

MANAGEMENT MEMO

SUBJECT:

Fleet Asset Replacement Schedule Criteria

REFERENCES:

STATE ADMINISTRATIVE MANUAL: CHAPTER 4100, SECTION 4126; GOVERNMENT CODE SECTION 13332.09; EXECUTIVE ORDER B-2-11; MANAGEMENT MEMO 13-01.

NUMBER:

MM 17-05

DATE ISSUED:

November 1, 2017

EXPIRES:

UPON INCORPORATION
INTO SAM, OR MAY 1, 2018

ISSUING AGENCY:

DEPARTMENT OF
GENERAL SERVICES**Purpose**

This Management Memo (MM) announces a change to the acceptable mileage and age replacement thresholds for state-owned fleet vehicle assets (fleet assets). These thresholds represent the age and mileage levels at which it has been determined to be most cost effective to replace fleet assets in specified vehicle types/classes. To ensure that the state maximizes its resources and that fleet assets are replaced in the most cost effective manner, it is recommended that state agencies replace fleet assets once a vehicle type threshold has been reached, or shortly thereafter. The full policy is provided in a revised State Administrative Manual (SAM) section 4126, under "Transportation Services, Replacement Schedule Criteria".

Policy

Effective immediately, fleet assets that fall within the listed vehicle categories below and meet the applicable age or mileage threshold, whichever comes first, or when it is determined that the vehicle condition warrants replacement per the Vehicle Condition criteria outlined in State Administrative Manual Section 4126, are eligible for replacement.

Vehicle Type	Age of Vehicle (in months)	Vehicle Mileage
Vehicles with Gross Vehicle Weight Rating (GVWR) up to 8,500 Pounds		
Law Enforcement Vehicles	60	100,000
Sedans	72	65,000
Mini Vans	96	80,000
Cargo Vans	60	65,000
Pickup Trucks	60	65,000
Sport Utility Vehicles	84	85,000
Vehicles with GVWR of 8,501 – 16,000		
Law Enforcement Vehicles	60	100,000
All Trucks, Vans, and SUVs	72	70,000
Vehicles with GVWR of 16,001 – 26,000		
All Trucks, Vans, and SUVs	132	115,000

Definition **Gross Vehicle Weight Rating (GVWR):**
The value specified by the manufacturer as the loaded weight of a single vehicle.

Authority **Government Code Section 13332.09** requires that a purchase order or other form of documentation for acquisition or replacement of state fleet assets shall not be issued against any appropriation until the Department of General Services (DGS) has investigated and established the necessity therefor.

Executive Order (EO) B-2-11 required Executive Branch agencies to perform an analysis of their fleet and dispose of non-mission critical and/or cost ineffective fleet assets. Pursuant to the EO, DGS' Office of Fleet and Asset Management (OFAM), with the assistance of a consultant, aided departments in their identification of such underperforming or non-critical assets. The effort resulted in a reduction of approximately 7,000 assets from the state fleet, as well as corresponding adjustments made by the Department of Finance to align agency fleet budgets with changes to an agency's fleet size.

MM 13-01 reiterates DGS OFAM's oversight over acquisition for the state fleet and provides state agencies a detailed list of those asset types that require OFAM approval prior to acquisition.

SAM Section 4126 provides state agencies with the current replacement schedules for state owned vehicles. Specifically, the current standards recommend replacement of state assets as follows:

- | | |
|---|---------------|
| 1) Authorized Emergency Vehicles (as defined) | 100,000 miles |
| 2) Sedans, station wagons, vans and light duty trucks | 120,000 miles |
| 3) Heavy duty trucks or vehicles (Class 3 and under) | 150,000 miles |
| 4) 4-wheel drive vehicles | 150,000 miles |
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Background Pursuant to Government Code (GC) Section 13332.09, the DGS is responsible for determining the necessity of a fleet asset prior to the asset being purchased. To ensure statutory compliance, state agencies must first demonstrate that disposing of, or replacing a fleet asset, is cost effective and in the best interest of the state.

To assist state agencies in demonstrating the cost effectiveness of disposing of or replacing a fleet asset, OFAM sets fleet replacement thresholds that, if met, make a fleet asset eligible for replacement. The state currently uses antiquated vehicle replacement standards for the fleet vehicles that have led to an average state fleet vehicle age that is considerably higher than the optimum and most cost-efficient age. Currently, state fleet, light-duty vehicles have an average age of 10.7 years. Operating a fleet at this age results in higher operating costs, lower residual values and poorer asset reliability when compared to fleets with lower replacement thresholds.

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**Background
(Cont.)**

In 2016, OFAM hired a nationally recognized, fleet consultant company and also assembled a working group of 19 different state agencies, to review and analyze the state fleet’s current vehicles replacement thresholds. Pursuant to this effort, a [Vehicle Replacement Methodology](#) report was developed, which determined that the state’s existing mileage replacement thresholds were well below optimum levels and, as a result, the state was incurring unnecessary costs in the form of increased maintenance, higher fuel consumption, and lower resale value. The analysis also provided recommended mileage and age thresholds (adopted in this policy) that are projected to provide significant cost saving to the state through lower maintenance costs, higher resale values, and decreased fuel consumption. In addition, the optimum replacement thresholds will increase the adoption of more fuel efficient vehicles, further contributing to the state’s goal of lowering the greenhouse gas emissions of the state fleet.

**Additional
Resources**

While this policy is intended to provide significant cost saving to the state through lower maintenance costs, higher resale values, decreased fuel consumption, the quicker replacement of vehicles may necessitate the need for increased annual expenditure authority. To help mitigate this need for increased expenditure authority, state agencies may take advantage of vehicle financing offerings with low interest rates through California’s government financing program, [GS \\$mart](#).

Contact

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11/01/2017

Date