

AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



Central Fleet Management Department

October 02, 2015

Prepared by

City of Manchester, NH

Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
CENTRAL FLEET MANAGEMENT DEPARTMENT
JUNE 30, 2015
TABLE OF CONTENTS**

SCOPE	1
AUDIT OBJECTIVES	2
RECENT HISTORY OF FLEET MANAGEMENT	4
CENTRAL FLEET MANAGEMENT OVERVIEW	6
FINDINGS AND RECOMMENDATIONS	8
CUSTOMER SATISFACTION	8
EMPLOYEE SATISFACTION.....	9
OBSERVATION-1 DEPARTMENT PERSONNEL ISSUES	12
OBSERVATION-2 COMMUNICATION ISSUES.....	16
CURRENT STATUS OF FLEET MANAGEMENT OPERATIONS.....	18
OBSERVATION-3 WRITTEN CUSTOMER SERVICE AGREEMENTS	24
OBSERVATION-4 FLEET MANAGEMENT SOFTWARE	25
RESPONSIBILITIES AND CHALLENGES	28
EMPLOYEE RETIREMENTS AND TRANSFERS	30
AUDIT CONCLUSION.....	31
APPENDIX A: DIRECTOR’S RESPONSE TO CUSTOMER SURVEY AND EMPLOYEE INTERVIEWS.....	33



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October 02, 2015

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: O'Neil, Corriveau, Levasseur, Barry and Sapienza

Dear Honorable Committee Members:

A request was made by the COA to the Independent City Auditor to conduct a performance audit of the Central Fleet Management Department. The audit was requested due to a large number of complaints from Fleet employees concerning the working environment in the garage.

I have completed my audit of the Central Fleet Management Department as of June 30, 2015. My audit was conducted for the purpose of determining whether the department was in compliance with the audit objectives noted below.

I conducted this performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the audit objectives.

Scope and Audit Objectives

AUDIT SCOPE:

This engagement was a performance audit of the Central Fleet Management Department as of June 30, 2015. A performance audit is an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria.

AREAS EXAMINED

- Employee Relations/work environment
- Work Order System
- User Satisfaction

- Status of DMG Maximus Study, Matrix Study and OICA Report observations
- Reasons for large employee turnover

The audit included testing key management controls over areas included in the scope of this audit.

AUDIT OBJECTIVES:

To determine if the Central Fleet Management Department is performing its role in accordance with its mission statement to repair and maintain the City's fleet of vehicles and ensuring maintenance and repairs are completed timely and cost effectively.

Appraise the effectiveness and efficiency of the department in meeting organizational goals established upon the BMA's March 21, 2012 vote to create the department.

Provide an understanding of the responsibilities and challenges faced by the department.

Provide a breakdown of the number of positions by classification at the merger of separate departments into a unified fleet management department versus the current number of positions including number of retirements, transfers and reasons for the transfers and retirements.

Identify opportunities for improved controls.

Determine if the expectations of the Matrix Group feasibility study are currently being met.

Procedures

- Examine and evaluate Fleet Management's operating procedures and manuals.
- Interview Fleet Management's personnel
- Survey user departments to determine their level of satisfaction with the Central Fleet Management Department and their programs.
- Review the prior July 1998 DMG Maximus study, 2004 OICA update of the DMG Maximus Study and the November 2011 Matrix feasibility study and determine current status of the observations and recommendations
- Perform an analytic review of financial information comparing prior periods to current results
- Compare prior fleet management staffing levels to current level.
- Determine compliance with March 21, 2012 organizational goals

FINDINGS AND CONCLUSION

My testing revealed the following 4 observations:

Observation 1 Department Personnel Issues

Observation 2 Communication Issues

Observation 3 Written Customer Service Agreements

Observation 4 Fleet Management Software

LABOR RELATIONS

Labor relations at the Central Fleet Management Department are poor but slowly improving. Former employees of the fleet garages prior to consolidation express extreme dissatisfaction with management and between the various groups of the former separate departments. Communication appears to be very bad between shifts and between management and labor. Labor unions appear to have many issues with the management style being employed at the department. This has created an atmosphere that has been described by employees as anywhere from toxic to poor. Newer employees hired since the merge have a much more favorable opinion of the department and its management.

CUSTOMER SATISFACTION

Customer satisfaction varies from very satisfied to very unsatisfied. Two of the larger fleet owners (Fire and Highway) express dis-satisfaction with central fleet due to loss of control of fleet operations. The Fire Department also expresses extreme concern with maintenance of fire apparatus and control of personnel charged with its maintenance. Fire cites unique requirements of its mechanics and need to have their equipment working to standards of the National Fire Protection Association.

EFFICIENCY AND EFFECTIVENESS

The Department has decreased overall City labor costs for fleet management as well as inventory costs and appears to be slowly increasing the efficiency and effectiveness of fleet management functions. There is still room for improvement to increase customer satisfaction of the Fire and Public Works departments. It appears that the combined fleet management department is an improvement over the prior fleet management structure and is moving in the right direction.

OTHER MATTERS

The department is in great need of a new fleet management software package. The current software lacks the capability to quickly and easily produce reports and schedules to effectively control the maintenance of vehicles, evaluation of performance data and collection of cost information.

Respectfully Submitted,



Kevin Buckley, CPA
Internal Audit Manager

RECENT HISTORY OF FLEET MANAGEMENT IN THE CITY OF MANCHESTER

DMG Maximus Study 1998

Prior to the formation of the Central Fleet Management Department (CFMD) the City of Manchester maintained its vehicles at several different locations. The BMA expressed an interest in improving the quality of fleet services while reducing, if possible, the cost being incurred to provide this service. They formed the Municipal Fleet Maintenance Advisory Committee and commissioned a review by DMG Maximus to evaluate current fleet operations, identify opportunities for improvement, evaluate alternatives to the current structure and recommend standards and measures for fleet management. The review was finished in July of 1998. DMG noted that at the time the City operated a fleet of approximately 533 vehicles and pieces of equipment. This excluded the MTA and school districts. The report noted that the fleet was decentralized and 87% maintained by the following separate facilities:

Aviation
Fire Department
Highway Department
Parks, Recreations and Cemeteries
Police Department
Water Works Department

The balance of the fleet was being maintained by the private sector up until July of 1996 when MTA was charged with the maintenance of most of these vehicles.

The report noted that the fleet was old and costly to maintain, the maintenance shops were generally too small and poorly equipped, Maintenance technician teams were small and inefficient, training was inadequate and there was a lack of accurate accounting for maintenance technician time utilization.

Recommendations for improvement included:

- Develop multi-year vehicle replacement plan based on appropriate economically based life cycles.
- Build a new fleet maintenance facility
- Except for the Airport, centralize all of the fleet and fleet maintenance operations under a new fleet management organization.
- Provide the newly formed fleet management organization with a fleet management information system.

Office of the Independent City Auditor Update of DMG Study 2004

In 2004 the BMA asked the Office of the Independent City Auditor (OICA) to determine the current status of the DMG study recommendations. At the time of the DMG Study the City had 450 vehicles excluding Aviation, School and Surplus vehicles. At the time of the OICA study the size of the fleet had grown to 469 vehicles.

The average five year expenditure for vehicle replacement had dropped from \$1.8 million to \$1.4 million. The FY 2003 budget in the MER fund was only \$750,000. The City still had no multi-year replacement plan. The DMG study reported that two thirds of the fleet was over six years old which had remained unchanged. However the number of vehicles over ten years old fell significantly. The average age of the fleet was 8.5 years.

The City still maintained all of its fleet maintenance facilities of various ages and conditions.

Fleet operations were still decentralized with no central fleet management organization.

There were still no standard written policies and procedures. It was still difficult to obtain any reliable information on the condition of the fleet or the efficiency and effectiveness of fleet operations. The Continuing Property Records module in the City's HTE financial management software contained many errors.

The number of technicians had dropped significantly from 26.8 full-time equivalents to 20.8 but still was far above the 13 needed as calculated by the DMG Report.

Matrix Consulting Group Management feasibility Study 2011

During FY 2011 the City was in the construction phase of the new public works building which included a new fleet maintenance facility. The Department of Public Works engaged Matrix Consulting Group to analyze the feasibility of centralizing vehicle maintenance and management in the City.

The Matrix study had 9 major recommendations:

- Consolidate the fleet management operations under a newly formed "Central Fleet Management Department".
- Hire a new Fleet manager to run the department.
- Establish the new Central Fleet Management Department as a self-sustaining internal service fund.
- Establish a two shift operation with the night shift being used primarily for preventative maintenance.
- Begin operations with 28 staff members. Water Works, cemeteries and the golf course should not be included initially but may be added later.
- Minimize the need for specialization by cross training of mechanic staff.
- Provide a standard annual tool allowance for each mechanic.
- Develop a Customer Service Level Agreement that establishes the service and service level commitment of the department.
- Begin the search for a fleet management information system software solution that includes the development and reporting of key performance metrics to guide the management of the department.

