$404,611.42
DPW Streets/Admin	\$29,180.61	\$466.13	\$29,646.74
DPW/EQM	\$6,148.59	\$338.89	\$6,487.48
Police	\$249,562.31	\$8,171.17	\$257,733.48
Cemetery	\$14,033.30	\$623.73	\$14,657.03
Annual Total:	\$1,037,678.33		

*Existing lease payments only.

- The Fleet Committee recommends applying all leftover FY23 Gains on Assets, the remaining Fleet Reserve, a portion of the FY24 Gains on Assets, and some Police and Fire impact fees as revenues for the FY24 General Fund lease payments. This reduces the amount we owe by more than half.
- The Fleet Committee requests that the General Fund provide funding support, similar to that in FY23, for FY24 lease payments in the amount of \$450,000.

FY24 Revenues:	Totals:
Leftover Gains:	\$311,688.41
Leftover Fleet Reserve:	\$165,000.00
New Gains (FY24)	\$80,000.00
Police Impact Fees (portion)	\$40,000.00
Fire Impact Fees (portion)	\$18,376.00
Equipment Maintenance Transfer (GF):	\$450,000.00
Total Revenues:	<u>\$1,065,064.41</u>
Remaining Balance:	<u>\$27,386.08</u>

BUILDING A SUSTAINABLE FLEET RESERVE/FUNDING SOURCE

- Fleet Committee is recommending that we create a central, sustainable General Fund Fleet Budget that may eventually include a Fleet Reserve, with an identifiable source of funding that replenishes annually.
- Regardless of which funding strategies are selected, there will be a need to update the Fleet Committee Policy to make sure Departments know what their role is in the future budgeting and maintenance of Fleet.
- The Fleet Team has developed additional funding strategies that may help build this reserve over time.
 - Annual Department Contributions to Fleet: Set an expected percentage or dollar amount annually for budget purposes.
 - Evaluate returning to a strategy of cash purchases for Fleet versus leasing in FY'24.
 - Evaluate and track Fleet sales to pair vehicles and departments with available gains on assets. This money could be applied to lease payments or cash purchases.
 - Pursue the New Carbon Fee Collection Opportunity: With Burlington Electric, track the revenues from this new funding source to determine funding availability for future purchase or lease of electric vehicles.
 - Implement cost sharing for the purchase of larger Fleet or other shared equipment.
 - Implement surcharges when departments fuel up to recoup the full cost of the maintenance and operation of the fuel depot. Remind departments to appropriately budget for any increases to annual fuel costs or changes in the cost of labor.
 - Pursue possibility of utilizing franchise fees.
 - Explore credit card rebates: Utilize credit cards to pay vendors and put the rebate money towards Fleet.
- Other Cost Saving Opportunities:
 - Continue Fleet reduction efforts.
 - Coordinate with HR on a strategy to evaluate additional resource needs when considering the creation of new personnel. This would allow Fleet to weigh in on the planning and budgeting for any new vehicles or equipment that are needed.
 - Departments should identify a central location for all vehicles and equipment to ensure an accurate inventory and easier access.
- At some point, we will need to consider whether future bonding can assist in the purchase of vehicles. This will be dependent on the lifespan of the vehicles in question, which could limit the impact of this solution, but it should be explored as an option for Fleet financing. See updated deferred purchase list attached (through FY24).

City's NetZero by 2030 Goal – Fleet Update:

DPW Fleet has worked to advance the electrification of the fleet where applicable. This is based on the Department's needs of the vehicle being purchased, whether the EV technology can support those needs, as well as provide a safe and efficient service to the City's residents. The Fleet Manager has also reached out to various vendors inquiring about the technology available for some of our larger fleet equipment, such as CR Woods, the Volvo heavy equipment dealer to see what EV equipment is available for a possible replacement of some of our construction equipment.

This past fall DPW demoed one of the first fully electric small bucket loaders in the United States. We tested the machine and its capabilities over 2 days. While we are not due for a replacement for some time, the demonstration proved useful in regards to the continuous run time the machine had, and how it would or would not suit our overall needs for the department. We found that with moderate daily use the battery life was acceptable, but in a scenario of continuous snow fighting operations, the 4-hour battery life would not be optimal. When the time comes for the Department to replace the existing bucket loader, we will discuss their needs and expectations, and see if the electric version will be acceptable.

The progression of the electrification of our fleet can be seen in Attachment B. It is important to note, that there are no funds allotted for General Fund vehicle replacement in the coming fiscal years, and there will be no General Fund fleet purchases until a strategy for funding these purchases is implemented. Our priority is funding the remaining General Fund fleet leases.

In Summary:

The Fleet team is looking to gain support from the TEUC and the City Council to develop a long-term fleet purchasing strategy that ensures the sustainability of all existing vehicles/equipment in Fleet, as well as one that brings the City closer to reaching its NetZero 2030 goals. We have reached a pivotal moment in the long-term planning of the City's fleet, where decisions on how the City funds future fleet purchases will shape its ability to continue providing the level of service required by its residents. It will also provide a more solid road map for how Fleet can meet its portion of the City's overall NetZero 2030 goals.

