



August 3, 2017

Ms. Kristie Riester  
Special Projects Administrator  
City Manager's Office  
City of Maricopa  
39700 West Civic Center Plaza  
Maricopa, Arizona 85138

Dear Ms. Riester:

Pursuant to our recent discussions, Mercury Associates, Inc. is pleased to submit this proposal to conduct a fleet management diagnostic assessment for the City of Maricopa.

## **OUR UNDERSTANDING OF THE SITUATION**

Maricopa is a rapidly growing city about 35 miles south of Phoenix that operates a fleet of approximately 300 vehicles and pieces of equipment. The management of the fleet is currently decentralized and the maintenance and repair (M&R) of the assets comprising it are outsourced to local vendors. Individual City departments such as Fire, Police, and Public Works tend to procure M&R services independently of one another, which obviously impairs the City's ability to standardize service levels and decision making and record keeping practices, and to leverage economies of scale in the performance of fleet-related management and administration activities and the purchase of goods and services.

The City recognizes that its fleet management practices need to be improved to keep pace with the growing size, complexity, and mission criticality of its fleet. This is not uncommon in both large (e.g., Phoenix) and small (e.g., Oak Brook, IL) municipalities that have retained Mercury to identify, prioritize, and facilitate the implementation of needed improvements to these practices. As is the case with Maricopa, the operation of a fleet is critical to such jurisdictions' ability to serve their residents and visitors, but fleet management is nevertheless not a core competency for the simple reason that the operation of the fleet is a means to an end, not an in itself.

Even in transportation companies in which the operation of a fleet *is* the primary activity of the enterprise, improvements often are needed due to the fact that fleet management is an inherently complex set of activities that cuts across many business disciplines. Attached to this proposal is a list of fleet management activities that we normally examine as part of a fleet management "best practices" study. As can be seen, the list encompasses policies and processes that touch directly or indirectly not just on fleet asset management (acquisition, maintenance and repair, replacement, disposal, etc.), but on human resources management, supply chain management, materials management, facility management, cost and financial management, information management, risk

management, sustainability management, and customer (fleet user organization) relationship management.

As if mastering these challenges were not enough to preoccupy both large and small fleet owners, fleet management challenges are increasing in complexity around the world as organizations are forced to come to grips with an array of industry phenomena and developments, including:

- The retirement of a generation of “old school” fleet management professionals who more often than not started their careers on the shop floor and thus understand, intuitively, both automotive technology and the day-to-day realities of dealing with mechanics, parts, vendors, drivers, and others to keep a fleet of safe, reliable vehicles on the road day in and day out;
- The rise of a new generation of fleet managers who are comfortable working with MS *Excel* and know what the letters “KPI” stand for, but often have little or no mechanical expertise or wrench-turning experience;
- A declining number of individuals entering the mechanical trades and a shrinking pool of qualified (or “qualifiable”) maintenance technicians (a trend and challenge to which vehicle dealerships and commercial repair shop operators are not immune, by the way);
- Advances in automotive technology, mostly aimed at reducing greenhouse gas emissions and increasing sustainability, that make it more difficult and costly to fuel and maintain a fleet;
- Advances in information technology, including vehicle telematics and the whole “big data” phenomenon, which are pressuring fleet owners to develop and apply data analysis and data-driven management decision making and reporting practices to the realm of fleet management, along with every other area of organizational endeavor.

In light of these challenges, the City of Maricopa is seeking to engage a qualified fleet management consultant to conduct a high-level assessment of its current fleet management practices and associated resource (personnel, information systems, facility etc.) requirements, to identify and prioritize needed improvements, and where, appropriate, to assist the City in their implementation. Mercury Associates, Inc. possesses such qualifications in abundance.

## **ABOUT MERCURY ASSOCIATES, INC.**

Mercury Associates, Inc. is a Maryland corporation, formed in 2002, with offices in Rockville, MD (headquarters) and Houston, TX. We are an employee-owned fleet management consulting firm that assists organizations in improving the management and operation of their vehicle and equipment fleets. The firm’s two owners possess more than 50 years of professional fleet management and fleet management consulting experience.



Mercury's staff consists of approximately 30 full and part-time employees (including the owners), many of whom were professional fleet managers, full-time fleet management consultants, or both, prior to joining the firm. An organization chart for the company can be provided upon request.

