Open Work Session
Enterprise Fleet Management – Potential Contract
August 7, 2018

Mr. Nick Rice, Purchasing Agent, Mr. Eric Armbruster, Account Executive for Enterprise Fleet Management, and Mr. Marc Werner, Government Marketing Manager for Enterprise Fleet Management, came before Council. Mr. Werner said he works out of their St. Louis Office Corporate Headquarters, and his role is to help with Government agencies across the Northeast to support their local offices.

Mr. Rice reported he has been working with these gentlemen from Enterprise for several months now looking into a way of rightsizing their fleet. He said, as Council will see tonight, the County has a very aging fleet, so he thought it was a good idea to look into partnering with Enterprise Fleet Management. He said tonight they would like to give Council a little bit of an overview of what they have been discussing, and get Council's feedback before moving forward. He said, at this time, he will let Mr. Armbruster and Mr. Werner go over their presentation. He said they have given out handouts, and there is a small video clip they want to show at the end of the presentation, and then they will open it up to questions after that.

Mr. Werner said he will start off with who Enterprise Fleet Management is. He said everybody in the room, obviously, has heard of Enterprise Rental Cars, and he is sure at one point in time they have rented a car before, or have seen TV commercials. He said Enterprise sponsors hockey, and the NCAA. He said people probably do not know about their Fleet Management Division because it is strictly for businesses and Government agencies, which is what they are going to focus on talking about tonight. He said he is going to go over the first page of the packet that was handed out, and then he will open it up for questions from there so they can dig into any questions Council may have, or any concerns they may have heard about. He said the first thing they looked at was a subsection of the County's fleet, which is 128 vehicles. He said they did not look at the Sheriff's Department, so they left them out of the analysis for now. He explained, they do have the ability to work with Sheriff vehicles, which is something new they have started to do over the past 24 months, so they can provide Sheriff's Department police vehicles, and they can do typical police utility interceptors with lights, sirens, and everything on it, but, for today, they left that out. He said one of the first things they looked at was the County's current situation, and, as Mr. Rice said, 54 percent of the County's fleet is over ten years old, and everybody knows aged vehicles are not as efficient, have higher fuel costs, and higher maintenance costs. He said they looked at it as if it were Enterprise's fleet, and how they would manage those vehicles. He said that is why he referenced Enterprise Rental Cars because, if anyone has ever rented a car, it has always been a brand new vehicle with low mileage because Enterprise figured out that holding the vehicles for a long period of time was not as cost efficient for them, so they would take that approach to the County's vehicles as well. He said the objective is to lower the age of their fleet, reduce their operational costs, and, in turn, that is going to help them run a more efficient fleet. He said they are going to fund these vehicles through an open-ended lease, and he is going to take a second to talk about that because he knows everybody has heard the word lease, but he does not want them to kick him out of the room yet because the word lease is not negative. He said the open-ended lease has no mileage restrictions, no wear and tear restrictions, and has flexibility. He explained, if they lease the County a $30,000 pickup truck, they write it down to residual, for example, $10,000. He said, after they operate that vehicle for five years, they sell it for $15,000, and the County gets the difference back from what they sold it for to what was on the books, which would be $10,000, so they get $5,000 back. He said that money would come back to the County, so they could use it as a down payment on the next vehicle they are going to replace it with. He said the common theme he always says is the current asset is going to fund their future asset rather than that money having to come out of their capital budget to replace their vehicles. He said now they are starting to cycle their vehicles out at the right time having more equity in their vehicles, and that will start funding the program. He said all of the Counties in the Northeast, and other Government entities are looking at lowering the age of their fleet without spending as much money in capital budget, which is then going to reduce their cost because the more vehicles they bring in, the lower their operational costs are going to be because they will be running a newer fleet. He said, as a result, they looked at doing this over a five to ten-year period because they want to show this being a sustainable model, and there is a $772,000 savings when moving from an average cycle. He said today the County is at a 15-year cycle, which means they hold their vehicles in their fleet for about 15 years, probably passing them from Department to Department, and Enterprise would cycle those vehicles every five years. He showed Council a ten-year plan to show that this is a sustainable model, so they are getting each vehicle twice. He said, in year one alone they looked at what the County's current purchasing model looks like, which would be spending about $210,000 to acquire vehicles, and Enterprise could actually lease the County 43 vehicles with that same dollar amount, and they would save $127,000 in year one. He said, if Council looks at pages 2 and 3, that shows the cost analysis component to it, but he does not want to dive into that tonight because that is getting a little bit too deep, and he wanted to open it up for questions first. He said, if Council has questions about that, he can certainly answer them, but he wants to give Council the opportunity to open up and ask him questions about how the program works, or maybe other Counties that are doing it.

