

**REPORT to the
MINNESOTA
LEGISLATURE
on STATE
PASSENGER
VEHICLE
MANAGEMENT**

JANUARY 1997

**REPORT to the
MINNESOTA LEGISLATURE
on STATE PASSENGER
VEHICLE MANAGEMENT
P
JANUARY 1997**

**Minnesota Department of Administration
Management Analysis Division**

**203 Administration Building
50 Sherburne Avenue
St. Paul, MN 55155**

**(For more information or copies of this report, contact
the Department of Administration Commissioner's Office)**

To obtain these materials in Braille, audiotape,
large print or other forms, call

Caroline Wisniewski
Voice (612) 296-7058 or TDD (800) 627-3529



Admin MINNESOTA

Department of Administration

January 10, 1997

Office of the Commissioner
200 Administration Building
50 Sherburne Avenue
St. Paul, MN 55155
VOICE: 612.296.1424
FAX: 612.297.7909
TTY: 612.297.4357

The Honorable James Metzen
State Senator
303 State Capitol
St. Paul, Minnesota 55155

The Honorable Phyllis Kahn
State Representative
367 State Office Building
St. Paul, Minnesota 55155

Dear Senator Metzen and Representative Kahn:

Pursuant to Laws of Minnesota 1996, Chapter 390, Subdivision 3, Section 40, the Department of Administration is submitting to you, as chairs of the Senate and House Governmental Operations Committees, the enclosed report on state-owned passenger vehicles. The report makes specific recommendations on how state-owned passenger vehicles can be better managed and whether various fleets should be consolidated.

All state agencies and organizations cooperated with the Department of Administration as it conducted this study. The departments of Natural Resources and Transportation were especially helpful in providing detailed information about their fleets.

As required by Minnesota Statutes 3.197, this report cost approximately \$14,800 to produce.

Sincerely,

Elaine S. Hansen
Commissioner

esh/mh
Enclosure

CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	5
FINDINGS	7
Central motor pool functions	7
1994 benchmarking report update	8
Agencies' fleet management practices	12
Consolidation	18
Fleet use	19
CONCLUSIONS	23
RECOMMENDATIONS	25
APPENDIX	27

EXECUTIVE SUMMARY

The 1996 Minnesota Legislature required the commissioner of administration to examine the management of state-owned passenger vehicles and report the results to the Senate and House Governmental Operations committee chairs. Specifically, Laws of Minnesota 1996, Chapter 390, Subd. 3, Sec. 40, states:

The commissioner of administration shall study and make recommendations to the chairs of the house and senate governmental operations committees by January 15, 1997, regarding strategies to achieve better management control of state-owned passenger vehicles. The study and recommendations shall specifically address opportunities for further consolidating the state's passenger vehicle fleets.

The 1996 Minnesota Legislature requested the commissioner of administration to develop and recommend strategies to achieve better management control of state-owned passenger vehicles and to examine further consolidation of the state's various passenger fleets. The commissioner requested that the study be conducted by the Management Analysis Division of her department. This report documents the study's findings, conclusions, and recommendations.

Project leader

Peter Butler

Project team members

*Tom Helgesen, Tom Miller,
and Joyce Simon*

Division director

Judy Plante

Editor

Mary M. Williams

This report contains the results of the study, which was conducted by the department's Management Analysis Division. The project team examined five topic areas: central motor pool functions, 1994 benchmarking report update, agencies' vehicle management practices, consolidation, and fleet use.

The Travel Management Division operates a central motor pool that serves most state agencies. The motor pool operates on a customer-oriented basis, and users fund its operations. The motor pool benefits users by handling all vehicle ownership responsibilities. Motor pool functions include vehicle acquisition, providing maintenance and repairs and monitoring those provided by vendors, paying bills, deciding when to dispose of vehicles, and assuming responsibility for vehicles no longer needed by a customer.

The motor pool also benefits the state — one agency is responsible for many state vehicles and can monitor how well they are used. The motor pool can take initiatives to improve vehicle use and lower costs, steps that agencies acting independently might not have the incentive to take.

The motor pool has been increasing its capacity to serve customers and the state. It has implemented most recommendations from a 1994 benchmarking report and has installed a fleet management information system that automates many functions motor pool staff had performed manually. The new information system allows the motor pool to better monitor fleet use and disposal factors. The motor pool is now using a vendor's fuel credit card for purchasing gasoline at retail stations and is beginning to implement a pilot program for contracting out management of vehicle maintenance and repairs. It is better able to meet customers' requests for special vehicles or added equipment because the information system can charge customers directly for these extra costs.

Not every state agency leases all its vehicles from the motor pool. Notable exceptions are the departments of Natural Resources, Transportation, and Public Safety, higher education institutions, regional treatment centers, and correctional facilities. These organizations have chosen to purchase and manage their own vehicles.

Agencies with their own vehicles gave several reasons why they purchased them rather than leased from the motor pool. In some cases, the motor pool was unable in past years to provide a vehicle because the agency needed a special vehicle or one with special equipment. Other agencies had budget restrictions that allowed them only to purchase vehicles. Some agencies reported that their research indicated it was less costly for them to purchase vehicles than lease them from the motor pool.¹

Agencies with their own fleets generally manage them in a decentralized manner that reflects their operational structures. Only Travel Management, Transportation, and Natural Resources have staff responsible for fleet management, although Transportation and Natural Resources emphasize regional office control of vehicles. Other agencies leave vehicle management to the campuses, divisions, or facilities owning the vehicles. Most agency staff interviewed indicated their current practices work well for their situations.

Consolidation's impact on agencies' operations would be minimal because only the vehicles' ownership would change, not how the vehicles would be used or their location. However, consolidation for reducing fleet administrative costs offers few opportunities for significant savings. Administrative costs are a small percentage of total fleet costs. The majority of fleet expenses are the vehicles themselves and their operation. Most agencies, including Natural Resources and Transportation, have staff performing fleet administration in addition to other job responsibilities. Natural Resources and Transportation central office staff dedicated to fleet management perform this function for all their departments' vehicles, of which passenger vehicles are a small proportion.

¹The project team did not verify the agencies' research on whether it was more cost-effective to purchase than to lease.

If consolidation were to proceed, the Department of Administration would need to reimburse Transportation and possibly other agencies for their vehicles.² The reimbursement costs could exceed \$2 million.

Travel Management, Transportation, and Natural Resources fleet data suggests that their passenger vehicles are being well used, in terms of the median number of miles driven per vehicle annually. The medians ranged from 14,883 miles per year for Travel Management to 12,823 for Natural Resources. Model year 1992 and newer vehicles had higher median miles driven per year, ranging from 16,265 for Travel Management to 15,076 for Natural Resources. However, approximately one-third of each fleet's vehicles are driven 12,000 or fewer miles per year.

