

CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: September 3, 2024

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To: Honorable Mayor and City Councilmembers
From: Don Schwartz, City Manager
Subject: Contract Amendment #1 with Baker Tilly for Analysis of Fleet Funding and Maintenance

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RECOMMENDATIONS: Approve Contract Amendment #1 with Baker Tilly to conduct an analysis of Fleet Funding needs and maintenance operations.

EXECUTIVE SUMMARY: This agreement with Baker Tilly will provide the City with a clear understanding of our needs for fleet replacement and funding, as well as recommendations to improve our fleet operations.

BACKGROUND AND DISCUSSION: Strong financial practices for cities includes understanding long-term funding needs for our assets including our fleet. This understanding is best provided by an expert in this field.

The proposed agreement with Baker Tilly will provide expert assistance in developing a funding and replacement plan for our fleet, as well as review our operations and identify opportunities for improvement. One of the goals is to identify how much funding we should set aside annually to replace vehicles when needed, which helps to avoid spikes in one-time expenses.

The project will also assess our fleet operations and identify opportunities for improvement. One of the deliverables will be an action plan to help us implement better practices in financing and managing our fleet.

STAFF ANALYSIS:

The proposed amendment is to the January, 2024 contract with Baker Tilly for financial support. We chose Baker Tilly because they are the only firm that we could identify who performs this work and their rates are reasonable.

COMMUNITY OUTREACH:

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

FISCAL IMPACT: The \$18,900 cost for this project is included in the approved FY 24-25 budget, and includes all fees and expenses.

OPTIONS:

1. The City Council could decide to not pursue this project.

ATTACHMENTS:

1. Contract Amendment with Baker Tilly, including proposal and scope of work for this project.

APPROVALS:

Department Head Approval: Approval Date: 8-21-2024

CEQA Determination (Planning): Approval Date: 8-21-2024

The proposed action is not a project under the California Environmental Quality Act (CEQA)

Administrative Services (Financial)

Approval Date:8-21-2024

Costs authorized in City Approved Budget: Yes No N/A

Account Code (f applicable) _____

City Attorney Approval:

Approval Date: _____

City Manager Approval:

Approval Date: August 21, 2024

AMENDMENT NUMBER 1
to contract
Between the City of Sebastopol and Baker Tilly

THIS FIRST AMENDMENT TO CONTRACT for consultant services is entered into by and between the City of Sebastopol ("City") and Baker Tilly ("Consultant") this 3rd day of September, 2024.

The City and Consultant agree as follows:

Recitals

The following recitals are a substantive part of this Agreement:

WHEREAS, City and Consultant entered in the Personal Services Independent Contract Agreement dated as of January 31, 2024 (the "Agreement").

WHEREAS, City and Contractor desire to modify the Agreement on the terms and conditions set forth herein to increase the contract amount from a maximum of \$50,000 by \$18,900 and expand the Scope of Services to include analysis regarding the City's fleet; and

WHEREAS, the amendment of the Contract for Consultant Services is in the best interest of the City of Sebastopol; and

WHEREAS, Effect on the Agreement. Except as expressly set forth herein, the terms and conditions of the Agreement shall remain in full force and effect. In the event of any inconsistency between the Agreement and this Amendment, the terms of this Amendment shall control; and

WHEREAS, Entire Agreement; Conflicts. This Amendment and the Agreement contain the entire agreement between the Parties with respect to the subject matter hereof. Except as otherwise specified herein, no prior oral or written understanding shall be of any force or effect with respect to those matters covered herein. This Amendment and the Agreement shall not be modified or altered except in writing signed by both parties.

NOW, THEREFORE, the City and the Consultant agree that the Contract shall be amended as follows:

Scope of Work: See Attached May 10 2024 Letter Proposal Regarding Analysis of City Fleet

Fee Schedule: \$18,900 for all fees and expenses

Maximum Total Compensation: \$18,900

Term of Amendment: All tasks to be completed by January 3, 2025.

All other terms and conditions of the Contract dated January 31, 2024, as amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Consultant Services Contract the day and year first hereinabove written.

SEBASTOPOLE

Baker Tilly

By _____
Don Schwartz, City Manager

By Carol Jacobs
Carol Jacobs, Managing Director

ATTEST:

By _____
Mary C Gourley Assistant City Manager/City Clerk, MMC

May 10, 2024

Don Schwartz
City Manager
City of Sebastopol
7120 Bodega Avenue
Sebastopol, CA 95472

Baker Tilly US, LLP
2570 W El Camino Real
Suite 640
Mountain View, CA 94040
(949) 809 5588
bakertilly.com

Delivered electronically

Dear Mr. Schwartz:

Thank you for the opportunity to submit this proposal to assist the City of Sebastopol with developing a long-range fleet replacement and funding model. This proposal has been revised to remove the 6 fire vehicles as requested. That reduced the estimated hours by 18. We will also complete an overview analysis of all aspects of the City's fleet maintenance program to assess its overall effectiveness. We will identify where "best fleet management practices" are being used and how to achieve better results in those areas where they are not.