Mr. Werner said there are two case studies they will see in the back of the packet, one from a County in Pennsylvania, and another from a County in New York. He said they are articles written on Enterprise's behalf and sent to them. He clarified, it is not something Enterprise wrote, but these Counties wrote them for Enterprise. He said the one thing everybody here in the room knows is there are constituents in other Counties and municipalities, and everybody likes to share their ideas of what is working and best practices, and that is what is going on with those pieces. He said he is going to show a video later of another example of a County coming on board with Enterprise, and why they decided to do it.

Mr. John Hall asked if they plan on cycling the vehicles in, or will they all come in at one time, to which Mr. Werner responded, that is a great question. He explained, they are not going to replace all 128 vehicles on day one because financially and operationally that would not make sense. He said, if he tried to deliver 128 vehicles to the County in three months, they would have problems. Mr. Hall clarified, when Mr. Werner talked about a five-year program, he did not know if that meant they would be going out over five years, to which Mr. Werner responded, that is correct. He said they looked at how they could maximize the County's budget in year one, so, if the County is used to spending $210,000, how many vehicles could Enterprise lease them in year one for that same amount of capital dollars since now he is getting rid of all of the vehicles that are costing the County the most on the maintenance and fuel side. He said, if they do 42 vehicles in year one, which is what he is proposing, he is still not going to deliver 42 vehicles in one month, but would probably do a certain amount each quarter, so operationally it would be a little easier. Mr. Hall asked how many operations they have like this in his region or district, to which Mr. Werner responded, he covers the whole Northeast. He clarified, there are ten offices in the Northeast that he supports, and they work with 150 Government agencies, anywhere from Cities, Towns, Counties, housing authorities, parking authorities, etc., and it is not just Counties they work with. Mr. Hall asked who their biggest competitor is, to which Mr. Werner responded by asking, in regards to what? He clarified, and asked if Mr. Hall means leasing vehicles, or fleet management because those are two different things, to which Mr. Hall responded, they are talking about fleet management. Mr. Werner said their biggest competitor for fleet management is probably Acme because they have a fleet management division, but the one thing they do not have is dedicated accounting. He said the County would have himself, Mr. Armbruster, and a dedicated account manager assigned to their account, and would meet with the County every quarter. He said they would also have a fleet strategy manager, who is based out of Mr. Armbruster's office in the Baltimore area, and would meet with the County as well.

Mr. Kilmer asked how Enterprise gets paid, and what is in it for them. He clarified, asking if they get paid up front, or if they get a cut of the savings, to which Mr. Werner responded, their true profit is in their management fee. He explained, there is a management fee on a monthly basis per vehicle leased, which is about $25 per month per vehicle. Mr. Joe Holloway asked if their profit is $25 per month per vehicle, to which Mr. Werner responded, yes. He said their goal is not to lease them ten vehicles and never talk to them again, but to lease them whatever makes sense financially and operationally, and, over time, have their whole fleet.

Mr. Kilmer said, obviously, this all sounds good, but they have to look into details. He then asked, if the County wants to do something like this, is Mr. Rice thinking this should be bid out, to which Mr. Rice responded, at the end of the handout, there is actually a sheet of paper showing this has been bid out from a cooperative contract, and it was awarded to Enterprise Fleet Management. He said the agency is called Tips, and he believes it is based out of Texas. Mr. Werner added, it is called the Interlocal Purchasing System, and Kent County used that to satisfy their due diligence needs. Mr. Rice said, in terms of when the County deals with cooperatives and many other things as well, this satisfies the purchasing requirements they have within Wicomico County. Mr. Kilmer again asked, if Council wants to do this, would it be bid out, to which Mr. Rice responded, no, they would not bid it out. He clarified, they would utilize piggybacking off of this contract directly with Enterprise Management. Mr. Kilmer said it is a two-year-old contract, to which Mr. Rice responded, yes, and they are in year three of their renewal, and there are actually two one-year renewal options to that as well.

