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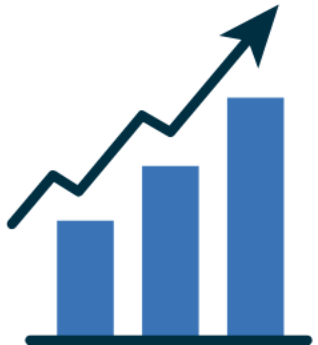
FLEET MANAGEMENT SOLUTIONS

WELCOME TO
COMMAND 24

Learn. Network. Engage.



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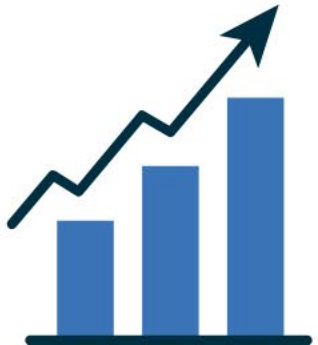
Billing and Rate Strategies



Understanding Your True Costs of Rate Setting and Implementing Internal Billing

- Understanding funding types
- Difference between direct and indirect labor costs
- Understanding marginal costs and their impacts
- Types of charges that best fit your operation
- Implementing billing processes for your organization
- Cost savings ideas to implement in your fleet today

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Funding Types

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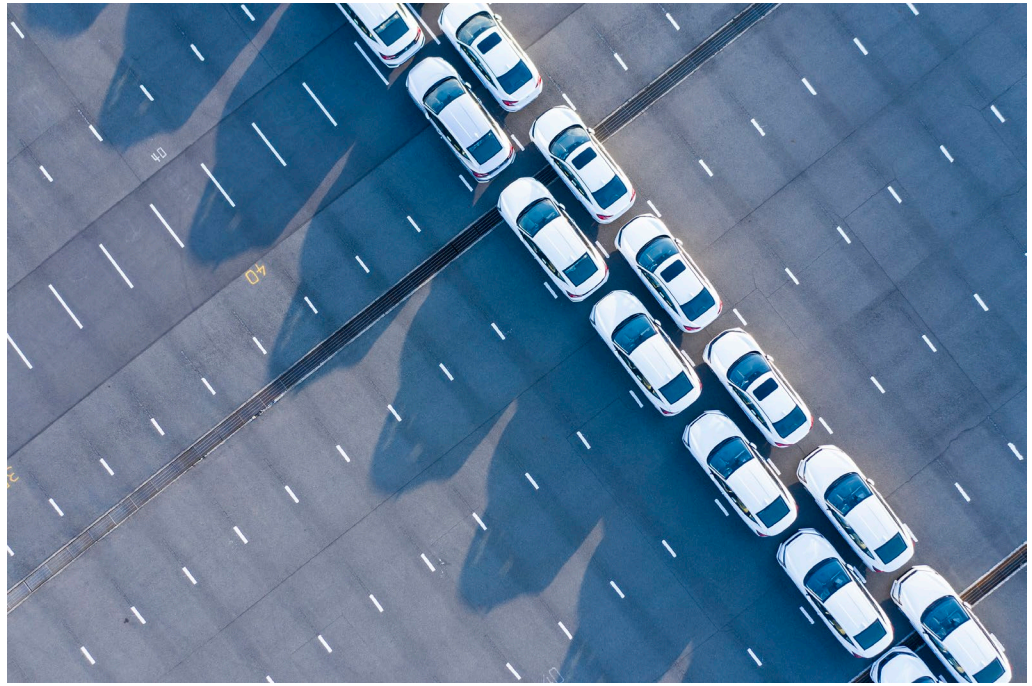
Self-Funded

A self-funded fleet can refer to a fleet that uses its own cash or bank lines to fund a fleet lease program when traditional funding is scarce.



General Fund

A fund created by governments/organizations to allocate the cost of certain shared activities

Charge Types

Hourly

Daily

Weekly

Monthly

Annually

Mileage

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Additional Charges

- Cleaning fee
- No Show
- Late Cancellation
- Late for return fee
- Refueling charge

Additional Charges

What additional charges does your fleet charge your customers?

