

07/15/2018

Mrs. Linda Dunshee
Link Associates Executive Director
1452 29th Street
West Des Moines, Iowa 50266

Re: Ruan RFP Questions

Dear Linda,

Thank you for your consideration and the opportunity to provide additional information following the submission of our RFP for the Fleet Leasing Project. The following document details our response to the additional questions.

Should you desire or require any clarifications, please do not hesitate to contact me directly at 515-537-4257 or at truan@ruan.com

Sincerely,



Thomas Adam Ruan
Ruan Car Leasing
Vice President



6/28/18

Thomas Adam Ruan
Ruan Leasing
666 Grand Ave, Suite 1700
Des Moines, Iowa 50309

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Dear Adam,

Link Associates thanks you for submitting information and a response to our Request for Proposal for the Fleet Leasing Project. I apologize that my timeline has been delayed, but we have needed to coordinate this decision among both the Link Associates Board of Directors, Buildings and Grounds Committee and the Link Foundation.

I have met with the two governing bodies jointly and we have a few more questions we need clarification on as we can finalize our decision.

1. The current vehicle list with actual mileage is attached. In review of this list please outline your proposal for turning over the fleet.
 - a. Listed by vehicle, which vehicles would you prioritize as priority to help us immediately market so we can sell and replace with leased vehicles?
 - b. What would your projected timeline be to transition the remaining vehicles after the urgent need ones replaced?
2. Is your Lease Fleet Management proposal an all or nothing proposal for Link's vehicles?
 - a. If a family or donor were to donate a vehicle for our use, would that conflict with your proposal to manage the fleet?
3. In the event that the funding or scope of our transportation program were to change dramatically reducing our need for the entire fleet, what, if any are the penalties for early termination?
4. As the lease manager, would you recommend vehicle rollover at:
 - The end of the bumper to bumper warranty limit
 - The end of an extended warranty limits
 - The end of the powertrain warranty limit
 - The end of the specific mileage limits
 - At a specific vehicle age limit
5. What recommendations, data and support do you provide to help us manage the fleet to ensure the most efficient outcome for Link?
6. What is our exposure to vehicles that are over the warranty?

If you can provide us with these answers no later than 7-15-18, our Foundation and Board will be able to make a decision shortly thereafter. If you have any questions, please contact me at 515-262-8888 or at ldunshee@linkassociates.org.

Sincerely

Linda Dunshee

Linda Dunshee, Executive Director



Partner-United Way of Central Iowa



Funded in part by Polk County



CARF since 1985

Year	Vehicle	#	May Ending ODO
2013	Elkhart EC-II Bus	1	171,954
2014	White Dodge Grand Caravan - ShaVu	2	28,799
1993	Hino Truck	3	39,121
2006	White Ford EVS Van - Cambridge Court	4	97,489
2012	Elkhart EC-II Bus	5	115,501
2011	Dodge grand Caravan Braun Entervan- Hamlet	6	55,223
2010	Elkhart EC-II Bus	7	209,326
2015	Elkhart EC-II Bus	8	83,196
2010	Dodge Grand Caravan w/c -Meadowlands	9	50,738
2013	Ford F-250	10	39,760
2008	Hyundai Entourage Van - VIP C	11	157,748
2003	White Mini Van VIP D	12	62,849
2010	Elkhart EC-II Bus	13	156,666
2011	Silver Escape	14	70,533
2011	Dodge Grand Caravan White SE3	15	118,776
2011	Ford Van Terra	16	150,573
2014	Blue Grand Caravan - Westwood	17	58,027
2014	Dodge grand Caravan Braun Entervan - Chapel Ridge	18	46,740
2009	Dodge W/C Amerivan Medical	19	126,830
2011	Dodge grand Caravan Braun Entervan	20	110,230
2010	Elkhart EC-II Bus	21	159,678
2012	Elkhart EC-II Bus	22	176,287
2015	Elkhart EC-II Bus	23	91,604
2006	EVS Tansmaster 14p Van - Boston	24	40,219
2006	Dodge Grand Caravan w/c - Sun Prairie	25	143,037
2001	Maroon w/c Mini Van stone crest	26	138,491
2016	White Pick Up Truck	27	18,733
2007	Honda Accord - Silver (Case Mgmt)	28	143,234
2009	Hyundai Sonatta (Case Mgmt)	29	124,692
2012	Elkhart EC-II Bus	30	155,783
2009	Areotech Bus	31	216,349
2015	Elkhart EC-II Bus	32	105,525
2009	Areotech Bus	33	213,273
2008	Hyundai Enourage Van - VIP A	34	139,061
2010	Elkhart EC-II Bus	35	119,577
2013	Elkhart EC-II Bus	36	146,327
2013	Elkhart EC-II Bus	37	111,374
2017	Elkhart EC-II Bus	38	18,607
2013	Elkhart EC-II Bus	39	97,100
2014	Ford Focus - Black	40	43,413
2014	Ford Focus - Silver	41	40,526
2015	Dodge Grand Caravan - VIP B	42	67,186
2015	Dodge Grand Caravan - Med Appointment -Cherry Red	43	51,932
2015	Dodge Wheelchair Van - SE 2 9/1/15 start date	44	87,621
2016	Dodge Grand Caravan White VIP F	45	30,428
2016	Dodge Grand Caravan White VIP E	46	30,392
2016	Ford Focus - White	47	23,436