RECOMMENDATIONS

Given that the motor pool is operated with a customer-service philosophy, that state agencies with their own vehicles manage them in response to their organizations' needs and budgets, and that more control mechanisms could cause unproductive use of state employee time in adhering to them, the Management Analysis Division makes the following recommendations:

1. No state agency fleet should be consolidated against the owning agency's preference to remain independent.
2. Travel Management Division staff should meet with agency staff of independent fleets to see how the central motor pool could serve them on a fee-for-service basis.
3. State agencies that purchase vehicles should prepare biennial reports that would be available to the Department of Finance and the legislature upon request.
4. Travel Management, Transportation, and Natural Resources should each develop strategies for increasing their fleet utilization rates.

²M.S. 16B.54, Subd. 2, says that the commissioner of administration "shall reimburse an agency whose motor vehicles have been paid for with funds dedicated by the constitution" when the vehicles are transferred to the department's central motor pool. Transportation's passenger vehicles are purchased with Highway Users Tax Distribution Fund money.

INTRODUCTION

One hundred and six Minnesota state agencies, divisions, and organizations own a total of 4,149 passenger automobiles, police vehicles, and vans.³ The Department of Administration's Travel Management Division, the departments of Natural Resources and Transportation, and five Public Safety divisions own 3,093 vehicles, or 75 percent of the total. The remaining vehicles are owned by the other 98 state agencies and organizations, mostly higher education institutions or state facilities such as prisons and regional treatment centers (see Table a in the appendix).

The Legislature's House and Senate Governmental Operations committees are interested in better management control of the state's passenger vehicle fleets. The legislature requested that the commissioner of administration study the state's passenger vehicle fleets and identify opportunities for further consolidating them. The Management Analysis Division of the Department of Administration conducted the study for the commissioner.

METHODOLOGY

The Department of Administration's Risk Management Division provided a list of state agencies and organizations having passenger automobiles or vans that were not leased through Travel Management and were therefore possible candidates for consolidation. The Management Analysis project team interviewed each agency's staff about vehicle acquisition, maintenance and repair, fueling, disposal, and use policies. The project team interviewed 37 staff members at the following agencies:

Administration	Minnesota State Colleges and Universities
Amateur Sports Commission	Natural Resources
Corrections	Pollution Control Agency
Economic Security	Public Employees Retirement Association
Health	Public Safety
Human Services	Public Service
Iron Range Resources and Rehabilitation Board	Trade and Economic Development
Lottery	Transportation
Military Affairs	Veterans Homes Board
Minnesota Academy for the Blind	Zoological Garden
Minnesota Academy for the Deaf	

³Department of Administration, Risk Management Division, FY 97 insurance data. Some vans are used for hauling cargo and are not passenger vehicles. The Risk Management report does not distinguish between the two types.

Several state agencies and organizations have vehicles located at sites around the state, with no central office responsible for them. MnSCU institutions, veterans homes, and facilities of the departments of Corrections and Human Services manage their own vehicles. The project team contacted eight MnSCU schools, two regional treatment centers, two correctional facilities, and one veterans home. These agencies' responses should not be interpreted to reflect vehicle practices of the uncontacted agencies.

The project team requested detailed vehicle information from Travel Management, Natural Resources, and Transportation, focusing on these fleets because of their larger size and similar use of vehicles for passenger transportation (as contrasted with the Department of Public Safety, where most vehicles are used for police or undercover work).

SCOPE

Because the legislation specifically lists passenger vehicles as the focus of the study, this study did not examine vehicles such as pickups and other trucks, tractors, ambulances, or buses. Transportation and Natural Resources own most of the excluded vehicles.

REPORT STRUCTURE

This report has four sections. The Findings section summarizes the information Management Analysis collected on the state's passenger vehicle fleets. The Conclusions section contains Management Analysis' assessment of what the findings imply for better fleet management control and consolidation. The Recommendations section has strategies on how the state can achieve better management control of its passenger vehicles. The appendix to this report describes the fleet data obtained from Travel Management, Natural Resources, and Transportation and includes budget information.

FINDINGS

This section summarizes the project team’s findings from data on state passenger vehicles. The project team examined five topics: central motor pool functions, an update to a 1994 motor pool report, agencies’ vehicle management practices, consolidation, and fleet use.

CENTRAL MOTOR POOL FUNCTIONS

The state provides employees with two methods of automobile transportation: One is through vehicle ownership, where agencies purchase or lease vehicles that state employees use in conducting state business; the second is through personal mileage reimbursement. State employees are reimbursed at set mileage rates when using their personal vehicles for state business — 21 cents a mile when a state car is available but a personal vehicle is used and 27 cents per mile when no state vehicle is available or for trips within the Twin Cities metropolitan area.

The Department of Administration’s Travel Management Division operates a central motor pool, which leases vehicles to state agencies on a long-term basis and also has a daily pool for short-term use. The motor pool operates as a revolving fund and is financed by agencies that lease vehicles.

Travel Management’s goal is to be customer-oriented and to provide services that state agencies choose to use. The motor pool performs functions that benefit both its customers and the state. These functions are:

Reviewing vehicle need and use. When an agency contacts Travel Management for a vehicle, the division determines if assigning a state vehicle is appropriate based on the number of miles it will be driven and how it will be used. Travel Management also determines the type of vehicle, so that an agency does not get a larger, more expensive vehicle than necessary. Travel Management then monitors the actual miles driven to ensure that providing a state vehicle is the most cost-effective method vs. paying personal mileage reimbursement. However, there are situations in which an agency needs a vehicle regardless of the number of miles driven. For example, many full-size vans are driven fewer than 12,000 miles a year but serve a purpose — such as medical or student transportation — where it is difficult to substitute a personal car. The Travel Management director reported that 39 of his customers with vehicles driven fewer than 1,000 miles a month are willing to pay extra to keep the vehicles.

Meeting seasonal demand for vehicles. Travel Management leases vehicles to agencies on an “open-ended” basis, so that agencies can return vehicles at any time. For example, higher education institutions return vehicles to Travel Management in the summer because they are not needed as much as during the school year. Travel Management reassigns these vehicles to other agencies.

Minimizing risk of unexpected repair bills. Agencies that lease vehicles from Travel Management pay a per-mile rate that covers fuel, maintenance, and repair expenses. The per-mile rate is “insurance” against large repair bills, so that repair costs are spread among all vehicles in the fleet.

Flexible payment options. Travel Management customers can make monthly lease payments for vehicles or a lump sum payment at the lease’s beginning, from which Travel Management will subtract monthly payments. This flexibility helps agencies that prefer to or can purchase vehicles only from capital budgets or have one-year grants that won’t support annual payments.

Performing administration and record keeping. Vehicle ownership requires that Travel Management determine the need for a vehicle, buy the vehicle, adhere to its preventive maintenance schedule, have repairs made, and decide when to dispose of the vehicle. The division decides when to replace vehicles by looking at maintenance histories and costs and new-car and auction prices, and it works with Administration’s Materials Management Division to create specifications for new-vehicle bids.

Controlling vendor-performed repairs. The state uses vendors to maintain and repair vehicles because vehicles are located throughout the state. Travel Management’s mechanics, who have the vehicles’ repair histories and know what the vehicles need, approve all vendor-performed repairs, to prevent unnecessary repairs. The staff also monitors the competitiveness of vendors’ prices.