Mr. Joe Holloway asked, in the agreement, is there anything that locks them into having to replace all of their vehicles with this, or can they choose to do just some of their vehicles, to which Mr. Rice responded, basically, their fleet management is a recommendation, and the final say is done within the County. He explained, if Enterprise recommends the County replaces a vehicle, and the County does not replace it, or they recommend the County keep a vehicle and they do not, ultimately, their recommendation would come through the County, and the County will make that decision. Mr. Joe Holloway said the other part of his question is, if the County is in this agreement with Enterprise and they decide they have a vehicle they do not want to lease but purchase outright, are they bound by that agreement to have to lease it, to which Mr. Rice responded, no.

Mr. Joe Holloway said, in regards to maintenance, there is quite a bit more detail in the Brief Book than in the handout. He then asked how the maintenance is handled. He said he sees there are 25 repair locations found locally. He then asked how the County chooses who, what the process is, and whether they have to get bids, or if they just take it to the one they like the best, to which Mr. Armbruster responded, maintenance is very easy. He explained, built into their monthly lease rate is what is called Full Maintenance, which means any maintenance that is done, whether it is just regular preventative or a blown engine or transmission, is fully covered 100 percent, and can be taken to any of their service partners, which, as Council can see, there are several. He said, if there are shops the County prefers to use for whatever reason who are not partners with Enterprise today, Enterprise can add them because it is free for the shop. He said all they do is download a quick link to software that allows Enterprise to pay them directly within 72 hours of the service being done. He said, along with that maintenance being covered, all maintenance data will flow through to the County's individual portal, so Department Heads, County Administrators, or whoever would make sense, have access to see either portions or the entire fleet, and can see all maintenance that has been done from inception of the program to current date on a per vehicle basis broken down by when it was done, and how much it cost. He said their dedicated account team can then use that same maintenance data to make better recommendations about replacement schedules for their existing fleet.

Mr. Kilmer asked how maintenance is done in the County now, and whether it is done by County employees, to which Mr. Rice responded, it is done at the Roads Department as well as some local shops for certain things. He said it is kind of a mix right now. Mr. Kilmer asked if that means there would be less need for County employees to perform maintenance, to which Mr. Rice responded, he has talked with Mr. Dallas Baker, the Director of Public Works, and his response was they have plenty to do with the heavy equipment machinery they work on now. He said he has talked to some of the Department Heads, and the reason they have taken their vehicles for certain repairs or services outside of Roads is because sometimes they are so backed up that something as simple as an oil change or a small repair might take a lot longer than if they were able to go get it done quickly somewhere else. Mr. Armbruster added, he will jump in on that as well, and the full maintenance program is not a requirement on every single vehicle for the County by any stretch. He said a lot of times with Counties that have employees doing maintenance, they will see some Departments outsource their maintenance to the private sector, while other Departments will continue to funnel the maintenance through their County employees, and that is broken down on a per vehicle basis, so it does not even necessarily have to be by Department. He clarified, only the vehicles the County would like to outsource for efficiency sake can be outsourced, and everything else can remain in-house.

Mr. Rice said he guesses it might be a good idea to give Council an overview of what the County does now. He reported, currently, they purchase their vehicles off the State of Maryland's contract. He said the County then pretty much relies on the departments to maintain that vehicle. He said then they come during budget time and recommend if they think it needs to be replaced, and, ultimately, it comes before Council. He said, with the process right now, they really do not have a full fleet management system, which is why Council sees some of these vehicles hanging around a lot longer than they should, and costing the County a lot more than they should. He said having somebody watching over and looking over the fleet, and making recommendations based on analysis they are doing is one of the things that actually excites him about the program itself.

Mr. Werner addressed Mr. Joe Holloway's previous question on who makes the decision on the vehicles, and how many they are able to do per year, and said he wants to take his answer one step further. He said, if Enterprises meets with them and they say they need "X" amount of pickup trucks, for example, a ¾ ton, 8-foot bed truck with a plow, Enterprise will show them what a Ford costs, what a Chevy costs, and what a Ram costs, and show them a side-by-side comparison, and then the County makes the decision on which manufacturer they want to go with. He said Enterprise is providing them with the due diligence to show what the cost is for each one so they can have an educated decision on which one makes the most sense for the County. He said Enterprise's goal is to provide the County with education on what is going to be the lowest cost of ownership when it comes to owning and operating those vehicles.

