

RECOMMENDATIONS AND ACTIONS TO DATE ~ January 2018

The following table contains the 15 original recommendations from KPMG as part of the SDR Report for Fleet Services with the following table intended to provide a status update or comparator to the original KPMG recommendations.

KPMG Recommendations (items 1 - 15)	Status/ Actions to Date	Recommendations/ Next Steps
<p>1. That the City adopt a debt financing model for financing its Fleet:</p> <p>a) The Finance Department should consider from time to time whether it is more beneficial to fund vehicles through internal loans, or arrange with its bank to use the line of credit.</p> <p>b) The financing of each vehicle should include a mark-up of 4.8% that will be used to finance the role of Fleet Services in the procurement process (and disposal of any retiring vehicle)</p> <p>c) The costs of debt payments will be charged to the user department</p> <p>d) The finance payments will assume an appropriate salvage value for the vehicle at the end of its life, and the user department will be responsible</p>	<p>Existing Fleet staff cannot speak to any actions completed with Corporate Finance regarding debt financing options.</p>	<p>Discuss the viability and cost benefits with Corporate Finance.</p>

<p>for, or credited with, any net value after the vehicle is disposed</p>		
<p>2. That the transition process be handled as follows:</p> <p>a) That each existing vehicle be assigned a loan to the extent of its current undepreciated value until the value of the payments required in 2014 equal the 2013 reserve contribution of the user (other vehicles will not have loans attached, with the result that the maximum increase in 2014 for any user department would be the loan cost of any new vehicle acquisitions, and the increased tax requirement will be phased in as the vehicles without loans are replaced)</p> <p>b) That the Finance Department consider on a corporate basis whether the existing reserve balance should be used to reduce other debts, or applied to other purposes</p>	<p>Existing Fleet staff cannot speak to any actions completed with Corporate Finance regarding debt financing options.</p>	<p>Discuss the viability and cost benefits with Corporate Finance.</p>

<p>3. The City adopt the goal of achieving minimum life cycle costing for vehicle use.</p> <p>a) Fleet Services is to complete its project to analyze the appropriateness of current planned lifetimes,</p> <p>b) Fleet Services is to ensure consistent review, in consultation with users, of vehicles approaching retirement for possible early or late retirement based on usage levels and maintenance history, and</p>	<p>a) Surveyed 9 other cities and compared life cycles. Performed a year by year maintenance cost analysis of City of Hamilton fleet vehicles major classifications. Subscribed to fleet software program to position a comparator to our maintenance data for analysis and recommended optimal life cycles measured against cost of ownership. The interactive software analyzes and allows for evaluation of various replacement strategies.</p> <p>b) Fleet Planning has been meeting with key client's departments monthly and smaller clients on specific projects on an as needed basis to review the proposed fleet replacement schedule since 2015. Strategies for replacement includes refurbishing, or extending life if vehicles within a class have not hit replacement target or shortening life if vehicle have pre-maturely reached</p>	<p>a) Current vehicle classifications were reconfigured in 2016 to allow for appropriate grouping of similar vehicle and equipment classifications. Continually make adjustments to current replacement cycles based on periodic data collection and minimal impact of client department's fleet costs. This process is ongoing.</p> <p>b) Fleet Planning will continue to engage in feedback with all client departments in equipment replacement strategies including multi-function vehicles and converting season vehicles into multi season usage vehicles where feasible. With the implementation of Hansen work process flow, fleet maintenance will solicit estimates for repairs. Repairs exceeding the prescribed spend level are referred to back to the client</p>
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<p>c) Fleet Services is to ensure consistent review, in consultation with users, of early retirement options for vehicles facing major repair expenses late in their planned life.</p>	<p>replacement targets</p> <p>c) Client department does have the option to contact Fleet Planning to discuss options including early replacement.</p>	<p>department for verification of equipment requirement, need and spend support approval as standard procedure. This is a live and continual process that is ongoing.</p> <p>c) This process is ongoing.</p>
<p>4. That all vehicle purchases be based on a business case analysis by Fleet Services (in consultation with users), signed off by the Director of the user department.</p>	<p>Fleet meets with each department /division/ section(s) fleet management representatives regarding their operational requirements in the first quarter of each year for the following year and as required throughout the year.</p> <p>Fleet Planning proposes options to Client departments including fit for purpose modifications to replacement vehicle, alternative fuel options, refurbishment and useful life extension of current vehicle, weight class adjustments, long term fleet replacement strategies to account for future work requirements and program delivery requirements so that vehicles/equipment are capable of meeting needs</p>	<p>While Fleet Services does not have the authority to mandate a business case, client department directors are required to sign off on all vehicle and equipment confirmation purchases.</p> <p>The above process is present process.</p>