Monitoring repair problems by vehicle model. The state owns a large number of the same type of vehicle models. If a particular repair problem occurs on a number of vehicles that are the same model or from the same manufacturer, Travel Management contacts the manufacturer to negotiate reimbursement for the repair costs.

Operating a daily motor pool and garage. Travel Management leases vehicles on a daily basis for trips of 75 miles or longer. The daily pool’s purpose is to provide vehicles when personal mileage reimbursement would cost more or when a personal vehicle is not available. Travel Management’s garage serves the state vehicles in the Capitol Complex area and provides replacements for out-of-service vehicles.

1994 BENCHMARKING REPORT UPDATE

The Management Analysis Division completed a benchmarking study and report in February 1994 on Travel Management’s central motor pool. The study examined the quality and cost-efficiency of the motor pool and looked at the possibility of contracting out management of the fleet. The report contained 12 recommendations for improving motor pool operations. The project team met with the Travel Management director and assistant director to determine progress made on the recommendations. The 1994 report’s recommendations appear in boldface below, with Travel Management’s director and assistant director’s comments on their status in regular typeface.

-
- 1. The current methods of acquiring and financing vehicles should be left in place, except that information gained by managing fleet disposal factors should be used to purchase more models with good resale potential.**

In the bidding process, the state cannot specify which vehicle models it wants to buy. The state buys whatever vehicle model is the low bid for a particular class of vehicle (for example, compact or full-size car). Travel Management monitors the prices it receives at state auction and compares auction prices with National Automobile Dealer Association used-car retail and wholesale prices. The Department of Administration has a 1997 legislative proposal to award purchasing contracts based on “best value” rather than lowest price. This change might allow vehicle contracts to specify better resale prices as a criterion for awarding bids.

- 2. Additional fleet and vehicle data should be tracked and automated to assist management in assessing fleet size and individual vehicle mileage, trip frequency, and peak demand.**

According to the director, individual vehicle mileage is the best usage indicator for long-term leased vehicles. Travel Management can easily collect mileage data on each vehicle with its new computer system that generates quarterly reports on vehicles driven fewer than 1,050 miles a month. The division uses the information to reassign low-mileage vehicles.

Travel Management assesses the daily pool’s size by both miles driven and a usage rate, which compares the time vehicles are in use each month with their availability. The number of car keys missing from the daily pool’s key board also provides an immediate visual check on how well the daily pool is being used.

- 3. The daily pool should be examined more closely to assess its appropriate size. Parked cars [replacement vehicles, vehicles awaiting auction, long-term leased vehicles, and new cars awaiting assignment] should be considered extensions of the daily pool and used when feasible.**

Travel Management has increased the daily pool size because it was issuing a growing number of control numbers authorizing employees to charge 27 cents per mile for using a personal car when no state vehicle was available.

- 4. The state should consider changing rates to reflect true costs and raising daily rates by 25 percent to cover the cost of unused time in the daily pool.**

The 1994 report noted that Travel Management’s mileage rates subsidize the monthly rates. The actual monthly rates charged agencies are lower than the ownership costs for vehicles. The division continues this practice, and the Department of Finance approves these adjusted rates.⁴

⁴ Fifty Minnesota Lottery vehicles are participating in a contracting-out pilot project discussed in Recommendation 11 below. The Lottery will be charged directly for these 50 vehicles’ actual fuel, maintenance, and repair costs.

Travel Management has instead focused on charging individual agencies special costs for the vehicles they want. In the past, Travel Management would either not lease a vehicle with special equipment or not charge for the additional cost. With its new computer system, the division can charge back to an agency extra costs associated with special equipment. The director noted that the division is discussing with the commissioner of administration the possibility of charging agencies lease rates based on vehicle age. Currently, agencies pay the same monthly rate whether they have a new car or one that is 3 years old, even though there are differences in the vehicles' purchase prices.

Travel Management has not raised the daily pool rates. According to the director, the daily pool rates are a few cents per mile more for some vehicle classes and the minimum trip mileage has been raised to 75 miles from 50.

- 5. The state should try to monitor and manage fleet disposal factors more aggressively to minimize depreciation. These include maintenance and repair histories for individual vehicles and models, fuel costs, new-car market prices and discounts, and used-car market prices.**

As stated in Recommendation 1, Travel Management cannot determine which vehicle models the state purchases under the current bidding process. Travel Management uses its new computer system to monitor vehicles' life-time maintenance and repair costs. When a vehicle's costs total \$3,000, Travel Management reviews whether to keep or auction it.

- 6. The state should test-market some 2-year-old vehicles. This test would consist of picking models with resale book values that, if realized at auction, would result in depreciation costs below the fleet's average depreciation per mile. This would require special marketing.**

Travel Management has not acted on this recommendation. The staff time required to replace vehicles every two years and new car prices need to be considered.

- 7. If Travel Management continues as is [rather than its work being contracted out], a full computer system should be installed to give Travel Management the latest billing and information-reporting capabilities.**

Travel Management has purchased and implemented a fleet management information system. According to the director, the system is fully operational and meets the division's needs. The division uses the system for billing customers, tracking vehicle assignments and fleet mileage, recording life-cycle vehicle costs, and managing the garage's parts inventory. The system has automated functions that staff used to perform manually and provides the division with fleet management information not readily available before.

- 8. If a portion of Travel Management's functions are contracted out, computers should still be used, but their capacity should be limited to what contract vendors could not supply.**

The state has contracted fuel billing out to a private fleet services company.

- 9. If Travel Management continues performing all fleet management functions, the division should acquire a computer system that improves personnel efficiency and produces fuel consumption statistics. If maintenance and repair are contracted out, fuel purchasing and billing should also be contracted out.**

The state has contracted out fuel billing. Travel Management, Natural Resources, Transportation, and Public Safety use fuel credit cards issued by PH and H Vehicle Management Services of Maryland. The new fuel cards are not available to vehicles outside these four agencies' fleets because PH and H wants to send the state only one invoice per month. PH and H sends its invoice to Travel Management, which manually separates the invoice charges for each agency. The director reported that this task is not time-consuming because only four agencies are involved, but it could be if all other agencies with their own fleets were using cards. The director also said that the state might be able to leverage direct billing to all agencies in the future because the state purchases a large amount of fuel. These four agencies' fuel purchases totaled \$378,000 for a 45-day period in September and October 1996.

- 10. If a new repair facility is built, an underground fuel tank should be considered.**

The legislature has not appropriated funds for a new building, but the Department of Administration plans to move the motor pool. Travel Management is under a federal mandate to remove its underground tank by December 1998, and the director said it is unlikely that the division will install a new tank at the current location given the proposed move. The division has an above-ground ethanol fuel tank that could be converted to store unleaded gasoline if necessary.

- 11. The state should consider contracting out the repair and maintenance of 50 to 100 vehicles to a fleet management company as a pilot program. This would provide further evaluation of the potential savings of contracting out.**

Travel Management is in the process of implementing this recommendation. The division is selecting 50 vehicles that PH and H will manage. Another 50 vehicles in Travel Management's fleet will be used as test controls. The pilot program will last one year.

