

OPERATING POLICIES AND PROCEDURES

CATEGORY: VEHICLE OPERATION	DATE ISSUED: 09-09-13 REVISED:	EFFECTIVE DATE 09-09-13	POLICY NO: VO-13
TITLE: LEASING OF VEHICLES AT FLEET SERVICES OPERATING COSTS			PAGE 1 OF 2

Fleet Services in years past provided specialty transportation to agencies that were challenged by limited budgets or had extreme issues, assigning vehicles that were to be auctioned. This was contrary to a proven and precise system of adherence to vehicle life cycling. This system reduces ownership costs by decreasing the amount of vehicle repair and increasing vehicle residual value at disposal. The result has been a newer more dependable vehicle at the lowest possible cost to agencies. In addition a dependable and perpetual replacement cycle is created.

The current Fleet Services operating business plan has been created to operate within finely balanced factors that specifically depend on disposal proceeds to support the lower rates charged to agencies. Fleet Services will no longer offer vehicles for agency use that reduce that value. The policy will dictate the terms and conditions of specialty vehicles, or the extreme circumstances that might result in agreement to permit a fully capitalized Fleet Services vehicle to be utilized beyond the normal life cycle.

It will be understood vehicles will be provided under the standard Fleet Services agreement in all but an extremely limited number of assignments.

General Terms:

- All State and Fleet Services vehicle utilization policies and laws will be applicable to any vehicle leased under this program.
- Agencies may not increase the number of assigned vehicles through this policy. A vehicle in operating condition must be identified and sent to Surplus Property for disposal. Vehicles deemed as in salvage condition are NOT to be used to offset the assignment of a vehicle under this policy.
- A written lease agreement will be required for these exceptional leases and failure to meet the conditions of the agreement will result in termination of the lease.
- Vehicles determined to have use beyond pre-determined replacement cycles and then assigned under this provision will remain titled to Fleet Services. Vehicles will not be sold to an agency, regardless of how the vehicle is to be utilized. The ownership requirement is congruent with the Governor's Performance Review that determined vehicle ownership was restricted to Fleet Services, State Police and DELDOT, other than vehicles specifically exempted in Delaware Code.
- Requesting agencies will be required to remit an amount equal to the residual value of the vehicle as listed in the Fleet Services business plan (currently 28% of the vehicle acquisition cost) prior to vehicle assignment. Upon vehicle disposal, any additional residual value will be credited to the requesting agency.

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- The vehicle provided will have vehicle tracking, EZ Pass and a Fleet Services fuel card. The agency will be charged the established operating rate for that vehicle type.
- The mileage allowance for vehicles under this program will be identical to the system for all Fleet Services vehicles. Miles driven beyond the predicted use will be charged excess mileage fees as needed.
- The operating rate will provide for routine preventative maintenance and limited repairs. Any repair in excess of \$500 will require approval of the Fleet Administrator and may result in termination of the lease, with the vehicle scheduled for disposal. There is no guarantee of a replacement operating rate vehicle, when an “exceptional” lease is terminated.
- Any damage to the vehicle beyond normal wear and tear is to be reported to Fleet Services immediately. Damage discovered by Fleet personnel but not reported will be cause to terminate the lease.
- The user agency will be responsible for the \$500.00 deductible in the event of an accident.

Agreements Currently In Force:

All current agreements will remain in force until the vehicles are set for disposal. All arrangements negotiated after the issuance of the Policy VO-13 will be congruent to the policy.

Fleet Administrator Authority:

All issues arising from the lease of vehicles under this policy will be adjudicated by the Fleet Administrator, whose decisions will be final.

Determination of Charges:

Upon approval of a request for a vehicle under this policy, the agency will process payment for the residual value of the vehicle. As noted in General Terms, this amount is currently 28% of the vehicle's acquisition cost. A cost example follows for a mid-size sedan:

Acquisition Cost: \$14,718.05
28% Residual Value \$4121.05
Monthly Operating Rate Charge: \$346.80

The agency will be required to pay the Residual Value prior to vehicle assignment and provide appropriate accounting information to permit monthly billing of the Operating Rate.