



Memorandum

TO: Sharon Erickson
City Auditor

FROM: Debra Figone

**SUBJECT: RESPONSE TO THE AUDIT OF
TAKE-HOME VEHICLES**

DATE: October 12, 2010

RECOMMENDATION

Accept the Administration's response to the Audit of Take-Home Vehicles, and present the proposed workload assessment for implementing the Audit recommendations, among other priorities.

BACKGROUND

The Administration has reviewed the final draft report of the Audit of Take-Home Vehicles and generally agrees with the findings and recommendations of the report. However, there are some findings and recommendations in the report where additional analysis needs to be performed prior to final implementation. This analysis will focus on operations, efficiencies, and service delivery trade-offs that come with a reduced level of take-home vehicles and call back staffing levels.

The Administration has worked together with the City Auditor's Office over the last few months as this audit was performed. According to the Audit, its objective was "to assess the cost and reasonableness of the program's current practices, and opportunities to reduce the number of take-home vehicles." The Audit concludes that while the Vehicle Use Policy requires revisions, the take-home vehicle assignments appear reasonable for the Departments of General Services; Environmental Services; Parks, Recreation and Neighborhood Services; and, Transportation. The Audit recommends reductions in the take-home vehicle assignments for the Police and Fire Departments.

The Administration is in agreement with the Audit recommendations, however, it should be noted that some of the responses below have taken into account the need for further evaluation on Police Department take-home vehicles. The adopted operating budgets for FY 2009-2010 and 2010-2011 directed a reduction in the Police Department take-home vehicle complement. The FY 2009-2010 Adopted Operating Budget reduced the Police Department non-personal budget (e.g., vehicle maintenance, fuel, and parts) by a total of \$200,000. This savings was to be accomplished through reducing the number of personnel assigned take-home vehicles. The

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Police Department achieved the first \$100,000 in savings by restricting take-home vehicle use in the following areas:

- Fewer lieutenants with personally assigned take-home vehicles in various units including Personnel, Permits/Secondary Employment, and Training;
- Fewer motorcycle personnel with take-home motorcycles as the department established a maximum allowable commuting distance for motorcycles; and
- Fewer sergeants and officers with vehicles because of the removal of most, if not all, take-home uses for the Vice, Metro, Violent Crimes Enforcement Team, Horse Mounted, and Gang Investigation units.

While the Police Department did not fulfill in totality the direction to achieve a reduction by \$200,000 through reducing take-home vehicle use, the Department did achieve the second \$100,000 savings through other efficiencies not related to Take Home Vehicles and stayed within budget for FY 2009-2010. Nevertheless, the Police Department did not implement the direction as provided by the City Council, despite some effort to achieve compliance through the last fiscal year.

The Audit references a December 2009 draft memorandum in which the Police Department responded to the budget direction to reduce an additional \$100,000 by identifying further take-home vehicle reductions. This draft memorandum was an internal working document where the Police Department identified potential implementation issues. Although some reductions toward the directive occurred, discussions between the City Manager's Office and the Police Department focused on the possible service delivery impacts and the need for further analysis to achieve the reductions and, thus, the beginnings of this audit scope and the Police Department's vehicle-per-vehicle cost-benefit analysis.

In June 2010, the Council adopted the FY 2010-2011 Operating Budget, which further reduced the Police Department's vehicle maintenance and operations funding by \$110,000 for the current year and an ongoing reduction of \$165,000 to help balance the budget and preserve City services. To achieve this cost reduction, the Department was directed to reduce its complement of take-home vehicles by November 2010, which was to be accompanied by this audit to further inform the City's take home vehicle policies and practices.

The Administration advanced the FY 2010-2011 Budget Proposal based on the need to achieve cost savings and preserve police staffing. The Administration also supported an audit by the City Auditor as it would produce additional information that would inform specific decisions needed to achieve further take-home vehicle reductions.

The Auditor's report identifies 93 Police vehicles, from 144 to 51, that should be considered for termination from take-home use and an additional 38 Police vehicles for which sufficient information could not be obtained. As noted above, further analysis is needed to better understand the optimal number of take-home vehicles needed for the Police Department.

However, the Administration has identified, as noted later in this report, approximately 42 take-home vehicles that will be evaluated further in the first phase review for elimination from the take-home vehicle program. To facilitate this evaluation, the Police and General Services Departments have provided the City Manager with a vehicle-by-vehicle analysis along with vehicle parking options to consider as the take-home vehicle complement is reduced.

