

<b>Division of Accounting – Policies and Procedures Manual</b>	
<b>Standard Policies and Procedures</b>	
Policy Number – AUB-05-12	Revision Number: 1
Subject: Evaluation Process for Vehicle Purchases	Effective Date: 7/1/2014
	Superintendent Approval:
	General Manager Approval:

1) **PURPOSE**

The purpose of this policy is to establish the policy of Athens Utilities Board (AUB) for evaluating vehicles for purpose of purchasing.

2) **SCOPE**

This policy applies to all vehicles purchased by AUB.

3) **REFERENCES**

- ✓ Athens Utilities Board Accounting Policy, AUB-05-04, Purchasing

4) **GENERAL**

All vehicles purchased by AUB will typically be subject to Accounting Policy AUB-05-04, because any vehicle purchased will likely be above the threshold of \$10,000 and will require competitive bidding. The Board has adopted a general guideline for the purchase/replacement of vehicles that specifies that a vehicle must be at least 5 years old and/or have at least 100,000 miles registered on the odometer before it is considered for replacement. Another consideration is that the Board is making a conscious effort to convert the fleet to CNG. Currently AUB has a contractual agreement to purchase CNG from Waypoint until June 2018. After this date, AUB will install slow fill stations to fuel our CNG fleet at a reduced cost compared to current pricing from Waypoint. This will significantly change the lifetime cost evaluation of a CNG vehicle as presented in Section 6.2 of this policy.

5) **DEFINITIONS**

- AUB** – the Athens Utilities Board, and its duly authorized employees, agents and representatives
- Board** – the Chairman and all Commissioners but does not include any employees
- CNG** – Compressed Natural Gas
- GGE** – Gasoline Gallon Equivalent

6) **POLICY/PROCEDURES**

AUB vehicle purchases shall be conducted in accordance with AUB-05-04, Purchasing. Superintendents will be responsible for planning vehicle replacement and including those vehicles to be replaced into the strategic plan and eventually the annual capital budget. Only in extreme situations (for example a vehicle

destroyed in an accident) will a vehicle purchase be considered if the vehicle has not been included within the fiscal year capital budget. Vehicles that are being used as a “trade-in” will be made available for dealers to inspect within the normal operating hours of AUB. The Board has also specified that all vehicles to be purchased will include an alternate converted CNG bid or, at a minimum, have the capability to be converted to CNG when possible.

## 6.1 VEHICLE SPECIFICATIONS

The superintendent (or designee) of the division that is purchasing a vehicle will be responsible for providing a completed specification check list to the purchasing manager. The purchasing manager will then provide these specification sheets to the appropriate vendors dependent upon the type of vehicle being purchased. In some instances, more than one vendor is required if ancillary equipment or work beds are required to be installed on base vehicle frames. The purchasing manager will collect bids and present them to the superintendent for evaluation.

## 6.2 BID EVALUATION

The purchasing manager will return all bids to the division superintendent (or designee) for evaluation of the bid as compared to specifications and pricing. The initial evaluation will be to determine the responsiveness of the bid. For example, does the bid meet all specifications? If not, are the items that do not meet specification of such value, or of such need for daily operations, that the bid is considered non-responsive or “not meeting specifications” and is rejected for further consideration.

All responsive bids will be organized in tabulated form including the dealer/vendor name, original value of the vehicle being bid, any discounts (fleet, TVPPA, state, or dealer discounts), trade-in value, and net price, EPA estimated COMBINED MPG (from “fuelconomy.gov which is the official U.S. government source for fuel economy information), estimated cost of fuel for 120,000 miles calculated at current fuel cost plus escalation factor of 15% for five year life of vehicle, estimated CNG fuel cost for 120,000 miles calculated at current Waypoint price less \$.50 (AUB’s current margin per GGE) with no anticipated escalation. An example is shown below using initial market values (before adjustment) of \$3.25 for gas and \$2.49 for Waypoint CNG:

Dealership	Gross Bid	Discount	Trade In	Net Bid	MPG	Fuel Cost \$ 3.74	CNG Cost \$ 1.99	CNG Conv	Cost plus Fuel	Cost plus CNG
Jackie Jones Ford	No Bid									
Ted Russell Ford	No Bid									
L & M Motors	\$ 35,954.00	\$ 7,750.00	\$ -	\$ 28,204.00	15	\$ 29,900.00	\$ 15,920.00	\$ 10,000	\$ 58,104.00	\$ 54,124.00
Ted Russell Nissan	\$ 40,492.00	\$ 7,000.00	\$ -	\$ 33,492.00	14	\$ 32,035.71	\$ 17,057.14	\$ 10,000	\$ 65,527.71	\$ 60,549.14
Don Ledford	\$ 37,950.00	\$ 6,900.00	\$ -	\$ 31,050.00	18	\$ 24,916.67	\$ 13,266.67	\$ 10,000	\$ 55,966.67	\$ 54,316.67

The information provided in this table will allow a number of comparisons based on factors ranging from gross bid to overall cost of vehicle plus fuel. Input data for the table can be changed to reflect the actual values for fuel and expected lifetime mileage at the time of bid. Conversion costs for CNG vehicles will vary dependent upon type vehicle and tankage requirements, but should begin to reduce in price as production increases to meet demand. Likewise, CNG fuel rates will decrease as contractual terms are met with Waypoint and AUB installs its own CNG slow-fill facilities for vehicles.

### **6.3 Recommendation to Board**

The division superintendent will use the bid tabulation to provide a write-up for the Board that will recommend the *best* bid for the vehicle. Cost should always be considered a primary factor when evaluating bids. However, low-bid does not always mean lowest cost (in terms of lifetime cost). In essence, low bid is not always the best bid unless one is comparing identical products.

With regard to comparing CNG and Fuel (gas or diesel), a number of factors must be considered. The evaluation of whether to move forward with a CNG conversion involves more than just the possible break-even or reduction in overall cost-plus fuel. There are intrinsic values associated with CNG including: it is a lower carbon emission fuel than gasoline or diesel; it is a domestic product of the United States (reduces our dependency on foreign oil); it is a “cleaner” fuel from a total emissions standpoint than gasoline or diesel; CNG engines tend to cost less to maintain; CNG vehicles require less frequent oil changes; and volatility in the natural gas market is significantly lower (primarily a US Market) than in the gasoline and diesel markets (worldwide petroleum markets) providing fleet managers with long term and predictable fuel cost. To account for these favorable “cost” factors, plus the eventuality of AUB building its own fueling stations on-site at a greatly reduced fuel cost rate compared to the current Waypoint station pricing, AUB will favor and recommend CNG vehicles when overall costs are within 5 % of petroleum.