

FROM	NAME & TITLE	Chichi Nyagah-Nash, Director
	AGENCY NAME & ADDRESS	Department of General Services 200 N. Holliday Street, Rm 800
	SUBJECT	City Council Bill 21-0159

CITY OF
BALTIMORE
M E M O



DATE:

January 14, 2022

TO The Honorable President and Members of the City Council
City Hall, Room 400, 100 North Holliday Street

Position: Support with Proposed Amendments

The Department of General Services (DGS) is in receipt of and reporting herein on City Council Bill 21-0159: Procurement – Zero-Emission Vehicles.

Background/Explanation

For the purpose of converting the City fleet of vehicles, subject to certain exceptions, to zero-emission vehicles; defining certain terms; authorizing rules and regulations; and generally related to the City's procurement of vehicles.

Comments

The Department of General Services remains committed to the Mayor's vision of moving the City and Baltimore residents towards a more sustainable future and improved energy practices. DGS is supportive of City Council Bill 21-0159 taking significant considerations into account:

Vehicle procurement requirements for ZEVs: Based on DGS' review of vehicle cost data, ZEVs currently cost 10-40% more than conventional vehicles where market-ready alternatives exist. DGS predicts that this gap will decrease significantly over time. However, to meet these goals the annual replacement funding for city vehicles may need to increase by \$2.5M to \$10M over the current \$25 million supported through the Master Lease financing. Over the long term, DGS estimates there are financial and operational benefits to a transition to ZEVs. Currently, DGS estimates that market-available EV sedans have a simple payback of less than 4 years. However, DGS does not recommend an assumption that the reduction in maintenance and fuel savings will cover the full increase in cost for all vehicles. DGS recommends that planning and budgeting assumptions should remain conservative based on gradual phase-in of ZEVs over time where some vehicles will not have a short payback on the incremental cost of the ZEV.

DGS strongly supports the decarbonization of the fleet. However, in cases where technological change does not shift quickly into reduced costs at scale, as written this bill could hold the City responsible to increase the City's vehicle acquisition budget significantly. An alternative is to consider percentage targets based on percentage of new vehicle purchased or focusing primarily on light duty vehicles.

Infrastructure operational and funding requirements: ZEVs, and specifically electric vehicles, need charging infrastructure in place prior to purchase or receipt of vehicles. For the City fleet, this means dedicated space at defined city operational locations, charging equipment, networked capabilities to track usage, and often upgrades to the electrical panel. Assuming daily charging needs, this may extend to a charging infrastructure setup at water treatment facilities, solid waste yards, police stations, tow yards, fire stations, and parks facilities, in addition to many other facilities not identified. To date, the City has not identified a funding stream that supports the cost of these potential investment requirements. At a cost of \$3,000 per vehicle for charging equipment, the City will need \$3 million for every 1,000 vehicles replaced with an electric alternative. This assumes that the State continues to provide incentives. The life of an EV charger is five to ten years.

Considerations on effectiveness/applicability of ZEVs in asset replacement: The only exclusion written into the bill is product availability in sufficient quantity as certified by the City Purchasing Agent. DGS Fleet Management Division engages closely with customer agencies to identify the requirements of their vehicles, which includes highlighting opportunities for ZEVs. DGS currently predicts that not all classes and types of vehicles will have ZEV alternatives that are market available by 2040, although the market will be significantly different than today. While DGS strongly supports rapid decarbonization of the fleet, the Department recommends an amendment that allows for operational and reliability considerations in procurement of ZEVs.

DGS recommends the following amendments to the bill:

35-A-2. CITY AGENCIES SHALL INCREASE THEIR PROCUREMENT OF ZERO-EMISSION VEHICLES SO THAT:

- (I) 50 % OF THE CITY FLEET, **WHERE THERE IS A ZEV EQUIVALENT TODAY**, WILL BE ZERO-EMISSION VEHICLES BY JANUARY 1, 2030.
- (II) 100 % OF THE CITY FLEET, **WHERE THERE IS A ZEV EQUIVALENT TODAY**, WILL BE ZERO-EMISSION VEHICLES BY JANUARY 1, 2040.

35-A-3. (B) Product availability.

ON A SINGLE CONTRACT OR SUBCONTRACT BASIS, IF ~~THE CITY PURCHASING AGENT~~ **DGS** CERTIFIES IN WRITING THAT ZERO-EMISSION VEHICLES ARE NOT PRODUCED IN A SUFFICIENT QUANTITY TO MEET THE CITY'S REQUIREMENTS **OR DO NOT MEET THE OPERATIONAL AND RELIABILITY SPECIFICATIONS DEFINED BY DGS**, THE REQUIREMENTS OF THIS SUBTITLE DO NOT APPLY.

35A-5. Annual report. **DGS** ~~THE CITY PURCHASING AGENT~~, WITH COOPERATION FROM ALL CITY AGENCIES, SHALL SUBMIT AN ANNUAL REPORT TO THE MAYOR AND CITY COUNCIL ON THE NUMBER AND AMOUNT OF **ZEV AND NON-ZEV VEHICLES THAT WERE PURCHASED OR LEASED** ~~CONTRACTS AND SUBCONTRACTS~~ AS PROVIDED FOR IN THIS SUBTITLE

Additional comments:

35A-3(B): DGS Fleet Management Division is the source of Subject Matter Expertise to certify if a qualified electric vehicle alternative exists.

35A-4: Many of the vehicles purchased are through participation in cooperative contracts where the seller provides pricing on large volume of units. DGS recommends that this provision be revised to include both individual bids and use of large-scale cooperative contracts to minimize replacement costs.

35A-5: Annual Report: All fleet information is stored in DGS Fleet Management Division's Information System (FASTER). While Procurement can report on contract activity, DGS Fleet can report on when units are placed in service. DGS Fleet has visibility into the individual rental/lease vehicle activity and records of each unit in FASTER. DGS recommends that the Fleet Management Division take the lead in producing the annual report.

In discussions on this topic in September, DGS proposed that DGS Fleet Management Division be the Subject Matter Expert, and have authority to provide exemptions should there not be a suitable replacement, based on the operational needs of the requesting agency. DGS Fleet proposes that there be language in the bill to recognize this ability.

Additionally, DGS provided information and data to support an initial focus on Light Duty "Administrative" vehicles. This bill as written treats all vehicles equivalently and does not provide the opportunity to leverage success on what is available today as we await for the technology to improve to meet the needs of Medium and Heavy Duty vehicles. For example, as written there is no incentive for agencies to purchase hybrid or hybrid-electric vehicles in the absence of a qualified battery electric alternative. There is also no incentive for agencies to select biodiesel over diesel. DGS worked with Maryland Energy Administration to complete an analysis of the financial and environmental benefit of switching to biodiesel, which found both to be positive.

Lastly, DGS Fleet recommends the addition of language to require all city Agencies to proactively work with DGS Fleet to develop an ZEV Implementation Plan to ensure the success of this legislation. These Implementation Plans could be used to bolster the City's commitment and Agency support in the Annual Report.

For the reasons identified above, the Department of General Services supports, with amendments, City Council Bill 21-0159.

If you have any questions, please do not hesitate to contact DGS' Legislative Liaison Annie Fullas at annie.fullas@baltimorecity.gov or at 667-208-0380.

Sincerely,

A handwritten signature in black ink, appearing to read "Chichi Nyagah-Nash", with a long horizontal flourish extending to the right.

Chichi Nyagah-Nash

Director, DGS