It should also be noted that since the time this audit was conducted, some key management considerations have surfaced regarding the best timing to implement these recommendations. Many areas are in flux for the department including the Police Chief's retirement, the implementation of the FY 2010-11 budget actions, reductions and reorganizations in the department, and the need to enable the workforce to transition with the recent staffing reductions and a permanent Police Chief. Reducing the next round of take-home vehicles must be prioritized and integrated with the high-profile and priority projects during this period in a way that ensures continued top quality police services for the City.

The information below provides a response to the Audit Recommendations as well as a workload assessment for advancing the recommendations (Attachment A) in the context of other priorities that require significant multi-departmental effort (Attachment B).

AUDIT RECOMMENDATIONS AND RESPONSE

Many of the Recommendations require revisions to the Vehicle Use Policy (CPM 1.8.1). All proposed policy revisions will be coordinated through line departments who are assigned City vehicle complements with guidance from the Office of Employee Relations. Impacted departments are: Fire, Police, General Services, Finance, Environmental Services, and PBCE, along with the Offices of the City Manager, City Attorney, and Employee Relations. Given the required coordination, and other competing priorities, a workload assessment is provided to assess other projects that are on the work plans of the referenced departments and offices to be clear about the various competing priorities.

The following is the Administration's response to each recommendation.

<p>Recommendation #1: To ensure adequate utilization excluding commuting, we recommend that the General Services Department and Police Department work together during their regular vehicle utilization reviews to identify opportunities to make greater use of pooled/shared vehicles and to remove from the fleet, or redeploy to other City uses, unmarked police sedans that can be eliminated without compromising operational needs.</p>

The Administration agrees with this recommendation. The Police Department regularly reviews vehicle utilization and rotates vehicles throughout its operations to balance and maximize vehicle utilization. General Services and the Police Department will incorporate additional analysis into the utilization reviews of the unmarked Police fleet reviews to address the audit's suggestion that commuting miles be excluded from the utilization analysis.

Recommendation #2: To eliminate under-utilized Fire Department sedans and enhance overall utilization, we recommend that the General Services Department and Fire Department work together during their regular vehicle utilization reviews to identify and eliminate from the fleet, or redeploy to other uses, unmarked fire sedans that can be removed from the Fire Department's complement without compromising operational needs.

The Administration agrees with this recommendation. General Services and the Fire Department will work together to further analyze the possibilities of reducing and redeploying underutilized light transport vehicles within the Fire Department's vehicle complement. It will be important to make reduction decisions that preserve flexibility in assigning vehicles based on operational needs, particularly during periods of peak activity.

Recommendation #3: We recommend the City amend the vehicle policy to state that only City employees can be assigned vehicles on a take-home basis.

The Administration agrees with this recommendation. The Policy section of the Vehicle Use Policy (CPM 1.8.1) does state that "transportation required for **employees** (emphasis added) to conduct official City business will be available by the use of a City-provided vehicle or the use of an authorized personal vehicle at the City's sole discretion." The Policy will be amended to specifically state that City vehicles are to be assigned to and operated by City employees only.

It should be noted that the Police Department has discontinued the take-home use of a City vehicle by the Police Chaplain that is described in this section of the audit. In addition, the Fire Department has confirmed that the Fire Chaplain does not drive a City-owned vehicle.

Recommendation #4: We recommend that the City amend the vehicle policy to clearly define the purpose of take-home vehicles and restrict their use to the greatest extent possible.

The Administration agrees with this recommendation. The City's vehicle policy focuses on using vehicles for official City business in a way that produces the efficient and effective delivery of City services, while minimizing City expenditures and maximizing current resources for service delivery. The addition of a definition of the purpose of take-home vehicles and further restrictions on their use, as described in response to other recommendations in this Audit, will further support that focus.

In this context, it is important to consider that focusing solely on cost savings may compromise the City's ability to deliver public safety services at times of greatest need. As an example, our Public Safety units are trained to respond to emergencies and catastrophic events should they occur. While we hope these events never occur, we do need to be prepared to respond. To some degree, allowing take home vehicles serves as an "insurance" for ensuring that resources will respond when needed, regardless of whether on-duty or hour of the day; however, this must be evaluated against whether any waste exists or opportunities exist for removing some

assigned take home vehicles without significantly degrading service delivery. The cost savings against service delivery tradeoffs must be clearly understood.

In the case of specialized units with specialized equipment (particularly emergency lights and sirens), the service benefits of giving staff the ability to respond directly from home to the scene of an event at any time of the day needs to be weighed against the cost savings that may be produced by having them drive their personal car to a reporting location first to retrieve a City vehicle to then respond to the scene of the incident. As a result, the Administration will work to strike a balance between efficiencies and effectiveness in the provision of emergency and critical services to the residents as the purpose of take-home vehicles is defined.