Suggested Motion:

Recommend the Board of Finance and City Council approve the proposed FY'24 Fleet Purchasing List and authorize the Department of Public Works, Fleet Maintenance, to auction the FY24 replaced vehicles/equipment through various online public auctions, or trade in to vendor where vehicle/equipment is being purchased. If there is no public interest, or the vehicle is of no value to the vendor, Fleet Maintenance will have the vehicle/equipment, hauled away for scrap at the current market price.

ATTACHMENT A:

History of Burlington's Fleet Purchasing Strategy:

Below is a brief timeline of how the purchasing strategies for the City's fleet have changed over time. It provides the framework for understanding how the past has shaped the present and may provide guidance for helping us determine a new strategy focused on long-term sustainability.

- FY12 – FY15: There was a moratorium on the purchase of new vehicles due to the City's financial challenges.
- FY16: The City began to purchase new vehicles again – this time utilizing a master lease. At this time, an informal fleet team started creating a list of vehicles needed each year to help the City forecast needs over time.
- FY17: A Sustainable Infrastructure bond replaced three fire trucks for \$3.3 million.

FY17 – FY18: The fleet team began creating a spreadsheet to track sustainable investment in fleet. The strategy of using master leases was working, but projections were showing financial challenges for fleet funding in out years due to increased debt payments.

- FY18: The City contracted with a fleet consultant to review how fleet was structured and recommend improvements. This resulted in a new Fleet Policy, the Fleet Committee, and a spreadsheet of needs from the consultant.
- October 24, 2019: The Fleet Policy was approved by the City Council.
- FY20: The Fleet team estimated that the sustainable fleet replacement need was approximately \$2,700,000/year. Up to this point, fleet funding had been by department. As part of the Fleet Committee and Fleet Policy development, all fleet related resources were pooled across departments into one location in order to create efficiencies in purchasing and revenues.
- FY20-22: It appears due to staff transitions and focus on the pandemic that during this time, staff lost track of the strategic focus on need for General Fund money for lease payments.
- FY23: The Fleet Team requested the use of \$715,000 of General Fund monies to support lease payments in FY23, as we were reaching the end of the Fleet reserve funds. At that time, the Fleet Team communicated that lease payments in FY24, & FY25 were going to require the same significant General Fund support.
- FY24: Freeze on the purchase of new vehicles for General Fund Departments and a focus on the funding of FY24 General Fund lease payments.

Over the last several fiscal years, through effective coordination and purchasing vehicles through master leases, the City was able to make significant reinvestments in its municipal fleet. Now the City is entering a very challenging multi-year fiscal year period for multiple reasons:

- As discussed above, vehicle replacement funding was pooled from Police, Public Works and Parks starting in FY20. However, not all revenues from pooling vehicle replacement funding from Police, Fire, Public Works and Parks were able to be kept each fiscal year for fleet needs due to shortfalls in General Fund operating budgets.
- Several recent revenue ballot items were not successful at the ballot box (FY'23 proposed Municipal tax increase and the fall 2021 \$40M capital bond proposal).
- After multiple years of financing to purchase new vehicles, the City is now carrying significant debt service payments for vehicles previously received.
- The Fleet Team is also continuing to manage constraints within the vehicle industry related to ordering and purchasing of vehicles and equipment. This includes delays in vehicle manufacture and delivery for both internal combustion and electric vehicles.
- With funding limited to Gains, remaining Fleet Reserve, and some Impact Fees; alternative sources of funding will need to be identified to support that ~\$1M/year in lease payments through FY25. There will continue to be a \$2M/year need to replace Fleet, though this number will likely be higher as the deferred list has increased over the last two years.

ATTACHMENT B: - PROGRESSION OF FLEET ELECTRIFICATION

Vehicle/Equipment Type	FY19	FY20	FY21	FY22	FY23	FY24	AVG	TOTAL
ELECTRIC	0	1	6	7	4	3	3.5	21
HYBRID	5	3	4	6	1	2	3.5	21
TOTAL FLEET PURCHASE	13	16	28	24	18	7	17.67	106
% OF EV	0%	6%	21%	29%	22%	43%	20%	20%
TOTAL COST OF EV	\$0	\$23,400	\$140,627	\$504,000	\$100,000	\$124,000	\$148,671	\$892,027

ATTACHMENT C: DEFERRED VEHICLE LIST

Please see attachment provided in packet.

ATTACHMENT D: VEHICLE REPLACEMENT LIST

Department	Equip.#	Year	Make	Model	Purchase Cost	Replacement Interval	Replacement Date
Recycling	G03	2017	International	7400	\$208,803	7 Years	2024
Stormwater	SW02	2014	Nissan	NV200	\$21,000	10 Years	2024
Water Distribution	Z20	2013	Dodge	3500	\$37,000	10 Years	2023
Water Distribution	Z19	2014	Ford	F250	\$46,375	10 Years	2024

ATTACHMENT E: VENDOR LIST

Vehicle	Vendors
EV Vehicles	Key Chevrolet, Freedom Nissan, Berlin City
Ford Maverick & E-Transit Van	Heritage Ford, McGee Ford, Barrette Ford
Gem Car	Country Club Enterprises
One Ton Truck	Heritage Ford, McGee Ford, Barrette Ford, Goss Dodge, Key Chevrolet
Recycling Truck	Allegiance Trucks, New England Kenworth, Lucky's Peterbuilt, R.R. Charlebois

ATTACHMENT F: COST CHART

Please see attachment provided in packet.

