



SUPPLEMENTAL AGENDA MATERIAL for Supplemental Packet 2

Meeting Date: June 29, 2021

Item Number: 25

Item Description: Berkeley's Fleet Replacement: Fund Short by Millions

Submitted by: Jenny Wong, City Auditor

Item #25 on the agenda for the June 29th City Council meeting is a presentation summarizing the City Auditor's recent audit report, "Fleet Replacement Fund Short Millions." This supplemental agenda material is a PDF copy of the presentation that will be available to Council members and meeting attendees.

Fleet Replacement Fund Short Millions

Overview

- Objectives
- Findings
- Recommendations
- Public Works response



Objectives:

1. Is the City's fund to replace its fleet of vehicles and equipment sufficient?
2. Does Public Works have key information about the City's fleet replacement and funding needs?

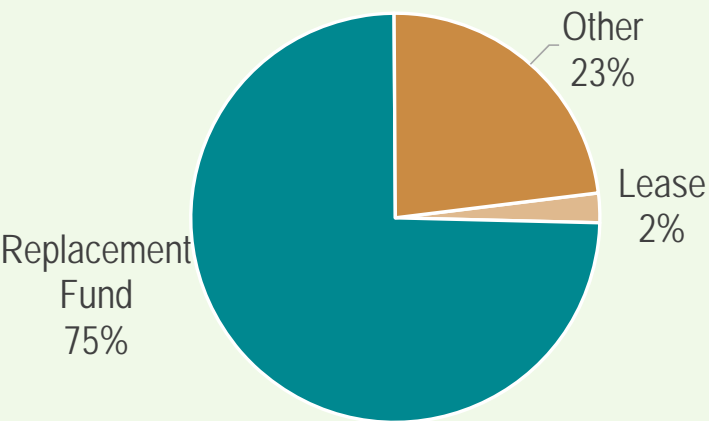


Overview of findings:

1. The Replacement Fund is underfunded by millions of dollars.
2. Public Works lacks information on vehicle and equipment replacement.



Figure 1. Most of the City's fleet is funded through the Equipment Replacement Fund.



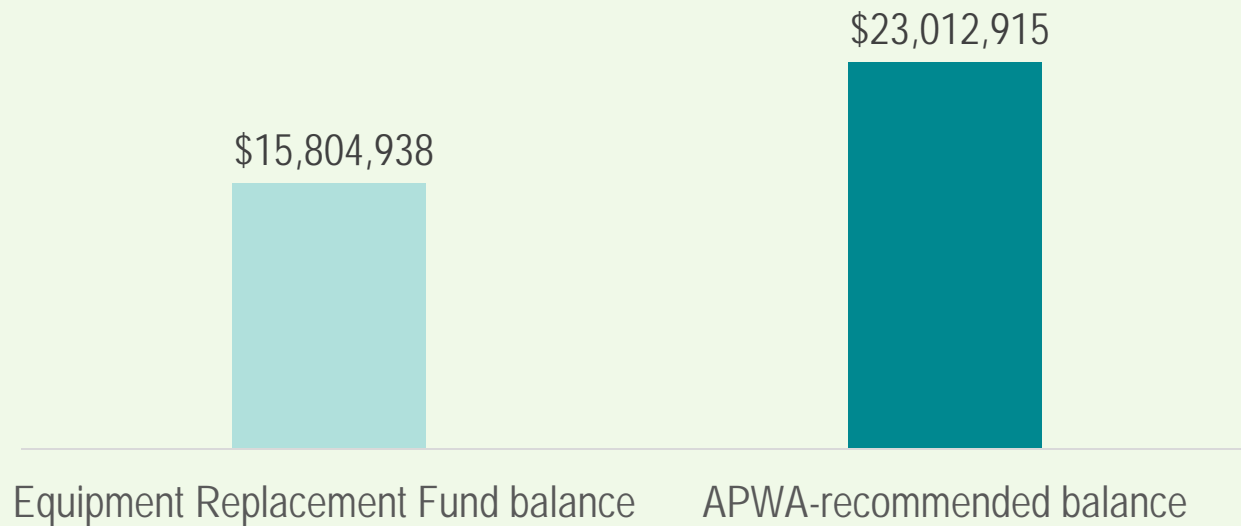
Why we did this audit:

- A 2010 audit of the Replacement Fund in found that it was not sustainable
- Lack of funds to replace vehicles and equipment on time can cost more in the long run due to excess maintenance and repair costs
- Funding issues could jeopardize the City's goal to transition to an electric fleet by 2030



Finding 1

The Replacement Fund fell \$7.2 million short of the American Public Works Association's recommended level in FY 2020.



