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Office of the Comptroller  
October 9, 2007

Members of the Public Works Committee  
City of Milwaukee Common Council  
200 East Wells Street, Room 205  
Milwaukee WI 53202

Re: File 070729 2007 Fleet Report

Dear Committee Members:

In 2005 the Common Council adopted resolution 040738 directing the Department of Public Works to implement four key recommendations from our 2004 Audit of City of Milwaukee Fleet Management: Automobiles and Pickup Trucks, including the requirement for Annual City Fleet Management Reports. We have reviewed the DPW 2007 Fleet Report, which is scheduled to be presented to your committee on Wednesday October 10, 2007. Although this Fleet Report contains information on all heavy and light fleet equipment, the comments that follow pertain only to the recommendations in our audit of cars and pickup trucks and the related resolution 040738.

**Recommendation 1: Assign DPW Fleet Services full authority to manage the City fleet**

The audit recommends that DPW's authority and responsibility for fleet management be extended to cover all City vehicles, including vehicles assigned to other departments. DPW appears to disagree with this recommendation and there has been no further action on it.

**Recommendation 2: Survey fleet management practices of comparable organizations**

The audit recommends that surveys of comparable fleets be used to establish minimum mileage standards. DPW reports that comparable cities were surveyed twice, with few responses and inconclusive results. Results from the latest survey in May 2007 are summarized on page 24 of the 2007 Fleet Report, but there is no mention of the minimum mileage standards of comparable cities.

**Recommendation 3: Develop a Vehicle Usage Policy and Procedures Manual**

Common Council resolution 040738 directs DPW to develop this manual as a guide for the assignment of City vehicles. The audit also recommends that the manual address the personal use of City vehicles and that personal use and commuting

mileage be reported and monitored.

As noted on page 30 of the 2007 Fleet Report, several manuals were developed and issued by DPW, including a Fleet Usage Policy and Procedures Manual and a Fleet Vehicle Usage and Safety Manual. DPW indicates that these manuals are available on its website, but we could not locate them. Our comments on this manual last year for the 2006 Fleet Report noted that the Fleet Vehicle Usage and Safety Manual prohibits personal use of City vehicles unless authorized by a department or DPW. The manual did not provide for reporting and monitoring of personal use or commuting miles.

**Recommendation 4: Conduct a study to reduce fleet size for the 2005 budget**

Resolution 040738 directed DPW to conduct a study to reduce fleet size and on April 13, 2005 the Mayor instructed DPW to take the following actions related to fleet reduction and the audit:

- *“Identify no less than 100 passenger vehicles...for removal from the city fleet and for sale by city auction...”* In 2005 DPW identified 104 passenger vehicles for disposal. On page 27 of the 2007 Fleet Report DPW states that there were 505 passenger vehicles in 2005, which were reduced to 385 at the end of the 2<sup>nd</sup> quarter of 2007.
- *“Reduce the number of passenger vehicles used for commuting purposes and establish departmental criteria and procedures...for commuting purposes.”* On page 38 DPW states that the number of commuting vehicles has been reduced from 75 to 9, with an additional 22 for Sanitation Supervisors during the snow season. However, DPW informed us that these reported numbers pertain only to vehicles assigned within DPW. No information is provided on whether other departments authorize employees to take home City vehicles.
- *“Sell underutilized surplus equipment...[sell] at least 25 pieces of equipment each with a minimum replacement values of \$50,000...”* On page 37 DPW states that it disposed of 84 passenger vehicles plus other heavy equipment. The replacement cost savings from the elimination of heavy equipment reported on page 25 exceeds the minimum amount in the Mayor’s directive.
- *“Enhance preventive maintenance program...”* DPW reports on page 35 that preventative maintenance has been standardized and documented pursuant to audit recommendation 11. Concerning enhancement of preventative maintenance, DPW states on page 39 that a team of fleet supervisors is evaluating the program, indicating that this activity is still underway.

**Recommendation 5: Prepare an annual City Fleet Management Utilization Report**

Annual Fleet Reports required by resolution 040738 have been prepared by DPW since the audit.

**Recommendation 6: Implement minimum mileage and preventive maintenance policies**

Resolution 040738 calls for an annual minimum mileage policy and the Mayor’s directive specifies a 3,600 mile standard, stating that *“The Mayor further directs the Commissioner to establish a 3,600 mile per year guideline for retaining passenger vehicles...Vehicles driven an average of less than 3,600 miles over three years,*

*should be divested by the city or reassigned...[or] shall be explained on the inventory as to why sale or reassignment creates an operational deficiency.”*

On page 37 of the 2007 Fleet Report DPW states that currently 82% of the passenger vehicles meet the annual 3,600 minimum mileage requirement. This may be based on experience during the first two quarters of 2007. Previous Fleet Reports included an inventory of the passenger vehicle fleet with miles driven for each vehicle. This information is not included in the 2007 Fleet Report. At our request, DPW provided its passenger vehicle inventory mileage listings for 2006 and for the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2007. The 2006 inventory indicates that 394 passenger vehicles were in service for the year. Annual mileage ranged from the lowest at 246 miles to the highest at 24,550 miles. These vehicles averaged 6,361 miles for 2006 with 97 vehicles or 24.6% of the fleet driving less than the 3,600 mile standard. This is about the same percentage of vehicles driven under 3,600 miles in 2005. For 2006, 56.6% of the fleet was driven under 6,000 and 90% under 12,000 miles.

