TORONTO

STAFF REPORT
ACTION REQUIRED

Fleet Services Review - Strategy for the Fleet Services Division

Date:	August 31, 2015
To:	Government Management Committee
From:	Director, Fleet Services Division
Wards:	All
Reference Number:	P:\2015\Internal Services\Fleet\Gm15006Fleet -(AFS19450)

SUMMARY

The City of Toronto's Fleet Services Division (FSD) engaged Mercury Associates, Inc. (Mercury) to conduct an in-depth review of select facets of fleet management practices. The project was initiated in January 2014 and detailed reports for fleet management functions under study have been provided to FSD. These included the assessment of the present mode of operation, and the recommendations to achieve best practices based on future mode operation.

This report summarizes the final Mercury report which provides the improvement goals and the associated strategies to address the deficiencies pertaining to organization, client service delivery, operational and business process practices, corporate partnership, supplier management and program sustainability.

RECOMMENDATIONS

The Director, Fleet Services Division recommends that:

1. Government Management Committee receive this report for information.

Financial Impact

The initial financial impact to implement the recommendations of the Mercury report will be managed within Fleet Services' Operating Budget. Any future financial impact will be determined and presented in the 2017 Budget process

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its April 7, 2014 meeting, Government Management Committee requested the Chief Corporate Officer to submit a report to Government Management Committee early in 2015 on the findings and recommendations of the external consultant.
http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getMinutesReport&meetingId=7866

ISSUE BACKGROUND

City of Toronto Fleet Services Division (FSD) is responsible for managing the City's fleet of approximately 5,200 corporate vehicles and equipment. FSD purchases, manages, and maintains the vehicles and equipment, manages fuel, and provides operator training and safety compliance management.

FSD aims to provide its clients with responsive, flexible, efficient, and comprehensive support to aid the delivery of public programs and services. To achieve this, FSD must improve services to its clients, while demonstrating leadership and expertise in all aspects of Fleet Management.

After joining the City in September 2012, the Chief Corporate Officer (CCO) identified ongoing operational and business issues within FSD. This resulted in the CCO initiating an audit by the City's Internal Audit Division and the recruitment of a new transformational director, following the retirement of the incumbent in the first quarter of 2013. After joining the City in the second quarter of 2013 and completing a cursory review, the new Director, FSD also identified major operational and business issues.

Between 2010 and 2012, both Fleet core and service efficiency reviews have been conducted by external consultants. However, the operational and business issues facing FSD require a more focused and specialized fleet management approach. As a result, the Director, FSD recommended that the City engage a fleet management consulting firm.

COMMENTS

In January 2014, FSD engaged Mercury Associates to evaluate its business practices in an effort to define opportunities for improvement. Over the course of several months, Mercury conducted various FSD personnel interviews and site visits as well as analyzing the data and documentary material requested and provided. The Fleet Services review provides the improvement goals and the associated strategies to address the deficiencies pertaining to organization and operational practices and procedures.

One of the key components of the Mercury approach is the use of fleet management leading practices and associated benchmarks, from both public and corporate fleets. In addition to this, FSD contributes, subscribes to, and utilizes fleet benchmarking services such as OMBI and Utilimarc, to identify opportunities to improve efficiency, reduce cost, and leverage technology.

Summary of Findings

FSD's vision is to be recognized as a centre of excellence and a leading fleet organization among the municipal governments in North America. The recently developed FSD five year business plan contains significant and challenging improvement goals that are required to achieve the end vision. The improvement goals and the associated strategies outlined in the FSD review address the deficiencies regarding organization and operational practices and procedures. The external consultant's report utilizes the improvement goal framework to outline the initiatives and strategies required to accomplish these goals. Many of the improvement goals have overlapping strategies that enable multiple goals. Each improvement goal has been assigned a relative priority based on their criticality and impact.

The following provides an approximate timeline for the improvement goals to be accomplished. Some initiatives, such as organization transition, staff recruiting, and process improvement have already begun in 2014. However, the stated improvement goals represent a major transformation for FSD and as such, intense focus and resources are required for another four years to achieve the identified initiatives and the desired steady state.

Table 1: Improvement Goals Implementation Time Line

	2015				2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Staff Development and Organization Transition																
Operational and Business Process Improvement																
Corporate Partnership and Supplier Management																
Client Service Delivery Excellence																
Program Sustainability																

In conclusion, there are significant deficiencies in all three essential categories for high performance organizations, namely organization structure and people, processes, and effective communication. This represents a significant change management challenge for FSD that will require several years to accomplish. Executive support and client group collaboration are fundamental for success.