Mr. Dodd asked, with this maintenance program, who is ultimately going to be responsible for doing the maintenance and repairs to these vehicles, to which Mr. Werner responded, it is the County's responsibility to get the vehicle to the shop. He said they have maintenance reminders that go out, and they will have on-line access to be able to see those reminders. He said Enterprise will send the reminder to a Department Supervisor saying this vehicle needs an oil change, and, if it does not get an oil change in a certain period of time, the reminder will then go to that person's immediate boss, or whoever the County designates that to be. Mr. Dodd asked if the County is still going to be responsible for paying for the oil changes, to which Mr. Werner responded, no. He explained, it is the County's responsibility to get the vehicle to the shop. He said the County is going to pay $33.92 monthly, on average, for the maintenance. He said, if they take the vehicle to the shop and it is an $800 bill, Enterprise pays the $800. Mr. Dodd asked, if there is a blown engine, would Enterprise pay for that, to which Mr. Werner responded, exactly, as long as they have gotten the oil changes done on time. He said, if they have 80,000 miles on the vehicle and they never did an oil change, then Enterprise is probably not going to pay for it. Mr. Dodd said he is having a hard time thinking that $25 a month is going to be profitable to Enterprise if there are a couple of blown engines, to which Mr. Werner responded, it is not, and Mr. Dodd is 100 percent correct. He said, if the County has 100 vehicles with Enterprise and they blew 20 engines, Enterprise will lose. Mr. Dodd asked how many Counties and municipalities in Maryland are doing this with Enterprise now, to which Mr. Werner responded, they have eight entities in the State of Maryland, and he will explain the reason that number is not as substantial as the rest of the Northeast. He explained, twelve months ago, if Enterprise leased the State of Maryland a vehicle, they would still have to pay the taxes on it. He continued, if they went out and paid cash for it, they were tax exempt because they looked at it as Enterprise being the title owner of the vehicle, so they had to pay the taxes on it, which were passed onto the customer. He said they had that changed twelve months ago, and that Legislation actually happened in September, so a little shy of twelve months. He said they are able to show that the Government agency is the end user of the vehicle, so there is no difference whether they pay cash or lease, and now it is an equal playing field, which has helped them gain more momentum in this field. Mr. Rice added, as they mentioned earlier, Kent County, Maryland, is one that just signed on fairly recently. Mr. Dodd asked if that is the only County in Maryland right now because Mr. Werner said eight entities, but he did not say eight Counties, to which Mr. Werner responded, he thinks that is the only County as of right now. He added, there is Prince George County Public Schools, and they met with Dorchester County earlier today who is moving forward with Enterprise, so it is just like anything where nobody wants to be the first person to say yes, and nobody wants to be the last person, so that is where they are right now.

Mr. Rice said, to touch a little bit more on the maintenance program, as mentioned, the full maintenance program is covered in their lease payments. He explained, the way it would work is the end user who is actually using the vehicle would bring the vehicle to one of their stations locally. He said they have a card, which is kind of like a credit card, but it is an Enterprise card that indicates the vehicle is part of the program. He said his understanding of it is, if it is a small repair, such as an oil change or something like that, they will go ahead and do it. He said, for larger repairs, they actually call in to Enterprise and deal directly with Enterprise's team to make sure what they are having done is cost efficient and they are not just doing repairs that are not needed. Mr. Werner added, that is called their National Service Department, and the reason they do that is because, from an efficiency standpoint, they want to make sure their car gets in and out in a timely manner, whether it is a $3,000 repair, or a $20 oil change because the bill still comes to Enterprise on the full maintenance plan. He said they are just looking at it from an efficiency standpoint to make sure the right stuff is done at the right time. Also, if their vehicle is in at 30,000 miles to get an oil change, they are going to recommend they do all the services that need to be done at that time so they do not have to bring the vehicle back in 2,000 miles. Mr. Armbruster added, the call would only come to the County if it is one of the County's existing fleet today. He said with any vehicles acquired through Enterprise, all maintenance is built in 100 percent, so no call is needed, and there is no ceiling. He said whatever repairs need to get done will get done without having to ask for authorization. He said they will just get those repairs done, even if it is not profitable for Enterprise.