DPW should include the passenger vehicle inventory and mileage report in its 2008 Fleet Report in order to document that vehicles averaging less than 3,600 miles over the last three years have been disposed of or justified on the inventory, in accordance with the Mayor's directive.

**Recommendation 7: Charge vehicle usage at full cost including depreciation**

On page 33 of the 2007 Fleet Report DPW states that the Budget Office has no current plan to implement this recommendation.

**Recommendation 8: Examine vehicle repair and downtime data**

The 2007 Fleet Report includes fleet availability schedules beginning on page 47. However, these schedules are not interpreted for the reader and DPW has not indicated whether there have been any changes or trends in vehicles repairs and downtime.

**Recommendation 9: Explore personal vehicle reimbursement and leasing alternatives**

On page 34 of 2007 Fleet Report DPW states that a limited review found that vehicle leasing was not economical. DPW states that it is working with the Budget Office to evaluate various reimbursement, leasing and purchasing alternatives.

**Recommendation 10: Consider a separate fleet budget**

Based on DPW's comments on page 35 of the 2007 Fleet Report, there does not appear to be any plan to implement this recommendation.

**Recommendation 11: Standardize and document vehicle maintenance**

DPW reports on page 35 of the 2007 Fleet Report that it has implemented this recommendation.

**Recommendation 12: Develop and report fleet management performance indicators**

It appears that DPW has not implemented the audit recommendation to monitor and report on the actual capital (depreciation) and operating (maintenance) costs for each vehicle. Cost does not appear to be an element in the Fleet Management Performance indicators listed by DPW on page 46 of the 2007 Fleet Report. The Fleet Value

schedules beginning on page 65 include estimated replacement values but not the actual costs incurred to purchase and maintain fleet vehicles.

An excerpt from a 2001 Fleet Replacement Analysis by DPW is enclosed. In this analysis DPW states that a 10 year service life and replacement age for fleet cars was established. The enclosed graphs from this study show that repair costs for cars begin to increase after about 5 years, and utilization declines after about 6 years. The schedule on page 65 of the 2007 Fleet Report shows that the average age of the car fleet is now 10 years. DPW provided us with a current aging of the car fleet indicating 56% of these cars are older than 10 years.

The 2001 DPW study indicates that excessive repair costs and underutilization may result from the failure to replace fleet vehicles at appropriate points in their service lives. Nevertheless, DPW informs us that replacement of cars and pickup trucks has not been budgeted in recent years. To facilitate informed budget decisions, DPW should track and report on actual fleet costs.