We have prepared a scope of work that reflects our understanding of the City's desire to better understand the current state of its fleet and develop recommendations to improve its functionality. Our proposed subject matter specialist, Greg Fassler, has helped local governments across California and throughout the United States to analyze and improve their fleet operations. He will be supported by a team with deep experience performing organization reviews for cities and counties of all sizes.

Proposed plan of work

Based on our breadth of experience in conducting fleet studies, we have developed a scope of work to accomplish the City's goals, which is described below. This framework is amenable to refinement based on your input.

Activity 1 – Start project

Baker Tilly will begin our evaluation by requesting that your agency complete an electronic fleet data request intended to give us an overview of your fleet operation. We will also use the information that you have previously provided to us. At the same time, we will request written documentation on the City's fleet operations, including operating and capital budgets, organizational charts, inventory of vehicles, fleet policies and procedures, and various recordkeeping and management reports.

Activity 2 – Develop a long-range fleet replacement plan and funding schedule

An effective fleet replacement program has three components:

- A replacement planning process that projects when each vehicle and piece of equipment should be replaced,
- A financing and funding process that ensures money is available to purchase a replacement asset when the desired replacement date is reached, and
- Guidelines to identify which vehicles to replace each year.

Baker Tilly will develop a long-range replacement schedule based on our recommended replacement intervals and compute the future purchase price for each unit based on the estimated net cost of each and the planned retention period. Salvage values and auction fees for each asset will be taken into consideration. The schedule will also quantify the total projected replacement costs, including annual inflation costs, on a per-year basis for an appropriate period (15 years).

The City of Sebastopol
May 10, 2024

The schedule is comprised of interactive worksheets that can be used as a tool to illustrate how yearly contributions from users or ad hoc budget infusions influence the fund balances from year to year. We will provide these interactive worksheets to the City for use in tracking future replacement costs and chargeback charges.

We will develop a chargeback and funding mechanism used to support the replacement fund and offer alternative funding options where appropriate.

Baker Tilly will also evaluate the City's fleet replacement methodology to determine if it accounts for the factors necessary to help determine the "optimum economic life point" of a vehicle or piece of equipment. Many fleet agencies use a point system that assigns a quantitative numerical value to factors such as age, miles/hours, reliability, maintenance and repair costs, type of service and overall condition. When totaled, these points are then compared to predefined ranges that define whether a unit should be considered for replacement. This process tends to eliminate some of the politics and subjectivity commonly found in the decision-making process when replacing vehicles and equipment.

Activity 3 – Conduct vehicle maintenance assessment

This review will identify recommendations and best fleet management practices that, if implemented, could improve the functionality of the City's vehicle maintenance efforts. This will include interviewing fleet customers to determine their level of satisfaction with work performed on their vehicles and equipment. Following is a list of areas we plan to address:

- Fleet organization, structure and policy
- Preventive maintenance and repair program
- Fuel program management
- Fleet operations cost control and monitoring
- Performance measures
- Fleet utilization/procurement program
- Fleet management information system
- Alternative service delivery approaches
- Alternative fuel vehicles and electric vehicle regulatory compliance

Activity 4 – Report results

After completing our fleet replacement schedule and vehicle maintenance assessment, we will prepare a draft report detailing our methodology, analysis, and recommendations for improvement. We will meet with you and others you designate to review the draft report. We will seek any clarifications needed to ensure our recommended actions are clear and the factual basis of the analysis is accurate. We will finalize our project report after receiving your comments.

Activity 5 – Support implementation

Upon completion of the report and recommendations, Baker Tilly will prepare a draft Implementation Action Plan. The Action Plan will serve as an executable roadmap that details the specific steps needed to accomplish each of the recommendations included in the report based on the actual priorities of the City. It also includes a suggested priority for each recommendation (short-, medium- and long-term) and assigned responsibility.

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The action plan is prepared as a draft and becomes final once the city management integrates the action steps into the work plan and develops dates for planned completion. The action plan offers an important management tool for the actual implementation of the work reflected in the project report.