1.
 - a. In the attached equipment list provided by Link, we have highlighted two sets of assets. Those in red we consider immediate concerns and those in yellow we recommend monitoring projected market value and estimated future maintenance and operating expenses to optimize the remaining asset life cycle. As a caveat, any assets that have had both an engine and transmission replacement completed should be considered for an extended life cycle in the absence of any additional major existing issues. Additionally, we would recommend that any assets close to 100,000 miles with existing major maintenance issues that have not been repaired, be disposed of as-is. It is unlikely that the repair expense and additional average maintenance expenses for assets in this range would be offset by the realized extension in the asset's life.
 - b. To determine implementation time, we desire to coordinate with Link personnel to define the remaining asset life on all Link assets eligible for replacement. Our goal with implementation is to manage disruption by creating a seamless transition between assets. We recommend reviewing the projected replacement schedule regularly to amend projections if needed. Regarding specific implementation timelines, the most immediate fleet concerns are the buses and mobility vans. Our partner vendor currently has completed buses matching the RFP specs in stock, readily available, and can complete and deliver mobility vans within 45 days.
2. No, our fleet management proposal is not an all-or-nothing proposal.
Managing non-Ruan assets is not an issue. We view the asset as part of the fleet regardless of ownership. We would make recommendations regarding age, odometer, and projected life cycle to keep the asset(s) in line with fleet parameters
3. Early termination penalties under an Open-End Lease Agreement are detailed as follows:
 - (a) All past due monthly payments and other charges for which I am responsible under the lease; plus
 - (b) The Lease Balance as described in paragraph 4, plus
 - (c) A lease termination charge of \$250; plus or minus
 - (e) The deficiency or excess proceeds as determined in paragraph 8; plus
 - (f) Any official fees and taxes imposed in connection with lease termination.

To clarify,

Lease balance is calculated as:

$$(\text{Capitalized Cost-Residual Value}) / \text{Total Lease Term} * \text{Remaining Lease Term}$$

The deficiency is only assessed when the condition of the asset upon receipt leads to a loss in realized value.

We would waive all official fees. of the lessee. For example, earlier this year, a lessee had a change in business requiring them to terminate leases on two service trucks prior to planned expiration. The early termination penalty for both assets totaled, \$32,638.00. To minimize financial liability, we worked with local vendors to repair minor damages and engaged Adesa auctions to heavily market the assets in advance of a large sale. The excess proceeds not only negated the early termination penalties, but we issued a gain share check for ~800.00. I believe this is another example illustrating our belief in a partnership rather than merely lessee and lessor.