- 12. Additional data collection and interviews of personnel at other agencies with vehicles should be accomplished if the issue of fleet consolidation is to be further examined.**

This study for the legislature examines the issue of fleet consolidation.

AGENCIES' FLEET MANAGEMENT PRACTICES

The project team contacted agencies having their own vehicles and interviewed staff about their agencies' vehicle acquisition, management and administration, maintenance and repair, disposal, and use policies.

Criteria for needing a vehicle Criteria that agencies apply to justify having a vehicle include minimum mileage, maximum personal mileage reimbursements, local managers' discretion, special-purpose usage, and position requirements. Agencies assign vehicles to state employees who use them as part of their daily work. Agencies also have pool vehicles available to any employee needing to travel.

Minimum mileage. Travel Management requires travel totaling at least 1,050 miles per month, or 12,600 per year, to allow an agency to have a vehicle. Travel Management uses 12,600 miles per year as the point at which it costs the same to provide a car as to reimburse employees for driving their personal vehicle.

A personal car cannot be used. Annual mileage is a good indicator of vehicle use but not the only criterion for deciding the need for a vehicle. State vehicles such as vans and full-size cars transport groups of people or equipment. For these situations, a personal car may not be a good substitute.

Maximum personal mileage reimbursements. Through FY 95, Travel Management reviewed Department of Finance reports on state employees receiving mileage reimbursements around \$3,000 or more per year. Travel Management would then contact the employee's agency to obtain a state vehicle for the person. For FY 96, Travel Management relied on agencies to monitor their own mileage reimbursement payments.

Local managers' discretion. Both Transportation and Natural Resources allow their regional or district offices to decide the need for a vehicle. Both departments' regional or district managers' base their vehicle-acquisition decisions on the workload requiring the vehicle, availability of funds, and other spending priorities. Natural Resources' fleet manager noted that the regions are charged a monthly fixed rate and a mileage rate for vehicles, so regional staff must weigh a vehicle's cost against other options, such as using a personal vehicle or leasing from Travel Management.

Special-purpose vehicles historically not available from Travel Management. Some agencies need full-size or specialized vans for patient and student transportation. The Department of Corrections' vehicles must be outfitted for prisoner transportation. Others have adapted vehicles for special uses. The Department of Health's van carries well-testing equipment and cameras, and the Department of Public Service's vans have gas-pump-testing equipment.

Position requirements. Many Department of Public Safety automobiles are assigned specifically to investigators or troopers for police and undercover work. Other agencies assign vehicles to staff who are on call 24 hours a day or who drive many miles.

For any state business. Both Natural Resources and Transportation have daily fleet cars for their employees to use for any state business.

On-campus transportation. The higher education schools, regional treatment centers, Department of Military Affairs, Minnesota Amateur Sports Commission, and the Minnesota Zoological Garden own high-mileage, older vehicles for limited travel inside their campus.

Reasons for owning vs. Leasing Almost half the agencies with their own vehicles also lease from Travel Management. Fifty-six of the 106 state agencies and organizations that have their own vehicles also lease at least one Travel Management vehicle.⁵ Nine agencies with their own vehicles indicated that they will lease Travel Management vehicles in the future, rather than purchasing. Agencies gave several reasons for owning vehicles:

Vehicle type not available from Travel Management. Some agencies needed 4x4 vehicles or vehicles for transporting people who use wheelchairs, and Travel Management was not providing them at the time of purchase. Similarly, Natural Resources started its fleet operations because Travel Management could not provide pickup trucks at that time. Travel Management's long-term-lease vehicle supply has been depleted at times and the division has not been able to order new ones because the state vehicle contract has ended, so agencies that needed vehicles would purchase their own. According to the Materials Management Division, three agencies purchased a total of eight vehicles in FY 96 because Travel Management could not supply them.

Special equipment not available from Travel Management. Some agencies need vehicles fitted with special equipment. Prior to FY 96, Travel Management was reluctant to provide specially equipped vehicles because of the additional costs and the difficulty of creating special rates for cost recovery. With its new computer system, Travel Management can charge agencies directly for the extra cost of vehicles with special equipment, and the director reports that the division currently leases 66 pick-ups, 13 wheelchair-lift-equipped vans, 20 vehicles with security cages, and 11 four-wheel-drive vehicles to customers.

Donated vehicles. The Minneapolis Veterans Home, Minnesota Amateur Sports Commission, and Minnesota Zoological Garden own donated vehicles.

More cost-effective. Eleven agencies stated that it is more cost-effective or financially advantageous to own their vehicles than to lease from Travel Management, and three other agencies said that purchasing costs the same as leasing. The project team requested that these agencies provide written documentation supporting their conclusion. Three of the 14 agencies provided written

⁵This count is based on a Travel Management annual-reservations customer list dated May 28, 1996, that the project team compared against Risk Management's FY 97 insurance report.

information. One agency submitted a report comparing its intermediate-size vehicles' cost per mile to that of Travel Management's intermediate-size vehicles. A second agency sent the project team a 1994 memo originally sent to the Materials Management Division that said Travel Management's FY 95 5.3 percent rate increase was too much for its budget, so it was purchasing its own vehicles. The third agency submitted studies from 1987 and 1990 comparing its vehicle ownership costs to leasing from Travel Management. Eleven agencies were unable to provide written information on how they had concluded that owning was cheaper, although four said they had made informal calculations that compared purchase costs with leasing costs, two agencies said their vehicles were driven too many miles per year to make leasing cost-effective, and one agency said that it sells its vehicles to finance new vehicle purchases and that it has not requested an appropriation for vehicle purchases since 1989.

Budget restrictions or preferences. Some agencies could make vehicle purchase payments only from special funds such as a grant or from a capital budget, but their operating budgets were not sufficient to support lease payments or the agency preferred not to use operating dollars for capital equipment. Two agencies have special funding sources for vehicle purchases. Transportation can purchase or lease vehicles with Highway Trust Fund money. The State Patrol has a special vehicle account funded with motor vehicle title fees.

Need for unmarked or specially marked vehicles. State law⁶ allows Travel Management to provide unmarked vehicles to certain agencies. When it was created, the Minnesota State Lottery was not eligible to get unmarked vehicles from Travel Management, so it leased vehicles from a private company. State Services for the Blind's vendor operations wanted vehicles with its logo on them, and Travel Management must provide uniform markings on state vehicles. Both the Lottery and State Services for the Blind indicated they will soon lease their vehicles from Travel Management.

Purchased before joining state system. The technical colleges became a part of state government last year. Thirty technical colleges have their own passenger vehicles.

State process for automobile purchases The Department of Administration's Materials Management Division establishes a master vehicle contract for state agencies and local governments. The division works to obtain the best price on purchases through volume discounting and to get vehicle types that meet agencies' needs.