Should you have any questions regarding this letter, please contact me

Sincerely,

  
W. MARTIN MORICS  
Comptroller

C: Jeffrey J. Mantes, Commissioner of DPW

Ref:2007FleetReportReview

**FLEET**

**REPLACEMENT**

**ANALYSIS**

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July, 2001

## *Cars*

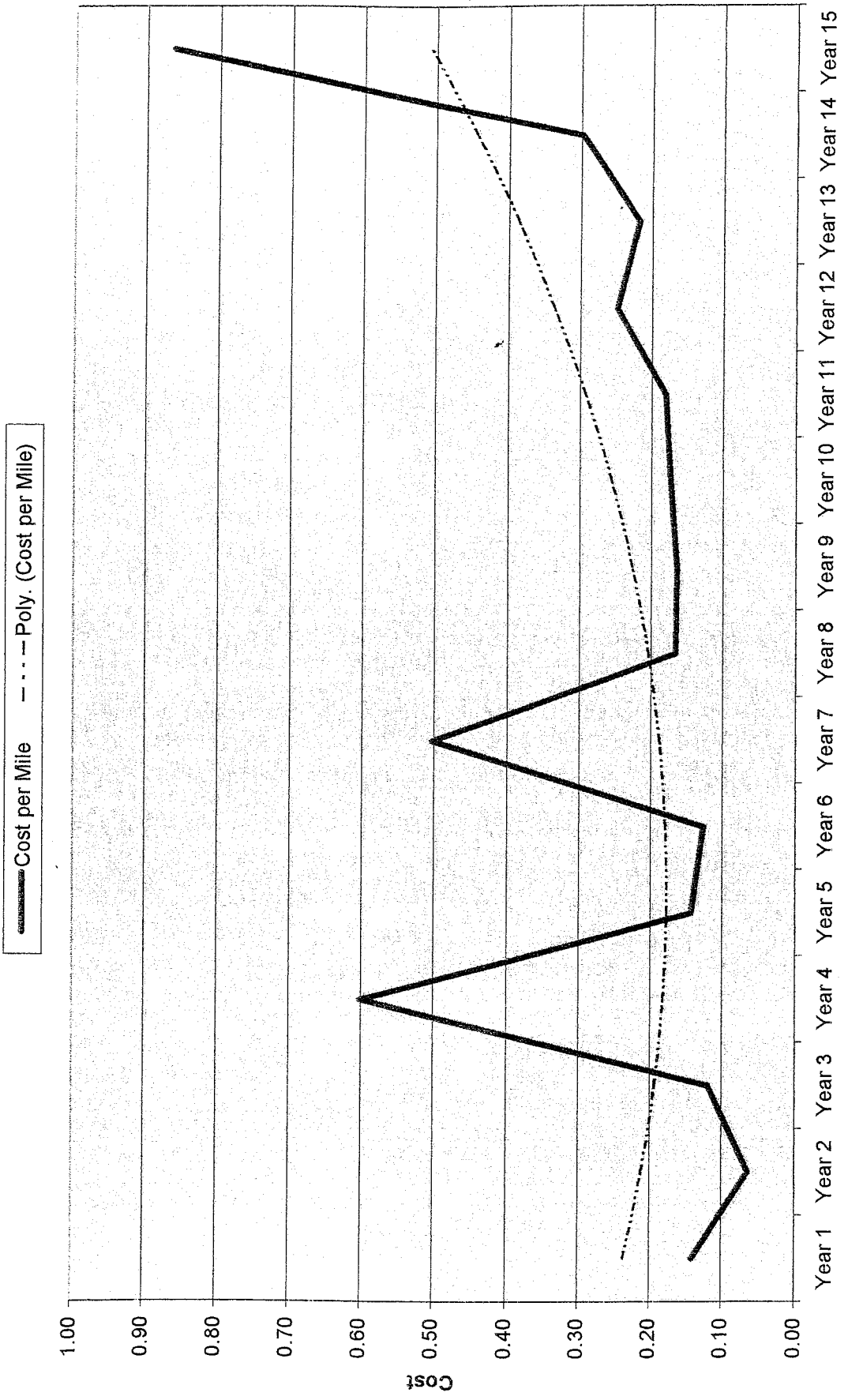
Cars are used by every group in DPW, for a wide range of purposes. Cars are also extensively used by non-DPW agencies, either as a short-term loan or rental or as a long-term assignment. These cars could be used for anything from out-of-town business trips, to transporting computer equipment between City buildings, to shuttling workers to job locations. A common function for a car is to allow supervision of City workers "in the field" by management. City of Milwaukee cars are generally four-door "compact" cars, although we also have a few full-size cars, station wagons, two-doors, and other miscellaneous types. Since the repair and maintenance cost is generally about the same for all types of cars, this study grouped all of the makes and models together. Estimated replacement costs for the five-year plan reflect an average typical unit.

The City of Milwaukee currently has 195 cars in service. Primarily 18 different work groups use them, although the pool units are used by virtually every department at times. A typical car costs approximately \$12,000 to \$15,000 (2000 dollars).

Looking at Graph 9, Repair Cost Per Mile for Cars, (without any depreciation consideration) we can see spikes in the costs at years 4 and 7, then somewhat steady cost until another large increase at year 15. The trend line suggests that the low point is around year 5. Looking at Graph 10, Average Use of Cars by Age, we can see that vehicle use falls off after year nine and steadily decreases. This suggests that cars are not being used due to unreliability, appearance, or other reasons. Since a certain number of vehicles are kept for short-term rentals, (to use for an occasional business trip or to replace a vehicle being repaired) there will always be some not in use on any given day. The newer vehicles will be taken first, leaving the older units for last choice. This could account for some of the decreased use as well. Combining the data from both these graphs would suggest that a car should be replaced in year 3 or 6. In fact, that is not uncommon in other fleets. This may be the most beneficial in terms of maintenance cost, but would be more costly in terms of purchase capital. Because of the relatively consistent use of cars through age 9, we have selected age 10 as a more realistic replacement point.

The average age of City of Milwaukee cars is 8.67 years. See Chart 6. 110 cars, or 60% of the group are older than average. **94 cars, or 51% of the fleet of cars, are older than the 10-year replacement point.**

Graph 9  
 Repair Cost per Mile for Cars



Graph 10  
Average Use of Cars by Age