Recommendation #5: We recommend the City Manager's Office review the information in this report and remove unjustified vehicles from take-home use. In cases where emergency call-back estimates were not available, temporary use could be continued until departments gather the required information.

The Administration agrees with this recommendation and has already initiated this effort through the annual budget process as described in the Audit. Initial review has resulted in take-home vehicle reductions in both the Police and Fire Departments. However, as mentioned above, further detailed analysis is required to fully implement this recommendation and to avoid adverse service delivery impacts to the extent reasonable. The attached workload assessment provides more detail on the timing of the analysis as well as other work needed to advance the recommendations (Attachment A). The goal will be to determine the amount of reductions feasible without creating unacceptable impact on public safety services, and to fully understand service delivery trade-offs to inform decision making before determinations are made, as discussed above (Recommendation #4).

Police Department – The table below provides a high level summary of the Police Department's progress-to-date on vehicle reductions along with the Phase I proposed reductions of take-home vehicles.

Table 1

Milestone	Police Take-Home Vehicle Count
July 2009	155
Start of Audit	144
Reduction during Audit	(18 ¹)
Current Total	126
Phase I Review	(42)
Projected Total for additional consideration (Phase 2)	84

¹ Police Chaplain (1); BFO VCET Lieutenant (1); MERGE Unit (8); Canine Unit Sergeant (1); Traffic Enforcement Unit (7)

At the point the Audit was conducted, the take-home vehicle complement in the Police Department was 144. As previously noted, the adopted operating budgets for FY 2009-2010 and 2010-2011 reduced vehicle operating expenses and, therefore, the number of personnel authorized for take-home vehicle use. During the time this audit was conducted, the Department achieved an additional 18 vehicle reduction in the context of implementing the budget reduction direction contained in the FY 2010-2011 Operating Budget and reorganizations, without compromising police operations.

Phase I Review

In order to ensure that Police Department take-home vehicle reductions can be implemented and evaluated during a time of Department transition, the implementation of current year budget actions as well as in recognition of overall staffing resources, the Administration recommends a phased approach in moving forward with this recommendation. The Administration has identified, as previously mentioned in this report, approximately 42 take-home vehicles in the Police Department that will be evaluated in the first phase for elimination from the take-home vehicle program. The remainder of the fleet will be evaluated once the City appoints a new Police Chief. Included in this first phase of review will be vehicles serving the following functions:

- Traffic enforcement (35 motorcycles);
- Investigations in various specialties (e.g., 6 - robbery, assaults, regional auto theft, narcotics, etc); and,
- Press information (1).

The Administration believes that a full analysis and implementation plan for the 42 vehicles could be completed by spring 2011. As noted in the attached workload assessment, this will cause some delay in implementing the FY 2010-2011 budget direction by November 2010; however, the Administration will ensure that this does not cause any budget issues with respect to the Police Department meeting the overall budget reduction target.

Fire Department – At the point the Audit was conducted, the take-home vehicle complement in the Fire Department was 11. During the time this audit was conducted, the department analyzed its emergency operations and reduced its take-home vehicle complement by 3 vehicles without compromising fire operations. The Fire Department's focus in these decisions was to ensure that flexibility in assigning vehicles is preserved based on operational needs, particularly during periods of peak activity.

<p>Recommendation #6: We recommend that departments maintain and update records on the number of call backs for individuals, positions, and units with take-home vehicles, and provide these records with their annual requests for take-home vehicles.</p>
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The Administration agrees with this recommendation. In conjunction with Recommendation #4, the Administration will develop a revision to the Vehicle Use Policy that will incorporate record keeping requirements for the Take-Home Vehicle Program that will allow tracking of call-back performance data by department, vehicle, trade and position, at a level commensurate with available resources.

Available resources to collect, summarize and analyze this information on an annual basis must be considered, as departments currently have limited administrative capacity and no readily available technology tools to implement this recommendation; nevertheless, the value of this information is significant enough that its implementation is warranted, and the Administration will evaluate resource needs in order to address and support the work needed to implement this recommendation.

