

## Report on Department Fleet/Mileage

**Department:** Arkansas Department of Agriculture

**Secretary:** Wesley W. Ward

The purpose of this report is to prompt an analysis of fleet management and mileage reimbursement within each Department and assist in the formulation of a report to the Governor on how to achieve greater efficiency and cost savings in this area. **The report template includes sections for three projects for your convenience. This number is not a goal or target. You may add or delete boxes for as many projects as you submit.**

### **ACTION PLAN FOR PROJECT 1:**

#### **1. Vehicle Replacement and Preventative Maintenance Schedule**

##### **1.1. Brief description of project, goal, and action plan.**

Background: The Department's total fleet consists of 821 vehicles as follows:

- 296 passenger vehicles
- 116 heavy duty trucks
- 109 crawler tractors (dozers)
- 143 ATVs/UTVs
- 142 trailers
- 15 airplanes
- 3 boats

The Department spent \$1.76 million on maintenance and operation of the fleet in FY19 from the following revenue sources:

- Federal: \$11,000
- Special: \$654,000
- General: \$1,095,000

In FY19, the Department spent \$1.9 million for vehicles, heavy equipment, and airplanes purchases from the following revenue sources:

- Federal: \$412,011
- Special: \$495,478
- General: \$0
- Forestry Trust Fund: \$1,007,459

With the reduction in general improvement funds in 2015 to replace vehicles from the Department's prioritized list, a plan to replace vehicles using existing funds was not developed, which led to an increase in the number of vehicles with mileage over 150,000. Of the Department's 296 passenger vehicles, 42 have more than 150,000 miles, with 8 exceeding 200,000 miles. Thirty-five additional vehicles have more than 125,000 miles. In total, 26 percent of our fleet exceeds 125,000 miles.

Our maintenance budget showed an overall decrease from FY18 to FY19 but certain segments increased. Aviation maintenance increased by \$43,000 or 21% in FY19 compared to FY18. Vehicle maintenance increased by \$25,000, and equipment maintenance increased by \$3,000 in FY19. Overall tire cost increased by \$39,000 in FY19, and fuel cost increased by \$11,000. These increases total \$120,733.

The rising maintenance cost can be attributed to the increased mileage of the fleet, and the maintenance cost is expected to continue increasing as the number of vehicles with 150,000 miles or more increases. Our analysis also shows that a mileage of 150,000 is where the cost of repair may begin to outweigh the replacement cost of the vehicle.

Eleven of the 109 crawler tractors (dozers) used in fire suppression are more than 20 years old, and 48 have more than 15 years of use. The Department's Forestry Division has been replacing approximately 4-5 crawler tractors annually over the past 4 years, upgrading to models with environmental cabs for safety purposes. Crawler tractors are purchased with funding from the Forestry Trust Fund.

Historically only partial mileage and maintenance date for emergency response vehicles have been tracked in SAVA.

The Department has reduced the amount of personal vehicle mileage reimbursement by more than 37% in the last four years for a cost savings of \$50,136. Personal vehicle mileage decreased from 226,713 miles in 2015 to 85,531 miles in FY2019.

Action Plan: The Department will:

- develop a vehicle replacement schedule to reduce the number of vehicles in the fleet with mileage over 150,000, thereby reducing maintenance expenses while maintaining a reliable and adequate fleet.
- identify possible additional internal special revenue sources available to replace vehicles and equipment as it develops the FY2021 budget.
- standardize the vehicle tracking system so uniform data is tracked for every vehicle.
- implement a preventative maintenance schedule for the entire vehicle fleet.
- establish one point of contact for passenger vehicle usage and maintenance at the two office locations in Little Rock.
- explore a vehicle placement and usage rotation plan where possible to equalize use.
- continue to reduce personal vehicle mileage reimbursements.

**1.2. Identify any additional resources required for the implementation and success of this plan.**

No additional non-financial resources will be required.

**1.3. Are there any anticipated costs associated with the plan? Does your current budget have sufficient funds to cover all anticipated costs?**

Yes, the estimated cost to replace the 42 vehicles that exceed 150,000 miles at one time is \$1.26 million.

One potential alternative solution is a phased in approach to vehicle replacement. Under this approach, the Department could replace 12-15 passenger vehicles with mileage over \$150,000 miles for the next three years at a cost estimated at \$360,000 - \$450,000 annually. For subsequent years, we could reduce the purchases to 8-10 passenger vehicles annually at an estimated cost of \$240,000- \$300,000.

However, this will be difficult to accomplish with our current budget due to restrictions on our funding sources. A more detailed analysis of the restrictions is provided below in Question 1.6.

**1.4. How will you measure the success and results of your plan? Include forecasts of cost savings, efficiencies achieved, etc.**

Implementation of a replacement schedule will result in a more reliable and efficient fleet, thereby reducing cost and staff time on increased maintenance and major repairs. A replacement schedule also will improve the ability to project budget needs.