<p>5. That Fleet Services be directed to conduct a full service lease pilot project generally consistent with the approach described on page 28 of the KPMG Report.</p>	<p>A user group with a segment of same vehicles that are operated in similar conditions and usage needs to be confirmed, and a budget set to complete this proof of concept.</p>	<p>In consultation with corporate finance fleet is scheduled for inclusion with receipt of selected vehicles in 2018.</p>
<p>6. That Fleet Services have the explicit authority to adapt services and service levels to particular customer requirements and the authority to adopt a variety of charging approaches as required to reflect and recover the costs of providing the different service levels</p>	<p>While all customers require timely support, Fleet Services presently has the authority to adapt service levels in relation to shop hours and shifts. Customer focus in the winter months is Roads, and summer is golf, parks and cemeteries are prime areas for heightened deliverables to consider. Recovery of labour hours for the afternoon shift premium, standby, and emergency services are presently absorbed in the standard labour rate. The mix of work done internally or sent to a third part is based on workload and available resources.</p>	<p>Current ongoing process.</p>
<p>7. That vehicle and equipment users have the option to arrange for some of the fleet services they require from other sources, but only with the approval of the City Manager, and only if they continue to use the corporate FMIS and Training and Safety services required by legislation</p>	<p>Fleet services has staffing levels that need to be fully utilized, standing contracts and procurement processes that need to be followed to prevent duplication and realize cost control. All items noted on pgs. 45 and 47 “conclusions” of the KPMG report have been considered, implemented, or under review.</p>	<p>Current ongoing process.</p>

<p>8. That Fleet Services begin a program of systematically reviewing the range of services it outsources and the approach it takes to the contracting on a periodic basis. This should include a review of the Waste Collections maintenance contract after it has been in place for at least a year</p>	<p>Fleet Services is continually reviewing its range of services through review of internal and external preventive maintenance or repair and service times. Operational requirements will remain an important consideration (time / location / equipment availability). The waste collections maintenance contract has been reviewed against performance, and if required would be managed through the vendor performance process. # With the introduction of Hansen, work towards systematic individual repair approval by activity pre approval for any work is an additional tool scheduled to be put into place.</p>	<p>Current ongoing process.</p>
<p>9. That future standing offers for maintenance contracts provide the opportunity for different contractors to serve different parts of the fleet based upon their location.</p>	<p>To ensure the inclusion of any vendor interested and positioned to bid on services to the city, and because equipment is relocated to maximize efficiency and operational requirements; a physical business location as a competitive bid specification has not introduced into a tender, however response time to breakdown or service of equipment in required. This position is supported by procurement and legal.</p>	<p>Current ongoing process.</p>