Recommendation #7: To enhance the process for justifying take-home vehicles, we recommend the City amend the vehicle policy. The vehicle policy should, at a minimum, establish:

- a. A requirement that, as a condition for take-home use of a City vehicle, staff must be required to respond to after-hours emergencies.
- b. A minimum number of emergency callbacks within a 12-month period and field response as part of a justification model for take-home vehicles and require evidence of minimum emergency call backs with annual take-home vehicle requests.
- c. A maximum emergency response time for employees with take-home vehicles. Departments should establish and document emergency response-time limits and other expectations by unit. If there is no specific time target, departments should establish policies that require employees to pick-up a City vehicle to respond to the callback rather than take a City vehicle home; and/or a maximum allowable one-way commute distance to achieve the maximum allowable emergency response time.
- d. A minimum amount and/or percentage of vehicle utilization, excluding commuting miles, that must be attained otherwise the vehicle will be considered for elimination from take-home use. If take-home vehicles do not attain minimum business usage, they should be placed into a department's or the City's motor vehicle pool, or eliminated.

City Departments may create stricter departmental policy, as needed.

The Administration agrees with Recommendation item 7a, 7b, and 7c. The Administration is not in full agreement with Recommendation 7d. Following are comments by sub-section of the recommendation.

- 7a. The Administration will further analyze this recommendation within the context of civil service employment and the current City work rules and policies, and as appropriate will incorporate clarifying language into the Vehicle Use Policy.
- 7b. In conjunction with Recommendation #6, a revision to the Vehicle Use Policy will incorporate the following:

Record keeping – As mentioned in response to Recommendation #6, record keeping requirements for the Take-Home vehicle program that will allow tracking of call-back performance data by department, vehicle, trade and employee, at a level commensurate with available resources.

Minimum number of Call-backs - The Administration will further analyze and consider establishing a minimum number of call-backs per year as a benchmark criterion for considering the approval of take-home vehicles. While the Administration recognizes the importance of a standard, we also acknowledge the need to find that point where we balance efficiencies and effectiveness in the provision of emergency and critical services to our residents, and other criteria may be developed to inform consideration for approval. The Administration anticipates that the result of this analysis may recommend a different standard for public safety operations on a unit by unit basis.

- 7c. - In conjunction with Recommendation #6, a revision to the Vehicle Use Policy will incorporate the following:

Response time - A standard for maximum travel response time of 45 minutes for a call-back response will be incorporated into the Vehicle Use Policy. This response standard will apply to the first call-back in the event that the employee is already managing an active emergency response.

One-way Commute Distance - In addition to a maximum response time standard, a standard for maximum one-way commute distance for take-home vehicles of 30 miles will be incorporated into the Vehicle Use Policy. The intent of this standard will be to support overall travel response times while reducing City vehicle operating costs and increasing the life-cycle of the City's fleet assets. Based on the standard, employees serving in a call-back assignment who respond to an emergency call-back from a point beyond 30 miles of their primary work reporting location would not be assigned take-home vehicles.

For both the response time and one-way commute distance standards, departments will be given the authority to create internal operations policies that create response protocols that appropriately support their service delivery on a unit by unit basis. Variations from the standard will be considered by the City Manager's Office on a case-by-case basis.

- 7d. The Administration is not in full agreement with this recommendation. The Administration feels that this is largely a vehicle utilization concern and that responses to other recommendations in this Audit have noted that the Administration will continue to work with the Police and Fire Departments to further analyze the possibilities of reducing and redeploying underutilized vehicles within those departments. The City's vehicle fleet does have utilization criteria. General Services routinely reviews utilization with all line departments who are assigned a City vehicle complement and regularly retrieves underutilized pieces of equipment. Specifically to take-home vehicles, however, the Administration needs to strike a balance among cost, utilization, efficiency, and other factors related to the ability to maintain a reasonable and operable service delivery level. A broader cost-benefit analysis needs to be considered against several factors, including

safeguards in the overall public safety system, as well as other management and operational benefits in departments.

As an example, General Services operates a Fire Maintenance Truck that is equipped with tools, equipment, parts and fuel critical to supporting firefighting operations. The current deployment protocol is to have this truck activated to respond to off-site apparatus repairs and all fires that reach a third alarm. As a result, the Fire Maintenance Truck may appear to be underutilized and/or may accumulate more commute miles than business miles. Given the critical support function this truck provides, it should not be considered for pooled use or elimination from the fleet; thus, the need for some discretionary criteria for the City Manager.

Recommendation #8: We recommend departments assess the cost-benefit of mileage reimbursements, auto allowances, and other options mentioned above in cases where take-home vehicles are not justified in terms of the number of emergency call-backs. The City Manager's Office should approve and enforce implementation of the less costly option.

The Administration generally agrees with this recommendation. The Administration is committed to reducing the number of take-home vehicles, and acknowledges that cost is a very important factor in the overall decision-making process. However, the Administration needs to strike a balance between cost and other factors related to service delivery. A broader cost-benefit analysis needs to be considered against several factors and service delivery trade-offs, including safeguards in the overall public safety system, as well as other management and operational benefits in departments. This analysis will need to be guided very closely by the Office of Employee Relations to determine when civil service and/or MOAs should be factored into this effort.