Improving the preventative maintenance schedule and standardizing the vehicle tracking system across the Department for the entire fleet will result in more readily available and useful data.

Success will be measured by:

- improved tracking and more readily available vehicle data
- reduction in major repairs
- reduction in maintenance costs

**1.5. What is the implementation timeline and key action steps for this plan? How will you track progress?**

The new preventative maintenance schedule and standardization of vehicle tracking data across the Department will be implemented within 30 days. The budget analysis and determination of possible additional internal funding sources for vehicle replacement will be started immediately and is estimated to be complete within four months.

If funding is available from other internal special revenue sources, replacement of vehicles will start within the same fiscal year.

**1.6. Identify any obstacles to the implementation and success of this plan.**

While the Department has healthy special revenue fund balances overall and receives fairly significant federal grant funding for several programs, there are restrictions on the use of those funds for vehicle purchase and/or use. These constraints, combined with the limited balances in some funds, restricts the Department's ability to manage the fleet as efficiently and effectively as possible.

Below are the Department's five possible funding sources and a brief explanation of the restrictions:

- Federal revenue funds: Current federal rules prevent the purchase of vehicles with federal grant funds. For vehicles purchased with federal funds prior to the current rule change, the use of the vehicle is restricted to the specific purpose of the grant, thereby limiting its use by other divisions within the Department. A total of approximately \$476,000 in federal revenue was spent for vehicle purchases in FY18 and FY19.
  - Vehicle purchases have been allowed as cost-share on some federal grants for divisions that had other funding sources for vehicle purchases.
- General revenue: Total funding provided from general improvement funds to replace the Department's motor vehicles from FY15 – FY19 totaled \$19,796. No general revenue was used to purchase vehicles in FY18 or FY19.
- Special revenue funds: Statutory language restricts the use of special revenue for specific purposes only. For example, special revenue funds from the Bovine Disease Control and Eradication fund could be used to purchase a vehicle but the vehicle could only be used for activities related to bovine disease control and eradication. Approximately \$670,000 was used to purchase vehicles in FY18 and FY19.

- Trust fund: The Forestry Trust Fund may only be used to purchase firefighting equipment and for other forest fire suppression activities. These funds have been used to purchase 4-5 crawler tractors annually over the past several years. In FY18 and FY19, approximately \$1.6 million was spent from the Forestry Trust Fund to purchase crawler tractors.

Of the 16 fund accounts with capital outlay appropriation, at least 7 of the funds have a higher salary portion, which reduces the amount available for vehicle purchases.

**1.7. How could Department of Transformation and Shared Services provide support to the Department?**

**ACTION PLAN FOR PROJECT 2:**

**2. Aviation Fleet**

**2.1. Brief description of project, goal, and action plan.**

Background: The Department of Agriculture has 15 aircraft used for fire detection and suppression. Eight of the aircraft are federally owned and seven are state owned. We are responsible for the maintenance and operation of the eight federally owned planes. Two of the federally owned planes require costly repairs and updates that are not cost effective.

After analysis of the Department of Agriculture's aviation fleet used for fire detection and suppression, it has been determined that at least two aircraft will be returned to the U.S. Forest Service and removed from our inventory due to excessive maintenance needs and costs. Further analysis is needed to determine the optimal number of aircraft needed to accomplish our mission and to allow for exploration of alternative and less expensive assets that can be utilized.

Action Plan: The Department is currently advertising for the Aviation Manager position. Once a new manager is hired, the Department will conduct a thorough analysis of the aviation program needs and the feasibility of using alternative resources and technologies to accomplish the mission.

**2.2. Identify any additional resources required for the implementation and success of this plan.**

No additional, non-financial resources have been identified at this time.

**2.3. Are there any anticipated costs associated with the plan? Does your current budget have sufficient funds to cover all anticipated costs?**

Anticipated costs associated with the review and analysis are expected to be minimal.

**2.4. How will you measure the success and results of your plan? Include forecasts of cost savings, efficiencies achieved, etc.**

Success of the plan will be measured by a reduction in maintenance and operational cost of the aviation fleet while maintaining program and mission delivery.

**2.5. What is the implementation timeline and key action steps for this plan? How will you track progress?**

We anticipate having an aviation manager hired and in place within two months. The review and analysis of the aviation program needs should be completed within three to six months.

The two federal aircraft requiring costly repairs will be removed from our inventory within 30 days.

Progress will be tracked by identification of changes and improvements to the aviation program.

**2.6. Identify any obstacles to the implementation and success of this plan.**

A willingness by internal and external stakeholders to explore and consider the use of alternative resources and technologies will be critical.

**2.7. How could Department of Transformation and Shared Services provide support to the Department?**

**ACTION PLAN FOR PROJECT 3:**

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**Additional thoughts/comments:**

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