Mr. Joe Holloway said, when Enterprise brings in vehicles to replace some of the vehicles the County has, he supposes the County is responsible for the disposal of the vehicle they already have, to which Mr. Armbruster responded, no. He clarified, Enterprise can sell both Enterprise leased vehicles, and the County's existing fleet as well, and in Maryland they are very efficient at selling vehicles. He said they average about $1,000 more than the Black Book, which is an auction pricing standard that is similar to the Kelly Blue Book, and they are number six in their company out of 700 remarketing teams. Mr. Rice said, currently the County either sells them on an auction website called GovDeals, or they bring them to a local auctioneer, and this is another benefit of the program. He said the reach the County would have by selling a surplus vehicle through Enterprise versus in-house is definitely going to reach more individuals, and get a better return on their sale. Mr. Armbruster added, that return is extrapolated a little further because, if this replacement schedule starts to happen, they are going to be selling vehicles that are, obviously, much younger with lower miles, so that number is just going to be far greater. He said any Government entity is uniquely positioned because their buy is so competitive on the front end, and the depreciation over the first couple of years sometimes leaves them in a positive position right away, and Enterprise has that same luxury as Enterprise Rental Car. He said their volume is just so great that they can buy vehicles for less than sometimes they are able to replace them, and the Government is the same way. He said, fortunately, they are able to replace those vehicles for the County much more frequently, and the depreciation expense to the County is minimal, and, obviously, their operating expenses drop significantly between fuel and maintenance.

Mr. Cannon asked, with the open-ended lease and the residual balance of the value, can that be applied towards the purchase of the vehicle, or would that money also be able to be applied to the next lease, to which Mr. Werner responded, at the end of the lease, whatever money as a proceed comes back to the County can be used any way they want, so it can be given back as a check, or as a down payment on the next vehicle to reduce their acquisition cost. He said it is their money, and they can use it however they want, but most people will use it as a down payment to lower their next vehicle cost.

Mr. Joe Holloway said Mr. Rice mentioned that the County buys their vehicles now on the State contract. He said a few years ago the County bought a new pickup truck, and he obtained the paperwork on it. He said it came from a State contract, and the vehicle came from a dealership in Delaware. He said he took that quote and went around to a couple of the dealerships in town, and got a better price in Pittsville. He then asked, comparing the price of a vehicle the County may get from Enterprise, how would that compare to the County going to a lot and buying a vehicle, to which Mr. Werner responded, when Enterprise orders vehicles, they go directly to the manufacturer. He clarified, they will go directly to Ford, Chevy, Chrysler, or whoever the County wants to use, and because they are ordering the vehicle to the exact spec the County wants and needs, nine times out of ten they are going to come in lower than what they would get at their local dealer because there is no profit that Enterprise makes on buying vehicles on the County's behalf. He said it is simply the invoice cost minus whatever the Government incentives the County qualifies for when they acquire the vehicle. Mr. Joe Holloway asked if Mr. Werner is saying the County will be getting the vehicle at factory cost, to which Mr. Werner responded, that is correct. Mr. Werner clarified, unless the County tells him they need a vehicle in two weeks, in which case they would go to find a vehicle on a dealer's lot and acquire it that way. He said, if they are able to look at this from a proactive standpoint, once again, he is not going to deliver them 42 vehicles in two weeks, but would phase those in over the next six months, and they are going to get them from the factory at the lowest cost possible. He said that is one of the advantages of partnering with Enterprise in that they have the ability to go directly to the manufacturers, and they will sit down with each one of the Department Heads and ask what vehicle they need for the job title they are doing. He said, for example, maybe they do not need a ¾ ton truck because they are not going to have it for 14 years, but maybe they need a ½ ton truck, and that way they are reducing how much they are going to pay for buying that vehicle, it will reduce the maintenance costs because it is a smaller vehicle, and it will reduce their fuel cost because it is a smaller vehicle, and they call that right typing their fleet. He said that is one of the things they would look to do because the County is going to have a younger fleet, so they are going to be able to use it for what they need it for. Mr. Rice added, one of the things to point out is, when they purchase off the State of Maryland contract, they are bound to who the State of Maryland selects for that contract, to which Mr. Joe Holloway responded, he understands that. Mr. Rice continued, as well as being bound to what they spec out, so the County does not have the luxury to say they really need a certain vehicle if it was not already bid out that way through the State of Maryland. He said the ability to be able to go directly through the manufacturer and spec out what they need for the job that the vehicle is being used for is definitely a benefit.

