



## Consolidating Fleet Management

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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## Consolidating Fleet Management

**Reference Number:** MTAS-1960

So how does a city get started if it's changing from decentralized fleet management to consolidated fleet management? Once the decision has been made to form a department of fleet services, senior leaders (the city manager and/or mayor) should designate the fleet manager, and form a cross-functional team that represents the stakeholders impacted. It's important that this group has the support of the city administration. The team should include representatives from purchasing, financing and key department heads. The purposes of the group are to develop strategies on how to consolidate fleet functions, to pool data, define policies and procedures, develop goals and objectives, etc. This group should (1) discuss the needs of fleet customers; (2) gather data such as a listing of fleet inventory, budget information, staff training and certifications; (3) evaluate and/or develop policies; and (4) establish goals. Then the group working together or the fleet manager working independently should determine replacement priorities. (See example replacement priority list [1].)

The vehicle replacement sample plan [2] demonstrates a model vehicle/equipment plan developed by MTAS and is similar to the replacement plan for Polk County, Fla., and to other plans posted on the American Public Works Association (APWA) website. See [www.apwa.net](http://www.apwa.net) [3].

The hard part is starting funding for the plan. There are basically three ways to start a vehicle replacement fund: from cash, savings, or borrowing.

## Funding Your Plan

**Reference Number:** MTAS-1961

**Cash** – If a city has uncommitted cash on hand, it could be used to start a vehicle replacement fund. Otherwise, this method is rarely available, and it is not viable as a sustainable strategy.

**Savings** – MTAS advocates the establishment of a replacement fund. Departments would make regular contributions in the form of monthly charges to the fund based on vehicles in department fleets, their cost and expected life. This method reduces volatility and keeps department heads focused on vehicle use levels. The fund will have to be carefully set-up and monitored to ensure that contributions are where they need to be – not too low as to fall short of having money available to follow the replacement plan and not too high as to invite raiding of the fund for other city uses. Note: the accounting of capital and operating funds will have to be kept separate.

**Debt** – Issuing debt for purchase of most city vehicles/equipment is not recommended as a long-term routine strategy. The perception is that it is fiscally irresponsible to use debt to pay for equipment essential for day-to-day operations. Debt issuance has generally been reserved for large, expensive equipment that is expected to last 15-plus years.

How does a city start a vehicle replacement fund – particularly when there is a backlog? The answer may be using a combination of cash on hand and issuing debt.

As noted above, MTAS recommends:

- An Internal Service Fund from which all maintenance of vehicles and equipment will occur. This fund will track and charge maintenance and repair costs to the appropriate department; and
- A Vehicle Replacement Capital Projects Fund within the city's general fund to provide a repository for funding of vehicles/equipment. Note: Enterprise funds should have vehicle replacement capital project funds separate from the city's general fund.

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### Links:

[1] <https://www.mtas.tennessee.edu/reference/example-list-vehicle-replacement-rank>

[2] <https://www.mtas.tennessee.edu/reference/vehicle-replacement-sample-plan>

[3] <http://www.apwa.net/>

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