About Baker Tilly

Celebrating more than 90 years serving our valued clients

As a future-looking firm, we celebrate more than 90 years in the marketplace by honoring our roots and continuing to shape our future. We embrace the fact that local governments can't stand still — and we won't stand still. As we help our clients identify new needs and opportunities, we innovate and change to work better.





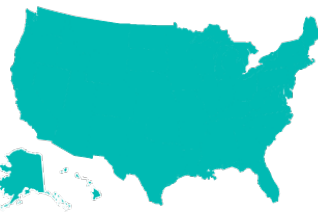
Effective on or around June 1, 2024, all consulting and tax engagements will be performed by Baker Tilly Advisory Group, LP. All assurance engagements will continue to be performed by Baker Tilly US, LLP.

Delivering specialized expertise to our public sector clients

Unlike many of our contemporaries, Baker Tilly is organized by industry, not service line. What does this mean for the City of Sebastopol? It means you will be served by a carefully selected team that blends our government-focused professionals with experienced fleet analysis specialists. The City of Sebastopol will be working with knowledgeable professionals who understand the specific challenges you face and will provide innovative solutions to help you overcome them.

State and local government is a complex, unique environment shaped by fiscal, regulatory and operational considerations not found in other industries. We recognize this complexity, and we are eager to serve as a truly valued advisor to the public sector. Nationwide, our state and local government practice has served nearly 4,000 state and local governmental entities, including municipalities, special districts, counties, public utilities, school districts and transit.

Public sector: Experience that matters

 4,000 public sector clients	 90+ years of industry experience	 Serving clients nationwide
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SUPPORTING STATE AND LOCAL GOVERNMENTS WITH SPECIALIZED EXPERTISE
The City of Sebastopol will benefit from the insight Baker Tilly has gained from serving thousands of public sector clients across the United States.

Comprehensive services for local governments

Your team is ready to help you find solutions to overcome the obstacles that stand between you and your goals. We provide a full range of service offerings for state and local governments, including those listed below.

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FULL RANGE OF KEY SERVICE OFFERINGS FOR LOCAL GOVERNMENTS	
Accounting services and assurance	Housing and economic development
Capital planning	Human capital services
Cybersecurity consulting	Management services
Classification and compensation study	Organizational assessment
Efficiency studies	Organizational development
Executive coaching	Process improvement
Executive performance assessment	Rate and user fee studies
Executive recruitment	Risk advisory and internal audit
Federal funding advisory	Service sharing and service consolidation
Financial planning, budgeting and analysis	Strategic planning

References

We encourage you to connect with the clients below to learn more about the value of their relationship with Baker Tilly. Each client will offer a different perspective as you consider your own needs.

CITY OF BLAINE, MINNESOTA			
Name	Michelle Wolfe	Title	City Manager
Phone	(763) 785-6120	Email	mwolfe@blainemn.gov
Description	Our firm was engaged to evaluate the City's Vehicle Maintenance operation. Our work included interviewing leaders and mechanics as well as customers who use the vehicles and equipment serviced by the division. The review identified improvements based on best fleet management practices that, if implemented, could improve the functionality of the City's maintenance efforts. Our work also included a rightsizing study of the City's fleet, which involved a detailed review of each vehicle and piece of equipment to ensure the fleet is appropriately sized and configured to meet transportation needs as efficiently and effectively as possible. We also provided alternative transportation options that would be less costly, such as reimbursing mileage for individuals who use their own vehicle, downsizing to less expensive and more economical units, centralizing and/or pooling vehicles, sharing equipment with other public agencies, and using commercial car rental companies. In addition to a project report, we developed an Implementation Action Plan and presented the report to the City Council. Following the Fleet Rightsizing Study, our team performed a chargeback study to help City leaders develop a chargeback system based on best practices.		

CITY OF GARDEN GROVE, CALIFORNIA			
Name	Mr. Phil Carter	Title	Public Works Division Manager
Phone	(714) 741-5380	Email	publicworks@ggcity.org
Description	Our firm was engaged by the City of Garden Grove to assist in developing a new fleet chargeback system to recover the costs of ownership and operations of City vehicles and equipment. Our team used a variety of analytical and management techniques to conduct this study, including reviewing documents, interviewing City staff, and applying best fleet chargeback practices.		

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Key recommendations included the adoption of a three-tiered fleet chargeback system for all rolling stock that incorporates a monthly fleet replacement fee, a monthly administrative overhead fee, and a variable cost per mile/hour rate to recover the operational costs of the unit (costs associated with fuel, sublet work, parts, maintenance and repair). We also recommended that for maintenance and repair work, miscellaneous non-metered units be charged on a time and materials basis by applying a shop labor rate and markups for parts, fuel and sublet work. Our work resulted in a fleet rate schedule and two fleet replacement schedules to assist City staff in computing the necessary chargeback fees.