Materials Management begins the contract process by surveying agencies to learn the type of vehicles and options they want. The written survey describes different vehicle sizes, such as compacts, sedans, and minivans, and lists optional equipment ordered for every vehicle — air-conditioning, cruise control, engine block heaters, and tinted windows. Agencies indicate on the survey which vehicle sizes they want to buy and may include other options. With the exception of Public Safety, agencies cannot tell Materials Management to request bids on a specific make or model of vehicle. Statute allows Public Safety to request specific makes and models to be used

⁶M.S. 16B.54, Subd. 2(d).

only for investigative and undercover work.⁷ Table 1 on the next page lists the state's FY 96 passenger vehicle models available on the master contract.

Any agency may order a vehicle from the contracts, and the new Minnesota Accounting and Procurement System allows agencies to order the vehicles directly from vendors. On the FY 96 automobile and van contracts, Materials Management requests that agencies contact Travel Management before ordering a vehicle to see if Travel Management can supply one. Materials Management does not screen an agency's vehicle order, because purchasing on contract ensures the best prices. State agencies bought 294 passenger vehicles from the master contract in FY 96. Of these, Travel Management bought 219, or 75 percent. Most agencies bought the lowest-priced vehicles in each size class.

The FY 96 master state vehicle contract was effective November 1995 to May 1996. If an agency needs to purchase a vehicle outside the contract's dates, Materials Management will issue separate bids for those agencies. Materials Management issued bids for two agencies for seven vehicles in FY 96 because the master vehicle contract had expired.⁸ Additionally, the MnSCU schools have the ability to issue bids independently.⁹

Fleet management and administration Agencies' vehicle fleet administration and record keeping systems reflect their agencies' operational structures and are mostly decentralized in nature. Only Travel Management, Natural Resources, and Transportation have staff responsible for fleetwide review, and only these agencies are capable of producing department-wide fleet statistics.

Transportation and Natural Resources have central office staff performing fleet administration, but strong emphasis is placed on regional control of vehicles, which reflects the regional structure of their departments. Natural Resources and Transportation regional or district managers decide the need for vehicles. Transportation's Central Shop collects information from each region and a central cost-accounting system to compile fleetwide information. At Natural Resources, each region enters its vehicle data into a central data base. Both agencies have department-wide vehicle-disposal policies.

Other department and organization fleets are administered independently. Each Public Safety division with vehicles manages them independently and has its own personal-computer-based system. At MnSCU and the departments of Corrections and Human Services, each campus or

⁷M.S. 16B.14.

⁸Five vehicles cost approximately \$2,300 more than a comparable vehicle on the master contract, one cost \$3,600 more than its comparable, and one vehicle — a rear-wheel-drive van — did not have a comparable on the master contract.

⁹M.S. 136F.581.

TABLE 1. FY 96 state vehicle models, purchase prices, and number purchased

Vehicle description	Winning bid make and model	State's price per vehicle ¹⁰	Total number purchased (TMD purchases)
Carryall type	GMC Suburban	\$25,393	4 (1)
Compact station wagon	Oldsmobile Cutlass Circa Cruiser Wagon	14,537	28 (23)
Compact sedan	Chevrolet Corsica	12,941	21 (21)
Four-wheel-drive compact utility vehicle	Jeep Cherokee ¹¹ (2 models)	18,140 and 20,087	14 (5)
Full-size sedan	Dodge Intrepid	13,210	20 (14)
Full-size sedan	Ford Crown Victoria	17,791	3 (0)
Full-size sedan	Eagle Vision ESI ⁹	14,705	6 (0)
Intermediate sedan	Chevrolet Lumina	13,424	78 (68)
Intermediate sedan	Ford Taurus ¹²	14,268	39 (35)
Subcompact sedan	Chevrolet Cavalier	11,359	0
Vans — 12 to 15 passengers	Ford HD Club Wagon (3 models)	18,775, 19,796, and 20,408	8 (1)
Van — compact extended passenger	GMC Safari XT	20,193	15 (0)
Van — compact extended passenger	Ford Aerostar	19,884	4 (1)
Van — compact passenger	Plymouth Voyager	15,305	54 (50)

¹⁰The vehicle price excludes taxes and destination charges.

¹¹The Department of Public Safety specifically requested the Eagle Vision ESI and the higher-priced Jeep Cherokee model under its statutory authority.

¹²The Ford Taurus is an alternative fuel vehicle that agencies buy to meet federal mandates.

facility manages its own vehicles. For agencies with smaller fleets, responsibility for vehicles is generally assigned to a specific staff person. These agencies do not centrally manage vehicle acquisition, maintenance, or disposal.

No agency reported that managing its vehicles was a burden. Some said the amount of time spent for fleet administration is minimal. The project team did not determine whether the time spent on fleet management was sufficient to effectively manage vehicles.

Transportation and Natural Resources' fleet management systems primarily serve non-passenger type vehicles. Transportation and Natural Resources' passenger vehicles compose a small number of the fleet they manage. Both Transportation's and Natural Resources' vehicle fleets contain mostly trucks. At the start of FY 97,¹³ Transportation had 564 (14 percent) passenger cars and vans of 4,056 total vehicles. Natural Resources had 224 (13 percent) passenger cars and vans of 1,764 total vehicles.

Vehicle maintenance and repairs Local vendors service many state vehicles because the cars are located around the state. The larger fleets have approval levels for repairs. Travel Management requires drivers to get approval for all repairs. Natural Resources and the State Patrol allow field or district supervisors to approve repairs costing up to \$300. Costs of more than \$300 must be approved by the department's central office. Transportation performs most of its repairs in-house, so control of vendors is not an issue.

Agencies with smaller fleets reported that supervisors usually approve vehicle repairs. Other agencies, usually those that are campus- or facility-based, have mechanical or plant maintenance staff responsible for maintaining vehicles and performing routine work such as oil changes.

Vehicle disposal Agencies reported a variety of criteria for deciding when to dispose of a vehicle. A state vehicle is taken out of service when:

- the mileage is high;
- the vehicle is getting old;
- a combined maximum of mileage and age is met;
- the vehicle cannot be driven anymore;
- the maintenance cost is too high;
- the resale value is high;
- a specific age and mile replacement cycle is reached;
- the vehicle is no longer safe to drive; or
- the vehicle is no longer needed.

¹³Risk Management Division, Department of Administration, data.

Most state vehicles are disposed through state auctions. Some agencies trade their vehicles in on new vehicles, sell them as scrap because they are old or the mileage is very high, or put the vehicle to another use, such as for campus transportation only.

CONSOLIDATION

The project team examined the major benefits and costs of consolidation. Team members assumed that any consolidation that occurs would place state passenger vehicles under Travel Management Division management. Travel Management has more passenger vehicles than any other state agency, operates on a revolving fund, and has as its primary mission providing vehicles and fleet management services to other agencies.

The major benefits and costs of consolidation are reimbursement for vehicle ownership transfer, a reduction in administrative costs, and impacts on agencies' operations.

