Performance Audit of Citywide Vehicle Rentals

Why OCA Did This Study

The City of San Diego (City) needs vehicles and equipment to provide critical City services, such as clearing channels and repairing streets. Since 2019, the City has spent about $42 million on vehicle and equipment rentals through its contract with Herc Rentals. In 2025, the City extended and increased the contract amount to $66 million. City Councilmembers have expressed concern about rising costs and questioned whether the City's oversight of the contract and significant use of the rentals was efficient.

Given that the City's Five-Year Outlook estimates an average annual budget deficit of $68 million from FY2028 through FY2031, it is important that public dollars of vehicle and equipment rental expenses are used effectively to avoid impacts on services now and in the long term. Therefore, we conducted a performance audit with the following objectives:

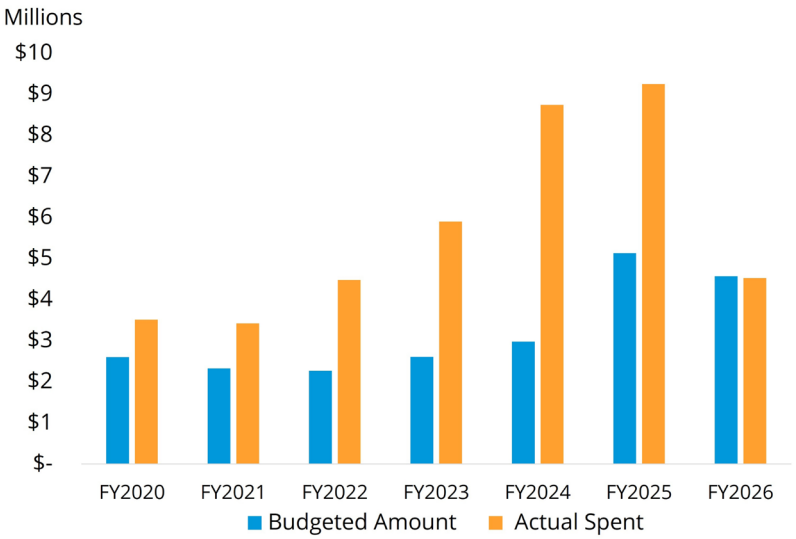
1. **Determine whether the City effectively plans and monitors vehicle rental spending to control costs and complies with contract terms;**
2. **Determine whether the City evaluates vehicle rental decisions, in accordance with best practices, to ensure renting is more cost-effective than owning or using City vehicles; and**
3. **Determine whether the City coordinates vehicle planning and uses vehicle utilization data to minimize unnecessary rentals and avoid impacts to services.**

What OCA Found

Finding 1: The City underestimated vehicle rental spending under the initial Herc Rentals contract by over $12.2 million, and did not effectively monitor actual rental costs.

- In 2019, the City estimated it would spend approximately $14.3 million over five years based on historical usage. However, actual spending over the five years, FY2020–FY2024, totaled approximately $26.5 million, exceeding the original 5-year estimate by $12.2 million.
- **The City exceeded the Herc rentals contract spending limit before requesting Council approval** to increase the contract amount.
- The **City did not have coordinated processes to adequately monitor rental spending and contract usage** Citywide. As a result, City Management could not readily determine total spending and unpaid rental invoices.
- The City has implemented **new processes to improve oversight and ensure contract spending remains within approved amounts**.

Exhibit 7: From FY2020 Through FY2025, Highest Spending Departments Exceeded Their Equipment Rental Budgets by a Combined Total of $17.4 Million But Remained Within Budget in FY2026