Recommendation #9: To better align resources to needs, we recommend Departments make fewer take-home vehicles available during the workweek in cases where historical callback data show less frequent call backs during the workweek than on the weekend.

The Administration agrees with this recommendation. The annual review process of take-home vehicle justifications will consider vehicle deployment strategies based on historical call-back data. However, as noted in our response to Recommendation #8, the Administration needs to strike a balance between cost and other factors related to service delivery. A broader cost-benefit analysis needs to be considered against several factors, including safeguards in the overall public safety system, as well as other management and operational benefits in departments.

Recommendation #10: We recommend the Finance Department work with the City Attorney's Office to clarify the process for determining whether use of a City vehicle is personal or business, and review whether the City may need to calculate and remit to the IRS imputed vehicle usage of Fire Department and Chaplain vehicles.

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The Administration agrees with this recommendation. Based on the recommendation, Finance will work with the City Attorney's Office to clarify specific criteria for the determination of personal and business use under the IRS regulation. In addition, Finance will review the criteria for the calculation of imputed value for tax reporting purposes.

As previously noted, the Police Department has discontinued the take-home use of a City vehicle by the Police Chaplain and the Fire Department has confirmed that the Fire Chaplain does not drive a City-owned vehicle. In recognition of possible tax issues for the Police Chaplain, Finance will work with the Police Department regarding the taxability of the Police Chaplain's previous use of a take-home City vehicle.

Recommendation #11: We recommend the City amend the vehicle policy to require:

- a. The City Manager's Office to authorize positions, not individuals, for take-home use of City vehicles, and clarify the level of discretion departments have in assigning occasional or short-term take-home use and the level of management at which such use can be authorized.
- b. Departments to track authorized employees who use take-home vehicles during year and report the list to both the General Services and Finance Departments.
- c. The Finance Department to base its calculation of imputed vehicle income on the take-home vehicle list authorized by the City Manager's Office in coordination with Departments and General Services.

The Administration agrees with this recommendation with the following comments by subsection of the recommendation.

11a. The Administration will develop a revision to the Vehicle Use Policy that will more clearly define the annual take-home vehicle authorization process. This revision will include the authorization of positions for the take-home vehicle program, as well as direction related to occasional or short-term use. The revision language specific to occasional or short-term use will be reviewed by the City Attorney and Finance to ensure compliance with IRS code.

11b. As noted in our response to Recommendation #6, the Administration will develop a revision to the Vehicle Use Policy that will incorporate record keeping requirements for the Take-Home vehicle program that will allow tracking of call-back performance data by department, vehicle, trade and position (including information for each employee within the position during the reporting period) and the one-way trip mileage from the employees home to their primary work reporting location, at a level commensurate with available resources. Specific employee information will be collected so that the Finance Department can verify if the employee's participation in the Take-Home vehicle program is subject to IRS reporting requirements. General Services will be responsible for requesting this information and submitting to the City Manager and Finance Department for final review and direction. This process will be timed to

ensure that any imputed income will be determined prior to finalizing W-2 forms for any affected employees.

11c. The Finance Department will continue to work with departments and General Services to gather the necessary information, guided by the list of vehicles approved for take-home use by the City Manager. As part of the Finance Department's ongoing due diligence related to IRS compliance reporting, if a review identifies other vehicles that are being driven home, Finance will coordinate with General Services and the City Manager's Office to resolve any issues.

CONCLUSION

The Audit makes valid findings and recommendations for improving the City's Take-home Vehicle program. As noted in our responses, all of the recommendations will be implemented, but will be weighed against other priorities as indicated in the attached workload assessment, being mindful of current resources and organizational transitions. Particularly in the Police Department, it will be important for a permanent Police Chief to lead the department to achieve the goal of realizing cost savings and efficiencies while maintaining excellent service delivery.

Implementation of the recommendations will consider all impacts of decisions regarding take-home vehicles, with a detailed analysis of operational issues, full costs, and logistical concerns. This analysis has already been initiated, as the Police Department has completed a vehicle-by-vehicle review of its take-home vehicle uses that will be compared with the audit recommendations to identify any issues which could affect implementation. The Administration thanks the City Auditor and her staff for the hard work and analysis that went into this Audit.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, Finance, General Services, Police and Fire Departments.

/s/
DEBRA FIGONE
City Manager

For questions please contact Peter Jensen, Director of General Services, at 975-7290