Vehicle ownership transfer cost M.S. 16B.54, Subd. 2, says that the commissioner of administration "shall reimburse an agency whose motor vehicles have been paid for with funds dedicated by the constitution" when the vehicles are transferred to the department's central motor pool. Transportation's passenger vehicles are purchased with Highway Users Tax Distribution Fund money. Unless the legislature changes M.S. 16B.54, Subd. 2, the Department of Administration would need to reimburse Transportation for its vehicles. The project team roughly estimates the reimbursement cost at \$2.1 million (Table b in the appendix). If the Department of Administration was also to reimburse Natural Resources, the cost would be an additional \$1.2 million. Staff time to complete the paperwork and other functions for transferring is estimated at \$8,500 (Table c in the appendix). The transfer costs would occur only once.

An alternative to transferring all the vehicles immediately would be to replace Natural Resources and Transportation vehicles with Travel Management vehicles as they are retired. This process could take as long as five or six years, which is the disposal cycle the two departments use. In this situation, the Department of Administration would not have to reimburse other agencies.

Reduction in administrative costs The Natural Resources and Transportation central office staffs¹⁴ that manage or oversee the department's vehicles do so for the department's entire fleet. No staff are completely devoted to managing solely passenger vehicles, which are a small proportion of the total fleet. Thirteen percent of Natural Resource's vehicles and 14 percent of Transportation's are passenger vehicles. At these departments' regional or district offices, responsibilities for vehicle management are given to staff members who also have other responsibilities. Other agencies with vehicles reported that fleet management is part of a staff person's responsibilities, and in most cases the time spent is minimal.

¹⁴Natural Resource's central office for fleet management is the Bureau of Field Services. Transportation's central office for fleet management is the Office of Operations' Central Shop Unit - Equipment Section.

Administrative costs are a small proportion of total fleet costs. The majority of fleet costs is the purchase of the vehicles themselves and their fuel, maintenance, and repairs. Administrative costs as a portion of total fleet costs are approximately 8 percent for Travel Management and Natural Resources (Table d in the appendix). It is uncertain whether consolidation would actually reduce administrative costs or move them from one agency to another. Any reduction that occurs in administrative costs would be a small proportion of total fleet costs. Last, Natural Resources and Transportation already have systems in place for managing their entire fleets, and it is uncertain what they would gain by paying another agency to manage their passenger vehicles.

Impact on agency operations The impact on agencies' core operations would be minimal. The vehicles' ownership would be different, but the vehicles themselves could remain in the same place and be used in the same manner. Problems might arise if Travel Management policies for vehicle use and need conflict with an agency's past management of its vehicles. For example, Transportation services its passenger vehicles in its own garages. Travel Management and Transportation would have to negotiate whether this would continue and whether Travel Management would have to approve repairs.

Agency concerns about consolidation No agency staff interviewed for this study indicated strong opposition to the idea of consolidating the state's vehicle fleets, and nine agencies are thinking of leasing more vehicles from Travel Management in the future. Several said they would need to see how a change would benefit their agencies. Agency staff expressed the following concerns:

- loss of control over decisions regarding the vehicle's use;
- greater inconvenience in accessing and maintaining vehicles;
- more expense with leasing; and
- more bureaucratic systems.

Some concerns may reflect misconceptions about what consolidating fleet management means. For example, five people interviewed thought staff would have to travel to pick up vehicles whenever they needed them rather than having them on long-term lease.

FLEET USE

The cost of purchasing the vehicles themselves is the greatest expenditure of state fleets. The greatest potential for savings to the state lies in reducing the number of underused vehicles through reassignment or increasing their use as a substitute for personal mileage reimbursement, which totaled \$6.7 million in FY 95.¹⁵ The project team examined opportunities for improving vehicle use. This analysis focused exclusively on passenger vehicles belonging to Travel Management and

¹⁵ Reimbursements for all three branches of government.

the departments of Natural Resources and Transportation because of their fleets' larger size, similar use of passenger vehicles, and availability of the data.

Fleet utilization rates The project team calculated the average and median miles driven per vehicle for the Travel Management, Natural Resources, and Transportation fleets from data provided by each agency. Table 2 shows the number of vehicles in each fleet and miles driven by model year. Table 3 shows the type of vehicles, in terms of size, and how many are driven 12,000 miles or less per year.

Tables 2 and 3's data indicates the following conclusions:

- 1992 and newer vehicles have high utilization rates. The medians ranged from 15,076 for Natural Resources to 16,265 for Travel Management.
- Vehicle use declines with age. For vehicles older than the 1992 model, the medians ranged from 10,209 for Natural Resources to 12,724 for Transportation. Vehicle use declining with age occurs in other states' fleets and is not unique to the Minnesota fleets.¹⁶ There are also agency operational reasons for having low-use vehicles. Travel Management's director explained that older vehicles often are assigned to low-mileage users who need a vehicle, and the Natural Resources fleet manager said that the department's facilities' diverse locations do not make it practical to share vehicles among them, so some vehicles' utilization rate appears low.
- Approximately one-third of each fleet's vehicles are driven 12,000 or fewer miles a year. Natural Resources and Transportation's vehicles are typically 1991 or older models. For Travel Management, 65 percent of its vehicles driven fewer than 12,000 miles a year are 1992 models or newer.
- Full-size vans are the least-used vehicles. Forty-eight percent of Travel Management's vans are driven 12,000 miles or less per year. This figure is 87 percent for Natural Resources.
- Travel Management has a much younger fleet compared with those of Natural Resources and Transportation. About 84 percent of Travel Management's vehicles are 1992 or newer models. The Natural Resources fleet is 48 percent 1992 or newer models, and this figure is 53 percent for the Transportation fleet.

¹⁶A 1988 report to the Oregon Department of General Services notes that vehicle use declines with age, and the Travel Management director says National Association of Fleet Administrators reports have also documented that vehicle use declines with age.

TABLE 2. Fleet utilization rates — Travel Management, Natural Resources, and Transportation vehicles

Model year	TRAVEL MANAGEMENT DIVISION				NATURAL RESOURCES				TRANSPORTATION			
	Number vehicles	Percent of total fleet	Average ¹⁷ miles per year	Median miles per year	Number vehicles	Percent of total fleet	Average miles per year	Median miles per year	Number vehicles	Percent of total fleet	Average miles per year	Median miles per year
1996 ¹⁸	104	7	—	—	—	—	—	—	—	—	—	—
1995	385	24	15,760	15,120	29	12	17,484	15,732	75	19	Data not readily available	
1994	440	28	16,563	15,838	30	13	14,544	13,724	26	6	17,616	14,664
1993	278	18	17,670	17,819	17	7	15,626	16,244	71	17	17,228	16,677
1992	129	8	15,787	16,335	31	13	14,749	14,754	43	11	15,843	15,629
1991	155	10	12,724	12,760	24	10	12,723	12,832	48	12	14,237	13,549
1990	74	5	10,995	11,167	22	9	12,020	12,917	66	16	13,632	13,759
1989	13	1	8,246	8,838	29	12	10,876	11,211	30	7	11,840	11,784
1988	6	>1	7,349	7,795	32	14	9,007	8,571	33	8	12,214	11,549
1987	4	>1	7,860	8,063	4	1	9,572	8,998	9	2	12,531	10,860
1986 or older	0	0			6	2	6,346	5,974	4	1	6,044	6,706
Total vehicles	1,588	100%	15,674	14,883	224	100%	13,018	12,823	405	100%	14,669	13,972
1992 or newer vehicles	1,336	84%	16,581	16,265	107	48%	15,572	15,076	215	53%	16,875	16,235
1991 or older vehicles	252	16%	11,780	11,716	117	52%	10,682	10,209	190	47%	13,044	12,724

¹⁷Averages and medians measure the “typical” number of miles a vehicle is driven. The median marks the 50 percent value, where half the vehicles have annual miles above the figure and half below it. The median is a more accurate measure in the case of vehicles because a small number of high- or low-mileage vehicles can skew an average.

