35

Office of the City Manager

INFORMATION CALENDAR
November 17, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Jamie Parks, Director, Public Works

Subject: Audit Status Reports: Fleet Replacement Fund Short Millions

INTRODUCTION

On June 2, 2021, the City Auditor published the Fleet Replacement Fund Short Millions Audit Report[1], reviewing the sufficiency of the fund to replace vehicles and assessing whether Public Works has key information necessary for managing the fleet program.

This is the fifth status report to City Council on the efforts made to implement the Audit Report's recommendations for fleet. Previous reports were issued on November 3, 2022, March 19, 2024, December 10, 2024, and October 28, 2025.

CURRENT SITUATION AND ITS EFFECTS

The Fleet Audit Report provided two findings and twelve recommendations for the Public Works Department to review, implement and report to Council. Seven of the recommendations relate to the underfunding of the Equipment Replacement Fund. Six of these recommendations have been partly implemented, and the seventh recommendation has reverted from partly implemented in the 2025 status report to "started" in the current report.

The remaining five recommendations focused on Public Works having critical information available to inform management and decision making. One of these recommendations has been fully implemented while the other four are partly implemented.

The recommendation that reverted to a started status is to "Conduct an analysis of the City's current fleet and determine the optimal fleet size to provide services efficiently and effectively". This finding was reset to "started" to reflect a change in approach for the data collection process. Public Works originally intended to rely on a fleet analysis survey to determine appropriate fleet size, but lack of survey responses meant that the survey results were not reliable for this purpose. Instead, the Public Works Equipment Management Division will now use the results of fleetwide telematics program to provide

[1] https://berkeleyca.gov/sites/default/files/2022-01/Fleet-Replacement-Fund-Short-Millions.pdf

key insights into vehicle usage and allow for informed decisions about vehicle consolidation and replacement.

Importantly, Public Works filled the Equipment Superintendent position in June 2026 after an almost 18-month vacancy. As the Equipment Superintendent has primary responsibility for implementation of audit findings, filling this vacancy is a critical step to completing all twelve audit findings. The Senior Supervisor acted in a higher capacity during that time but was primarily focused on hiring mechanics, day-to-day operations, and continuing AssetWorks implementation. Now that the department has additional leadership capacity, it is anticipated that the audit findings will be fully implemented within the next year.

The attachment provides a detailed table of audit report recommendations, steps towards corrective action, and implementation progress updates. The next and final status report for the fleet is expected to be presented in Fall 2027.

BACKGROUND

Public Works manages the maintenance, purchase, and replacement of the City's assets such as fleet vehicles, heavy duty trucks and large equipment, including public safety vehicles.

These Audit Status Reports support the Strategic Plan Priority of advancing our goal to provide state-of-the-art, well-maintained infrastructure, amenities, and facilities.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Public Works staff strive to procure electric vehicles or other low-emission, fuel-efficient vehicles and equipment suitable for required tasks. Staff also research the feasibility and availability of fully electric vehicles to support the City's transition away from fossil fuels towards an all-electric fleet.

POSSIBLE FUTURE ACTION

Public Works staff will continue their work to address the remaining partly implemented recommendations in the fleet audit. The draft proposed Administrative Regulation 7.6 Equipment and Vehicle Procurement and Replacement has been submitted to City Leadership for review and approval. Additionally, a contract for a fleetwide telematics program is anticipated to be submitted to City Council for approval by the end of 2026, which will greatly assist the Equipment Management Division with fleet utilization data.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Public Works will continue to work closely with the Budget office to ensure that the rate model accurately reflects the true costs of vehicle ownership for each Department; this will include personnel, fleet electrification charges and capital expenses related to fleet operations.

The Equipment Replacement Fund has been identified as the fund to be utilized for fleet electrification. The current electric charging infrastructure projects are utilizing fund 671 include the following: PWENEN2501 – Animal Shelter and Mental Health Clinic, PWENEN2502 – Corporation Yard, PWENEN2503/5 – Public Safety Building, PWENEN2504 – Marina and Parking Enforcement with $288,946.77 spent to date of $846,308.99 encumbered.