4.
 - The end of the bumper to bumper warranty limit
 - Rarely. The majority of bumper to bumper warranties or basic warranties expire after 3 years or 36,000 miles, whichever comes first. While there is certainly value in operating vehicles inside of a warranty window, initial asset depreciation creates a cost model that is undesirable. Additionally, remarketing assets at or near 36,000 miles can be very challenging. The market at this mileage range is crowded with off-lease assets and former rental assets. This causes a saturation that can lead to unnecessary loss in disposal.
 - The end of an extended warranty limits
 - We generally do not recommend the purchase of extended warranties. Extended warranties typically cost between \$1,500.00 and \$5,500.00 depending on the manufacturer and type of asset. Purchasing an extended warranty for each asset certainly adds additional security against potential maintenance issues, however the cumulative expense will, in most cases, exceed the aggregate maintenance expense incurred by a fleet without extended warranties. Proper fleet management and regular preventative maintenance are crucial to avoiding unnecessary late life maintenance costs.
 - The end of the power train warranty limit
 - Power train warranties typically expire at either 5 years and 60,000 miles or 100,000 miles. We do not recommend asset rollover at 60,000 but do recommend rollover at 100,000. Industry maintenance statistics detail the majority of major engine and transmission related issues occur beyond 100,000 miles. As mentioned earlier, proper fleet management and regular preventative maintenance are crucial to avoiding unnecessary late life maintenance costs.
 - The end of the specific mileage limits
 - Yes, industry statistical data details significantly increasing maintenance costs beyond 100,000 miles. In that regard, we endeavor to design asset life cycles and operate in that range to minimize unnecessary exposure. Not to say that we will not implement asset life cycles beyond 100,000 miles, but we ensure that the lessee is aware of the potential exposure prior to implementation.
 - At a specific vehicle age limit
 - Asset mileage is traditionally more of a factor in asset life cycles than age, however, there will come a point where market value and depreciated value will approach their nexus. The decision therein lies between continuing to operate the the asset with full exposure or to dispose of the asset with the intent of recapturing some of the invested capital.
5.
 - United Fleet - Service
 - United Fleet is our primary maintenance and service provider for the greater Des Moines area. Our strong relationship with them allows us to provide the following to our clients:
 - Significantly reduced maintenance and/or service cost
 - Pick-up and delivery of assets at no cost
 - Warranty service - United will provide the same pick-up and delivery to the asset manufacturer for warranty service at no cost
 - After hours pick-up for maintenance and or service at no cost
 - 24 hour roadside assistance and towing within a 25 mile radius of the greater Des Moines area at no cost
 - Fleetio - Data
 - Fleetio provides our fleet management software. Fleetio is a comprehensive fleet management platform with an open API allowing us to consolidate and report on asset data from numerous platforms, maintenance, fuel, operating cost, etc.
 - Azuga - Data
 - Azuga provides our fleet telematic devices and software. Azuga provides a comprehensive suite of data point services captured through the use of an in asset on-board-device (OBD). The OBD allows us the capability to track asset location, driver id, speeding, hard braking, idling, etc.

We utilize data from both the Fleetio and Azuga platforms to provide real-time analytical review for each asset.



6.

It is difficult to quantify exposure on assets beyond warranty. Any asset operating beyond warranty is at risk. The burden of cost falls on the operator once an asset exceeds the manufacturer warranties. We employ asset and market analytics combined with preventative maintenance schedules to manage this risk and create a cost efficient asset life cycle. Earlier this year, Jim provided us with maintenance data points on all current Link assets. We can use the analysis from those data points to highlight areas of excessive exposure.

Bus Maintenance Stats by Mileage Bracket

Mileage Bracket	Cost/Mile	Delta
<60,000	\$.205	0%
60,000 - 100,000	\$.378	~84%
>100,000	\$.446	~18%

Van Maintenance Stats by Mileage Bracket

Mileage Bracket	Cost/Mile	Delta
<60,000 Miles	\$.197	0%
60,000 - 100,000	\$.323	~62%
>100,000	\$.485	~42%

Asset exposure should be minimal below 60,000 miles. The majority of bumper to bumper warranties are valid for 3 years or 36,000 miles, whichever occurs first. As well, the majority of power train warranties are valid for 5 years and 100,000 miles, whichever occurs first. The data points support this by detailing a major cost increase for both asset types as odometers climb. The escalating costs can be partially misleading as tire and brake expenses generally occur between 40 - 50,000 miles and again between 70 - 100,000 miles. The cost of operation expenses inflate the maintenance spend per mileage bracket. On average, assets will operate to 100,000 miles and beyond with minimal risk to excessive maintenance spend.

Again, thank you for your consideration and the opportunity to provide additional information following the submission of our RFP for the Fleet Leasing Project.

Should you desire or require any clarifications, please do not hesitate to contact me directly at 515-537-4257 or at truan@ruan.com

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