The new Central Fleet Management Garage was established as a department by the BMA in March of 2012. This was predicated on there being no layoffs and that all employees maintain their current rights and benefits. The Board also approved the Central Fleet Services Director as a department head.

The Central Fleet Services Director started May 7, 2012 and the Department moved into the new facilities beginning in May of 2012.

CENTRAL FLEET MANAGEMENT DEPARTMENT OVER VIEW

The Central Fleet Management Department as of June 30, 2015 consists of 23 employees:

- Director of Fleet Services
- Administrative Services Manager
- 2 Equipment Maintenance Supervisors (Plus one open position)
- 14 Equipment Mechanics
- 3 Equipment Service Technicians
- 2 Inventory Specialists

The new fleet maintenance facility is located at 480 Hayward Street, Manchester NH.

Currently they operate two shifts, a day shift that operates from 6:00 AM until 3:30 PM and a night shift that operates from 3:00 PM until 11:30 PM Monday through Friday.

MISSION STATEMENT

The mission statement of the Central Fleet Management Department as posted to their policies and procedures manual is:

Central Fleet Management Department maintains and repairs the City's vehicles ensuring maintenance and repairs are completed timely and cost effectively. The Department develops, obtains approval of and executes the City vehicle replacement plan.

SERVICES PROVIDED

- Equipment Preventative Maintenance
- Equipment repair
- Onsite repairs when required
- Automated and manual vehicle wash system
- Fuel station operation
- Vehicle replacement planning and purchasing
- Bid specification development (in conjunction with the supported department)
- Manages City car pool program
- Disposal of excess/replaced vehicles

The departments Central Fleet Management supports are:

Board of Assessors
City Clerk's Office
City Solicitor's Office
Finance
Fire
Health
Human Resources
Information Systems
Library
Manchester Office of Economic Development
Mayor's Office
Planning and Community Development
Public Works (less cemetery and golf course equipment)
Police
Tax Collector's Office
Welfare Office
Office of Youth Services

FINDINGS AND RECOMMENDATIONS

CUSTOMER SATISFACTION SURVEY

I sent out a questionnaire to all the departments that have vehicles maintained by the Central Fleet Management Department (CFMD) and received 13 responses. Four of the responses were from the various users groups within the Department of Public works. The results were as follows:

Are maintenance services performed more timely and efficiently?

Responses were split between two groups:

- 1) The departments that previously maintained their own fleets (Fire, Parks, Department of Public Works (DPW) agencies)
- 2) The departments that relied on the former Highway Department maintenance facilities for fleet services plus the Water and Police Department who formerly had their own garages.

In general the first group was not satisfied with maintenance services reporting much slower response times and loss of control over vehicles. The second group either thought that CFMD was more efficient and timely or that there was no significant change.

Are repairs done in a timely manner with satisfactory results?

Once again the answers split between the two groups with the latter generally satisfied and the first group generally dissatisfied. The first group thought repairs took longer, initial time estimates were inaccurate and repairs had to go back for further repair more often than in the past.

Is the vehicle fueling and billing process easy and efficient?

All responses were positive or neutral.

Does CFMD have an effective vehicle maintenance program?

Again the first group is generally dissatisfied and the second group satisfied to neutral.

Does CFMD seem to be committed to your customer service needs?

The first group was generally not happy with customer service; the second group appeared to be satisfied.

Does CFMD have an effective and efficient vehicle replacement program?

All respondents were generally satisfied with the vehicle replacement program but several noted new vehicles were delivered to them late.

Overall impression of how the consolidation into a single fleet organization is working?

On this question the respondents once again to split into two groups. The departments that had their own service garages were generally unhappy with CFMD citing lack of control issues and expediency of repairs. The other respondents were generally satisfied that the consolidation was an improvement or noticed no difference.

Suggestions for improvement.

The departments that used to have their own garages want to go back to the old multi-garage system except for Police who feels that CFMD is going in the right direction. Specialized equipment should be sent out for repairs.

EMPLOYEE SATISFACTION

As part of my audit I was asked by the COA to interview as many current and former employees as possible for their views on the department. I developed a questionnaire to use as a guide to my interviews.

CFMD had 22 employees as of June 30, 2015 (not including the Director) plus an additional 15 former employees who were either retired or had transferred to another department. Of these two groups I interviewed 17 of the current employees, 5 employees who had transferred to another department and 3 retired employees.

In general the working atmosphere at the new CFMD is considered to be very poor by 2/3 of the employees interviewed. Employees who worked for the City prior to the merge into CFMD were the most negative about the conditions (88%) while new hires were generally satisfied (83%). The new hires did note that they could feel the tension between management and the older workers and thought that the atmosphere was tense. Employees who worked the night shift generally had a slightly more favorable opinion of the working conditions than the day crew. Former employees whether retirees or transfers were the most negative. Several of the employees who transferred took significant pay decreases in order to leave what they considered a "toxic" environment. They took positions in other departments 2 to 4 labor grades lower than what they were at CFMD.

When asked how the transition to the new combined CFMD garage from separate garages went 88% of respondents felt it went badly. The most often used description was chaotic. It was generally felt that the move was rushed with no real plan and very little opportunity for the mechanics to express their opinion on how the merger should happen.

Only 2 respondents said that the department seemed to have a commitment to customer service. Several commented that the mechanics and supervisors appeared to give priority to vehicles from their prior departments at the expense of the other departments. My audit work did not show conclusive evidence that this was true

Two thirds of respondents thought that the department was going in the wrong direction and the most common response to how they would make it better was to replace the entire management of the department.

The atmosphere at the new department was bad from the beginning. It was felt that labor was never given an opportunity to give input into how the department was set up and any advice offered was ignored. Upon entering the new facility they were greeted by disorganized chaos.

They were already angered by being originally told that they would have to reapply for their jobs and lose all rights and accrued benefits. The Police employees eventually had to go to arbitration to keep their former union affiliation and benefits.

As part of the agreement to let all former employees keep all their former benefits and union affiliations the two Fire Department employees came in at a higher labor grade than the other mechanics and remained employees of the Fire Department who worked at CFMD. To further inflame the issue The Fire Supervisor was put in charge of former highway personnel. This caused many problems with the other employees who had to work on Fire vehicles at a lower rate and initially were denied a plus rate. This was taken to arbitration where the union prevailed.

Prior to the merger one of the Highway Department mechanics was plus rated as an acting supervisor to fill in for a supervisor who retired before the move. Upon consolidation into one department the highway employee was informed that he would no longer be an acting supervisor as the Department had three supervisors. Of all the issues encountered this seems to be the one that has caused the most hard feelings. I was told by several employees that at the onset it seems that it was unclear which supervisor was supposed to supervise which employees and this caused much friction. According to the Director a complete supervision chain was published as part of the shift bid process.

At the separate garages prior to the merge mechanics were left to conduct their business as they determined was the most beneficial way. They were assigned a job and worked on it until completion in whatever manner they saw fit. Mechanics, especially at the highway garage, had many years of experience and enjoyed the complete trust of management to work as they felt was appropriate as long as the work was getting done. Under the new structure CFMD is attempting to be run in the manner of internal service fund where time and costs are carefully tracked. The new model involved the necessity of all mechanics being able to work on all vehicles and any available job and to keep specialization to a minimum. It also involved mechanics that were waiting on parts would have to start another job and go back to the first job later when the parts arrived. The intent was to minimize nonproductive time for the mechanics. At times they are required to pick up a job started by another mechanic or fix another mechanics job that was not done correctly the first time.

It was felt by the mechanics that the Fire Supervisor was always looking over their shoulder and criticizing their work. It is felt that he is a hot head who fights with the mechanics constantly yelling at and berating them. It was also noted by several mechanics that certain employees were being singled out in order to force them to quit. Several employees commented that it appeared that management was trying to get rid of all the former high paid mechanics so they could hire new

people at lower pay grades. This hands on approach employed by management does not sit well with the AFSME employees.

All these changes coming so quickly had a very negative impact on the employee's job satisfaction. It was mentioned by a few employees that they were slowing down work just to get back at management. A few also admitted that they just did not like change and would prefer to be left alone to conduct their jobs as they did before CFMD was formed.