¹⁸Travel Management recently acquired these 1996 vehicles, so sufficient mileage data is not available. Natural Resources and Transportation had not acquired their 1996 vehicles when this data was collected. See the appendix for more notes on the data.

**TABLE 3. Vehicles driven 12,000 or fewer miles per year, by type —
Travel Management, Natural Resources, and Transportation vehicles**

Type of vehicle	TRAVEL MANAGEMENT DIVISION			NATURAL RESOURCES			TRANSPORTATION		
	Number vehicles in fleet	Number driven 12,000 or fewer miles per year	Percent driven 12,000 or fewer miles per year	Number vehicles in fleet	Number driven 12,000 or fewer miles per year	Percent driven 12,000 or fewer miles per year	Number vehicles in fleet	Number driven 12,000 or fewer miles per year	Percent driven 12,000 or fewer miles per year
Compact or intermediate car	929	261	28	78	29	37	185	62	34
Full-size van	134	64	48	15	13	87	Data on full-size vans not provided.		
Minivan	139	33	24	79	31	39	92	37	40
Full-size car	132	38	29	52	23	44	53	15	28
TOTAL	1,334	396	30%	224	96	43%	330	114	35%

NOTES: This table's vehicle totals do not equal those in Table 2 because not all of the vehicles in Table 2 had sufficient mileage data to measure the annual number of miles.

Of the total number of vehicles driven 12,000 or fewer miles per year, 256 Travel Management Division vehicles, 23 Natural Resources vehicles, and 32 Transportation vehicles are 1992 or newer models (Transportation's count may exceed 32 because Transportation's 1995 vehicles' mileage was not readily available).

CONCLUSIONS

The central motor pool benefits the agencies that use it. Agencies do not have to decide what kind of vehicles to buy, how to maintain them, or when to dispose of them, nor do they have to process paperwork associated with vehicle ownership. The motor pool gives agencies the flexibility of leasing vehicles only when they are needed.

The state as a whole also receives benefits that are significant when large numbers of vehicles are involved, but that individual agencies may not directly receive or consider sizable enough to pursue. Also, the motor pool has the interest and expertise to see that state vehicles are efficiently used and that costs are minimized.

The motor pool is a fee-for-service business that operates with a customer-service focus. It has few control mechanisms and cannot compel agencies to use its services. Greater control would have disadvantages: Agencies could have less flexibility in making decisions concerning their programs and budgets; gaps could occur because not every situation can be foreseen when designing controls; and motor pool and agency staff time could be spent unproductively enforcing and adhering to controls that produce little benefit.

Travel Management has implemented most recommendations from the 1994 benchmarking report. The division has:

- installed a fleet information system that automated many manual functions;
- begun producing reports to monitor fleet disposal factors and use;
- contracted out fuel billing;
- begun implementing a pilot project for contracting out maintenance and repairs; and
- expanded its capacity to meet customers' special requests by charging them the actual costs of special vehicles or added equipment.

Agencies with their own vehicles have either chosen not to use or not been able to use Travel Management's vehicles. Some agencies had special vehicle needs that Travel Management could not meet until its new information system was installed. Others had budget constraints or special accounts that made purchasing the preferred option. Some agencies feel it is more cost-effective to own than lease (although the project team was unable to verify this). Transportation and Natural Resources manage their passenger vehicles as part of a fleet administration system for trucks. Agencies with their own vehicles are responding to their own budget and operational situations.

Agencies' vehicle management practices concerning vehicle acquisitions, use, maintenance, and disposal reflect their organizational structures and operational situations. Vehicle management is often decentralized, because that is how many of these organizations operate. Disposal policies are

based on how the vehicles are used, whether funds are available for replacement vehicles, availability of in-house mechanical staff, and whether the vehicle can fulfill a secondary use, such as on-campus transportation. Standard policies may not work for every agency's situation. Consistent among agencies is that they purchase their vehicles off the state's master vehicle contract. Agencies' acquisition prices are the same, and the FY 96 list of vehicle purchases shows that most agencies are buying lower-priced vehicles.

One weakness in having many agencies managing their own fleets is that a central state vehicle data source is lacking, and information from agencies may not be entirely comparable because it is recorded differently. Agencies have their own systems that serve their internal budgeting and operational needs, but these systems may be inadequate for outside agency or legislative review.

Agencies' operations should not be affected by consolidation because only vehicle ownership, not location or usage, would change. However, the opportunities for administrative cost savings from consolidation are minimal. Additionally, the Department of Administration may have to reimburse agencies for the cost of their vehicles transferred to the central motor pool. Rather, fleet management staff at all state agencies and organizations should focus their cost-reduction efforts on the major fleet costs of vehicle depreciation, fuel, and maintenance and repairs.

Travel Management, Natural Resources, and Transportation could increase the use of their fleets. All three had a number of vehicles being driven 12,000 or fewer annual miles. However, increasing each fleet's use can occur independently of consolidation. Each fleet could develop its own strategies. Voluntary arrangements among the fleets seem more workable than consolidation.

RECOMMENDATIONS

The Management Analysis Division project team makes the following recommendations:

- 1. No state agency fleet should be consolidated against the owning agency's preference to remain independent.** Agencies are in the best position to determine their needs for owning and managing fleets. The benefits the state receives from having a consolidated fleet could conflict with agencies' need to independently determine what is in their best interest.
 - 2. Travel Management Division staff should meet with agency staff of independent fleets to see how the central motor pool could serve them on a fee-for-service basis.** The motor pool benefits agencies that use it, and Travel Management should market its services to agencies with independent fleets. The motor pool has increased its capacity to meet unique vehicle needs, so it now has the ability to serve customers that were not served in the past. For agencies that believe owning is cheaper than leasing, the motor pool should educate potential customers regarding the financial benefits of leasing and examine whether it can provide these agencies with a subset of fee-based services, such as administering the vehicles' paperwork or monitoring the need for maintenance and repairs.
 - 3. State agencies that purchase vehicles should prepare biennial reports that would be available to the Department of Finance and the legislature upon request.** The report's information should include the number of vehicles purchased, purchase prices, the makes and models, how the vehicles are used, the rationale for purchasing each specific type, and the number of miles they will be driven annually. The report should analyze the alternatives that were considered, such as paying personal mileage reimbursements or leasing from Travel Management. If agencies are replacing vehicles, the reports should contain information on why the vehicles were replaced, with specific figures on the vehicles' original purchase price, total repair costs, and salvage or auction value. These reports would assist the Department of Finance and the legislature in their oversight functions and encourage agencies to thoroughly analyze their decisions to buy a vehicle.
 - 4. Travel Management, Transportation, and Natural Resources should each develop strategies for increasing their fleet utilization rates.** Each agency should calculate a specific minimum number of miles a year vehicles should be driven to make vehicle ownership cost-effective over alternatives, such as personal mileage reimbursement. Minimum mileage criteria should be calculated by vehicle type, such as compact car, full-size car, vans, and campus vehicles. The fleet managers should identify vehicles that fall below the minimums and develop strategies to increase their use or else sell them. Sub-leasing vehicles among the fleets and with agencies that need vehicles on a short-term basis but don't have their own should be explored as one utilization-improvement strategy.
-

