EXECUTIVE SUMMARY

Agenda

- Elements of Vehicle Management
- Effective Vehicle Life Cycle
- Total Cost of Ownership
- Funding
- Safety
- Resources
- Questions to Consider

What is Considered an ‘Aging Fleet’

- Fleets With or Without a Capital Plan that Requires Vehicles to Stay in Operation for Longer than 7 Years or 100,000 Miles

Common Pitfalls of an Aging Fleet

- Decreased Vehicle Reliability and Utilization
- Higher Maintenance Cost - Even with Low Mileage
- Lower Mechanic to Vehicle Ratio
- Higher Fuel Cost Due to Fuel Degradation/Outdated Technology
- Repurposing Improper Vehicles to New Assignments
- Safety Concerns
MONTHLY COST ANALYSIS

EFFECTIVE VEHICLE LIFECYCLE

Key Observations

- Depreciation/year declines over time
- Running costs of Fuel and Maintenance increase gradually over time
- Mandated MPG efficiencies reward staying on technology wave
- Identify the Optimal time to Replace

Optimal Time to Replace

$ Cost

Time

Depreciation

Fuel

Maintenance
TOTAL COST OF OWNERSHIP

TOTAL COST OF BUY & HOLD FOR A
2016 Ford Fusion SE

$55,201

Assumes 12 year hold period at
10k Miles per year
Proactive Replacement Strategy
Appropriate Vehicle Selection
Appropriate Funding Structure
Annual Budget Planning

Open-End Lease Benefits

- Optimize cash flow with flexible funding options
- Customizable solutions based on operating needs
- Unlimited mileage
- No abnormal wear & tear clauses
- Greater flexibility if requirements change
- Flexibility of term
- Option to have equity interest in vehicles
Resale Outlook

» Used vehicle pricing has been relatively stable over the last 4 years.

» A cyclical price correction is anticipated as used car volume is expected to climb.

Manheim Used Vehicle Value Index

» High demand for Pickups, Vans and SUVs has pushed pricing beyond last year’s strong performance.

» Industry forecast is for continued strength in Truck and Van classes.

» Compact and Subcompact classes continue to return lower numbers year over year.
**OPERATING EXPENSES**

**Maintenance**

**Maintenance**

- **Things to Consider**
  - Vehicle Maintenance will increase over time
  - Challenges with Staffing, parts Allocation, Vehicle Priority

<table>
<thead>
<tr>
<th>Year</th>
<th>Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$400</td>
</tr>
<tr>
<td>2</td>
<td>$1,000</td>
</tr>
<tr>
<td>3</td>
<td>$1,066</td>
</tr>
<tr>
<td>4</td>
<td>$1,250</td>
</tr>
<tr>
<td>5</td>
<td>$1,400</td>
</tr>
<tr>
<td>6</td>
<td>$1,750</td>
</tr>
<tr>
<td>7</td>
<td>$1,857</td>
</tr>
<tr>
<td>8</td>
<td>$2,063</td>
</tr>
</tbody>
</table>
Corporate Average Fuel Economy

- Enacted by Congress in 1975
- Requires Manufacturers to improve fuel economy between 3.5% and 5% every year through 2025

**Since 2007**

MPG is up **26%** for all vehicles

**CAFE Requirements thru 2016**

- Passenger Cars
  - 33.3 to 37.8 (4.5 MPG)
- Light Trucks*
  - 25.4 to 28.8 (3.4 MPG)

**CAFE Requirements 2017 thru 2025**

- Passenger Cars
  - Average from 34.1 to 54.5
- Light Trucks*
  - Minimum average of 30.2 MPG
Vehicle MPG Change
Effects of Newer Fuel Efficient Models vs Fuel Degradation in Older Models

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Model</td>
<td>$4,807</td>
<td>$5,000</td>
<td>$5,208</td>
<td>$5,434</td>
<td>$5,682</td>
</tr>
<tr>
<td>New Model</td>
<td>$3,906</td>
<td>$3,676</td>
<td>$3,472</td>
<td>$3,289</td>
<td>$3,125</td>
</tr>
</tbody>
</table>

ANNUAL SAVINGS:
- 2016: $4,807
- 2017: $5,000
- 2018: $5,208
- 2019: $5,434
- 2020: $5,682

Fuel Efficiency:
- 2016: 16.0
- 2017: 17.0
- 2018: 18.0
- 2019: 19.0
- 2020: 20.0

Fuel Degradation:
- 2016: 13.0
- 2017: 12.5
- 2018: 12.0
- 2019: 11.5
- 2020: 11.0

ANNUAL SAVINGS:
- 2016: $(901)
- 2017: $(1,324)
- 2018: $(1,736)
- 2019: $(2,145)
- 2020: $(2,557)
SAFETY

2007
- Front/Side crash test
- Anti-lock brakes
- Airbags

2012
- Electronic Stability Control
- Lane Departure Warning
- Rear Video

2017
- Forward Collision Warning
- Blind Spot Warning
- Offset-crash test

5-Star Safety Ratings
More Stars. Safer Cars.

TOP SAFETY PICK
Insurance Institute for Highway Safety

TOP SAFETY PICK
Insurance Institute for Highway Safety

CONFIDENTIAL AND PROPRIETARY
RESOURCES

Tracking your Fleet

- Operational Expenses
  - Fuel
  - Maintenance
  - Resale
  - Acquisition

- Do you know how much your fleet costs to operate??
# Fleet Costs Analysis

<table>
<thead>
<tr>
<th>Fleet Mix</th>
<th>Fleet Cost</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td>Fleet Size</td>
<td>Annual Needs</td>
</tr>
<tr>
<td>2017</td>
<td>72</td>
<td>5.5</td>
</tr>
<tr>
<td>2018</td>
<td>71</td>
<td>29</td>
</tr>
<tr>
<td>2019</td>
<td>70</td>
<td>10</td>
</tr>
<tr>
<td>2020</td>
<td>68</td>
<td>10</td>
</tr>
<tr>
<td>2021</td>
<td>68</td>
<td>9</td>
</tr>
<tr>
<td>2022</td>
<td>67</td>
<td>9</td>
</tr>
<tr>
<td>2023</td>
<td>67</td>
<td>9</td>
</tr>
<tr>
<td>2024</td>
<td>67</td>
<td>9</td>
</tr>
<tr>
<td>2025</td>
<td>67</td>
<td>9</td>
</tr>
<tr>
<td>2026</td>
<td>67</td>
<td>9</td>
</tr>
<tr>
<td>10 Year Savings</td>
<td>$406,352</td>
<td></td>
</tr>
</tbody>
</table>

## Key Objectives

- **Lower average age of the fleet**
  - 44% of the current light and medium duty fleet is over 10 years old
  - Resale of the aging fleet is significantly reduced

- **Reduce operating costs**
  - Newer vehicles have a significantly lower maintenance expense
  - Newer vehicles have increased fuel efficiency with new technology implementations

- **Maintain a manageable vehicle budget**
  - Challenged by inconsistent yearly budgets
  - Currently vehicle budget is underfunded
Questions?

Senior Account Executive – Enterprise Fleet Management
Kirby Watson
512-659-8403

Regional Sales Manager – Enterprise Fleet Management
Billy Dobosz
713-300-9179