Mr. Cannon said, from what he can see, it appears most of the savings are gained through reduction in maintenance and fuel expenses. He said, if the County was to purchase new vehicles instead of leasing, they would also be saving through reduced maintenance costs and gas costs, to which Mr. Rice responded, as he said, in terms of what they are able to allocate in the budget, they are replacing seven vehicles on average per year versus 40 vehicles for that same amount by doing the open-ended lease structure. Mr. Werner added, the County has bought 8.4 vehicles per year on average over the past five years, and their average cost per vehicle is $25,052.50, which he based off of the 17 vehicles the County bought in Fiscal Year 2018, and that is how he came up with a purchase budget of $210,441. He said, if the County went out and tried to buy 42 vehicles at an average cost of $25,000, their purchase budget would be $5 million dollars. Mr. Joe Holloway asked if they took into account that some of these vehicles the County bought were specialized vehicles that would not be done on a lease. He clarified, they are not going to lease dump trucks, to which Mr. Rice responded, that is not included in this analysis. Mr. Joe Holloway then asked if they used that in their total amount of vehicles the County bought, to which Mr. Rice responded, no. He said they did not include the Sheriff's Office or any heavy operating equipment, to which Mr. Armbruster added, neither in maintenance or fuel expenses. Mr. Dodd asked if the 128 vehicles referenced are all either sedans or pickup trucks, to which Mr. Rice responded, yes. Mr. Dodd asked if that includes the Sheriff's Office, to which Mr. Rice responded, that does not include the Sheriff's Office. Mr. Dodd asked if it includes Corrections, to which Mr. Rice responded, yes, it includes Corrections. He said the only Department that is not involved is the Sheriff's Office, and that was a choice he made based on seeing if this program worked, and, if it is something that works, they can certainly look into that. He said, as was mentioned earlier, Enterprise just started doing police vehicles to bring them on, but, obviously, they are a little more specialized in what their uses are versus their average sedan or fleet vehicle.

Mr. Werner said the main goal through partnering with Enterprise is to have a professional fleet management company. He said, prior to the meeting when he first walked in, Mr. Joe Holloway said Enterprise buys more vehicles than anybody else in the Country. He said that means they sell more vehicles than anybody else does in the Country, so they are really good at it, and that is where Enterprise as a company makes their money. He said they do not make a large profit off of renting vehicles, but, when it comes to maintenance and fuel combined with selling their vehicles at the right time, it all sort of filters together.

Mr. Joe Holloway asked if these vehicles come equipped with GPS tracking devices, to which Mr. Werner responded, they can, but that is not included. Mr. Joe Holloway asked Mr. Rice if the County does that with some of the County vehicles, to which Mr. Rice responded, that is correct.

Mr. Cannon asked if this would be a sole source vendor, to which Mr. Rice responded, it is not a sole source, but a cooperative contract where it was bid out for anyone to bid on, and Enterprise was awarded that contract. Mr. Cannon asked if that was through Tips, to which Mr. Rice responded, that is correct. Mr. Rice said he would like to touch on something Mr. Cannon said earlier when he said the County would have the same type of savings if they went out and just bought 42 vehicles versus leasing, and that is where the fleet management side comes in. He explained, yes, the County could, technically, budget $1 million dollars and buy 42 vehicles, but they would still be relying on the Departments to maintain and manage that, and the County does not have a process in place now. He said they would be depending on the departments to recommend when something needs to be replaced, or holding onto it and not recommending that it needs to be replaced.

Mr. Joe Holloway said it was mentioned earlier that Enterprise has eight Government accounts in Maryland so far. He then asked if they have any private businesses they contract with, to which Mr. Armbruster responded, yes. Mr. Joe Holloway then asked if they are large companies, to which Mr. Armbruster responded, yes. He said, typically, they work with fleets anywhere from about 500 vehicles down to even just 20 vehicles, although they do have fleets larger than that as well. Mr. Werner added, the Government industry is unique versus a mechanical contractor or an HVAC company because they buy their vehicles so low that they can replace them a lot sooner than most people. He said they also do not put 20-30,000 miles on an average vehicle, whereas an HVAC or mechanical contractor does, so it is a little unique. He said what hurts Government agencies is not the mileage they put on their vehicles per year, but the length of time they hold the vehicle, and that is what makes their maintenance cost increase year after year because they are old and running less efficient.