Our consulting staff's combination of hands-on fleet management experience and unparalleled fleet management consulting work with hundreds of public and private-sector fleet owners, both large and small, has given Mercury a deep understanding of the challenges of managing and operating a fleet in a city like Maricopa. Almost half of our employees are former professional fleet managers for entities such as Denver RTD; Gulfstream Marine; the states of Georgia, Michigan, and Utah; Suncoast Transit (Saint Petersburg, FL); the cities of Houston, TX; Vail, CO; and Sandy, UT; the counties of Jefferson, CO; Montgomery, MD; Pinellas, FL; Santa Clara, CA; and Sarasota, FL; Fordham University and the University of Maryland; and the US State Department, US Army, US Navy, and NASA.

Mercury's consulting services touch on virtually every facet of fleet management and operation, ranging from broad-based assessments of fleet management organizational structures, staffing levels, facilities and equipment, and business practices, to tightly focused analyses of a single issue or opportunity such as "Can we reduce the size of our fleet?" "Should we replace our fleet management information system?" "How can we reduce our maintenance and repair expenditures?" or "Should we lease or buy vehicles?" We also provide many different types of implementation and management support services to fleet owners such as information system requirements definition, selection, and implementation; development of RFPs for the purchase of vehicles and equipment, maintenance and repair parts, fuel, and third-party fuel and parts management and fleet maintenance and repair services; business process redesign; cost charge-back rate development; policy and procedure development; management training; and executive recruiting.

Mercury's principals and employees have worked with a wide array of public and private-sector organizations around the world – primarily in the United States and Canada and primarily with governmental jurisdictions – with fleets ranging in size from fewer than 10 to more than 200,000 vehicles and pieces of equipment. For the US federal government, we have provided services to the Army, Navy, Air Force, and Marine Corps; 13 of the 16 executive branch departments (Defense, Energy, Homeland Security, Interior, Transportation, State, etc.); and the General Services Administration, NASA, the US Postal Service, and the Smithsonian Institution. Our professionals have worked with one or more agencies in 33 state governments in the US and 4 provinces and territories in Canada, 33 of the 50 largest cities in the US; and more than 40 colleges and universities.

The following is a representative list of small and mid-size municipalities (with fleet sizes in the range of 200-1,000 vehicles and pieces of equipment) with whom we have worked:

- Annapolis, MD
- Asheville, NC
- Brownsville, TX
- Corpus Christi, TX
- Encinitas, CA
- Exeter, NH
- Fayetteville, NC
- Fresno, CA
- Guelph, ON
- Greenville, SC
- Harrisonburg, VA
- Hillsboro, OR
- Hamilton, NJ
- Huntington Beach, CA
- Hyattsville, MD
- Jamestown, NY
- Longmeadow, MA
- Medicine Hat, AB
- Montgomery, AL
- Mount Prospect, IL
- Mountain Brook, AL
- Olympia, WA
- Palo Alto, CA
- Palm Springs, CA
- Port Moody, BC
- Pullman, WA
- Provo, UT
- Saint John, NB
- Tacoma, WA
- Vancouver, WA
- Waterford, CT
- Wilmington, DE

Larger cities with whom we have worked recently include Austin, Baltimore, Boston, Edmonton, AB, Fort Worth, Oakland, CA, Philadelphia, Phoenix, Richmond, VA, Sacramento, San Antonio, San Francisco, Saint Louis, Toronto, Vancouver, BC, and Washington, DC

In the private sector, Mercury has provided consulting services to a diverse mix of large and small companies. Recent corporate/commercial clients include 3M, Air Products, Bell Canada, Brinks, British Columbia Hydro, Carolinas HealthCare System, Cox Enterprises, Cudd Energy Services, EPCOR, Gulf Stream Marine, Honeywell, Horizon Utilities, Intel, ITS, Inc., Joerns-Recover Care, Johnson & Johnson, Lancaster Foods, Pfizer, Republic Industries, Quanta Services, and Schindler Elevator.

## **PROPOSED WORK PLAN**

### **Task 1: Collect and Review Background Information**

After receiving official authorization to proceed (e.g., a purchase order or an executed professional services agreement) we will provide the City with a brief written information request aimed at assembling information that will allow us to familiarize ourselves with current fleet conditions (e.g., fleet size, composition, age, utilization, etc.) and



management and operating practices. The information requested will include a fleet inventory (in Microsoft *Excel*/spreadsheet format) containing specific pieces of information on each asset in the fleet; budget and actual cost information, by activity or category (e.g., parts, fuel, etc.) for the fleet; and any written policy and procedure statements, and sample directives, forms, purchase specifications, invoices, management reports, and/or other materials that indicate how the fleet is managed and operated. We will review any information the City can provide prior to making an on-site visit to Maricopa. Given the current decentralized state of fleet management practices in the City, we recognize that some, perhaps much, of the information we request may not be available.