<p>10. That the process for sending vehicles to contractors for maintenance be amended to have the vehicles picked up and dropped off by the contractor from the user location, rather than from Fleet Services, wherever possible, and to allow customers to leave and pick up vehicles at the contractor location, rather than the Fleet location in other cases.</p>	<p>Under the contracts now in place, the successful proponents are required to pick up, and or tow the vehicles requiring Service within one hour of notification from the Fleet Services Representative (via phone, fax and or by email). Services/Work to the vehicle must begin within one hour of arriving at the Successful Proponent's repair facility.</p> <p>Upon completion of the Services/Work, the Successful Proponent will notify the Fleet Services Representative and request instruction for delivery of the vehicle. Vehicles will be delivered to the location requested within one hour of Services and Work completion or as otherwise directed by the Fleet Services Representative.</p> <p>The process for sending vehicles to contractors for maintenance has included the opportunity for equipment to be send directly to the contractors has existed since 2009, and is to be implemented in upcoming process change.</p>	<p>During the phase 1 start-up of the "light car and truck" contract that started in March 2017, the user group would drop off and pick up the vehicle at the 330 Wentworth garage location.</p> <p>In phase 2 scheduled for mid-2018 the plan includes light vehicles being picked up direct from the user group location if feasible. As it needs to be monitored to ensure efficiency gain, and downtime reduction, yet retain mechanical oversight is realized it will be a separate process for implementation and verification of feasibility. The light car and truck contract includes about 420 vehicles of which are mostly outsourced due to available work force.</p> <p>A similar 2 phase sequence is scheduled to be fully implemented within the heavy truck contract when fully running. The solution has been implemented for some groups now.</p>
<p>11. That the implementation of the Hansen FMIS include the ability to compare actual to "book" hours for repair activities and the opportunity to receive and record electronic invoices from suppliers if possible</p>	<p>The Fleet Management Information System was transitioned from Advantis to Hansen in a "like for like" solution on Oct 3, 2016. All vehicle and equipment records, maintenance, and city fuel records were fully migrated over and</p>	<p>Development, testing, and implementation is underway that includes the capability to report vehicle downtime, parts throughput, measurement and creation of KPI's . Book hour comparison will remain a</p>

	cleansed in March 2017.	<p>manual process until other priorities are completed.</p> <p>As the Cities present AP process has invoices received by accounts payable with the invoices entered into PeopleSoft, policy change and additional development would be required; as such this is not considered in scope.</p>
12. Continue the process to measure fill rates and inventory returns. At the very least monitoring improvement of in-house operations.	The Hansen program to facilitate creation and monitoring of Fill rate and Inventory turns was implemented in January 2017.	Current process.
13. In early 2015, when the results of the measurements are available and the results of the other initiatives discussed in this report are becoming clearer, begin a discussion with NAPA and competitive suppliers to determine the best approach to in Hamilton, taking into account current labour agreements, inventories, maintenance locations and strategies for outsourcing maintenance	Fleet services is following the cities competitive bidding process, and currently have parts contracts that takes into account the points noted by KPMG.	Continue to follow city of Hamilton procurement policies using lowest cost options with no service fees, and following best practices.
14. Based on the outcomes of those discussions the circumstances as they then exist performance of parts group as measured, and considering the other effects noted by Ottawa and Toronto, conduct a business case	<p>City of Ottawa audit on March 12, 2015 stated that there were problems with timeliness and accuracy of information from Napa.</p> <p>Ottawa hired a consultant (Bronson) to review Napa pricing. It was identified</p>	No further action(s).

