



The Corporation of the
City of Sault Ste. Marie

COUNCIL REPORT

August 11, 2025

TO: Mayor Matthew Shoemaker and Members of City Council
AUTHOR: Tom Vair, CAO
DEPARTMENT: Chief Administrative Officer
RE: Light-Duty Fleet Management Services

Purpose

The purpose of this report is to seek Council approval to enter into an agreement with Enterprise Fleet Management to provide fleet management services for light-duty vehicles operated by the City.

Background

City staff undertook a review of marketplace solutions to better manage its light-duty fleet. The goal is to reduce the municipality's cost and achieve efficiencies in the procurement, sale, and management of light-duty vehicles operated by the City.

Over 50% of the City's light-duty fleet is ten years or older, with an average age of 9.1 years. Moving to an effective vehicle life cycle will maximize the potential equity at the time of resale. At the current acquisition rate, it would take over 17 years to cycle the entire fleet. Older vehicles have higher fuel and maintenance costs, and can become unreliable, causing increased risk and downtime.

Newer vehicles also have advanced safety features that help to increase employee safety. Within the current City fleet, 22 vehicles predate Electronic Stability Control standardization (2012), and 60 vehicles predate the standardization of backup cameras (2018).

A competitive bid process for suppliers RFP#030122 – Fleet management Services was conducted under the LAS/Canoe Procurement Group of Canada, which contained a roster of two (2) potential providers:

- Enterprise Fleet Management Inc.
- Element Fleet Corporation

Following a review of vendor offerings and service, it is the consensus of the project team, comprised of staff from Corporate Services - Finance, Community Development and Enterprise Services, and Public Works and Engineering

Services, that the solution best suited to meet the City's requirements is from Enterprise Fleet Management (Enterprise).

This request is in accordance with Purchasing By-law item (28) Cooperative Purchasing, where a competitive process was conducted, and participation is in the best interest of the City.

Enterprise provides a leasing model for vehicles that will allow the City to stretch its dollars further in the initial phase to address the significant backlog of older vehicles within the light-duty fleet. Enterprise also brings a number of advantages to modernize fleet management within the Corporation (Attachment A – City of SSM Fleet Synopsis; Attachment B – City of SSM Fleet Planning Analysis).

Up to eleven vehicles are proposed to be purchased in the first year (2025), utilizing approved capital dollars earmarked for light-duty fleet replacement, along with reserve re-allocations. The agreement for services provided by Enterprise Fleet Management would include approximately 107 light-duty vehicles across the Corporation.

Analysis

The Enterprise Fleet Management service is, in essence, a form of financing (leasing model) that also provides expert procurement, delivery, and resale services for vehicles.

The total cost of the sample Enterprise leasing model versus a City purchase with debt was compared. Overall, even with a higher interest rate, the total cost over a 60-month term is about \$2,000 less than if the City purchased the vehicle with debt. A high-level model from Enterprise indicates that the City could save up to \$1M over a ten-year period utilizing their services. The definitive return will depend on the rate and type of vehicle acquisition.

Several qualitative factors have been considered in making the recommendation to proceed with Enterprise. Having a company with deep knowledge of the vehicle market providing light-duty fleet management services provides a number of benefits.

Enterprise manages its own fleet of two million vehicles and has a dedicated team of fleet managers. Their company has expertise in the performance of different vehicle types, awareness of all available incentives, relationships with vehicle manufacturers, software solutions for managing/tracking maintenance and warranties, and provides analysis of total cost per kilometre to assist the City in ensuring it is optimizing the management of its fleet.

Other considerations for fleet management services include:

- Leasing preserves the City's limited capital resources and debt availability over time. Initially, the lease costs would be moved from capital allocations, or for some areas, an additional levy. Once established, future upgrades are not dependent on or in competition with other capital budget priorities, nor is the capital budget required for the replacements.
- Enterprise proactively monitors the marketplace to evaluate the timing of the resale of vehicles for optimal return.
- Purchasing vehicles with the resale market in mind will provide a better return for the City (e.g., a crew-cab pickup truck will obtain a much higher resale value than a single-bench pickup truck).
- Enterprise will help ensure that available government fleet discounts are provided.
- Enterprise has direct relationships with auto manufacturers, leading to better pricing and discounts.
- Reduced lifecycles for vehicle replacements typically provide better fuel economy and safety technology.
- Leasing provides tax savings as it is paid over the term of the lease and not upfront as with a purchase. The City's non-rebateable HST rate is 1.76% of the vehicle cost. This would be a small amount of cash flow savings.

Council passed a resolution on February 22, 2021 mandating that all light-duty vehicle purchases should be electric vehicles:

"Resolved that main motion be amended by deleting the words "as information" and inserting the words:

"and that Council direct staff to acquire Battery Electric Vehicle for any new light class unit vehicles that are acquired for the City fleet on a go-forward basis with continuing monitoring of options for electrification of other classes of vehicles, including the transit and public works fleet."

