



2014 NASPO Cronin Award Nomination

Vehicle Fleet Management

Submitted on behalf of the Department of General Services (DGS)
Central Procurement Office



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Executive Summary

Prior to January 2012, the State of Tennessee, through the Department of Motor Vehicles Management ("MVM"), owned and operated a Dispatch Rental Fleet in Nashville with satellite locations in Knoxville, Chattanooga, Jackson, and Memphis that provided State employees a means of transportation for State business. In November 2011, after extensive research and benchmarking exercises, the State determined that the most efficient and cost effective solution was to sell the aging Dispatch Rental Fleet and move toward a different business model to manage the state lot in downtown Nashville, TN.

State Dispatch Rental Fleet

The MVM Dispatch Rental Fleet consisted of 279 outdated and aging vehicles; at least 142 of these vehicles required replacement at an estimated cost of over \$2.6 million. Additionally, MVM's office space was dilapidated and was in need of renovation. MVM needed to relocate its inconvenient parking lots for the safety of State employees. In order to manage the pick-up and return of vehicles by State employees, MVM personnel were required to be present on site during State business hours (Monday-Friday 8:00am-4:30pm).

Goals for State Lot Management

Improving customer service and saving taxpayer dollars were the key focus as the State explored options to move away from the Dispatch Rental Fleet toward a more efficient and cost-effective vehicle rental experience. The State found that it had three viable options:

1. Replace 142 vehicles and renovate State-owned parking lot spaces.
2. Discontinue fleet dispatch and reimburse employees for personal mileage.
3. Implement a car sharing program through an outside vendor.

After it conducted extensive research and deliberation, the State found that Option 3 above would improve customer service the most and save the greatest amount of taxpayer dollars.

The University of Tennessee contract for vehicle rental services allowed for cooperative participation by the State. To understand the viability of the contract, the car sharing portion of this contract was implemented as a pilot program by the State in January 2012 for an estimated cost savings of \$301,961 or 22% during the first year. This savings was attributed to the difference between the cost of the MVM operating the Dispatch Rental Fleet and implementing a car sharing program. The car sharing program would allow the State the ability to provide newer and safer vehicles, track usage, provide more fuel efficient vehicles, and reallocate State personnel to other areas. Data collected through the first year of the program determined that 35 vehicles were the ideal number of vehicles needed on the State Lot, as opposed to the previously managed 142 vehicles. During times of overflow, employees could turn to the traditional vehicle rental portion of the contract.

Innovations and Initiative

The Central Procurement Office (“CPO”) worked closely with MVM to find a solution that would provide the greatest overall benefit to the State in terms of customer service and cost savings. Through their expertise, MVM narrowed the list of available Dispatch Rental Fleet options between what was available in the market and the State operating the Dispatch Rental Fleet through MVM. The CPO found that the University of Tennessee contract offered the best pricing and rebate percentage among the cooperative contracts available to the State. At the time of contract implementation, a car sharing program in government’s outside of Tennessee was mostly unheard of. Tennessee’s car sharing program has placed Tennessee on the cutting edge of vehicle fleet management.

The previous model required the State to own, manage, maintain, and make vehicles available to employees for business use. This changed under the new car sharing model:

1. Vehicles are housed on the State Lot. New, safer and fuel efficient vehicles are managed and maintained by the vendor for State business use only.
2. Exclusive Tennessee reservation website is maintained. State employees have the ability to reserve the state lot vehicles on the customized website that will show which vehicles are available for a selected date and time.
3. 24/7 roadside assistance is provided. Although all rental vehicles are newer models, if any type of breakdown occurs, the vendor manages roadside assistance and is available at all times. Under the previous process, State car users were required to call MVM and MVM would determine what needed to be done and what process needed to occur to get the user back on the road.
4. Membership cards are offered. All State employees located in the Nashville area who wish to utilize the state lot can apply and be issued a membership card. This card has special technology that unlocks any available vehicle in the reserved vehicle class. No human interaction is required as the process is completely automated. In addition, a fuel card is also included with each vehicle and charges are billed back to each individual agency based on exact usage.
5. Employees compare costs with Trip Optimizer. The reservation website includes an easy to use calculator that takes the guesswork out of trip planning. By inputting the mileage of the trip, the potential vehicle’s MPG, and the selected rental vehicle’s cost, employees can determine whether it is more beneficial to the State for the employee to rent a vehicle or drive their own and request reimbursement.