CONTACT PERSON

Jeff Glover, Administrative & Fiscal Services Manager, Public Works, (510) 981-6304
Joy Brown, Interim Deputy Director, Public Works, (510) 981-6629
John Treczynski, Equipment Superintendent, Public Works, (510) 981-6469

Attachment:
1. Fleet Audit Findings, Recommendations, and Status Updates

Attachment 1

Audit Title: Fleet Replacement Fund Short Millions

Issue Date: June 2, 2021

Table: Audit Recommendation Statuses

Finding	Recommendation	Department	Previous Status Update	Current Status Update
The Replacement Fund is underfunded by millions of dollars.	**1.1** Calculate the dollar value of the City's replacement needs. Use results from the recent rate study to adjust departments' replacement fees to cover their share of the costs associated with vehicle replacement, including customization and personnel.	Public Works	Partly Implemented	**Partly Implemented.** The total replacement value estimate of all assets is still being developed as the Equipment Management team continues to implement AssetWorks. According to Public Works, it is anticipated to have the total number for all assets that contribute to the replacement fund within the next year.
The Replacement Fund is underfunded by millions of dollars.	**1.2** Conduct an analysis of the City's current fleet and determine the optimal fleet size to provide services efficiently and effectively. This analysis should include fleet units identified as reserve, backup, and "pool" vehicles. The outcome of the analysis should be a plan to achieve and provide funding for the optimal fleet size.	Public Works	Partly Implemented	**Started.** Mercury Associates delivered their 360 fleet assessment survey to City Council in September 2024. The assessment recommended the City conduct a right-sizing and right-typing study of the fleet. Many already replaced vehicles have been removed from service. Public Works decided not to move forward with the fleet size survey efforts noted in past updates. They are now working on telematics for the entire fleet, which will provide real-time data about vehicle usage which will in turn provide the key information to decide when to replace a vehicle. Some vehicles may be able to be kept past their planned retirement date due to low usage. Additionally, some vehicles may be found to not be needed at all and pool vehicle could be used instead. They are coordinating with AssetWorks on pool vehicle reservation system which will bill individual departments.

Finding	Recommendation	Department	Previous Status Update	Current Status Update
The Replacement Fund is underfunded by millions of dollars.	**1.3** Work with the City Manager's Office to adjust the funding model of the Equipment Replacement Fund or adopt a new one to ensure appropriate funding for timely fleet replacement, such as annually transferring money from the General Fund based on an assessment of the City's overall fleet needs and priorities. Expand the current vehicle and equipment replacement policy to ensure transparency of key provisions of the new or updated model.	Public Works	Partly Implemented	**Partly Implemented.** There is no change on the funding model. However, the Budget office is recently engaged on evaluating changes to existing structure and will continue working with Public Works to develop a transparent process and model. Due to changes in Public Works leadership, there has been a delay in the approval process of the Equipment Replacement Policy. The draft policy is now with the Public Works Director for review and includes a process for additional funding requests based on an assessment of the City's overall fleet needs.
The Replacement Fund is underfunded by millions of dollars.	**1.4** Revise the vehicle and equipment replacement policy to include that Public Works should regularly assess the personnel expenditures related to vehicle and equipment replacement and ensure that they are appropriate and proportional to their duties.	Public Works	Partly Implemented	**Partly Implemented.** There is no change on funding model. The Budget office is evaluating changes to existing structure. The Equipment Replacement Policy is drafted and with the Department Director for review and includes reviewing personnel expenditures during the biennial budget process.

Finding	Recommendation	Department	Previous Status Update	Current Status Update
The Replacement Fund is underfunded by millions of dollars.	**1.5** Revise the vehicle and equipment replacement policy to prevent replacing unfunded vehicles by ensuring that contributed funds are available for the purchase.	Public Works	Partly Implemented	**Partly Implemented.** Due to changes in Public Works leadership, there has been a delay in the approval process of the Equipment Replacement Policy. The draft policy is now with the Public Works Director for review. Draft Equipment Replacement Policy includes language that identifies the specific process for how underfunded vehicles should be managed.

The Replacement Fund is underfunded by millions of dollars.	**1.6** Develop an Administrative Regulation that clarifies Public Works' responsibilities to manage the fleet and maintain sufficient fleet replacement funding. Include the following provisions: - Public Works should provide an analysis of the impact on fleet replacement and overall costs when the City considers reallocating replacement funds or stopping payments into the Fund. - The City Manager should provide documented justification when deciding to use the Equipment Replacement Fund for non-replacement needs. The decision must be supported with a documented cost analysis from Public Works showing potential impact of insufficient funds on fleet replacement. - Public Works should report to Council annually on fleet funding needs and Replacement Fund sufficiency. - Public Works has the ultimate authority to make decisions about fleet replacement in consultation with	Public Works	Partly Implemented	**Partly Implemented.** Due to changes in Public Works leadership, there has been a delay in the approval process of the Equipment Replacement Policy. The draft policy is now with the Public Works Director for review.

