

Baltimore's Financing Model Slashes Fleet Replacement Backlog

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The City of Baltimore has purchased its 1,500th vehicle through its “Master Lease” vehicle replacement process, which has allowed the city to modernize its fleet, reduce the replacement backlog, and ultimately reduce the costs associated with vehicle ownership.

As of early October, the city has replaced 1,500 vehicles, which accounts for approximately one-third of the vehicle fleet. Under this lease financing approach, the purchase of every vehicle in the fleet is financed over several years. Investment in fleet renewal has led to a reduction of the fleet replacement backlog by \$25.5 million and an avoidance of more than \$18 million in related maintenance and repair expenses.

“An aging fleet requires a much higher investment in maintenance and repair costs, and is also associated with higher fuel costs due to older, less fuel-efficient vehicles,” explained Mayor Catherine Pugh. “Additionally, an aging fleet experiences substantially more breakdowns, which affects service delivery and requires a large reserve fleet for core operations. All this translates to city agencies having vehicles and equipment that are more reliable and available, allowing them to better provide the services that the residents of Baltimore City deserve.”

Based on the results of a 2012 comprehensive study into the replacement of vehicles, the city determined that it was facing a replacement backlog of approximately \$125 million. In fiscal-year 2014, the city adopted the lease financing strategy, replacing its previous strategy of paying up front for vehicles.

“This new approach has allowed the city to modernize its fleet more rapidly than the previous model would have allowed,” said Steve Sharkey, director of the Department of General Services, which manages the fleet. “Had the Master Lease Program not

been created, the replacement backlog today would be at or close to \$200 million, 90% of the total value of the fleet.”

In addition, the transition to a debt financing model for vehicle purchases allowed for a one-time appropriation of \$30 million from the city’s mobile equipment fund in the 2014 fiscal-year capital budget, to be used on other projects.

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