## **Task 2: Conduct On-Site Business Process Review and Evaluation**

We will make a two to three-day visit to Maricopa, during which time we will conduct an assessment of the City's fleet management practices and associated process improvement and cost reduction opportunities, with particular emphasis on questions about the organization and staffing of fleet management functions, the cost effectiveness of current vehicle maintenance and repair outsourcing practices, and the merits of instituting an in-house fleet maintenance and repair program. This will be an assessment of current conditions, policies, procedures, and practices that draws on our many years of experience managing and evaluating fleet operations across an broad array of local (city and county) government jurisdictions, and focuses on determining the existence and magnitude of such opportunities through the use of readily available information and targeted interviews and discussions.

Our on-site activities will include the following:

1. Conducting interviews of senior City officials and individual departmental (police, fire, public works, parks, etc.) representatives involved directly or indirectly in fleet management activities. The objectives of these interviews will be to develop an understanding of fleet-related goals, objectives, and concerns, and the scope and technical rigor/soundness of current fleet management and operating policies, formally defined procedures, and actual practices.
2. Conducting one or more focus group sessions with a cross section of vehicle operators aimed at developing an understanding of current levels of satisfaction with fleet assets, including vehicle and equipment availability, suitability (to operating/business needs), age and condition, and safety; and with current fleet management (vehicle acquisition, maintenance and repair, fueling, replacement, etc.) practices.
3. Providing preliminary observations in a debriefing meeting at the end of the visit regarding fleet management-related strengths, opportunities for improvement, and risks.

We will rely on the City to schedule meetings with officials and employees that they deem appropriate, based on our guidance as to what we need to accomplish during the site visit.

The broad functional areas of fleet management that we will review include the following:

- Vehicle allocation and utilization management
- Vehicle acquisition and disposal
- Vehicle maintenance and repair
- Vehicle fueling
- Vehicle replacement
- Fleet safety management
- Fleet information management / systems
- Fleet cost control and financial management

### **Task 3: Present Findings, Conclusions, and Recommendations**

We will present our initial findings, conclusions, and recommendations in an informal management debriefing at the end of the on-site visit. We will follow this up with a formal written report, which we will submit in draft form, approximately three weeks later. We will make revisions to the report, if necessary, based on written feedback received.

At the City's option, we will assist in implementing needed fleet management business process changes. Such assistance would only be offered if requested by the City, and would be provided pursuant to a mutually agreed-to scope of services and budget.

### **PROJECT TEAM**

I will serve as the lead consultant for this assignment and will be assisted by Marc Canton, one of our senior consultants. Brief biographical sketches follow:

**Paul Lauria** is the president of Mercury Associates, Inc. During his consulting career of more than 30 years, he has worked with a wide array of organizations in the public and private sectors touching on virtually every facet of fleet management and operation. He has conducted presentations and workshops on fleet management best practices throughout the United States and in 20 other countries around the world; directed research studies for entities such as the NAFA Foundation, the RAND Corporation, and the Transportation Research Board; and served as an expert witness on more than a dozen class-action lawsuits and arbitrations in federal and state courts.



Prior to co-founding Mercury Associates, he was Vice President and Director of Fleet Management Consulting Services for Maximus, Inc.; a Senior Manager in the National Transportation Consulting Group of Ernst & Young; and a transportation planning analyst with the North Carolina Department of Transportation and Durham (NC) Transit. Mr. Lauria's particular areas of expertise include business process mapping, evaluation, and reengineering; strategic business planning; fleet rightsizing and optimization; activity-based costing and cost charge-back system design; vehicle life cycle cost determination and replacement cycle optimization; and fleet replacement planning and evaluation of alternative capital financing approaches.

**Marc Canton** is a Senior Consultant with Mercury with 20 years of experience in transportation and fleet management. The newest member of Mercury's consulting staff, he has worked extensively in university transportation, logistics, and fleet management, and has particular expertise in the management of outsourced fleet maintenance and repair programs for diverse fleets of vehicles and equipment. His experience also includes information technology and software implementation, the development of driver/staff training modules and curricula, fleet management business process reengineering and policy and procedure development, and strategic planning. Mr. Canton is National Safety Council certified defensive driving instructor, and holds an MBA in Market Management and post-MBA certificates in Advanced Analytics and Executive Leadership from Fordham University.