The tension in the garage was bad enough that several long time employees either retired early or left CFMD to go back to the Highway Department at lower pay grades. One employee went from a labor grade 17 to labor grade 14 in order to get out of the garage. Under the 2015 Yager-Decker schedule a labor grade 17 at step 13 earns \$60,882 whereas a labor grade 13 step 13 earns \$51,189. A \$9,693 decrease in annual base salary in order to leave CFMD's employ.

Since the start of CFMD 5 employees have retired and 5 employees transferred to another department at the same or lower salary. 2 additional employees transferred at a higher or equal pay grade.

It is felt that when the mechanics go to the director to complain about the supervisor they are ignored. They also feel that his by the book/military style does not sit well with them.

Most of the employees interviewed think that communication is terrible. Management and labor do not communicate and the day and night shift do not communicate. They claim that repair orders are not filled out timely. They are told to do a job but have trouble getting the day supervisor to give them a work order. This causes problems when obtaining parts from the store room and charging time to the job. The night shift does not know what the day shift has been working on as the two supervisors do not talk. The night supervisor sends an email to the day supervisor detailing all work but it is felt he never reads them. This causes problems of mechanics bringing in a vehicle that has already been worked on. Complaint sheets are not shared with mechanics so they do not know if they are doing something incorrectly. They also feel they are being rushed so mistakes are being made. My testing did not show any repair orders that were started after work had begun on the vehicle.

At the old highway garage the mechanics would rebuild engines and transmissions and very little work was sent out. Mechanics complained that now CFMD sends out most complicated work and instead of rebuilding an engine will just order a rebuilt engine. The paint shop is not large enough for a vehicle so it can only be used to paint parts. Also they feel that they have lost a lot of the welding and fabrication ability they used to have. Testing however showed that the majority of work that was sent out in FY 2015 was for either work that could not be done at CFMD such as glass work or for work that was sent out because the vehicle was under warranty so the City was not charged for it. Very little work that could have been done in house was sent out.

It is felt by the employees that the director's idea of conflict resolution is to ignore the problems. They think the department has a lack of leadership.

In general the employees working as inventory specialists are fairly happy. They see friction on the floor with the mechanics but feel that they are treated well. The same was true for the former office manager. She had no problems with the director.

Favoritism was mentioned several times. An instance when a new employee was allowed to not be available for a snowstorm so he could go snowmobiling was mentioned by a couple of employees. Non-approved employees working on undercover police cars were mentioned by a couple of employees. My audit work could not confirm this accusation.

The night shift seems to be happier than the day shift but still noticed many of the problems of the day shift.

The new employees while aware of the personality conflicts do not appear to have such a negative opinion as the former employees. They all noted the communication issues and feel that the director needs to interact with the employees more on a personal level. They also feel that management is not respectful of the unions.

Several employees mentioned that the director does not understand unions.

It was mention by several employees that current management does not understand the procedures needed to get all the trucks and equipment ready for the winter plowing season. This caused problems during snow storms with equipment not working correctly or breaking down.

The Director of Fleet Management's response to the customer satisfaction survey and employee interviews is included as appendix 1.

OBSERVATION-1 DEPARTMENT PERSONNEL ISSUES

Observation:

The Matrix Consulting group performed a feasibility study of the City of Manchester centralizing all its fleet management activities under one central fleet management department. This study used the work of the 1998 DMG Maximus study on the City's fleet management operations. The DMG study recommended, among other things, centralizing most fleet activity into a single department and building a new fleet maintenance building to replace the outdated building that was being used by the Highway Department.

Based on these two studies the City embarked on a capital project to build a new state of the art fleet maintenance facility and combine to the extent possible all fleet activities into a single department. During July of 2012 the majority of department's fleet operations were put under the control of the Central Fleet Management Department and the employees and equipment of the Fire Department Garage, Police Department Garage, Parks and Recreation Garage and Highway Garage were moved to the new facility. In FY 2014 the Water Department Garage was transferred to Central Fleet Management.

During discussions concerning the formation of Central Fleet Management the Board of Mayor and Aldermen (BMA) wanted to ensure that all existing employees retain all the rights and benefits that they had earned in their prior positions and departments including accrued salaries and benefits, retirement, and labor union affiliations. These rights and benefits would be maintained until the employees left service with the City and new employees were hired.

For most employees this did not present much of an issue with the exception of the two Fire Department employees. The duties associated with the Fire Department employees are unique. It has been a long standing standard operating procedure to have a mechanic on call 24 hours a day. The Fire Department also requires that they have a mechanic on the fire scene for all major (3 alarm or higher) fires. They are there to handle emergency repairs to equipment and other assigned duties. In order to operate on a fire ground requires firefighter certifications according to the Fire Chief. Both of these mechanics hold FFII level certifications. They are also required to perform other duties at the fire station on a regular basis. Because of this they are both in the State of NH Retirement System and not the City of Manchester Retirement System. They also get paid at one labor grade higher than their counterparts that came from other departments. In order to maintain all rights and benefits as required by the BMA and to function in their duties as Fire Department personnel it was necessary to keep them in the firefighter's union and budget their salaries and benefits in the Fire Department's budget. They also, at various times, are under the direct supervision of the Fire Department and other times Central Fleet Management. This has caused many of the personnel issues that are affecting the atmosphere at Central Fleet Management.

The Fire Department's Equipment Maintenance Supervisor II-Fire that came over as part of the merger to Central Fleet Management resulted in resentment in all of the former Highway Department garage employees many of whom had years more experience with the heavy equipment commonly worked on in the facility. The anger felt by these employees has made the working environment very challenging. They do not seem to respect this supervisor and feel that he has no right to be supervising and disciplining them.

The disparity in pay scale has also been a major issue. The lower paid mechanics felt that if they were working on fire equipment they should get a plus rate to make up for the difference. The City disagreed and the grievance went to arbitration where the City lost and the plus rate is now paid. The practice of getting stand by pay that is only available to the fire mechanics as well as the overtime when they are called out on a fire is also a thorny issue for the other mechanics.

At various times during any given week the fire mechanics are also called to the Fire Department for breakdowns, training and other duties such as snow removal during snow storms that are not available to the other mechanics.

The labor issue caused by this unequal treatment between mechanics is poisoning the atmosphere in the department and should be stopped.

Recommendation:

The status quo at the department clearly isn't working and needs to be changed in order for the department to move forward and for management to gain the trust and respect of its employees. Matrix consulting has done similar studies with other municipalities and recommended that the fire mechanics work out of a separate sub-organization within the central fleet structure. This may be a workable solution temporarily until a more permanent solution can be put in place.

Having the former Fire Department employee supervising the other mechanics is not working and should be stopped. If a sub-organization is created he should work there and function as a working supervisor much as he did prior to the merger into one department. If this is the way they choose to go they should have a detailed customer service agreement between the Fire Department and Central Fleet Management that is developed by both parties detailing what is required and expected by the Fire Department and how Central Fleet plans on accomplishing the terms of the agreement.

Another option would be to have the fire equipment mechanics go back to the fire department as it was prior to the merger into a central fleet structure.

Auditee Response:

During snow plowing operations the former Highway Department mechanics are already on overtime working on repairing snow removal equipment for the Highway Department while Fire Department employees are keeping the Fire Department stations open. Most storms the Fire Department employees finish snow plowing operations before Public Works completes snow removal operations. Thus former Highway Department mechanics have more overtime hours during snow removal operations compared to the Fire Department employees.

I have sat in several meetings with the Union on the issue of snow removal. The issue is the Fire Department's use of Public Works equipment (wheeled loaders) to move snow piles sometime after Public Works ceases snow removal operations. The Union's position is that if Public Works equipment is used, the requirement should be performed by Public Works employees. This task has always been performed by the Fire Department employees in question. For the most part in the past the Fire Department borrowed the MTA's wheeled loader to move the snow piles. Now they also borrow, with permission, a Public Works wheeled loader to move the piles. If this mission is no longer performed by the Fire Department, it would have to be performed by Public Works who would use their operators to move the snow piles.

If Central Fleet using its AFSCME members assumed the mission of moving the snow piles with Public Work's equipment, Public Works' AFSCME members would have the same issue with Central Fleet that they have the Fire Department.

Public Works', Fire Department's and Central Fleet's leaderships' position on the issue is that the equipment is City equipment and Public Works can loan it to another City Department for their use.

