



Town of Niagara-on-the-Lake

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REPORT #: CS-25-005 **COMMITTEE DATE:** N/A
REPORT TO: Council **DUE IN COUNCIL:** 2025-03-25
SUBJECT: Potential Fleet Solution – Enterprise Fleet Management

1. RECOMMENDATION

It is respectfully recommended that:

- 1.1 Council **receive** report CS-25-005;
- 1.2 Council **authorize** the transition of the Town's light duty in-house fleet management program to a corporate leased ownership, maintenance, and management program;
- 1.3 Council **approve** repurposing existing Capital Projects, as outlined in **Appendix II**, to fund the lease program for the initial two years;
- 1.4 Council **authorize** the Lord Mayor and Town Clerk to sign the by-law 2025-023 authorizing the execution of the agreements on the March 25, 2025 Council Agenda;

2. EXECUTIVE SUMMARY

Town Staff are seeking to transition the Town's existing light duty vehicles to a Corporate Fleet Lease, Maintenance, and Management Program that is part of the Association of Municipalities of Ontario (AMO) – Local Authority Services Canoe Procurement Program, being Enterprise Fleet Management:

- The Canoe program allows Municipalities to take advantage of competitively sourced, everyday services, saving Staff time from carrying out a procurement process.
- Should Council approve this arrangement, 37 light duty vehicles will be leased, maintained, and replaced through a Corporate Lease Program. This differs from previously analyzed standard leases, as there are fewer stipulations, and the Town would participate in the proceeds of the sale of the asset, with proceeds being returned to the Town to reinvest into the fleet program for future replacements.
- Acquisition, outfitting, maintenance, and disposal would all be managed through Enterprise. Licensing and insurance requirements and processes would remain the same. Participation in Enterprise's maintenance program is mandatory.
- This service acts as a fleet coordinator, which satisfies a recommendation out of the Town's 2023 Fleet Review for light duty vehicles. The service provider would provide analytics and recommendations on maximizing return on investment throughout the life of the vehicles, including when to dispose. Costs of \$132,000 for a fleet coordinator would be avoided.

- The Town's mechanics would be able to focus on providing preventative maintenance for its existing heavy-duty vehicles and specialized equipment, where they already spend the majority of their time.
- Once fully implemented (in year 5 or 2029), annual costs are expected to be \$400,152, with savings over a 10-year period estimated to total \$539,043.
- Staff are recommending that the first two years of the program be funded from existing Capital projects totaling \$440,500, listed in **Appendix II**. This would fund the first two years and some of the third year (breakdown on page 10 of **Appendix I**):
 - Year 1 leasing - \$187,520
 - Year 2 leasing - \$197,411
 - Year 3 leasing - \$254,538
- Staff are recommending that an additional \$70,000 be considered in the 2026 budget to begin building operating funding sources to cover future lease payments and increasing \$10,000 annually until 2035 to support the program fully. Equity from vehicles sold in the program would be reinvested back into the program to support future replacements.
- Maintenance program costs would be funded from existing maintenance budgets.
- Overall, the program would accelerate the replacement and efficiency of the Town's fleet assets for light-duty vehicles.

3. PURPOSE

The purpose of this report is to seek the Council's approval to enter an equity-lease program for the Town's light-duty fleet with Enterprise Fleet Management.

4. BACKGROUND

The Town's Operations department is responsible for the management of all municipal fleet, both light and heavy-duty vehicles/specialized equipment, with the exception of emergency response vehicles. The current Town fleet is comprised of 48 vehicles utilized through all divisions (with the exception of emergency vehicles). Of those vehicles, 37 are considered light/medium duty and include vehicle types such as vans, compact trucks, $\frac{3}{4}$ ton trucks, $\frac{1}{2}$ ton trucks, and medium duty cabs.

The Town has struggled to fully fund the Town's existing light and heavy-duty fleet program. In late 2023, a Fleet Service Review & Green Fleet Strategy was presented through report OPS-23-016. The report contained 64 recommendations, among them was to fund the replacement of the Fleet, introduce two new positions (a mechanic and fleet coordinator), and begin replacing some vehicles with electric solutions at an annual cost of \$1,108,000. To date, no change has been made to the existing levels of fleet funding for capital purposes, and a fleet coordinator has not been hired. A mechanic was hired in 2024 to bring the total number of mechanics for the Town to two.

