County of Kern - General Services Division
Executive Summary: Enterprise Equity Lease

Overview:
High maintenance and replacement costs for aged vehicles and reduced capital due to budget cuts for 8 consecutive years made the Enterprise equity lease a viable option for the County of Kern.

Challenge:
Due to significant Net General Fund Contribution cuts for the past 8 consecutive years, many departments funded partially or in whole by the general fund have not had the capital necessary to replace vehicles. We have been extending the life of the vehicles well beyond 10 years, leading to a significant increase in maintenance fees, longer downtime for vehicles, lower gas mileage, higher emissions, less in auction proceeds, and overall reliability and safety concerns. With over 40%, or 350 of the 800 vehicles supported through County Fleet Services, at 10 years of age or older, replacement has become necessary, not just a convenience.
Another cost challenge for us is that County Fleet Services is an Internal Service Fund that has a significant amount of overhead. It is staffed with full-time employees and operates as a business, receiving no General Fund contribution. County Fleet must charge enough from their customer departments to cover all of the costs to maintain the vehicles plus overhead. Unfortunately, many of its customers are General Fund departments concurrently struggling with our budget crisis and stuck paying high monthly maintenance rates to cover the ISF, which in turn, pushes them even further behind fiscally.
Kern is a geographically vast county and County Fleet’s garage is located in downtown Bakersfield. To bring a vehicle from an outlying area for maintenance is time-consuming and inefficient. Additionally, the wait time can be days, not hours, for simple preventative maintenance, due to the large number of vehicles serviced in this one location. These vehicles are charged established monthly rates based on their classification of vehicle, and that rate applies to that classification of vehicle regardless of its age or whether the vehicle is under warranty from the manufacturer. Newer vehicles are charged the same as older vehicles, as the theory is that the maintenance charges balance out for the department when taking the entire fleet into account, and it is easier to set one class rate rather than variable rates based on age for each specific vehicle within that class.

Innovative Solution:
Without the capital to purchase new vehicles, we started looking at leasing options. Enterprise’s equity lease caught our attention and made us aware we had not been looking at the total cost of vehicle ownership. We had previously purchased using the traditional low bid to specification, but had not considered resale value at the end of life, mpg, safety features, etc. Through Enterprise, we obtain a low lease rate, as they purchase the vehicles using our government pricing along with their volume discounts. We can also use best value criteria internally to compare the like makes/models quoted from various manufacturers and select the vehicle that best meets our needs at the lowest cost and without the upfront capital of a purchase. Additionally, the Enterprise program has several hundred authorized repair shops on their maintenance plan throughout all areas of Kern County. This large network is in contrast to a single County Fleet location, which reduces driving and wait times for maintenance and repair, and achieves cost savings due to Enterprise’s significantly lower rates.
Originality:
Enterprise contracts with over 100 government agencies in California alone, but the majority of those are cities and school districts. There are only a few California counties participating currently, but that number is growing as the benefits of the program are being realized and word of positive outcomes is spreading.

Cost Effectiveness:
Without a countywide pool program in Kern, each department purchases their own vehicles. The current purchase method requires the department to purchase new vehicles through County Fleet Services by making a monthly payment for reimbursement to County Fleet's vehicle replacement fund, along with the monthly maintenance fee described previously. Through the leasing program, the department makes a lower monthly lease payment including a maintenance fee which is up to 85% less than the County Fleet maintenance rate. Another cost saving factor of the lease program is the practice to optimize the replacement time of the vehicle. The current routine of keeping the purchased vehicles in service for ten years or more has yielded net auction proceeds of only 5-10% of the initial purchase price for sedans and 10-15% of the purchase price for pickups and SUVs. Conversely, Enterprise's program of remarketing the used vehicle at a lower age with lower mileage provides much higher net equity than the auction process, and that net equity is then returned to the department. Though we could practice this method of removing our own vehicles from service earlier, we do not have the staffing, expertise, or sources to resell our vehicles in a comparable way to Enterprise and their network of used car dealers.

Results:
The initial pilot project focused on 111 vehicles from General Services and Behavioral Health and Recovery Services, including passenger cars, SUVs, pickups with a mix of 2 WD and 4 WD options, and cargo and passenger vans. Cumulative savings at the 5 year mark for the 111 vehicles is estimated to be slightly over $2 million when comparing the Enterprise equity lease program against the County model used in the past. As previously indicated, we have over 350 vehicles at 10 years of age or older, so additional savings will be realized in the future when this program is scaled up to cover a larger share of our fleet.