Improvement Goals and Strategies - Imperatives

1.0 Staff Development and Organizational Transition

Initiatives	Strategies
Acquire and develop qualified and experienced staff	• Redesign the current organization structure • Address gaps in knowledge and skill set • Review service delivery options for functions which face significant organizational impediments to improvement
Coordinate Green Fleet Plan for all major City fleets	• Lead changes to the procurement practices pertaining to the selection process • Renew the fleet • Establish governance, operating guidelines, and the implementation plan with progress tracking
Create a positive and healthy work environment	• Establish performance evaluation measures for the fleet positions • Ensure required expertise for the fleet position • Provide required training and tools for FSD personnel

Benefits - Future Mode of Operation

The benefits of the proposed organizational transition are:

- Establishment of a leading fleet organization with sufficient capacity and capability;
- Improved efficiency by creating a scalable structure with clearly defined roles and responsibilities;
- Increased engagement and empowerment of FSD personnel; and
- Enhanced leadership across all city fleets.

Key Accomplishments

Changes to the FSD management team have been initiated to better align team members' functional responsibilities and accountabilities with management skills.

2.0 Client Service Delivery Excellence

Initiatives	Strategies
Improve service delivery by adopting leading fleet practices	• Augment critical shop tools and service hours to improve service delivery • Review service delivery options • Develop service level agreement (SLA) for key clients and conduct regular business reviews • Establish client relationship management function in FSD

Benefits - Future Mode of Operation

The benefits of executing the aforementioned strategies are:

- Client relationships will move towards a partnership model;

- FSD will be seen as adding value to the clients' business;
- Important deficiencies from a client perspective will be addressed; and
- Improved cost structure.

Key Accomplishments

FSD has adjusted, and where viable extended its service hours, to improve service delivery and better meet clients' operational requirements.

In cooperation with the CCO, FSD has initiated a review of current service level agreements in order to track, measure, and improve service delivery to our key clients.

3.0 Operational and Business Process Improvement

Initiatives	Strategies
Improve data collection and performance indicator based reporting	• Focus on accurate data in M5 (Fleet Management Information System or FMIS) • Optimize use of M5 • Leverage reporting capabilities of M5 to generate required performance indicator reports, SLAs, and exception reports
Develop transparent chargeback method for full cost recovery	• Conduct a rate study and implement transparent charge-back methodology
Establish behaviour-based safety practices and training curriculum	• Acquire and develop qualified and experienced staff • Measure and manage collisions • Develop an effective curriculum and schedule • Implement accident tracking in FMIS
Roll-out automated meter reading and fuel management at all fuel sites	• Continue with fuel site modernization plan
Implement Auditor General's recommendations	• Continue with long-term strategy for fuel sites and increase FSD's oversight and leadership role in fuel management • Evaluate the current use of the FMIS and optimize its use (refer to the first initiative in section 3.0) • Sublet Contracts for Maintenance and Repair o Improve internal processes and controls o Review key sublet vendor contracts o Conduct audit of sublet vendor work requests and invoices o Conduct business reviews with key sublet vendors • NAPA Parts Contract for In-house Maintenance and Repair o Renegotiate the City's contract with NAPA to promote improvements in service quality and value for money o Address long fill time for heavy duty vehicles and equipment o Conduct senior level business reviews with NAPA • Efficiency Opportunities in Maintenance and Repair Operations o Acquire qualified staff o Augment mechanic training and tools o Institute cost management and performance indicators o Optimize preventative maintenance (PM) o Focus on work planning and service delivery

Benefits - Future Mode of Operation

The benefits of executing the aforementioned strategies are:

- Data accuracy, integrity and accountability will improve;
- Performance and cost improvement for sublets;
- Enhanced central oversight for fleet and fuel management;
- Cost transparency will incentivize clients to reduce preventable cost.

Key Accomplishments

Significant improvements have been made to the Commercial Vehicle Operator Registration program to ensure accurate measurement, recognition and correction of areas of concern and now include the implementation of behavior based safety practices. These significant changes have reduced the City of Toronto's Safety Rating from a Conditional Rating of 72.5% in September 2013; to a Satisfactory Rating of 29.5% in August 2015 (*a lower number is better).*

Sizeable steps have been taken to implement an industry leading, cost-effective, approach to data capture and fuel management, through a Fuel Integration pilot project. At the request of FSD, Internal Audit Division conducted a fuel system upgrade review to validate new system controls and data accuracy and integrity.