In late 2024, Staff became aware of the Enterprise Corporate Fleet Lease, Maintenance, and Management Program through the Association of Municipalities of Ontario (AMO) – Local Authority Services (LAS) Municipal buying program known as Canoe. This program helps municipalities purchase products and services that are used on a regular basis. Group buying is a powerful tool that helps municipalities purchase products and services they regularly use. Canoe ensures that a completed competitive process for suppliers has been completed, freeing up staff time as the procurement process is completed in advance.

Staff is recommending transitioning the Town's current in-house light duty fleet management program into a Corporate Fleet Lease, maintenance, and management program to standardize service delivery, stabilize annual costs, and accelerate the current replacement of fleet assets using existing resources. The current fleet is at an advanced age due to a pause placed on existing replacements for up to two years until the Fleet Review was completed and general funding challenges. The current capital program has 8 light-duty replacements approved at a cost of \$440,500. Staff are recommending that these approved budget figures be converted to operating dollars, supporting the leasing program for up to 2 and a half years, with a commitment from Council to invest more into fleet replacement for heavy duty vehicles. Based on current projections, if the current recommended funding level were implemented today, the fleet reserve would be sustainable within 10-years. This does not consider changes in market conditions, the current volatility around tariffs, ongoing trade relationships with the United States, and further growth requirements of the Town. During the 2025 budget deliberations, Council considered increasing the contribution to fleet by an additional \$50,000 a year over 8 years to close the fleet funding gap. If these investments are not met, Staff look to other reserves, such as the Capital Reserve, to fund fleet replacements, but this ultimately takes away from larger infrastructure projects and contributes to the use of debt. There is the potential to have more discussion around service level reductions to right-size the fleet around available financial resources, but this would ultimately be a finance approach and would ignore existing or desired service levels in the community.

Enterprise Program

The Enterprise Fleet Management system utilizes a market-value finance (open-ended lease) program for light duty vehicles. The program covers all vehicle analysis, acquisition, outfitting, maintenance and final sale of the vehicle. Enterprise completes ongoing evaluations on available market options and utilizes analytics to pinpoint opportunities to continually improve the light-duty fleet based on the Town's needs, effectively fulfilling the role of a fleet manager.

As part of the program, the Enterprise team would meet regularly with fleet stakeholders to review the program, trends in the market, vehicle maintenance and usage, and tailor vehicles to each department's needs. These functions performed by Enterprise free up Staff time and would allow the Town's two mechanics to focus on preventative maintenance of heavy and specialized equipment, where the majority of their time is spent.

Enterprise determines the optimal replacement for each vehicle based on the type, use and mileage to ensure the lowest overall costs. Based on existing conditions, Enterprise is recommending that the fleet turnover every 48 months to maximize return on investment. This change is based on existing market conditions, as for example, during the height of COVID and as a result of the used vehicle market, turnover was recommended every 24 months.

In prior years, Staff have relied on a standard lifecycle of 10-years for light-duty vehicles, but due to capital constraints, upwards of 17 vehicles are now 10 years or older, contributing to higher maintenance and fuel costs. This approach comes with its fair share of challenges, including purchasing and maintenance concerns.

5. DISCUSSION / ANALYSIS

Enterprise has analysed our fleet operations and current process to identify cost savings, taking advantage of Enterprise's fleet infrastructure (group purchasing, maintenance, and available data for purchasing decisions) and keep the existing fleet expenses to a minimum. Attached to this report (**Appendix I**) is Enterprise's analysis.

Staff have reviewed Enterprise's estimates and find them in line with existing costs and savings, and even conservative compared to actual costs.

Currently, it's estimated that the Town spends \$70,000 a year maintaining our aging light duty fleet and approximately \$120,000 a year on fuel. With this program, Enterprise is estimating that we can reduce maintenance and fuel costs by an average of 17% per year or \$32,000 annually, once fully implemented. Over a ten-year cycle, the program is estimated to save the Town \$539,043.

There is a formal agreement to enter into this arrangement but it can be ended at any time with no financial commitment other than wrapping up commitments that have been acquired using the program. Maintenance is mandatory, either using a pay-per-use or monthly fixed cost. Enterprise works with local vendors to deliver the maintenance program. Enterprise makes a small percentage off the sale of the vehicle, but all costs have been worked into the costs as presented in **Appendix I**. The Town can return to purchasing vehicles outright at any time. Enterprise may also be able to provide assistance with the procurement of heavy vehicles but does not offer them under a leasing program.