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Configuring Billing Charge Types

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FLEETCOMMANDER

Kathy Wellik

MANAGE | REPORTS | TOOLS | CONFIGURE | Home :: Help

- ENTERPRISE SETTINGS
- SITE SETTINGS
- USAGE TYPES
- ACCESS GROUPS
- USER
- RESERVATIONS
  - BILLING CHARGES
  - CANCELLATION TYPES
  - FILE CATEGORIES
- VEHICLES
- MAINTENANCE
- PROVIDERS
- WEEKDAYS
- HOLIDAYS
- STATES
- NAVIGATION

Billing Charge Types: Browse

Add New

	Billing Charge ↑	Default Cost	Sort Order	Active
	Clean Up Fee	$50.000	30	Yes
	Credit Transaction	$0.000		Yes
	Daily			Yes
	Late Cancellation Fee			Yes
	Late Return Fee	$50.000		Yes
	Mileage Fee	$0.000	20	Yes
	Other			Yes
	Parking Permit	$2.000	10	Yes
	Refueling Fee	$25.000		Yes
	UTS Employee Driver	$25.000		Yes
	Vehicle Use Charge	$0.000		Yes

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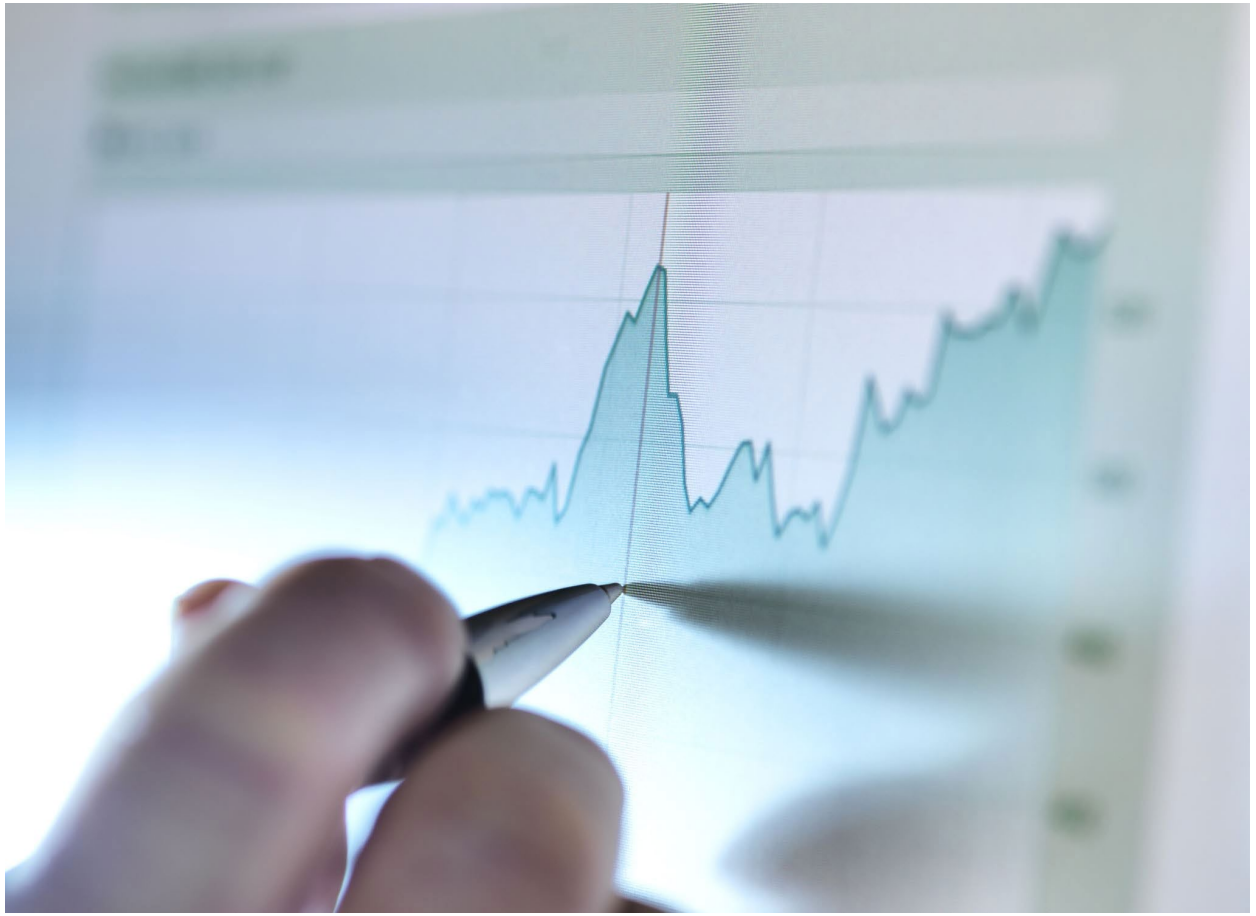
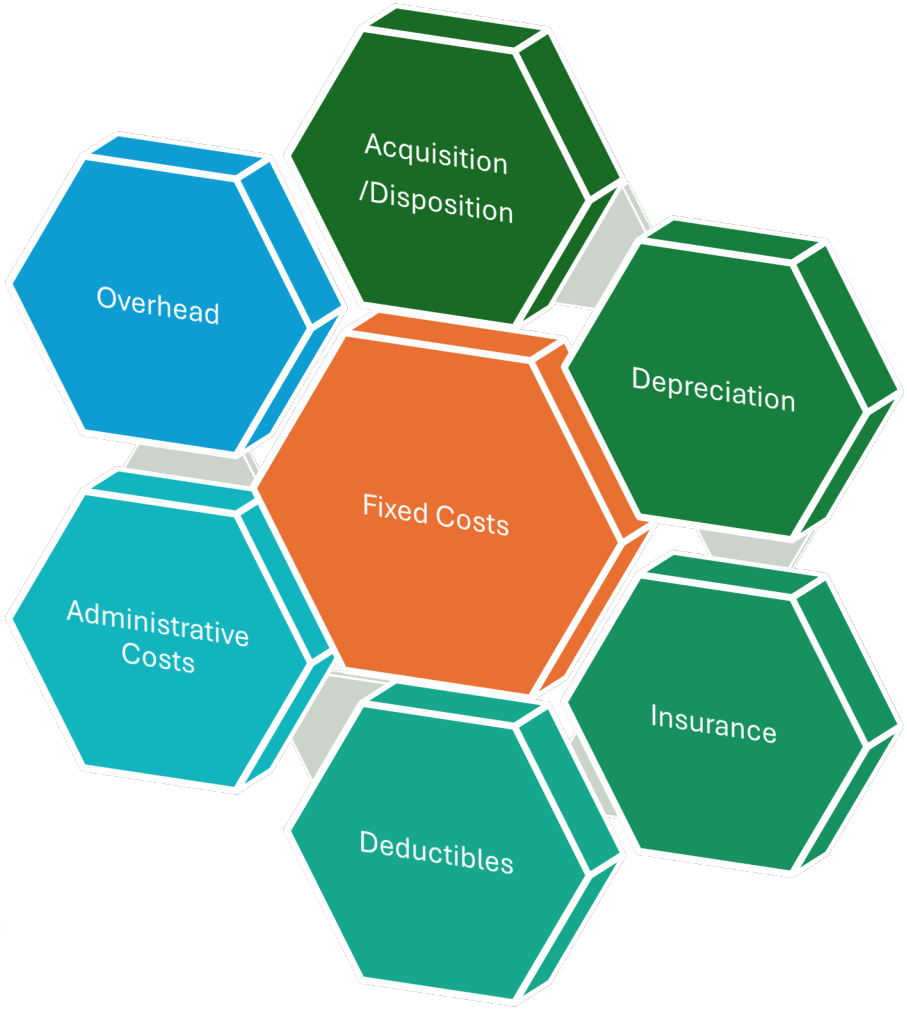
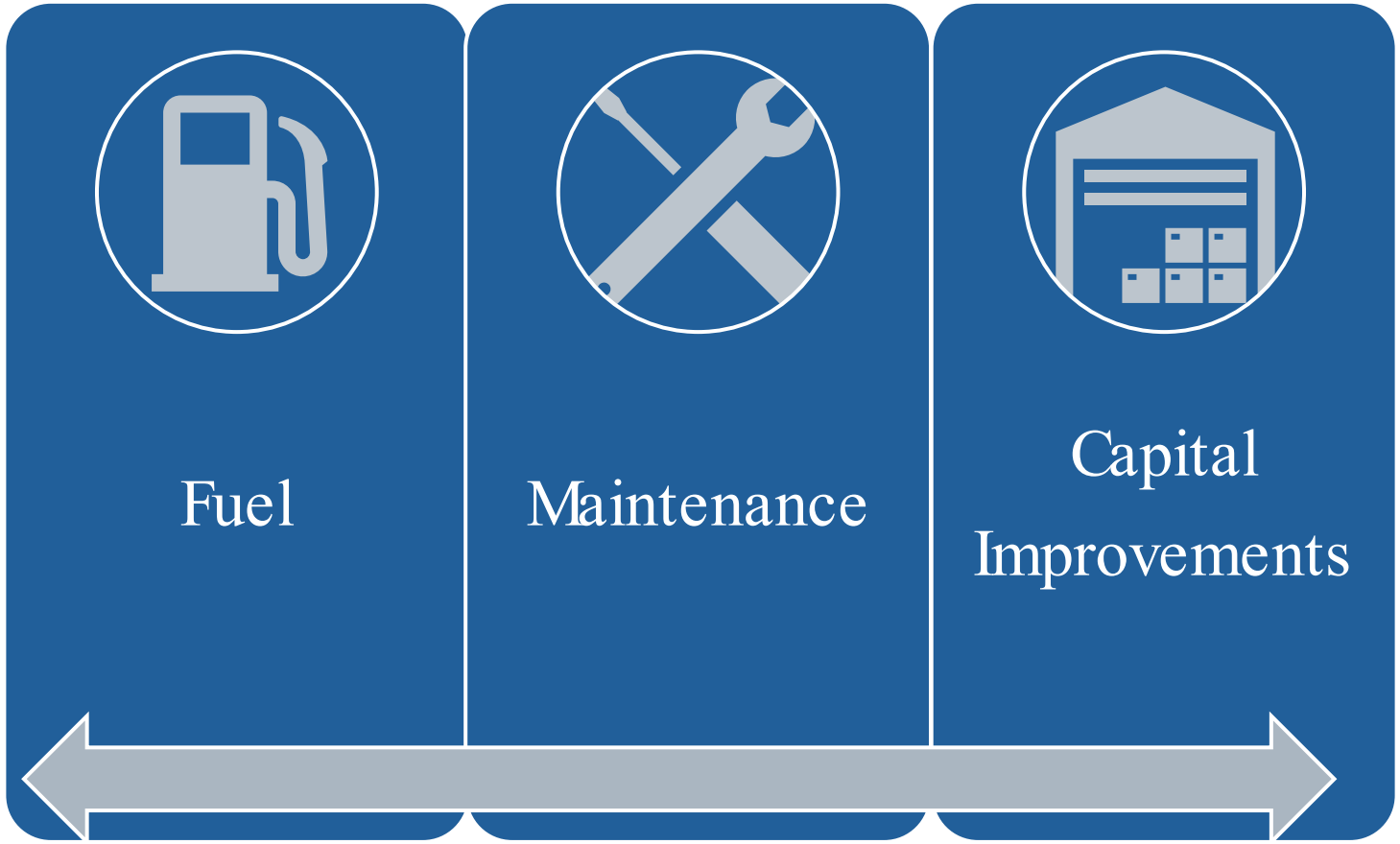
Costs Included in Rate Setting