<p>analysis on the outsourced parts management concept and conduct a competition, if warranted.</p> <p>Information taken from City of Ottawa Transportation Committee report to their Council dated Feb. 24, 2016</p>	<p>pricing was fair, but the 10% mark up and \$850k annual service fee costs could be avoided by direct purchasing of those parts.</p> <p>Bronson states that the main challenge is that “no single vendor has the expertise necessary to manage an automotive parts inventory for a fleet as large and diverse as the City of Ottawa.” This is very relevant as the City of Hamilton has a similar range of equipment with a smaller volume.</p> <p>Ottawa reports they took on more work; e.g., Stock planning, Stock Picking and reporting, and that in-house management will result in fewer handoffs for parts orders and a single management system.</p> <p>Ottawa had to develop an interface to Napa’s TAMS system to their M5 management system. KPMG says to interface with the FMIS “if there is a workable solution.” Cost to implement in unknown.</p> <p>Hamilton’s previous comparison on costs showed no savings – per KPMG. Ottawa have 10 parts staff; Hamilton 4 Car and light duty parts, which Napa is proficient with aren’t stocked by City as that work is sublet</p> <p>Fleet size: Ottawa 4,500 Hamilton Approx. 1,400</p>	
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<p>15. That the following program be undertaken to identify specific opportunities for fleet rightsizing:</p> <p>a) Fleet Services prepares lists of vehicles and related data to be reviewed by each department (based on those presented in this report, with any updated information available to Fleet). Fleet should remove from the list any vehicles that have subsequently retired or which to its knowledge obviously meet the criteria for low usage vehicles.</p> <p>b) Fleet approach concepts above and any others Fleet Services can Services documents suggested approach, incorporating the identify to help guide departments in their review, and setting timeframes for the process</p>	<p>a) Has been in place since 2013 as established in the City of Hamilton - Integrated Management System Level III Operating Procedures with the exception of the low usage evaluation</p> <p>b) Project review meetings are held and documented with all departments throughout the year. The procurement plans include review of usage/odometer, maintenance life cycle cost and fuel consumption is shared with department representatives. Time frames for delivery are discussed and agreed upon in consideration of estimated build schedules, staff availability and priority of equipment.</p>	<p>a) Hansen to include an automated report that identifies plated vehicles that travel less than 10,000 kl annually.</p> <p>b) Current ongoing process.</p>
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<p>c) Fleet Services circulates the lists and suggested approaches to Departments, either to Directors or to individuals the Directors have assigned to conduct the review, offering to work with the department to review the lists and examine possible strategies to achieve cost reductions</p> <p>d) Each department shall prepare a document which discusses each vehicle on the list, identifying:</p> <ul style="list-style-type: none"> • The low use vehicle justification category (a to e on page 54) that applies to the vehicle, with a sentence or two explaining how the criteria applies, or • The approach to be taken (e.g. 1 to 4 on page 54) to reduce fleet size and reduce costs, or • A detailed explanation of why the vehicle is required and none of the reduction options can be applied 	<p>c) The replacement lists and details are circulated to the equipment owner groups, and information is discussed at the meetings.</p> <p>d) The Director of each user group is provided an itemized replacement vehicle list for approval.</p> <ul style="list-style-type: none"> • The role of Central Fleet regarding vehicle and equipment replacement is to provide technical support aimed at following best practices, industry guidelines and legal compliance. • The sharing of vehicles, use of personal vehicles, and pooled or rental vehicles does occur. A focus on replacing high cost units with poor maintenance records is challenged by capital reserve realities. • A discussion point during the review of new equipment 	<p>c) Current ongoing process.</p> <p>d) Current ongoing process</p> <ul style="list-style-type: none"> • Council approves equipment increases, fleet advises and make recommendations on opportunities to support user groups • Continual collaboration remains an ongoing item. • Fleet Services is not the policing agency for vehicle or equipment quantity substantiation,
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<p>e) The report from each Department is to be approved and signed by the Department Head</p> <p>f) Each of the Department Reports is to be presented to the Steering Committee for approval</p> <p>g) The Fleet Review Steering Committee is to remain in place and receive regular reports from Fleet Services on the progress, to review department reports as they are completed and to encourage department participation when reports are not forthcoming.</p>	<p>e) Approval of purchase is required for all replacement equipment</p> <p>f) The Central Fleet Steering Committee was dissolved in 2014, with individual user group focus allowing a closer review with equipment end customer requirements.</p> <p>g) The Fleet Review Steering Committee was discontinued in 2014. In 2015 individual group meeting with user groups was implemented. The planning group receives and disseminates information directly with the user groups, with status reviewed at least quarterly with each group. Close up optical and surgical review of current and future projects are discussed, and group representative are encouraged to include front line staff in vehicle and equipment design process. Size and capacity reduction of several vehicles has been completed as a result of this fairly new process.</p>	<p>e) Director sign off prior to ordering is part of the standard process</p> <p>f) The process in place presently allows for effective specific discussion with the appropriate user group stakeholders.</p> <p>g) The process in place now allows for effective specific discussion with the appropriate user group stakeholders.</p>
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