STANISLAUS COUNTY, CALIFORNIA

Name	Dan Wirtz	Title	General Services Agency Director
Phone	(209) 525-4664	Email	wirtzd@stancounty.com


Description Our firm was engaged by Stanislaus County to evaluate the County’s Fleet Services operation (1,426 units), conduct a right-sizing evaluation, and develop a plan to implement improvements. Our work included reviewing pertinent documents, interviewing County staff and internal customers, conducting site visits of the fleet and fueling facilities, and applying best fleet management practices.

Some of the major recommendations included the need to identify the actual cost of the County’s Fleet Services operation relative to the marketplace, competitively bidding commercial repair work and parts purchases, fully utilizing the fleet software system, tracking performance measures to enable the fleet operation’s effectiveness to be evaluated, providing appropriate staffing for the entire fleet operation, and the need for a long-range fleet replacement plan and reserve or sinking fund to ensure the timely replacement of fleet assets. In addition to the report, we also provided an Implementation Action Plan.


Aligning key engagement team members with your goals

Your handpicked team of professionals offers a collaborative focus supported by the breadth and depth of our firm’s national resources. We believe in strong personal relationships, and this means a personal interest in the City of Sebastopol from some of our most experienced team members. Engagement team members are introduced below.

ENGAGEMENT TEAM FOR THE CITY OF SEBASTOPOL

	Gregory Fassler, Special Advisor
	Role: Project manager
	<p>Greg has more than 35 years of experience in the field of fleet management. He has served as fleet manager for several California municipalities, and has provided consulting services to federal, state and local government organizations across the country, as well as international clients. Greg has performed fleet consulting services to numerous California clients including the City/County of Napa, and the cities of San Mateo, West Sacramento, Tracy, Santa Cruz, San Bernardino, Long Beach, Roseville, Woodland, Davis and Stockton. A sampling of clients outside California include Polk County, Florida; North Las Vegas, Nevada; Phoenix, Arizona; Clermont County, Ohio; Topeka, Kansas; Dallas County, Texas; and West Palm Beach, Florida. Over his career, his work has included fleet management and maintenance</p>

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ENGAGEMENT TEAM FOR THE CITY OF SEBASTOPOL	
	operations audits, fleet utilization studies and procurement analysis, and analyses for outsourcing fleet maintenance work. Greg also has designed fleet facilities and analyzed fleet management information systems. He was part of a project for the State of California to develop the “Best Fleet Management Practices and Performance Measures Manual,” an industry-wide benchmark for public sector fleet operations.
	Michael Bridges, Senior Management Advisor
	Role: Project analysis and support
	Michael has 27 years of management experience in local government. As a consultant for the past 15 years, Mike has specialized in projects involving public safety (sheriff, police and fire), coroner operations, health clinics, county courts, public defenders, community development, special districts, parks and recreation, and the close-out of a Community Action Program JPA. He has designed multi-year staffing and financial projection models and has also accepted interim assignments to serve as a department director. Earlier, Mike held a variety of positions for the City of Oakland including deputy city manager. Mike managed the creation and operation of the Community Assistance Center in response to the 1991 Oakland Hills Firestorm and managed Oakland’s information technology recovery from the effects of the 1989 Loma Prieta earthquake. He was the city administrator of Cascade Locks, Oregon; the interim assistant city manager of Belmont, California; and the interim city manager of Winters, California.

Professional fee

The total cost of this project is \$18,900, which includes all fees and expenses. The ultimate test of a quality project is that the client is pleased with the results, and we are committed to achieving that goal.

Conclusion

The City of Sebastopol will be a valued client of Baker Tilly. Thank you for the opportunity to make tangible contributions to your success. Our team is excited to earn your trust, and we look forward to discussing your questions and feedback.

Sincerely,



Carol Jacobs, Managing Director
Baker Tilly US, LLP
+1 (949) 809 5588 | carol.jacobs@bakertilly.com

Accepted for the City of Sebastopol by:

Name: _____

Title: _____

The City of Sebastopol
April 25, 2024

Date: _____

Baker Tilly US, LLP is currently undergoing a restructuring of its organization which is anticipated to occur on or around June 1, 2024. Following the closing of such restructuring, all consulting and tax engagements will be performed by Baker Tilly Advisory Group, LP. All assurance engagements will continue to be performed by Baker Tilly US, LLP.

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. © 2024 Baker Tilly US, LLP.

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