

# Fleet Outsourcing: An overview of one city's experience

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*Editor's Note: Once the City of Petersburg, Va., made the difficult decision to outsource their fleet maintenance program, an RFP was released in 2011-2012. The evaluation, interviews and negotiations took approximately one year (2012-2013). Now that the transition is complete, the City's Contract Administrator is providing an overview of their experience—pros, cons and lessons learned.*

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The decision to outsource the Fleet Department was a touchy subject for quite some time and raised several concerns, the most notably of which was the future of current Fleet personnel. After some heated debate it was decided that the employees would be given the option to continue working with the City's fleet for the incoming vendor, elect to be reallocated within the City to maintain benefit programs, or elect to retire and begin collecting retirement benefits (all full-time employees were eligible for retirement at the time of transition). The employees were given approximately sixty days to make their decision and ultimately were happy with the change as they were able to transition to other departments with a need for their specialty, hired by the contractor with an increase in salary, or elected to begin retirement. The employees who chose to transfer were provided a list of positions throughout all City departments (all positions based on qualifications) and allowed to choose where they would like to be assigned; no transfers would decrease the pay or benefits of the employees who opted to transfer, and some positions included a salary increase. The employees who opted to accept employment with the vendor continued to perform the same duties as their previous position with the City; part-time employees were able to move to full-time positions with

the contractor and receive an average annual increase of \$10,000 (salary increase based on hourly rate; figure does not include annual increase based on hours worked). Unions were not a factor at the time of outsourcing as employees did not belong to a union.

The transition to an outside contractor, predictably, proved to be a bumpy process. As with any large-scale changes, there was some resistance to the changes made and some specifics of the contract including turnaround times (contractual focus on public safety above all others), the initial assessment of all assets, the reduction of business sent to local merchants, the scale of work now able to be completed in-house, and changes made to the City's methods of requesting routine work.

Bringing in the contractor introduced several major changes, the most important of which was the increased level of service provided to all participating departments. In addition to routine maintenance, every asset is to be assessed thoroughly and repaired accordingly. This led to some unexpected downtime and some major components repairs made based on fluid sample indicators. The contractor is also able to facilitate major component overhauls in-house, greatly reducing the need to send vehicles to outside vendors. While performing the

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repairs in-house saves the City money, the vendors have proven to be highly upset with the change and some are going as far as questioning whether the City's association with the contractor is still supporting local businesses by keeping work local.

Overall, the level of service and care provided to the City's assets has been significantly improved. While the City is only eight months into this contract, the improvements are becoming increasingly apparent. From motor vehicles to equipment, the overall failure rate is falling. With failure rates slowly trending down, downtime is being reduced; but while non-contractual costs have risen during the initial startup, the downtime and cost per asset are now beginning to trend down with projections showing a non-contractual repair cost drop to within the estimated yearly target by

the end of the fiscal year (based on initial assessment repairs against return repairs). The contractor utilizes the City's fleet shop which seems to have alleviated some of the issues of this process. The greatest improvement is the contractor's ability to bring in specialists from other locations within the company. The contractor brings in employees to assist in specialty work (i.e., emergency vehicles and apparatus) which helps keep costs low and expedites the diagnostic and repair.

Looking back, I would recommend one change to assist in planning and the initial inspection period. Digital service records should be made available for review to each prospective bidder upon request; this would have helped the contractor to more accurately estimate the duration of the inspection period, provided an idea of end-of-life vehicles

to be replaced or overhauled, and made it easier to estimate annual non-target expenses.

Unfortunately, I am unsure of the City Council's involvement in the process, but due to the nature and scale of this project they would have been indirectly involved at a minimum. The City Manager was directly involved with the process and would have provided this information during the monthly Council Meetings which is a public event. All information regarding outsourcing was available on the City website, but I am not aware of any formal announcement made.

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