Finding	Recommendation	Department	Previous Status Update	Current Status Update
	departments and with consideration for departments' fleet needs. Departments can appeal decisions to the City Manager if they disagree with the decision. - The Replacement Fund is an internal service fund. Internal service funds are used to account for goods or services provided by one department or program to another on a cost reimbursement basis. Any funding departments contribute to the Replacement Fund is not dedicated to any specific department, but can be spent on fleet units throughout the City.			
The Replacement Fund is underfunded by millions of dollars.	**1.7** To help secure the funding needed for transitioning to electric vehicles by 2030, work with the City Manager's Office to develop a budgetary plan to purchase electric vehicles. The plan should align with the City's fleet electrification goals and take into consideration the current economic downturn, funding availability, available infrastructure, and electric vehicle availability.	Public Works	Partly Implemented	**Partly Implemented.** Electric vehicle purchases and charging are being funded by the Equipment Replacement Fund with reimbursement through the vehicle accrual charges.

Finding	Recommendation	Department	Previous Status Update	Current Status Update
Public Works lacks information on vehicle and equipment replacement for decision making.	**2.1** Conduct a needs assessment of vehicles overdue for replacement and create a plan that documents a timeline and cost for replacement. Report the findings to City Council.	Public Works	Partly Implemented	**Partly Implemented.** Public Works has decided not to move forward with the survey efforts noted in past updates, but will use telematics instead with expected full operation by July 2027, according to Public Works. Public Works staff say telematics will provide real time data about vehicle usage which will in turn provide the key information to decide when to replace a vehicle. Some vehicles may be able to be kept past their planned retirement date due to low usage. Additionally, some vehicles may be found to not be needed at all and pool vehicle could be used instead. Once telematics has been in place for 6 months, an evaluation of the fleet utilization will be completed and shared with Council.
Public Works lacks information on vehicle and equipment replacement for decision making.	**2.2** Update the vehicle and equipment replacement policy to include criteria for prioritizing fleet replacement. The policy should include a requirement to communicate a delay in replacement of their fleet to affected departments. In Administrative Regulation described in recommendation 1.6, specify that the vehicle and equipment replacement policy should include such criteria.	Public Works	Partly Implemented	**Partly Implemented.** Due to changes in Public Works leadership, there has been a delay in the approval process of the Equipment Replacement Policy. The draft policy is now with the Public Works Director for review. The draft policy includes criteria for adding a unit to the replacement list. Public Works is working on creating a prioritization list based on this same criteria.

Finding	Recommendation	Department	Previous Status Update	Current Status Update
Public Works lacks information on vehicle and equipment replacement for decision making.	**2.3** Work with the vendor of the new fleet management system to configure it to address the data issues identified in this report, including: - Tracking Replacement Funds collected and leftover funds by department; - Zeroing out the balance after a vehicle is replaced; - Adjusting the replacement date and reporting the rationale if a replacement is deferred; and - Displaying any information needed to prioritize replacements based on specified criteria.	Public Works	Partly Implemented	**Partly Implemented.** The new Equipment Superintendent is working closely with AssetWorks staff to utilize the full capacity of the system and implement fixes to the identified data issues. There is ongoing work with the Information Technology Department to implement Power BI Dashboards that would be available to City staff. This will provide financial and operational information on vehicles.
Public Works lacks information on vehicle and equipment replacement for decision making.	**2.4** Clean and update the vehicle and equipment database before migrating it to the new fleet management system to ensure accuracy and data integrity.	Public Works	Implemented	**Implemented.** AssetWorks is the only system used by the Equipment Maintenance Division as of May 2025. There have been continuous updates to the asset records to ensure it reflects the most accurate information.

Finding	Recommendation	Department	Previous Status Update	Current Status Update
Public Works lacks information on vehicle and equipment replacement for decision making.	**2.5** Update the vehicle and equipment replacement policy or develop a separate policy to require staff manage the City's data appropriately to ensure accurate complete information to support management decisions.	Public Works	Partly Implemented	**Partly Implemented.** The requirement to manage data is included in the draft Equipment Replacement Policy. Due to changes in Public Works leadership, there has been a delay in the approval process of the Equipment Replacement Policy. The draft policy is now with the Public Works Director for review.