Transferability

State’s outside of Tennessee have come to realize the benefit of car sharing as a better alternative, in terms of customer service and cost savings, to operating and maintaining a vehicle rental fleet in-house. A 2011 article found in *Government Fleet* magazine described the rising costs of fuel and vehicle management accompanied with the pressure of shrinking budgets as key reasons to consider alternative solutions to state-run vehicle rental fleets. Outsourcing vehicle rental fleets through car sharing programs is a new strategy that states are turning to in order to eliminate these high costs and to make

room in their budgets for other things (e.g., salary raises to maintain top performing employees). Car sharing programs are becoming more common; these programs are offered by a number of different vendors and can be found at dozens of college campuses across the country offered. The technology provided does not require on-site personnel, therefore, in a high vehicle rental usage area, users can easily pick-up and return vehicles at any time so long as the vehicle lot has an available space to park the vehicles.

Service Improvement

MVM’s old Dispatch Rental Fleet program required users to reserve vehicles through MVM, obtain signatures from a supervisor and Fiscal Director, and then either call MVM for shuttle pick-up or drive their own vehicles to the dispatch center. The dispatch center was only open during normal State business hours. For users who needed cars before 8:00 am or to return a vehicle after 4:30 pm, they would have to take the vehicles home for the night. Through car sharing, users have noticed an increase in the ease of use through the online reservation website and 24/7 access to the vehicles, plus there is a sense of security and safety since the vehicles are all new and are replaced on an annual basis by the vendor. In addition, each vehicle is equipped with technology to report on usage, such as the mileage driven and time used. This information is provided monthly to CPO and MVM by the vendor for reporting purposes.

A survey sent to State employees, who were identified as the top car sharing users, found a customer satisfaction improvement of 76% over the Dispatch Rental Fleet. Employees highlight the convenience of the location, accessibility with round-the-clock service, and efficiency of the entire process. In addition, employees appreciate the reservation website’s ability to provide real-time vehicle availability. If a vehicle an employee seeks is unavailable, they are able to reserve a vehicle through the traditional rental program offered by the State. Nissan and Volkswagen recently moved production of vehicles to Tennessee of which the State and its employees are very proud. These makes and models of vehicles are the only ones housed on the state lot.

Demonstrable Cost Reduction

Total Cost Savings

Dispatch Rental Fleet Annual Cost	\$1,371,813.00
Replacement Fleet Annual Cost (2013)	<u>-\$788,747.00</u>
Total:	\$583,066.00

Total Cost Avoidance

Avoidance of purchase of 142 vehicles:	\$2,653,920.00
Avoidance of annual maintenance and upkeep:	\$170,400.00
Avoidance of facility repair/environmental remediation:	\$615,000.00
Sale proceeds of dispatch vehicles (as of 5/1/14):	\$1,214,609.24
Sale proceeds of 3 tracts:	<u>+\$4,750,000.00</u>
Total:	\$9,403,929.24

Overall, the originally estimated cost savings increased from 22% savings to realized savings of 43% based on usage in the 5 cities that previously maintained a satellite Dispatch Rental Fleet.

In addition to the cost avoidance and realized savings from the sale of State owned property, the State receives a quarterly rebate based on State, local, and personal usage; the rebate includes usage by the University of Tennessee. The rebate accrues annually. Once the State reaches a combined total spend of \$1,000,000 per year, a rebate is given on 8% of the quarterly total.

Dollar Spend	Rebate Amount
\$1 - 499,999	4%
\$500,000 - 699,999	6%
\$700,000 - 999,999	7%
\$1,000,000 +	8%

The rebate checks received by the State thus far totals \$312,067.36 (January 2012-March 2014).

Conclusion

Once the State recognized the need to make changes to fleet management, research confirmed that replacing the Dispatch Rental Fleet with outsourced car sharing was the most cost effective solution. The State's progressive initiative yielded a cost savings of 43% and a noticeable customer service improvement of 76% with the new program. Other enhancements to the program, such as providing a real-time reservation website, fuel efficient vehicles, and 24/7 roadside assistance, continue to make this program a success for the State of Tennessee.