I disagree with the auditor's recommendation as it will:

- Not solve the problem if the Fire Department maintenance team remains in the maintenance building. The pay disparity will still exist and it may cause more issues due to the Equipment Maintenance Superintendent II -Fire being paid more than other supervisors while supervising only one person.
- This issue can be minimized but not eliminated if the Fire Department's maintenance operation is relocated to another facility. Their former location, the Bridge Street Building has been modified to support Public Works operations. The building would have to be modified again to return it to being able to support maintenance operations. Additionally maintenance tools and equipment would have to be purchased to enable them to operate out of another building.
- If this is a permanent solution then the pay disparity will always exist. The issue will not go away. All the separation will do is give management the ability to state that we are following the terms of the contract with the two Fire Department unions which is basically what management is doing now.
- If moving the Fire Department it is to be temporary then it also does not resolve the problem of how to train and prepare AFSCME mechanics to perform repairs and maintenance to the Fire Department's equipment prior to the departure of the two existing employees. The Fire Chief wants mechanics working on their equipment to be EVT trained. This is a two step process, AFSCME mechanics should go to manufacturer specific training on the equipment for which AFSCME mechanics will have to be paid a plus rate. This will help the AFSCME mechanics in preparing for the EVT tests. Then they will have to attend EVT training that is focused on helping the mechanics prepare for the appropriate EVT tests which is required for them to be considered trained. Participating in on-the-job training will help the AFSCME mechanics pass the test. That means they will have to work with present two Fire Department employees.
- The pay disparity will eventually disappear as the agreement with the two Fire Department unions eliminates the two positions as part of the Fire Department structure when the incumbents' employment with the City ends.

Central Fleet's recommendation is to continue operations as presently organized and address the disparity in the pay issue and supervision issue as part of the upcoming contract negotiations. This provides an opportunity to develop a mutually agreeable solution that will meet the City's objective of managing costs associated with maintaining its fleet.

OBSERVATION-2 COMMUNICATION ISSUES

Observation:

During interviews with department personnel it was brought to my attention several times that the communication between management and labor as well as between the day and the night shift was minimal at best. Personality issues seem to have strained the relationship between all parties involved to the point that they will not talk to or listen to each other.

Several people have commented that management only talks at them and is not interested in what they have to say. They feel that their opinions do not matter.

The night shift supervisor makes a detailed accounting for all work done on their shift and emails it to the day shift supervisor at the end of the shift. The day shift supervisor does not provide the night shift supervisor a similar document and it was reported that the relationship between the two is strained to the point that they do not talk to each other. From conversations with day shift personnel they feel that either the day shift supervisor does not open it or chooses to ignore it. This causes instances where a vehicle will be sitting in a bay waiting for work to be done on it but no one knows what was done and what is to be done. It was also reported that on occasion a vehicle will be pulled in to be worked on and either the work has been completed but the work order has not been closed or the work has been partially completed but they have no idea what has already been done.

Recommendation:

The day shift should be reporting daily to the night shift the status of all jobs worked on during the day and any problems encountered.

You don't have to like a co-worker in order to work with them. The shift supervisors should meet on a regular basis to discuss problems encountered and plan work to be done in the coming days.

Management has got to work on its interpersonal skills in order to make the work environment more professional and congenial. The Director should seek the advice of the Human Resources Department in order to build a positive working relationship within the department.

Auditee Response:

The day shift has started a daily status report.

Management now that the vacant supervisor position is filled will begin meeting to coordinate work planning.

The Director has been working and will continue to work with Human Resources to improve the climate in the Department.

Additionally the Equipment Maintenance Superintendent 2 - Fire is enrolled and has started attending the State's Public Supervisor Program. This is a yearlong program designed to prepare employees to be supervisors. It is for entry level supervisors and those planning to enter a supervisory position. The new Equipment Maintenance Superintendent I will be enrolled in the program that begins in 2016.

CURRENT STATUS OF FLEET MANAGEMENT OPERATIONS

DMG MAXIMUS STUDY

The 1998 study conducted by DMG Maximus reported several critical observations.

Following are the observations from the report and responses from the Director as to the current status.

Fleet Management and maintenance is decentralized, few policies and procedures are uniform or in writing

- Fleet management and maintenance is more centralized than in 1998. The only Departments/Divisions that are not supported by Central Fleet are the Airport and certain maintenance functions performed by the Cemetery and the Golf Course.
- Over the last three years the Department has been implementing policies and procedures to control its operations. We continue to build and update our standard operating procedures as conditions change.

Fleet age is old and expensive to maintain and information related to maintenance is inadequate to make meaningful decisions

- The Maximus report states that on an average the fleet should turn over once every 8.4 years. In 1998 the report recommended that based on the size of the fleet, the City should be spending \$3.4 million (in 1998 dollars) per year. Additionally the report stated that if the City was to limit funding to \$1.8 million per year it could do so by increasing the replacement cycle to 16 years. Assuming an average of increase of 3% per year in the cost of trucks, to obtain Maximus recommended replacement cycle of 8.4 years would require \$5.62 million in 2015 dollars. The 16 year replacement cycle would require \$2.98 in 2015 dollars. The 3% increase in the cost of equipment per year is conservative due to the changes in environmental regulations which caused the cost of vehicles to increase faster than inflation.
- If Maximus' estimate discussed above is adjusted for the number of MER funded vehicles presently in the city fleet (figure 1) the 8.4 year replacement cycle would require \$4.7 million per year and the 16 year plan would require \$2.5 million per year. These two estimates do not include the MER funds that the City provides to the Transit Authority for the City's 20% match for new transit bus purchases. Based on MTA's replacement plan, the City over the next three years will on average provide MTA \$201,000 per year for bus purchases.
- A 16 year replacement cycle due to the change in vehicle technology is no longer a viable option. The cost of maintaining and repairing modern trucks and construction equipment with all of their electronics and emission systems will be more than earlier trucks. The first of the new emission systems began to be installed in trucks in 2004 and the systems have become more complicated as new

environmental regulations are implemented. Large national fleets have found that model year 2004 to 2007 trucks are requiring more resources to keep them operational than earlier model years.

- The City’s objective should be to fund the MER program so that the average turnover is once every 9 years.

Comparison of the number of Vehicles in the City’s Fleet
(1998 vs. 2015)

	Maximus report	Current	Enterprise Funded	Comments
Airport	55	0		MER does not fund their replacements
Fire	37	41		
Public works		229		
Highway	158	Included in PW		
EPD	11		10	
Traffic	10	Included in PW		
parks	97	42		
Police	55	94		
Other		41		Only MER funded equipment
Water Works	64			
	533	447		

Figure 1

- The City as part of its efforts to upgrade its software prior to 2000 (the Y2K issue) implemented a new enterprise software that included a fleet management module. However prior to 2012 only Highway’s maintenance section used the module to track the maintenance history of the City’s fleet.
- The module is only capable of performing limited functions that are required to manage a large fleet.
- Therefore the data to make meaningful decisions is still inadequate.

Vehicle usage data is not being maintained or utilized to determine disposal decisions. A central equipment pool should be established.

- The concept of this recommendation is to use usage data to determine if vehicles should be retained or moved to an equipment pool to support multiple departments.
- Although the Fleet Management Module collects mileage data it cannot provide vehicle usage data necessary to support disposal decisions. Usage data can be obtained by manually searching for the miles or hours for each vehicle for two vehicle repairs/inspections/services or repairs that are about a year apart and subtracting the difference in the reported mileage during the period.

- This method was used to develop a proposal to create an administrative vehicle pool that could support Department operations. The proposal was small in scale to test the concept before expanding it cover more administrative vehicles or to other types of equipment. The proposal was presented to the Committee on Community Improvement at their February 3, 2015 meeting. The Committee decided not to pursue the equipment pool concept at that time.

The decision to depose of a vehicle is not based on any written criteria nor is the deposition consistent among departments.

- Central Fleet has developed a proposal for vehicle replacement criteria. The committee that developed the proposal for establishing a test administrative vehicle pool also developed the replacement criteria. The proposal will be presented to the Committee on Community Improvement in the near future.

Written comprehensive maintenance programs do not exist.

- The Department has a comprehensive maintenance program that we are modifying as new equipment and technology enter the City's Fleet. The program consists of services as well as a condition assessment and inspection when the vehicle is serviced. The goal of the inspection program is to identify issues with the vehicle before they become major expensive issues to repair.

Technician training and certification is poor

- Since the Department was created the requirement for manufacturers to provide operator and mechanic training has been added to the vehicle specifications. Additionally beginning with the MER purchases in FY 2015 we have added the requirement for 16 hours of advanced training for the mechanics for any systems that we have received initial training on in the past.
- Also most manufacturer specific training is becoming web based and any fleet has access to this training for a fee. We have contracted with Cummins, one of engine builders, whose product is in many of our vehicles for this service.
- The only incentive the City has for an employee to obtain their ASE Certification is the A-step program. Several employees have commented that the additional compensation obtained by earning the A-step is insufficient to cover the cost of obtaining their ASE certifications

Record keeping is poor and not uniform across departments

- Central Fleet cannot answer about the record keeping in Cemetery or the Golf Course as it does not fall under the purview of the Department.
- Central Fleet has improved its record keeping to the extent allowed by the Fleet management module that is part of the City's enterprise system. Central Fleet is working with the Information Systems Department and SunGard on certain basic functions to resolve issue with these components before we make other changes.

