



# Memorandum

**TO:** Making Government Work Better Committee

**FROM:** Gerald A. Silva, City Auditor

**SUBJECT:** *An Audit Of The Utilization And Replacement Of The City's Metered Equipment*

**DATE:** November 12, 2004

This memorandum is in response to the Making Government Work Better Committee's request to review the Administration's October 14, 2004 memorandum. That memorandum described the Administration's progress in implementing the audit recommendations we made in our report entitled "An Audit of the Utilization and Replacement of the City's Metered Equipment."

## Background

In our report we made 10 recommendations (see Attachment A) and identified about \$3.5 million in potential economic benefit from retiring 107 underutilized and costly pieces of metered equipment. Of the \$3.5 million, we estimated that the City could realize about \$3 million in savings from avoided replacement costs over the next 13 years, and \$477,000 in auction revenues and avoided maintenance costs in 2004-05. Of this amount, we estimated that \$330,000 would be for the General Fund and the remainder for other City funds in 2004-05. Given our audit findings, the Budget Office incorporated into the 2004-05 Operating Budget a \$160,000 reduction in General Fund expenditures. Thus far, of the 10 recommendations in our audit report the Fleet Management Division (FMD) has implemented 1 recommendation, partly implemented 8 recommendations and has not implemented 1 recommendation. Further, as of November 9, 2004, the FMD has sold only 3 of the 107 pieces of equipment we identified in our report. As a result, we estimate the Administration has realized only \$8,800 of the \$330,000 in economic benefit we estimated could be realized in 2004-05 and of the \$160,000 the Budget Office built into the 2004-05 Operating Budget.

## FMD Progress Report

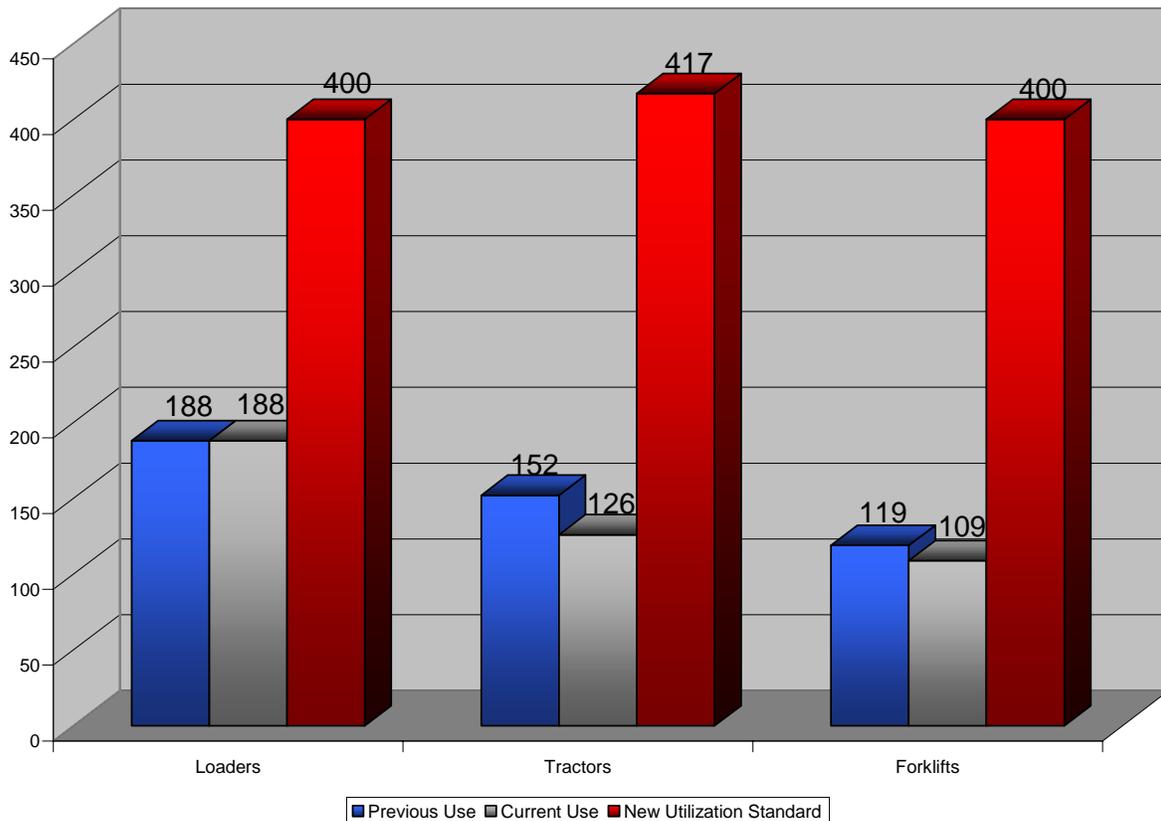
In the 2004-05 Operating Budget, the FMD noted their intention to establish a metered and heavy equipment pool to mitigate the elimination of underutilized equipment. According to the FMD, it will assign to a fleet facility pool metered equipment that is currently assigned to a City department and achieves less than the minimum established hourly standard. The standards that the FMD has established thus far are as follows:

Class Type	Replacement Cycle	Annual Utilization
Light Metered Equipment	6 Years and 2,500 Hours	417 Hours
Heavy Metered Equipment	15 Years and 6,000 Hours	400 Hours

In addition to establishing utilization and replacement standards, the FMD has also developed a process and procedures for managing the metered equipment pool. The FMD will provide semi-annual utilization reports to departments, and discuss with them how best to manage the fleet. The FMD is also in the process of modifying its database to facilitate managing and tracking pooled metered equipment.

Although the Administration has made substantial progress in establishing the framework necessary to operate a City metered equipment pool, it has been slow to actually rightsize the fleet. This lack of progress raises several concerns. For example, according to the FMD's memorandum it has identified 69 pieces of underutilized metered and heavy equipment for removal or integration into an equipment pool. However, only 42 of the 69 items identified in the memorandum are metered equipment. Furthermore, while the FMD has moved 34 of these 42 pieces of metered equipment into a pool, it has not auctioned any of these 42 pieces of metered equipment. In addition, the 42 pieces of metered equipment the FMD selected for the pool are comprised primarily of the metered equipment we identified in our report as candidates for retirement, not for the fleet facility pool. As a result, there has been little if any improvement in the age or utilization of the metered equipment in the City's fleet as shown below.

**Metered Equipment Utilization Before And After We Issued Our Audit**



The chart above shows the change in utilization for some of the City's more common types of metered equipment. As shown in the chart, since our audit, loaders experienced no change in utilization while tractors and forklifts actually experienced a decrease in utilization instead of the intended increase. Furthermore, given the new standards the FMD has put in place, the current utilization of these types of metered equipment is as much as 73% below its intended target use as shown in the chart below.

### **Comparison Of Current Utilization To New Utilization Standard**

	Prior Use	Current Use	New Utilization Standard	Prior % Below Target	Current % Below Target
Loaders	188	188	400	53%	53%
Tractors	152	126	417	64%	70%
Forklifts	119	109	400	70%	73%

In addition, there still remain several active pieces of metered equipment which are incurring an extremely low level of use. For example, we identified 13 loaders, tractors, and forklifts that are being utilized less than 36 hours per year (3 hours per month).

### **WPCP Scooter Fleet Size**

In our audit we found that, when compared to similar treatment plants, the WPCP had a third more scooters and other vehicles-per-employee. We therefore recommended further review of the ESD's fleet of scooters for possible reductions and consolidation. However, it appears that the FMD's attempts to reduce the number of ESD scooters have been met with significant resistance. In fact, in response to the question of why the FMD had removed so few underutilized scooters from the WPCP, the FMD noted that the ESD's Department Director would not release the scooters. According to the ESD Director, the ESD has not resolved the scooter issue with the FMD.

## **Conclusion**

Although the FMD has made significant progress in preparing itself to better manage the City's underutilized metered equipment fleet, it will need to significantly expedite its fleet right-sizing efforts in order to realize the \$330,000 in General Fund economic benefits we estimated the City could realize in 2004-05 or the \$160,000 in budgeted savings the Budget Office has built into the 2004-05 Operating Budget.

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