In order to facilitate the transition to this program and jump-start the acquisition of vehicles, Staff are recommending that approved capital spending of \$440,500 be converted to support the first two years of the leasing program with minimal impacts to the Operating budget. Moving forward, and consistent with the existing Fleet Study, more funds will need to be invested in fleet operations in general to support ongoing operations and replacement. Staff are estimating that \$170,000 would be required in 2026 in the operating budget to begin this process. This would be \$100,000 to begin funding the replacement of heavy-duty vehicles and equipment (out of scope from the leasing program) and \$70,000 for the leasing program.

Staff have verified references provided with other municipalities, and the feedback received has been positive, with no negative feedback received. All have commented that savings have been realized within their fleet programs.

To summarize:

- Town mechanics can focus on heavy duty and specialized equipment, where they already spend the majority of their time.
- Light duty vehicle maintenance will be assumed by local certified shops that are partnered with Enterprise as part of the program.
- Light duty vehicles will be sold at the most optimum point in time to maximize return on investment and minimize maintenance requirements.
- Newer fleet assets will allow for less downtime and more fuel efficiency.

Company Ownership Structure

Review of this program began prior to existing conditions in the economy and the current trade situation with the United States. Enterprise Fleet is an American Owned Company with Canadian Subsidiary's and has been operating in Canada since 1993 with a total of 750 branches and eight subsidiaries with regional headquarters in Calgary, Enfield, London, Mont-Royal, Surrey, Toronto, and Winnipeg. The company operates in 90 countries, managing 2.1 million vehicles.

Council has recently introduced a motion to procure Canadian products and services where possible. The automobile sector is a tightly integrated industry across North America, with manufacturers using firms in both Canada, United States and Mexico to manufacture vehicles, with parts, materials and electronic components being sourced across North America and other continents. Staff have currently not investigated the potential of a Canadian-only alternative for this solution.

6. STRATEGIC PLAN

The content of this report supports the following Strategic Plan initiatives:

Pillar

3. Enrich Community Assets, Environment, & Infrastructure

Priority

3.1 Assets

Action

3.1 a) Assets

7. OPTIONS

- 7.1 **Option 1:** Council approve entering into an agreement with Enterprise Fleet Management for the leasing of light-duty vehicles (**Recommended**)
- 7.2 **Option 2:** Council not approve entering into an agreement with Enterprise Fleet Management (*Not Recommended*)

8. FINANCIAL IMPLICATIONS

Staff are recommending that existing Capital dollars of \$450,500 (contained in **Appendix II**) be repurposed to cover the initial costs of this leasing program. Instead of 8 vehicles being replaced with these funds, 20 will be replaced immediately. The program is expected to conservatively save \$530,043 over ten years.

These savings will not materialize in the Town's budget due to historical underfunding but will contribute to transitioning the Town's budget and fleet operation to a more sustainable service delivery model.

As this program would manage the acquisition and maintenance and make recommendations as to when vehicles should be disposed of based on market conditions, Staff agree that a fleet

coordinator would likely no longer be required. This position was estimated to cost \$132,000 and would be considered cost avoidance should this arrangement be approved.

It is recommended that for the 2026 budget year, Council consider investing upwards of \$170,000 for the future replacement of Heavy duty/specialized equipment and for the lease program. These funds are further broken down as \$100,000 for heavy duty vehicles, and \$70,000 for the leasing program. If these investments are not made for the fleet overall, regardless of entering into a leasing program for light duty vehicles, serious consideration needs to be given to downsizing the size of the fleet to match existing financial resources, which would result in service level reductions.

9. ENVIRONMENTAL IMPLICATIONS

Hybrid and electric options exist for certain models and will be explored where practical. The same number of hybrid and electric options will be acquired as the projects being repurposed are for greening purposes.

10. COMMUNICATIONS

Should Council approve this report, Staff will notify Enterprise of Council's decision.

11. CONCLUSION

Enterprise has presented a potential solution which will accelerate the Town's replacement of aging vehicles and outsource maintenance, purchasing, and selling of vehicles, freeing up Staff time and working as a light-duty fleet coordinator.

12. PREVIOUS REPORTS

- Fleet Service Review & Green Fleet Strategy - OPS-23-016

13. APPENDICES

- Appendix I – Enterprise Analysis
- Appendix II – Listing of Capital Projects Recommended for Repurposing

Respectfully submitted:

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