Maintenance facilities are sub-standard.

- A new maintenance facility was completed in 2012 for the fleet maintenance operations. All vehicle maintenance except for those performed by the mechanics at the Cemetery and Golf Course are performed in this new building.

Parts inventory is not properly accounted for.

- Central Fleet has nearly completed the process to account for its parts inventory. We have completed the reorganization of the parts' holding areas that store the inventory. We have been performing random 10% inventories for approximately 2 years. This has enabled us to identify problems with the parts room systems and correct them faster than if we had conducted a 100% inventory once per year.
- In FY 2015 the total loss of inventory for the year was \$15,000 of which \$11,000 was fluids. To help improve that accountability we have put metering heads on all the anti-freeze dispensing hoses. Central Fleet is also improving the system to account for oil that is added to equipment between services.

Existing structure is over staffed

- The Matrix report dated November 23, 2011 provided an updated recommendation for number of personnel in the Central Fleet organization structure. This structure was based on supporting the following Departments.
 - Police
 - Fire
 - Public Works (Highway and Parks & Recreations)
- It did not include Cemetery, the Golf Course and Water Works. On July 1, 2013 Central Fleet assumed responsibility for water works without an increase in its authorizations. Adjusting Matrix's recommendations to account for the increase in vehicles supported resulted in an increase of 2 mechanics.

Matrix Recommendations	Matrix	Matrix Report Adjusted Water works	Current Authorizations
Fleet Manager	1	1	1
Equip Maint Super II	0	0	2
Equip Maint Super I	0	0	1
Shop Supervisor	2	2	0
Equip mechanic II	13	15	14
Equip Mechanic I	0	0	3
Equip Service tech 2	1	1	1
Equip Service Tech 1	3	3	2
Invent Spec II	3	3	2
Admin Services Manager	1	1	1
Total	24	26	27

- Due to budgetary constraints 2 of the equipment mechanic 2 positions will be left vacant. One equipment mechanic 1 position may have to be left vacant.
- The Department is operating with three supervisors as we have instituted a night shift to provide improved support to our customers. One supervisor is on the night shift and 2 are on days due to the workload associated with responding to multiple customers and having an ineffective maintenance management software program.

MATRIX GROUP STUDY

In response to the DMG study the City built a new fleet management garage and proposed a merger of all fleet management activities under one roof. The BMA then commissioned a study from the Matrix Group to study the feasibility of combining all functions and the best structure for the new combined entity.

A. Organize Fleet Maintenance and Management functions under a single department

Resolved – All fleet operations except for MTA, School, and Airport are under CFMD, these departments were determined to be inefficient to combine.

B. CFMD should be set up as an Internal Service fund designed to be cost neutral. CFMD should develop a menu of services and cost neutral rates.

Un-resolved – CFMD is working toward becoming an internal service fund operation but still faces several hurdles to obtain that goal such as a new software package in order to effectively track costs.

C. Operation of the golf course and cemeteries should not be incorporated initially but may want to at a later date.

Resolved – CFMD does not maintain equipment such as golf carts and pumps at the golf course, some Cemetery equipment is not maintained at CFMD.

D. Hire a professional Fleet Manager

Resolved - At the March 3, 2012 BMA meeting it was voted to create a department head position for Central Fleet Services. Wes Anderson was hired on 5/7/2012 to be director of Central Fleet Services.

E. Operate initially with 28 staff members. Reducing to 24 staff members. Mechanic productivity and utilization should be monitored in order to determine the appropriate staff size.

Partially Resolved – Currently CFS has 23 employees with 4 vacant positions. The 24 positions from the report assumed that the Water Works Department would maintain their own garage. During FY 2014 CFS assumed the responsibilities for repairing and maintaining the Water Works fleet thus requiring two more positions be retained. Fleet management software currently being used lacks the functionality to efficiently track productivity and utilization data.

F. Implement an effective Preventative Maintenance plan (PM). Establish a second shift with 2 mechanics and a service technician dedicated to PM activities. Designate a mechanic for 24 hour call availability.

Mostly Resolved – Fleet has a Preventative Maintenance Plan but lacks the proper software to fully and efficiently implement it. They have established a second shift to handle planned maintenance activity. Additionally the Department reorganized the shifts so that the night shift perform more repairs than envisioned in the report. During snow season the size of the night shift is increased to enable the Department to easily support 24 hour a day operations for an extended period of time. The night shift operates with increased capabilities and its complement of 10 positions consisting of 1 supervisor, 1 Inventory Specialist, 1 equipment Tech and 7 mechanics (2 are vacant). A mechanic is designated for 24 hour on-call duty every day.

G. Minimize specialization in order to maximize productivity and flexibility.

Resolved – CFS has minimized specialization as much as they feel is possible but they have discovered that it is not possible to eliminate it completely and still provide excellent customer service.

H. Provide a standard tool allowance for each mechanic.

Un-resolved – The City is in negotiations with the unions for a standard tool allowance as part of the collective bargaining process.

I. Focus should be on customer service. Establish sound and defensible repair priorities. Establish and document customer service commitments. Establish Service Level Agreements with its users.

Partially Resolved – CFS management feels that they have established fair and defensible repair priorities. As part of their mission statement they have committed to a high level of customer service. Management talks to the major customers daily to find out what their current priorities are for the day. However, as noted by the customer surveys, many of the customers are not satisfied with the service they are getting. The department has a draft of a service level agreement that shows a general outline of what the responsibilities are of the department and the user. It is not customized to fit the individual needs of specific departments.

OBSERVATION-3 WRITTEN CUSTOMER SERVICE AGREEMENTS

Observation:

One of the recommendations of the Matrix study was that the Central Fleet Management should have formal Customer Service Level Agreements (SLA) with its user departments that establishes the service and service level commitments of the Central Fleet and the user department. The study mentions several elements that should be in the SLA and provided a template that could be used. The SLA should also be customized for some departments such as the Fire Department who has very specific needs. The SLA should be a formalized document agreed to and signed by both parties. Periodically it should be revised to reflect changes in current conditions.

Recommendation:

Central Fleet should develop Customer Service Level Agreements for all user departments and have signed copies on file.

Auditee Response:

The Department will modify its existing standard operating procedures for supporting departments to more closely match the suggested template. The template is designed for a fleet maintenance department that is an internal service fund operation therefore it will only be loosely based on the template.

J. Search for a fleet management information system software solution.

Unresolved – Fleet still has made no progress in obtaining a workable fleet management software solution.

K. Establish performance metrics and utilize them to report attainment of these metrics.

Unresolved – Due to the lack of an adequate fleet management system CFMD cannot obtain performance metrics.

L. Generate accurate and complete reports of work performed and provide invoices.

Resolved – CFS through the work order system in HTE is able to provide detailed invoices to its paying customers.

OBSERVATION-4 FLEET MANAGEMENT SOFTWARE

Observation:

In 1998 a study conducted by DMG Maximus noted that record keeping and performance reporting was severely limited by the lack of a functional fleet management information system and recommended that one be purchased at the time of central fleet organization.

In April of 2004 the Office of the Independent City Auditor prepared an update of the DMG Maximus report and found that little improvement had been done to the fleet management information system. The data was still for the most part unusable for any meaningful analysis due to a combination of user input errors and unworkable software.

In 2011 the Matrix Consulting Group study once again found that the fleet management information system was not very useful as a management tool with which to make business decisions that include the development and reporting of key performance metrics to guide the management of the department.

As of this report date the City has still not provided Central Fleet Management with a reliable fleet management information system. Central fleet is forced to report and evaluate its operations using a series of HTE modules, spread sheets and other software packages to get the bare minimal information needed to run its operations. At present they lack the functionality to easily report even the simplest of performance metrics or develop preventative maintenance schedules and ensure that all vehicles are being serviced at the proper time.

Even the system used to dispense fuel to vehicles is plagued by bad data entry from the users making it difficult to get reliable information about all vehicles in a timely manner. Users override the code, entering incorrect data or fill multiple vehicles off of one fuel card.

Recommendation:

The City should immediately work to purchase a fleet management information system that has the functionality to produce reporting on performance metrics, vehicle usage, maintenance scheduling and cost reports in a timely manner.

Users have got to start taking seriously the need to enter vehicle information into the fuel delivery system accurately.

Auditee Response:

The City needs to purchase a fleet management software system that can provide current fleet maintenance performance metrics as well as enable the Department to manage its daily operations such as scheduling preventative maintenance services.

