

Information Item

Date: December 11, 2017

To: The City Manager

From: Scott Tesh, Performance and Accountability Director

Subject: Street Sweeping Costing Information

Strategic Focus Area: Quality Transportation

Strategic Objective: Improve Integrated Road Network

Strategic Plan Action Item: No

Key Work Item: Yes



The City currently contracts with Sweeping Corporation of America, Inc. to provide street sweeping service throughout the City. In November, staff brought an item to Public Works Committee to review street sweeping contract management. Included was a costing analysis detailing the estimated fiscal impact of bringing the service in-house. Public Works Committee reviewed the information item and recommended it for consideration by Finance Committee. The analysis on the following page shows the City could more than double its street sweeping services and save money over a ten-year period.

Staff recommends bringing the service in-house and is seeking direction on moving forward with equipment purchases. Estimated turnaround time for vehicle delivery is six months from contract award. To begin providing the service in FY 2018-19, the City would need to move forward with vehicle acquisition as soon as possible. Without objection, staff will finalize specifications for three vehicles (two front-line and one back-up) and send out a RFP. Estimated purchase price is \$255,000 per vehicle (\$765,000 total). Vehicles would be lease-purchased over a five-year period through the North Carolina Municipal Leasing Corporation. The first lease payment is expected to be due in FY 2018-19.

Service Costing

Staff has completed a costing analysis of providing street sweeping services in-house with City resources. The current contract with Sweeping Corporation of America specifies 5,855 miles of street sweeping services at a cost of \$340,936, or \$58.23 per mile. The City would propose to provide this service using two new senior equipment operators and three street sweeping vehicles (two front-line and one back-up). Supervision of the operation would be handled with current staff. With this personnel and equipment, staff estimates in the first year that 13,075 miles of streets could be swept at a cost of \$397,317, or \$30.39 per mile. A detailed costing of personnel, supplies, contracted services, and equipment leasing costs was performed. Because the useful life of the vehicles exceeds the five-year lease period, the cost per year (not adjusted for inflation) will decrease after five years. The table below shows the current cost of the contract, the estimated cost for the City to provide the service as described above, and the cost per mile for the contractor and the City. The table shows these costs for the first year and as a 10-year average.

Cost Difference Between Contractor and In-House Service				
<u>Cost Type</u>	<u>Contractor</u>	<u>City Provided</u>	<u>Difference</u>	<u>% Difference</u>
<i>Financial/Budget</i>				
First Year Cost	\$340,936	\$397,317	\$56,381	16.5%
10-Year Cost	\$3,409,356	\$3,208,167	-\$201,189	-5.9%
<i>Workload</i>				
Annual Miles Swept	5,855	13,075	7,220	123.3%
<i>Efficiency</i>				
First Year Cost per Mile	\$58.23	\$30.39	-\$27.84	-47.8%
10-Year Average Cost per Mile	\$58.23	\$24.54	-\$33.69	-57.9%

*Ten-year costs do not include inflation.

Although the City proposes a higher cost in the first year (+\$56,381) based on the staffing model detailed above, staff estimates this model would increase mileage swept by 123%, or more than double what the contractor is currently providing. As shown in the table, the City’s estimated cost per mile to provide the service over the 10-year lifecycle of the vehicles is 57.9% lower than the current contractor. Due to the significantly higher efficiency in the model outlined above, staff recommends bringing the service in-house.