APPENDIX

Notes on Travel Management, Natural Resources, and Transportation Fleet Data (Tables 2 and 3)

- A vehicle's annual mileage was calculated by dividing its odometer reading by its age in years. A vehicle's age was measured as the difference between the time the vehicle was acquired and the date the vehicle's odometer was read.
 - Odometer reading dates were May 31, 1996, for Travel Management, Feb. 28, 1996, for Natural Resources, and June 13, 1995, for Transportation.
 - On May 31, 1996, Travel Management had 1,588 passenger cars and vans (105 pickups and other trucks are not counted). The calculations of average and median miles per year are based on vehicles at least 1 year old as of June 1, 1996. Travel Management acquired 150 1995 models and 104 1996 models, or a total of 254 passenger cars and vans, between fall 1995 and spring 1996. Although some of these vehicles have been in use over six months, none had been driven during summer, the heaviest driving season, according to the Travel Management director. The project team did not include these 254 vehicles in calculating annual mileage figures.
 - Natural Resources did not have actual acquisition dates for its vehicles, so an estimated date of June 1 of the vehicle's model year was used. According to the Natural Resources fleet manager, his department acquires its vehicles once a year, usually in early June.
 - Natural Resources had vehicles less than one year old at the time of the odometer reading (Feb. 28, 1996). These vehicles were included in the annual mileage analysis because they had been driven during summer 1995. These vehicles' annual mileage is based on nine months of actual use.
 - Transportation was not able to easily provide FY 96 mileage data because of a new cost-accounting system and the time it would have required to match that data with mileage data previous to June 13, 1995.
 - Transportation's vehicle count is based on two different lists. One list had the number and mileage for vehicles in the fleet on June 13, 1995. The second list was an asset list for year-end FY 96. Vehicles on the June 13, 1995, list that were not included on the asset list were not part of the analysis. Presumably, these vehicles were sold during FY 96.
 - Due to miscommunication about information desired, the Management Analysis Division did not have data about Transportation's full-size vans. The project team decided not to request the information a second time because of the large amount of time it would take to provide it.
-

Table a. FY 97 passenger vehicle ownership

Agency	Passenger		Police		Total no. vehicles	Percent of total
	Auto	Van	Auto	Van		
Travel Management Division	1,200	410	0	0	1,610	38.8
Department of Public Safety (5 divisions)	66	14	564	51	695	16.8
Department of Transportation	337	227	0	0	564	13.6
Technical Colleges (30 schools)	212	91	9	1	313	7.5
State Universities (7 schools)	107	94	15	1	217	5.2
Department of Human Services (11 facilities and community-based homes)	83	96	0	0	179	4.3
Department of Natural Resources	130	94	0	0	224	5.4
Department of Corrections (12 correctional facilities and central office units)	71	93	1	1	166	4.0
Community colleges (20 schools)	16	32	3	0	51	1.2
All others (18 organizations)	34	96	0	0	130	3.1
TOTALS (106 state organizations)	2,256	1,247	592	54	4,149	100

SOURCE: FY 97 Department of Administration, Risk Management data.

TABLE b. Estimated cost of vehicle ownership transfer

Type of vehicle	Estimated value	NATURAL RESOURCES		TRANSPORTATION	
		Number vehicles in fleet	Estimated reimbursement cost	Number vehicles in fleet	Estimated reimbursement cost
Compact or intermediate car	\$4,650	78	\$362,700	244	\$1,134,600
Full-size van	9,450	15	141,750		
Mini-van	6,725	79	531,275	57	383,325
Full-size car	6,175	52	321,100	104	642,200
Total		224	\$1,356,825	405	\$2,160,125

NOTE: The source of a vehicle's estimated value is the *National Automobile Dealers Association Official Used Car Guide*, Midwest edition, August 1996. The project team used the loan values of a 1992 Plymouth Acclaim for compacts and intermediates, 1992 Dodge B250 van for full-size vans, 1992 Plymouth Voyager for minivans, and 1992 Ford Crown Victoria for full-size cars to estimate the reimbursement costs. The project team chose 1992 model years because approximately half of Natural Resources' and Transportation's fleet are 1992 models or newer. The team assumed that the selected 1992 vehicles' loan values approximate an average value for all vehicles. Newer vehicles would be worth more, and vehicles older than 1992 worth less, than the 1992 vehicles' loan values. This cost reimbursement estimate should be considered rough, because the project team is uncertain how well the 1992 loan values represent the average vehicle value.

TABLE c. Estimated cost of staff time to transfer vehicles

Number of Natural Resources vehicles	224
Number of Transportation vehicles	405
Total vehicles to transfer	629
Estimated staff hours at two vehicles per hour	315
Plus 20% for management	63
Total staff hours	378
Cost per staff hour	\$22.43
Total staff time costs	\$8,477

NOTE: The cost per hour is based on the Department of Employee Relations' calculation of \$16.82 as the average hourly wage rate in April 1996 and on the assumption that salaries compose 75 percent of most agencies' total costs.

TABLE d. Estimated percent of fleet costs that are administrative costs

	Travel Management	Natural Resources
Central office administrative costs	\$541,433	\$658,150
Vehicle costs (depreciation, fuel, maintenance, and repairs)	\$6,134,456	\$7,756,300
Total fleet costs	\$6,675,889	\$8,414,450
Administrative costs as a percent of total fleet costs	8.1%	7.8%

SOURCES: Travel Management Proposed Rates Package for FY 96 and Natural Resources FY 97 Fleet and Equipment Management Budget.

NOTES: Central office administrative costs are generally for salaries, printing, communications, rent, and statewide indirect costs. Natural Resources' administrative costs for just fleet management are estimated from its Field Services FY 97 Equipment Management budget, which includes fleet and other equipment costs. Natural Resources' administrative and vehicle costs are for the department's entire fleet, not just passenger vehicles.

Transportation was unable to readily provide cost data for its Central Shop - Equipment Section. The Equipment Section has four full-time staff plus clerical support for department-wide fleet management activities, such as analyzing replacement schedules and expense information and issuing guidelines for entering data into Transportation's vehicle information systems.