The Department has been working with technical support at SunGard for years to resolve two major issues with SunGard's HTE product that are essential to fleet maintenance operations. The system will not identify which vehicles are due for preventative maintenance services and the purchasing/inventory module keeps sending charges to the supported department when a part is issued from inventory and installed on one of their vehicles. The first two efforts failed and one recommended change to fix the problem with the fleet management module interface with purchasing/inventory actually made the situation worse.

The Department to overcome the problem with the preventative maintenance scheduling function of the software has been tracking and scheduling services through a combination of excel spreadsheets and 3 by 5 file cards. There is presently not a work around for the problem with the purchasing/inventory module, the Department at the end of the month must transfer the cost of parts issued from inventory from the supported departments' accounts back to Central Fleets.

Recently the Department began another effort with SunGard technical support to resolve the purchasing/inventory module issue. The first suggested change did not work. The technician stated that it is probably a problem associated with how the system was set up when it was implemented. The technician has suggested another change which we will again test but based on the information she provided during the last conference call I do not think it will work.

Even if the Department can get these two issues resolved the system still is not:

- Flexible enough to handle non-standard scheduling which is fairly common with the City's low usage equipment.
- Capable of providing current performance metrics, to include vehicle usage data which is essential to managing a fleet
- Provide tool to develop a vehicle replacement plan that considers multiple factors.

M. All Employees shall be grandfathered into their respective departments with all rights reserved.

Resolved – All employees from the existing departments reserved the rights of their former bargaining units.

N. Certification and training shall be made available to all fleet maintenance employees

Fleet Management has spent approximately \$3,500 dollars per year for training /certification activities. The dollar amount does not represent the full amount of training as most of the training activity is provided free of charge by vendors.

RESPONSIBILITIES AND CHALLENGES

Responsibilities:

Fleet Department

Provide the Supported Departments:

- A daily status report on dead lined critical equipment
- A list of deferred maintenance
- Metal fabrication services on a reimbursable basis
- Road side repairs
- Services on the job site
- Provides a detailed invoice to those customers who receive support on a reimbursable basis.

Dispose of excess/replaced vehicles and equipment. This does not include hand operated equipment such as push mowers, weed eaters, chainsaws, etc. Disposal of hand operated equipment is the responsibility of the supported Department.

Department's Performance Objectives:

- Provide quality and timely maintenance support
- Minimize the re-work rate by ensuring appropriate troubleshooting is completed and that quality assurance inspections by the Department's supervisors are performed.
- Meet each Department's operational needs for critical items of equipment
- Complete all preventative maintenance (PM) services within 10 days of the date due.
- Work with the Departments to schedule services at mutually agreeable times
- Schedule PM for critical items after the supported Department's operational hours where possible
- As part of each service, inspect the equipment to determine if there are any deficiencies that need repair.
- Recommend equipment purchases that meet a Department's operational needs while maximizing ease of maintenance and minimizing operational costs.
- Partner with supported Departments to develop equipment replacement schedules, plans and specifications for new equipment
- Assist with operator training when requested. Work with the requesting Department to schedule a mutually agreeable time

Services Provided:

Equipment Preventative Maintenance
Equipment Repair
On site repairs when required
Automated and manual vehicle wash system
Fuel Station Operation
Vehicle Replacement Planning and Purchasing
Bid specification development (in conjunction with the supported Department)

Challenges

- Continue to operate the Department and improve its operations with a fleet management software system that is incapable of meeting the operational requirements of a large complex fleet.
- Meet supported Departments' operational readiness rate requirements as diesel powered equipment with the new emissions systems that are in 2007 and newer trucks and newer construction equipment age.
- Reduce the average age of city's vehicle fleet to 9 years to reduce the cost of repairs.
- Lack of adequate funding for vehicle replacement
- Develop and execute a plan to prepare other mechanics to maintain Fire Department specific equipment.
- Attracting mechanics to municipal positions when there is a nationwide shortage of trained mechanics
- Poor labor relations with the unions and employees from the former separate departments
- Perceived hostile work environment and lack of trust by some employees

EMPLOYEE RETIREMENTS AND TRANSFERS SINCE MERGER

Employee contingent

	DMG	Matrix	Current
Year of Study	1998	2011	2015
Technicians	28	22	17
Inventory Specialist	1.5	2	2
Night Shift			
Supervisor	1	1	1
Day Supervisors	4.5	3	1
Total	35	28	21

Retirements since Matrix Report 2011

Position	Department	Year	Yrs Service	Reason
Superintendent	Highway	2012	28	None Given
Foreman	Highway	2012	31	Not Promoted
Mechanic	Highway	2014	26	None Given
Mechanic	Highway	2012	3	Disability
Mechanic	Highway	2014	13	Disability
Mechanic	Police	2015	30	None Given
Mechanic	Police	2013	26	None Given

Transfers since Matrix Report 2011

Position	Department	Year	Yrs Service	Reason	Labor Grade
Mechanic	Highway Ret. 2014	2013	28	No room for promotion	LG 17 to LG 16
Mechanic	Highway Ret. 2015	2014	22	Management Issue	LG 17 to LG 14
Mechanic	Highway	2014	16	Management Issue	LG 17 to LG 14
Inventory Spec	Highway	2012	16	Management Issue	LG 16 to LG 14
Technician	Highway	2014	7	Promotion	LG 16 to LG 16
Inventory Spec	Highway	2014	8	Management Issue	LG 16 to LG 15

Management Issues were all due to the inability of the employee to get along with the supervisor.

Since the Matrix report came out and the consolidation of departments began the City has lost 46% of the existing technician work force with a combined 254 years of experience. The Matrix report recommended that the final contingent would be 19 employees (Excluding the Director and administrative staff) but did not count the inclusion of the Water Department as part of Central Fleet.

AUDIT CONCLUSION:

My testing revealed the following 4 observations:

- Observation 1 Department Personnel Issues
- Observation 2 Communication Issues
- Observation 3 Written Customer Service Agreements
- Observation 4 Fleet Management Software

LABOR RELATIONS

Labor relations at the Central Fleet Management Department are poor but slowly improving. Former employees of the fleet garages prior to consolidation express extreme dissatisfaction with management and between the various groups of the former separate departments. Communication appears to be very bad between shifts and between management and labor. Labor unions appear to have many issues with the management style being employed at the department. This has created an atmosphere that has been described by employees as anywhere from toxic to poor. Newer employees hired since the merge have a much more favorable opinion of the department and its management.

CUSTOMER SATISFACTION

Customer satisfaction varies from very satisfied to very unsatisfied. Two of the larger fleet owners (Fire and Highway) express dis-satisfaction with central fleet due to loss of control of fleet operations. The Fire Department also expresses extreme concern with maintenance of fire apparatus and control of personnel charged with its maintenance. Fire cites unique requirements of its mechanics and need to have their equipment working to standards of the National Fire Protection Association.

EFFICIENCY AND EFFECTIVENESS

The Department has decreased overall City labor costs for fleet management as well as inventory costs and appears to be slowly increasing the efficiency and effectiveness of fleet management functions. There is still room for improvement to increase customer satisfaction of the Fire and Public Works departments. It appears that the combined fleet management department is an improvement over the prior fleet management structure and is moving in the right direction.

OTHER MATTERS

The department is in great need of a new fleet management software package. The current software lacks the capability to quickly and easily produce reports and schedules to effectively control the maintenance of vehicles, evaluation of performance data and collection of cost information.

**APPENDIX A DIRECTOR'S RESPONSE TO CUSTOMER SURVEY AND EMPLOYEE
INTERVIEWS**

Reply to Department Comments

More timely and efficiently and customer service

Central Fleet typically coordinates directly with its primary customers. For Public Works our primary points of contact are the Highway and Parks Division leaders and the shop foreman for Facilities Division. For the Police Department the points of contact are the various Division Heads and for the Fire Department it is the Chief and Deputy Chief. Any issues that they have on our performance we address immediately. We also coordinate with them and the other Departments' points of contact on our preventative maintenance schedules so that we can minimize the impact on their operations.

Centralizing the city's maintenance operations is a paradigm change. The Departments do not have direct control of Central Fleet operations. This is a challenge as they are used to having complete control. It takes time to adapt to the change. The Departments' do have indirect control of our operations based on the priorities that they establish for repairing their equipment as well as special priorities that they identify to us. For example:

- Refuse truck repair priorities are based on how many of the 4 spare trucks are not operational due to repairs or service.
- Paving equipment repairs are high priority during the construction season but not during the winter.
- Snow removal equipment is high priority during the winter but there are spare wheeled loaders, graders and trucks during the construction season.