Staff have worked with Enterprise to model the costs associated with purchasing electric vehicles for the entire light-duty fleet moving forward. Consideration needs to be provided for the installation of the charging stations and the relevant facility's electrical capacity required to enable a significantly larger fleet of electric vehicles. Balancing the timing of installing this infrastructure with the purchase of new electric vehicles will be important moving forward.

Staff seek Council approval to acquire electric vehicles to maximize existing charging infrastructure, but then extend the purchase of internal combustion engine (ICE) vehicles until sufficient charging infrastructure is deployed to accommodate the purchase of an all-electric fleet. As part of the transition to an electric fleet, staff will seek opportunities to acquire plug-in hybrid vehicles and evaluate other new technologies as they emerge. Enterprise provides a number of

resources for the electrification of fleets and brings expertise to assist the City with future vehicle evaluation, given the rapidly changing technology environment.

Enterprise's leasing model allows users to utilize existing budgets for light-duty vehicle purchases, but additional levy increases will be required for some areas without a designated funding source.

Enterprise provides fleet management services to several municipalities, including Kingston, Parry Sound, Vaughan, Orangeville, Carleton Place, and Smiths Falls.

In summary, engaging fleet management services will modernize the City's approach to fleet management, resulting in cost savings over time and providing a more efficient and effective way to manage light-duty vehicles across the Corporation.

Financial Implications

The total cost of the sample Enterprise Fleet Management leasing model versus a City purchase with debt was compared (Appendix B). Overall, even with higher interest rate, the total cost over a 60-month term is about \$2,000 less than if the City purchased the vehicle with debt. The rate of interest used for the City debt was the Infrastructure Ontario five-year amortization and not a bank lending rate. As the level of debt required for the replacement schedule would vary, the rates may be higher or lower depending on how the vehicle replacement is funded for a purchase.

The estimated reserve transfer and levy increases required over the next five years are included in the chart below. The estimate can fluctuate depending on the impact of future tariffs, interest rates, and other financial changes within the vehicle market. After five years, all light-duty vehicle leasing requirements will be included in the operating budget, and future years will reflect only inflationary changes. Entering into the agreement will require a levy increase of approximately \$245,000 over the next 4 years (2026-2029). These costs do not include maintenance.

	No. of Vehicles	Estimated Cost	Reserve Transfer	Levy Increase
2025	11	119,975.04	119,975.04	-
2026	53	602,280.57	492,047.13	110,233.43
2027	15	188,014.38	157,218.59	30,795.79
2028	11	140,343.44	125,764.99	14,578.45
2029	17	217,810.12	127,440.05	90,370.07
Total	107	1,268,423.54	1,022,445.80	245,977.74

It should be noted that Public Works will be updating their fleet replacement requirement prior to the 2026 budget deliberations. The 2025 budget included a request for an additional \$450,000 to fully fund the heavy and light-duty fleet, which was not approved. The impact of the light-duty fleet replacement services will be included in the update, and, if required, funding options will be presented for Council consideration in the 2026 budget.

It is also understood that this model may result in revenue from the sale of vehicles at the end of the lease and/or at the end of use by the City. It is recommended that any revenue obtained through this model be invested back into the assets of the particular Division/Department.

Strategic Plan / Policy Impact / Climate Impact

The shift to utilize fleet management services is an operational matter not articulated in the corporate Strategic Plan.

Climate Impact

It is recommended that the City purchase electric vehicles to maximize the current charging infrastructure that is installed. Beyond this, the delay in converting all light-duty fleet vehicles to electric vehicles will result in the use of internal combustion engine vehicles for an extended period. This recommendation is made to enable the City to prepare and implement sufficient charging infrastructure to accommodate a greater number of electric vehicles. In addition, one of the hurdles the City needs to address is upgrading its facilities' electrical capacity to accommodate the charging infrastructure.

The immediate conversion to electric vehicles would eliminate greenhouse gas emissions, however, a substantial improvement will also be made due to improved emissions and newer technologies in the operation of more modern vehicles.

It should be noted that an anticipated 20% (\$43,245) reduction in annual fuel expenses will result simply by upgrading the fleet with vehicles with new fuel technologies.

Recommendation

It is therefore recommended that Council take the following action:

Resolved that the report of the CAO, dated August 11, 2025 regarding fleet management services be received and that Council authorize staff to enter into an agreement with Enterprise Fleet Management, with the estimated required levy increase and reserve re-allocations included in future budgets

Further that Council authorize staff to proceed with the purchase of electric vehicles to maximize current charging infrastructure and then purchase internal combustion engines or hybrid vehicles until such time as charging infrastructure can accommodate the conversion to an all-electric fleet of light-duty vehicles.

Further that Council resolve that the revenue from the sale of vehicles at the end of the lease be invested back into the assets of the Division/Department.

The relevant By-laws 2025-122, 2025-123, 2025-124, and 2025-125 are listed under item 12 of the Agenda and will be read with all by-laws under that item.

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Respectfully submitted,

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