Through the development of a revised and aggressive plan in 2013, the City is on track to reach the new plan of twenty-seven (27) active sites by the end of 2016.

Budgeted amounts for fleet technician training and maintenance and repair tools have been increased to improve knowledge, productivity and the provision of value added services.

Formal meetings have been held with the City's contracted parts supplier (NAPA) regarding the need to make contract modifications that promote improvements in service quality and value for money.

A preventive maintenance optimization review is underway. Once completed (third quarter of 2015) it will improve operational efficiency and enhance customer service.

4.0 Corporate Partnership and Supplier Management

Initiatives	Strategies
Manage supplier contracts to raise performance standards	• Acquire knowledge, experience, and skill set for supplier management • Establish tighter controls in internal processes • Establish performance indicators and conduct regular business reviews with key suppliers
Evaluate different modes of business practices for effectiveness	• Acquire expertise in contract development and management, and supplier management • Explore different delivery models for the maintenance and repair of light and medium duty vehicles to address the shortage of mechanics and work bays • Evaluate delivery models for aspects such as defensive driving and specialized equipment training
Lead the fleet shared services model	• Transition the fleet organization for scalability and required skills, • Lead the Fleet Shared Services model and the Consolidated Green Fleet Plan for City fleets

Benefits - Future Mode of Operation

The benefits of executing the aforementioned strategies are:

- Improved supplier performance and value for money;
- Compliance and Risk Management will increase; and
- Productivity, service levels and cost savings will improve;

Key Accomplishments

Internal Fleet processes and controls continue to be reviewed and improved, including sublet contract administration and management. A new vendor audit module has been created in the FMIS adding reliable tracking and reporting functionality to enable more efficient and effective contract management. FSD has also engaged forensic resources including the Auditor General's Office and the City's Internal Audit division, in areas where further review is required.

FSD continues to work closely with other City Fleets in the areas of fuel management, procurement, emergency management, operational efficiencies, and environmental initiatives. Some examples of this FSD leadership and close cooperation are the City's first ever Consolidated Green Fleet Plan, and the pilot for fueling of TTC Vehicles at City Sites that was deployed on April 27, 2015. If viable, the TTC will be included in the full rollout of this program. These joint initiatives complement the goals and aspirations of the City's Shared Services Project and its Centres of Excellence.

5.0 Program Sustainability

Initiatives	Strategies
Develop a long-term vehicle and equipment replacement plan while in parallel right-sizing the fleet	• Eliminate or redeploy low utilization vehicles and right size the fleet • Determine optimal retirement age for asset cohort • Develop a practical replacement plan • Augment capital reserve or use financing options for replacement backlog
Develop a long-term plan to improve aging infrastructure and space adequacy	• Explore options for the short term • Consolidate maintenance and repair at fewer shops, where viable
Continue to address environmental needs at all City-operated fuel sites	• Centralize oversight for fleet requirements pertaining to the environment • Execute the plan for fuel site upgrade and closures

Benefits - Future Mode of Operation

The benefits of executing the aforementioned strategies are:

- Reduced operating cost and fuel consumption;
- Improved productivity and efficiency;
- Optimized fleet assets and infrastructure; and
- Enhanced environmental stewardship.

Key Accomplishments

FSD has developed and began implementation of a three point action plan to optimize vehicle and equipment capital reserves and fleet replacement options to address increasing fleet age and operating costs. The ongoing multifaceted approach that has been approved by Council will assist with fleet rightsizing and renewal, while ensuring that adequate vehicle and equipment reserves are in place to meet the City's future vehicle and equipment replacement needs.

Conclusion

To achieve the goal of being a leading fleet organization, FSD must improve services to its clients, while demonstrating leadership and expertise in all aspects of Fleet Management. This significant transformation has already begun with foundational changes to leadership, structure, staff and processes. To ensure business and process integrity, FSD has involved the specialized resources of external consultants, Internal Audit and the Auditor General's Office, as applicable.

Improvement initiatives have been prioritized, with key objectives, next steps and a defined work plan. This significant change management initiative will take several years for FSD to accomplish. Executive support and client group collaboration are essential for success.

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