We have to balance all of the customers' needs to ensure we meet all of their priorities. Therefore sometime we have to delay or stop working on a vehicle to take care of another that is higher priority. Rarely does this impact another Department's high priority equipment.

With the exception of the Police Department most of the preventative maintenance services are performed at night to minimize the impact on the supported departments. These services also include an inspection of the vehicle. Any deadlining faults found during the inspection must be corrected before the equipment can be used. When deadline faults are found this impacts the timeliness of the service and repairs.

Timelines of repairs:

Initial estimates of when a repair will be completed are based on the information that we know at the time the estimate is made. Predictions change based on the availability of repair parts, other issues discovered during the repair and the priority of other equipment that comes in for repairs. We attempt to keep the customer up to date on the status of all of their equipment daily but sometimes we cannot due to the limitations of our fleet management software.

One of the reasons for creating a night shift was to improve the timeliness of service. The objective was to give us time to repair equipment with deficiencies before the next day when the operator informs us about the problems late in the work day.

The Department has limited resources and is expected to stay in budget. The Department has limited flexibility in its budget as over 95 percent of the budget is salary, repair parts or the municipal complex's utility bills. That means for lower priority equipment the Department takes measures to reduce the costs of repairs. Examples include:

- No overnight shipping for non-priority equipment repairs.
- No overtime for non-priority equipment repairs.

Effective vehicle maintenance program:

Maintenance is not repair. Maintenance is the scheduled service of a vehicle to minimize future repairs. We have been improving this program every year. Our objective is to identify issues early enough to minimize the cost of repairs. As part of the maintenance program we inspect all vehicles to determine its condition. Any repairs that are required are identified and tracked until they are completed. We have seen reductions in repairs to cooling, hydraulic and other systems as a result of these improvements.

A problem we are experiencing with the new diesel powered equipment emission systems has an impact on timeliness. This equipment on trucks is designed to work for over-the-road type trucking operations. Our type of operations, vocational, does not allow the system to work efficiently causing problems with the operation of the truck. Many fleets where they can are purchasing new vehicles with gas engines to minimize this problem. This issue will become more of a challenge as the number of new diesel vehicles in the fleet increases. The Department, to help minimize the impact, is also purchasing smaller trucks with gas engines and is exploring other alternative fuel options where it makes sense.

Specialized equipment should be sent out for repairs.

Specialized equipment is sent out for repairs when required. We recognize our limitations on items of equipment such as sweepers or pavers that the City may only have one or two of that type of equipment. If we cannot determine the cause or do not have the equipment to diagnose the problem we either send it to a local dealer for repair or have a dealer send a technician to our facility.

Reply to Employee's comments:

General Comments:

There were major changes on going simultaneously as the Department was in its infancy. These changes included:

- Creation of a new Department without any detailed planning.
- An increase in the number of new diesel equipment that could no longer be diagnosed without the use of a computer and diagnostic software.
- New leadership
- New procedures

Some people adapt to change well others do not. Many of the employee comments deal with having to adapt to changes.

Chaos

The transition from separate department operations into one was chaotic as there was not a plan. Many of the details that should have been resolved before the creation of the Department were not. The new Department's management team was trying to implement necessary changes at the same time they were repairing and maintaining the fleet. In particular:

- There was minimal planning on the creation and implementation of the Department before it began operations. The Matrix Consulting Group's report was completed on November 23, 2011. It was presented to the Board of Mayor and Alderman (BMA) on January 3, 2012. The class specifications for the Department head's position was approved on March 26, 2012 and that same night the BMA decided to implement the merger of the four maintenance operations as a Department instead of a division under Public Works.
- I was interviewed at the end of March 2012. The Mayor nominated me for the job and I was approved by the BMA on April 17, 2012 and I started work on May 7th. The day I arrived I was informed by Public Works that highway's maintenance operation had to be out of their old building by May 31st so that it could be demolished to construct the Police Department compound. I did not find any plans on how to execute the move of the highway maintenance operation from the old building to the new.
- The Department began operations on July 1, 2012.
- Only three of four unions (the two Fire Department unions and AFSCME had agreed, prior to my arrival, on terms for moving into a central maintenance facility. These terms were limited to the incumbents staying in their own union and having rights to return. The

agreement with AFSCME that included the terms for merging into a central operation was finalized on March 30, 2012. The Fire Department also agreed about the same time but it was not formalized until later. The Police Department's support services union did not agree to any terms prior to the decision.

- The two employees that came into Central Fleet from the Fire Department came in at a higher labor grade. The Board of Mayor and Alderman established a higher pay grade for Fire Department personnel several years ago. This agreement increased the grade of these two employees by one. The terms of the memorandum of understanding between the unions and the City specified that they are to remain under the supervision of the Chief of the Fire Department but shall report to and follow the direction of the Fleet Services director or supervisor.
- Very few of the details of how to merge and possible issues with the merger were resolved prior to the merger.
- A merger such as this is a complicated process. Planning for the merger should have begun once the decision was made to build a new maintenance facility for the four maintenance departments. Many of the details on moving into the new facility that needed to be resolved were immaterial to whether the maintenance operations were still separate operations working for their Departments in one facility, merged together as a division under a department or merged together as a separate department.
- Many of the problems in the City's maintenance operations that were identified in the 1998 Maximus report on maintenance operations were never corrected. The Department was therefore trying to merge and correct systemic problems to be able to operate.

This lack of planning and preparations impacted the merger and we are continuing to implement changes necessary to operate the Department as any fleet maintenance operation of our size should be run.

I have received many complaints from employees on the lack of labor input into the decision to create a central fleet and how to create the central fleet during the decision process. These complaints support the comments made to the auditor. Many of these issues should have been addressed during the planning process before the implementation decision was made.

I did not try to implement all the changes necessary to operate a department of our size at once due to the magnitude of the problem. We continue to take small steps to obtain that goal but due to the lack of a modern fleet management system we will not be able to reach that goal.

Arbitration on the AFSCME mechanics not getting paid a plus rate when working on Fire Department Equipment.

AFSCME did not include the requirement to receive a plus-rate when working on Fire Department Equipment as part of their merger terms in the memorandum of agreement with the City. The City's management team opinion, when the issue was raised during the grievance process, was that

the job descriptions were the same and that the grade increase was negotiated as part of a contract with the Fire Department's unions. The approval of the grade increase required the City to create new pay classifications for the Fire Department maintenance personnel to account for the pay differences in the Human Resources and Financial systems. That is the main reason there was a pay grade difference. Thus the management team believed that since there was no change in the job descriptions and that the pay difference was the result of contract with the Fire Department's unions there was not a contractual requirement to plus-rate AFSCME mechanics when they were working on fire equipment.

The Supervisor Issue:

The Department had authorizations for three supervisors. At the time of the merger the Department had three supervisors and an acting supervisor. Upon formation the need for the acting supervisor did not exist and the individual was informed that he would return to perform the duties of an equipment mechanic 2, his permanent position. The employee decided to retire at that point.

At their previous departments the supervisors were responsible for supervising the following:

- Fire Department's Supervisor – 1 employee
- Police Department's Supervisor – 3 employees
- Highway Division Supervisor – 19 employees
- Parks Division did not have a maintenance supervisor – 2 employees

To more evenly distribute the supervisory workload, the employees were divided among the three supervisors. Therefore some of the former Highway Division employees were supervised by the former Police and Fire Department Supervisors. An organizational diagram was posted to identify who worked for whom. This diagram was used as part of the shift bid process that was conducted per the terms of the contract in July 2012 and became effective in August of 2012. Additionally we have separate shift bids for the winter schedule and that diagram was posted in September for implementation in October.

Department Supervisors meet daily with Highway and Parks leadership to review the status of equipment and determine if there any critical repairs for the day. The Fire and Police Department are also updated daily.

Mechanics were left to conduct business as they saw fit.

The employees stated in their comments that the mechanics at the three shops were left to conduct business as they saw fit. The Matrix report as well as the earlier Maximus report stated that the City's maintenance departments were overstaffed and that centralizing fleet operations provides an opportunity to appropriately size the maintenance operation. The Matrix report identified 18 mechanics positions among the 4 maintenance operations and recommended that the target number of mechanics was 13. The Matrix report recommended that the change happen through attrition. The recommendation did not include Water Works as part of the initial merger and did not include their vehicle numbers as part of their calculations to determine the target number of mechanics.

The Department has followed that recommendation in its planning. One vacant Equipment Service Tech 1 position was converted into the Administrative Service Manager position that was identified in the report and is required to perform administrative and financial functions that are expected of a Department. The Department on July 1, 2012 had 18 mechanics. One equipment mechanic 1 position was converted into an equipment mechanic 2 position upon the retirement of a former Police Department mechanic. On July 1, 2013 the Department assumed responsibility for maintaining Water Works' fleet. This effectively increased the Department's mechanic target strength from 13 to 15. Presently the Department has 14 mechanic positions filled and is working with AFSCME to update the contract before hiring for the vacant position.