Mr. Cannon asked Mrs. Hurley where they need to go from here as this is a Work Session, to which Mrs. Hurley responded, if she is not mistaken, there is some capital funding in the FY19 budget. She then asked Mr. Rice how that plays into this contract, to which Mr. Rice responded, they looked at the amount of funding that has been budgeted for each department, so he guesses the next step would be to go through Enterprise and get an agreement drawn up for this, and he assumes they would then need to come back before Council to move that funding from each department. He said he does not necessarily know how they would do that, and whether they would put it into one capital account, to which Mrs. Hurley responded, she would have to work with Mr. Strausburg on that. Mr. Rice said he guesses the next step would be for him to sit down with Enterprise and actually draft up an agreement, and then come back before Council to go through that agreement and possibly get it approved. Mr. Werner added, he would look at duplicating the agreement they did with Kent County. He said there are certain things Kent County asked to be changed, so he would just start with that for Wicomico County to review since it has already been vetted once, and, if there is anything else the County wants to talk about, they can go from there. He said there is a standard lease agreement the County would sign, and all that is doing is stating that Wicomico County agrees to do business with Enterprise Fleet Management, Inc. as their servicer and provider for fleet management services. He said that does not guarantee the County will do business with Enterprise for a certain period of time, and it does not guarantee they are going to lease any certain amount of vehicles, but it is just a contract for servicing the County's account, to which Mr. Joe Holloway responded, he feels better that way. He said he thinks it is worth looking at, and trying it for a few. He then asked Mr. Rice how many vehicles he is looking at, to which Mr. Rice responded, based on their analysis, they were looking at 42 vehicles up front. Mr. Joe

Holloway asked if they have enough budgeted for that, to which Mr. Rice responded, yes, they absolutely do.

Mr. Kilmer asked what happens if after two years the County just wants to end the program, to which Mr. Werner responded, there are three options. He explained, the first option would be for the County to buy out the vehicles for whatever the remaining balance is, just like they would in a traditional financing situation. He said the second option is the County would not lease any other vehicles and continue to make payments on those vehicles, and the third option is the County would have Enterprise sell all of the vehicles they have on lease, and they would get a check for whatever they make money on, or true up any vehicles they would not make money on, which probably is not going to happen because of the low mileage and the incentives the County will get. He said it is pretty cut and dry, and that is why, when they sign a contract, they are not agreeing to any term on the contract or the amount of vehicles they are going to lease with Enterprise, and they do that because they need to earn their business every single quarter. He said, as he mentioned before, the County would have an account management team assigned to their account who would meet with them every single quarter to show them what they are doing with the vehicles they have leased with Enterprise, and give them industry updates as far as vehicles that are selling for more than expected, and which ones are selling for less, so the County can take advantage of that. He said a gentleman named Joe, who Mr. Armbruster referred to, is a fleet strategy manager, and he always refers to him as a stockbroker for vehicles because he is looking at the vehicle trends in the industry, and bringing his recommendations to his clients so they can make a decision.

Mr. Joe Holloway asked Mr. Rice if he feels the County needs 42 new vehicles now, to which Mr. Rice responded, yes, absolutely. He said he could just bring in some Department Heads who are pushing vehicles down the street every once in a while, and they will say please. Mr. Joe Holloway said, as Councilmembers, a lot of times they are given a hard time about people seeing all these new vehicles running around, to which Mr. Rice responded, the reality of that is the County would actually be saving money in the maintenance of those vehicles. He said they are happy the County is driving older vehicles, but mad that the County is spending so much money to maintain those older vehicles. Mr. Joe Holloway said every year when they get to budget sessions, Council is always twisting their hands on which departments are going to get a vehicle and which are not, to which Mr. Rice responded, that is why his response to him when he asked if the County needs 42 vehicles was absolutely. Mr. Werner said one of the things other Counties and Government entities have done to help that issue of public perception is to release an article in the newspaper stating what they are doing, and showing what the projected cost savings will be on a five-year replacement plan, so now when people start seeing those new vehicles, there is a reason behind it. He said they have a video to show of a County in California when Enterprise presented at their board meeting and what their reaction was. Mr. Cannon asked how long the video is, to which Mr. Werner responded, it is about five minutes. Mrs. Hurley asked Mr. Rice if he can email it to them, to which Mr. Rice responded, he will email the link to Council. Mr. Rice said he will put something together and come back before Council. There was no further discussion.

Signatures on next page

Open Work Session
Enterprise Fleet Management – Potential Contract
August 7, 2018

John T. Cannon, President

Larry W. Dodd, Vice President, District 3

Ernest F. Davis, District 1

Marc Kilmer, District 2

John B. Hall, District 4

Joe Holloway, District 5

Matt Holloway, At-Large

Laura Hurley, Council Administrator