## PROPOSED FEES

Our proposed fees for this project are \$14,192, *including* travel and any other out-of-pocket expenses. This fee amount is based on the distribution of hours and fees by team member and project task shown in the table below. There is no charge for travel time.

Task	Description	Lauria		Canton		Total	
		Hours	Fees	Hours	Fees	Hours	Fees
1	Collect and Review Information	4	\$ 864	8	\$ 1,120	12	\$ 1,984
2	Conduct Site Visit	20	\$ 4,320	20	\$ 2,800	40	\$ 7,120
3	Prepare Report of Findings and Recommendations	8	\$ 1,728	24	\$ 3,360	32	\$ 5,088
<b>Total</b>		<b>32</b>	<b>\$ 6,912</b>	<b>52</b>	<b>\$ 7,280</b>	<b>84</b>	<b>\$ 14,192</b>

We realize that this is not an insignificant amount of money for a relatively small city to spend on a fleet management consulting project, but are confident that our review will identify cost savings opportunities far in excess of our fees. We estimate that the total cost of ownership of the City's fleet exceeds \$3.5 million per year, so our proposed fees are well under one percent of one year's annual expenditures.

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Please direct all communications regarding this proposal to me at 301 519 0535, extension 1021 or at [plauria@mercury-assoc.com](mailto:plauria@mercury-assoc.com). We appreciate being given the opportunity to offer our services to the City of Maricopa and look forward to hearing from you.

Very truly yours,

A handwritten signature in dark ink that reads "Paul T. Lauria". The signature is written in a cursive, flowing style.

Paul T. Lauria  
President

Attachment: Comprehensive List of Fleet Management Activities



# **LIST OF BUSINESS ACTIVITIES NORMALLY INCLUDED IN A FLEET MANAGEMENT BEST PRACTICES REVIEW**

## **Asset Allocation and Utilization Management**

1. Asset requirements definition
2. Acquisition alternatives analysis (e.g., rent v. own) and decision making
3. Autonomous vehicle application
4. Asset utilization measurement and exception management

## **Asset Acquisition and Disposal**

5. Purchase specifications development, bid solicitation, and asset/supplier selection
6. Purchase/lease/rental contract establishment and management
7. Asset commissioning (including upfitting)
8. Asset decommissioning and remarketing/disposal

## **Driver/Operator Management**

9. Operator qualifications and licensing management (MVR checks, substance abuse testing, etc.)
10. Operator training and discipline
11. Efficient vehicle operation and use management
12. Vehicle safety management
13. Accident management

## **In-House Asset Maintenance and Repair**

14. Pre-/post-trip inspection and defect reporting
15. Preventive maintenance program design and execution
16. Work planning and scheduling
17. Service writing and job assignment
18. Technician supervision and work quality assurance
19. Technician productivity and efficiency management (e.g., use of SRTs)
20. After-hours service delivery
21. Mobile service truck operation
22. Roadside assistance and asset recovery service delivery

23. Warranty, recall, and campaign management

#### **In-House Maintenance and Repair Parts Management**

24. Insourcing versus outsourcing determination

25. Supplier selection, contract establishment, and performance management

26. Inventory and ad hoc parts procurement

27. Parts requisitioning and disbursement

28. Inventory management and control

#### **Outsourced Maintenance and Repair Management**

29. Insourcing versus outsourcing determination

30. Contractor/vendor selection, contract establishment, and performance management

31. Service requisition and authorization and transaction administration

#### **Fleet Fueling**

32. Supplier selection and contract establishment

33. Bulk fuel procurement

34. Bulk fuel inventory management and control

35. Fueling facility operation and maintenance

36. Commercial fuel transaction/credit card program management

37. Fleet sustainability management (including alternative fuel delivery infrastructure)

#### **Fleet Management Resources Management**

38. Organization structure and staffing

39. Employee classification and compensation

40. Employee training and professional development

41. Maintenance and fueling facility location, design, construction, and utilization management

42. Facility housekeeping, maintenance, and regulatory compliance

43. Safety management

#### **Fleet Management Information Management**

44. Management information system functionality, configuration, deployment, and maintenance

- 45. Data capture and integrity and security management
- 46. Management reporting, including performance measurement and benchmarking
- 47. Ad hoc management analysis
- 48. Performance

#### **Fleet Cost and Financial Management**

- 49. Budgeting
- 50. Activity-based cost determination/charge-back rate development
- 51. Cost allocation/charge-back system management
- 52. Cost and expenditure analysis and control

#### **Fleet Service Delivery Management**

- 53. Transaction-based communication
- 54. Operator/customer agency satisfaction measurement
- 55. Customer agency relationship management