The reduction in the number of mechanics means the Department could not continue business as usual. The Department had to become more efficient to be able to maintain the same number of equipment with a smaller number of personnel.

The Matrix report stated that the Department should ensure that all mechanics on staff receive hands on experience on all of the equipment. As part of our effort to implement this, former highway mechanics were assigned repair work on newer pieces of highway equipment that required the use of computers to diagnose their problem. I found that several of the mechanics did not want to learn this skill. The mechanics were highly capable in other areas but we did not always have enough work in these other areas so they were assigned work requiring use of diagnostic computers. Management would work with them to help them in the process to become more comfortable with the systems. I believe this is part of the reason that some of the mechanics decided to leave. This same problem happened in the automotive industry when car systems started being controlled by computers. Many automotive mechanics changed jobs so that they would not have to deal with all of the computer systems in these new automobiles.

The Department is not an internal service fund operation so we are not trying to reduce the amount of unchargeable time for revenue purposes. The Department is carefully tracking time and costs as part of the effort to:

- Improve the Department's efficiency
- Develop a database it can use for supporting personnel authorization changes in the future
- Provide the data necessary to make decisions on replacing vehicles

The department has 4 reimbursable customers. We do use the fleet management module to track costs for both labor and parts so that we can bill these customers.

Time and costs required to maintain vehicles is part of the decision process on when to replace vehicles. The City's fleet management system is limited but does keep a record of vehicle operations costs. The Department is following the same procedures that other municipalities our size and many that are smaller follow.

Management prefers that any repairs requiring rework be performed by the mechanic that originally performed the work. This cannot always occur as the Department may not be able to

wait on performing the repairs if the supported department needs the vehicle before the mechanic returns from an absence.

The supervisors have been directed to perform quality assurance checks on the work of the mechanics. This is to ensure that we perform quality repairs but it also identifies where mechanics may need additional training. The directions given to supervisors are that these checks should be based on the capabilities of the mechanics. A mechanic who consistently performs quality work will be checked less often than one who is not as consistent.

Since the Department was formed in 2012 AFSCME mechanics have had an issue with both of the former Fire Department maintenance personnel. Several AFSCME mechanics did not want to work under the supervisor from the Fire Department. I believe this issue existed due to:

- Fire Department personnel were one pay grade higher than an employee from another Department with the same job description.
- Fire Department, due to their staffing levels and the workload associated with their fleet, had to send more repairs to an outside repair agency to meet their workload.
- Fire Department personnel were still a member of the Fire Department.

The first and third reasons were negotiated as part of contract modifications and were beyond the Department's control. I tried explaining the second issue to several of the AFMSCE members without having any luck. I know of one employee who believed that the charter prohibited a supervisor from one Department supervising employees in another. I could not convince him that this prohibition was not in the charter.

The Department did not single out mechanics in an attempt to make them quit. Some mechanics did not like the changes that were being implemented and resisted the changes. These included changes with the annual inspection programs that were implemented by the Department of Motor Vehicles. We even brought in a manager from DMV and a State Trooper to explain the changes and they were not able to convince all of the mechanics. I believe that some of the personnel left because they did not like the changes that were happening in the Department. Many people do not like change and find ways not to have to change.

I do not ignore any complaint. I investigate every complaint thoroughly and take the appropriate action. Some personnel do not like or agree with the appropriate action.

The military style does not sit well with them.

I have been managing non-military personnel since 1999. I do not manage civilians the same way I managed military personnel. I learned during my career as a manager there are some rules that can be bent and some that cannot.

One of the tools that I have implemented from the military is performance counseling. This has been adopted by many agencies and businesses. Many consultants are presenting this process to

their clients. During the recent contract negotiations the Union included this process in one of their proposals.

Communications:

Over the last year the Department was short one supervisor. To meet our customers' needs we kept the same shifts which presented management challenges as the two supervisor shifts did not overlap and information flow between the two shifts suffered. This is a problem that I am working on now that we are back up to strength on supervisors

Sending vehicles to dealers for repairs and rebuilding engines and transmissions.

The Department out sources the following work:

- Front end alignments as the equipment to align vehicles is costly and we do not have room to install it.
- Glass replacement
- High pressure hose repairs for the vactors. There are only two vactor trucks and the number of times that we have to repair the hose does not justify the cost of purchasing the equipment. The Department makes all of its own low pressure hydraulic hoses if we can obtain the fittings for the hose.
- Annual inspection of lifting equipment such as cranes, bucket trucks, and Fire Department aerial trucks.
- Accident body work repairs due to the time required for the work, the lack of space for some of the required equipment and the limited ability to paint.
- Repair of air driven tools such as jackhammers, impact wrenches, etc.
- Installation of the K9 inserts in police cruisers. The Department does not do this work often enough to retain the skills for installing the system. This work has always been sent out.

Other work is sent to the dealer for repair on a case by case basis. For example:

- The ability to program computer modules in vehicles in many cases is limited to dealers or authorized repair centers.
- Repairs that must be performed by a certified welder.
- Repairs that we do not do often enough to justify the cost of the necessary equipment.
- Hydraulic cylinders if the Department believes there is damage to the barrel or the rod
- The department has diagnosed a vehicle to the best of our ability with the documentation that we have on the system and we still cannot resolve the issue.

The Department continues to rebuild engines and transmissions when it is not covered by warranty. Recently Ed Groulx, Fred Griswold and Dennis Bourgeois rebuilt engines that were not under warranty. Engine or transmission repairs that are covered under a warranty are sent back to the dealer for repair. Over the last few years manufacturers are not allowing fleets that are not dealers or authorized warranty repair centers to repair the equipment and recover costs for those repairs

under the warranty. The City pays for the warranty thus it should use the warranty to help control costs.

The decision to rebuild an engine/transmission or order a rebuilt engine/transmission is based on when the customer needs the equipment back in service. For critical pieces of equipment that must be repaired as soon as possible, the Department will use a rebuilt engine or transmission if the repair will be completed faster. These decisions include a fiscal analysis and depending on the funds available we may have go the less costly route. Often the less costly route will take longer to complete.

Paint Shop is not large enough for a vehicle.

The team that made the decisions on what capabilities should be included in the maintenance building determined during the design process that the Department did not need the capability to paint a vehicle and thus a full sized paint booth was not installed. Therefore the Department uses body shops to paint vehicles while using the small paint booth to paint small parts such as fenders, rims and mirror housings.

Other:

The Department has had a change over in personnel but has not had a reduction in its ability to weld and fabricate.

Page Three comments:

The Department's management team does not have favorites although I agree that there is a perception that we do. Perceptions are hard to overcome but I am working on it.

The employee was not allowed to go snowmobiling. The employee stated that he had to do something and that he might be a little late getting back if he was called in. He was called in and it turned out his definition of a little late was different from my definition. That issue and another issue we had with employees using their voice mail to screen calls resulted in a policy change on standby procedures for snow removal operations which the union has verbally agreed to and which will be used during the upcoming winter.

I do not remember an issue about the picnic table and no one has asked to have a picnic table. During meetings with the workforce, I ask if there is anything that we need to obtain for the Department and the picnic table issue has not come up. The Department does not have a break area. During the design process the design team decided that the Public Works muster room would also be the break area for the maintenance facility.

Only Central Fleet employees who have had their records checked and have been approved by the Police Department work on Police Department vehicles to include undercover vehicles.

I believe I understand unions well however as a manager I must look out for the best interests of the City. Some times that conflicts with the expectations of the Union.

Supervisors that originally came from other Departments do not put priority on their equipment over other Departments. Equipment repairs are based on a priority model that changes with the season. For example during the summer Public Works has more wheeled loaders, graders and dump trucks then they typically use in a day whereas they only have one street paver and sidewalk paver. That means the pavers have higher priority over dump trucks and most other equipment. Scott Lovering, the night shift supervisor coordinates most of the repairs and maintenance for Water Works vehicles after hours to minimize the impact on that Department. Work on Water Works equipment scheduled work on a night may be delayed if enough refuse trucks or other Public Works high priority equipment needs repairs for the next day.

During the first year of the department preparations for winter plowing season were impacted by the all of the changes and it did impact the winter of 2012/13. Every year since then we have improved. Basically as soon as winter is over we begin repairing the plows and towers, and start servicing and inspecting the salters. Salter repairs start in September and the sidewalk tractors and large snow blowers are prepared in October