Finding 1

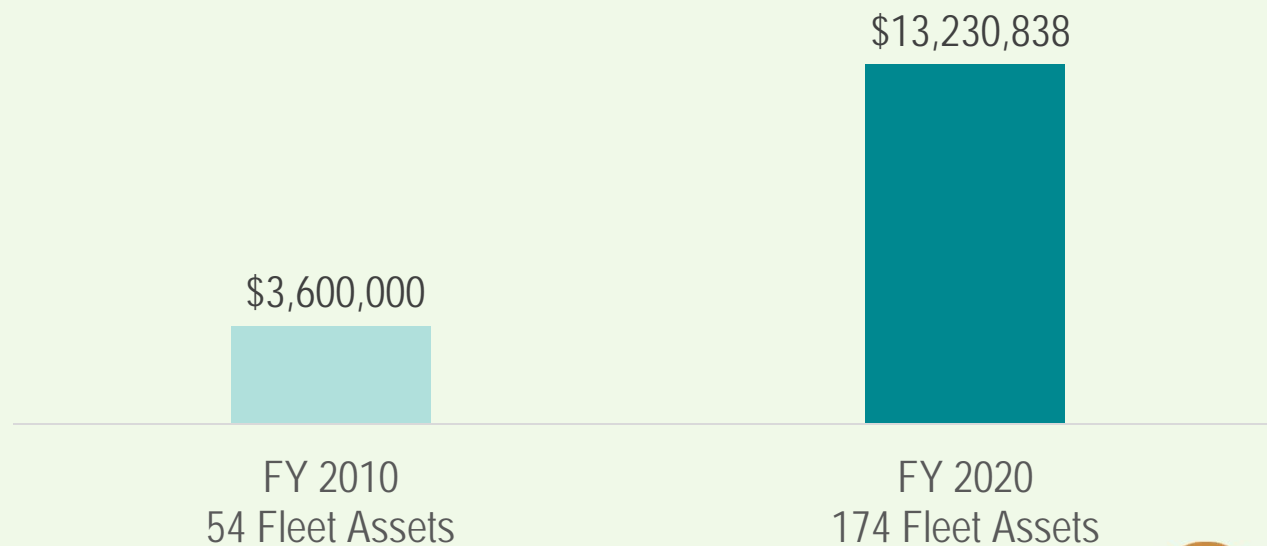
The City's fleet replacement funding model is not aligned with how funding decisions are made



Finding 1

The backlog of fleet units past their scheduled replacement date has increased by nearly \$10 million.

Replacement Cost for Backlogged Fleet Units



Finding 1

The Replacement Fund has been used for other purposes:

- Personnel costs
- Fund reallocation
- Customization and specialized fleet gear needed to provide services
- Replacing fleet units that have not been funded



Finding 1

Lack of funds may delay the transition to an electric fleet.

Estimated
Replacement cost for
32 fleet units with
electric vehicles:
\$1.16 million



Funding collected
towards replacing 29
of those in FY 2021:
\$747,000



Finding 2

Public Works lacks accurate information about the City's vehicle and equipment replacement needs.

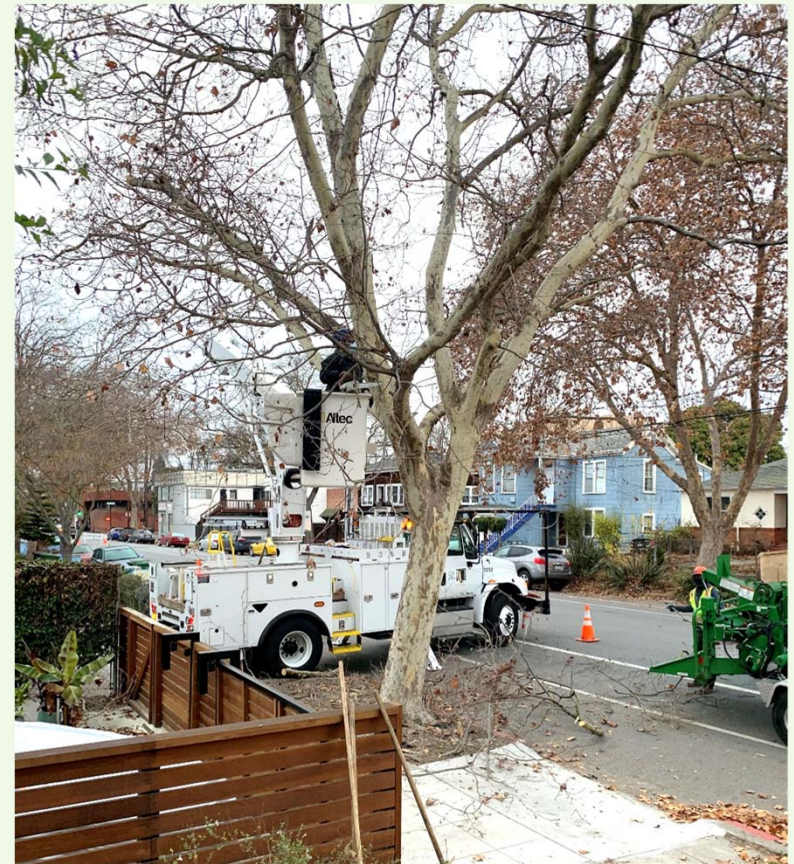
- It is difficult to update replacement dates for fleet units that are deferred or past due for replacement.
- Fleet replacements are listed in the Capital Improvement Program budget the total number past due for replacement is not.
- Replacement prioritization criteria are unclear.



Finding 2

The current system does not track replacement funds by department.

- Public Works cannot verify how much money departments have contributed towards the replacement of their fleet
- The system does not update when departments use the Replacement Fund to replace a vehicle. This can create the appearance that funding is still available even after a department has replaced a vehicle and exhausted the funds they contributed.



Recommendations

We recommend that the Public Works Department:

1. Work with the City Manager's Office to adjust the fleet funding model to ensure appropriate funding for fleet replacements and account for the true costs of managing the fleet.
2. Update its electric vehicle transition plan to take into consideration available funding.
3. Ensure the new fleet and equipment management system has the accurate data needed to manage the Replacement Fund.



Management Response

City Management agreed to our findings, conclusions, and recommendations.



*We would like to thank the Public Works
Department for their cooperation with this audit.*



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