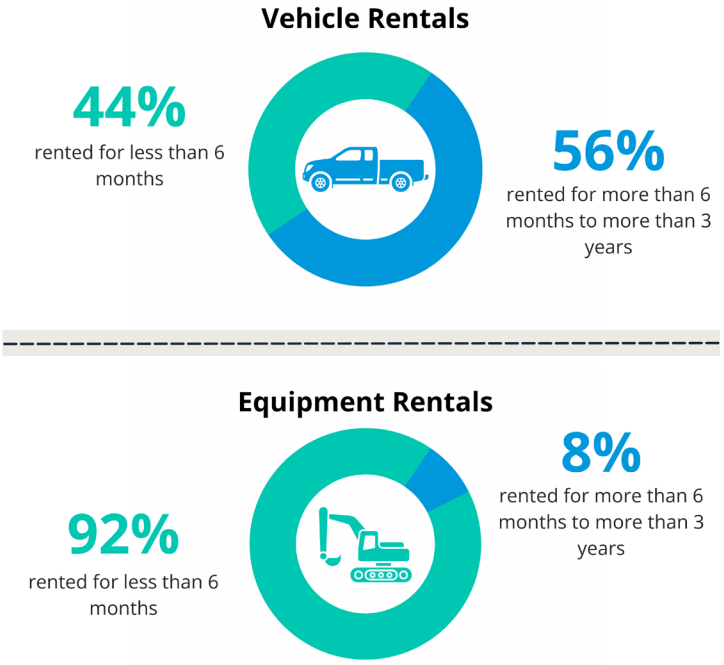
Source: OCA generated based on SAP data.

- Departments we reviewed used funds from other budget categories, such as supplies and external contracts and services, to cover rental costs that went over budget.

Finding 2: The City relies on long-term rentals because vehicle planning does not fully account for operational needs, future demand, and cost effectiveness.

- More than half of the City's vehicle rentals are long-term and make up most of the City's rental costs.

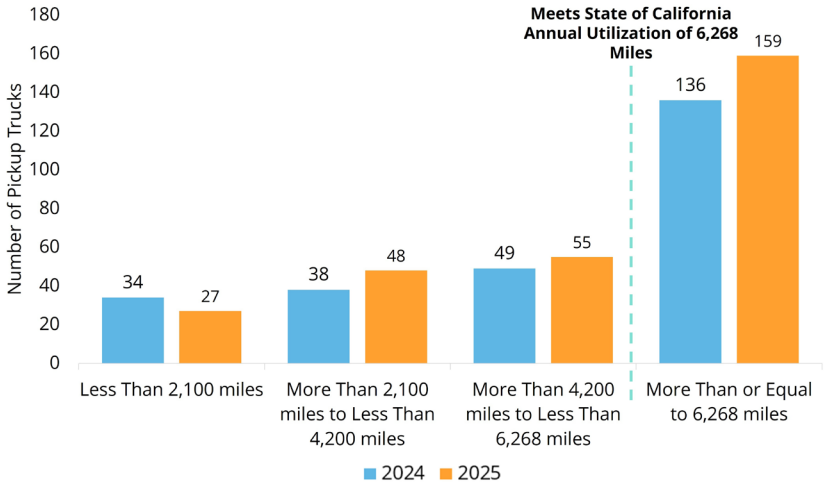
Exhibit 9: 56 Percent of Vehicle Rentals Were Rented for Longer Than Six Months, While 92 Percent of Equipment Rentals Were Rented for Less Than Six Months



Source: OCA generated based on data from Herc Rentals Inc.

- **Departments relied on rental vehicles to meet operational needs** due to lengthy acquisition timelines for City vehicles.
- Fleet is making efforts to improve delivery times through standardization of pickup and dump trucks.
- **The City's vehicle planning process does not fully account for its long-term vehicle needs.**
- The City can **improve vehicle planning by discussing vehicle and equipment rentals** at existing coordination meetings.
- **Some rentals may have not been needed** because it is unclear whether departments are using City-owned vehicles optimally and efficiently.
- **Owning dump trucks appears to be more cost-effective than renting** because the City uses them for 13 years, rather than the assumed 8-year lifecycle.
- Fleet does not currently base the vehicle replacement planning process on vehicle lifecycles and procurement timelines.

Exhibit 12: Most of the Stormwater, Transportation, and Public Utilities Departments' Pickup Trucks Meet Caltrans' Pickup Truck Annual Mileage Utilization Thresholds



Source: OCA generated based on the City's Geotab telematics data and State of California minimum utilization threshold data.

What OCA Recommends

We made **8 recommendations**. Key recommendations include:

- Conduct and document a needs assessment for anticipated vehicle and equipment rental needs as part of the budgeting process.
- Establish and document minimum vehicle utilization standards and review vehicle utilization to ensure that a rental or acquisition only proceeds if there are no underutilized City vehicles that could be used to fill the need.
- Establish a process to evaluate vehicle and equipment acquisitions and replacement based on long-term operational needs and whether they should be purchased, rented, replaced or reassigned based on a cost-benefit analysis.

The City Administration **agreed to all 8 recommendations.**

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