Fixed Costs


Acquisition /Disposition
Overhead
Depreciation
Fixed Costs
Administrative Costs
Insurance
Deductibles

Variable Costs



Example of Rate Setting Calculation

	Sedan	
Depreciation	0.1567	
Insurance	0.0234	
Admin, Overhead, & Capital Improvement	0.1175	
Fixed		0.2976
Deductible	0.0093	
Fuel & Maintenance	0.1543	
Variable		0.1636
Total CPM		0.4612

*Straight-Line Depreciation

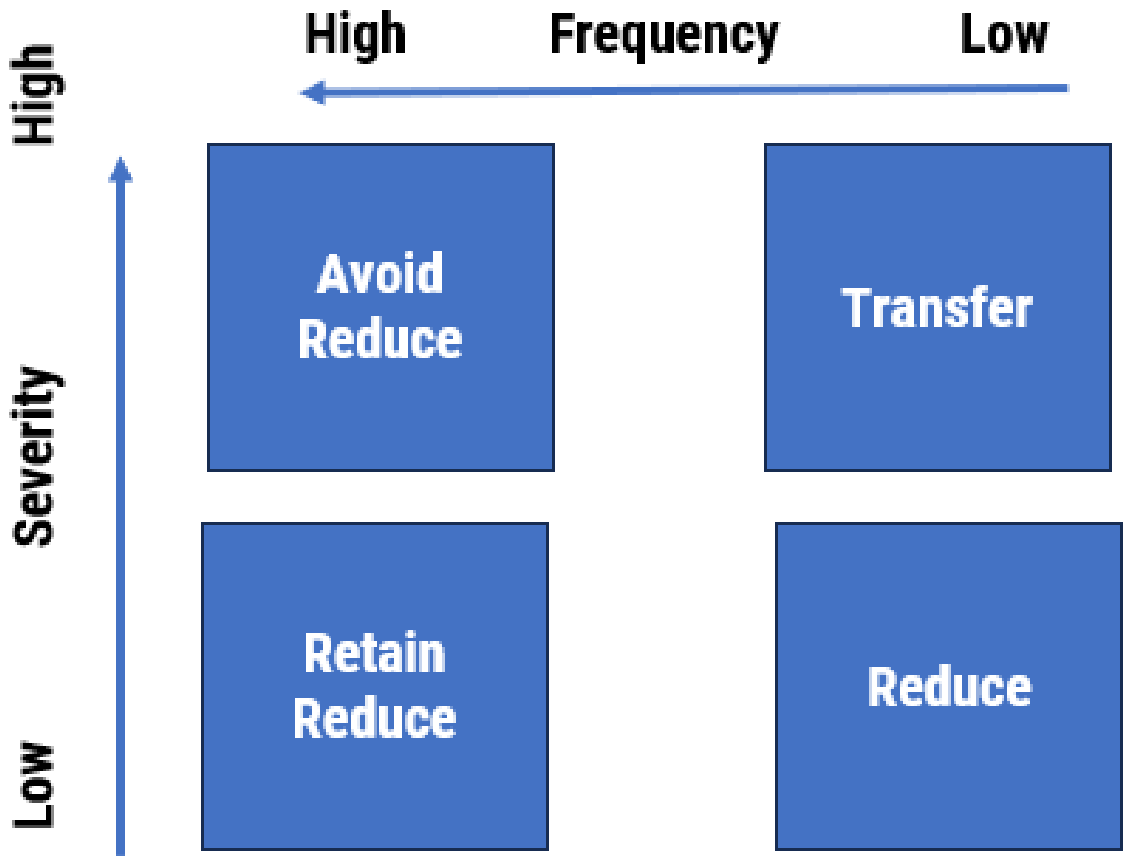
Depreciation =

$$\frac{\text{(Cost-Straight Line)}}{\text{Useful Life}}$$

Always check with your accounting department and/or IRS for your fleet's specific rules.

* www.thebalancemoney.com

Insurance


High
Frequency
Low
High
Severity
Low
Avoid
Reduce
Transfer
Retain
Reduce
Reduce

Types of Insurance

- Business property insurance
- Commercial auto
- Commercial flood insurance
- Commercial umbrella
- Employment practices liability insurance
- Business Income

Deductibles

- Don’t forget to calculate your deductibles into your rate calculations.
- For example, if you had 20 accidents with $1,000 deductibles each, you would need to build $20,000 into your rate setting unless you charge the deductible back to the department that had the accident.

Overhead and Administrative Costs

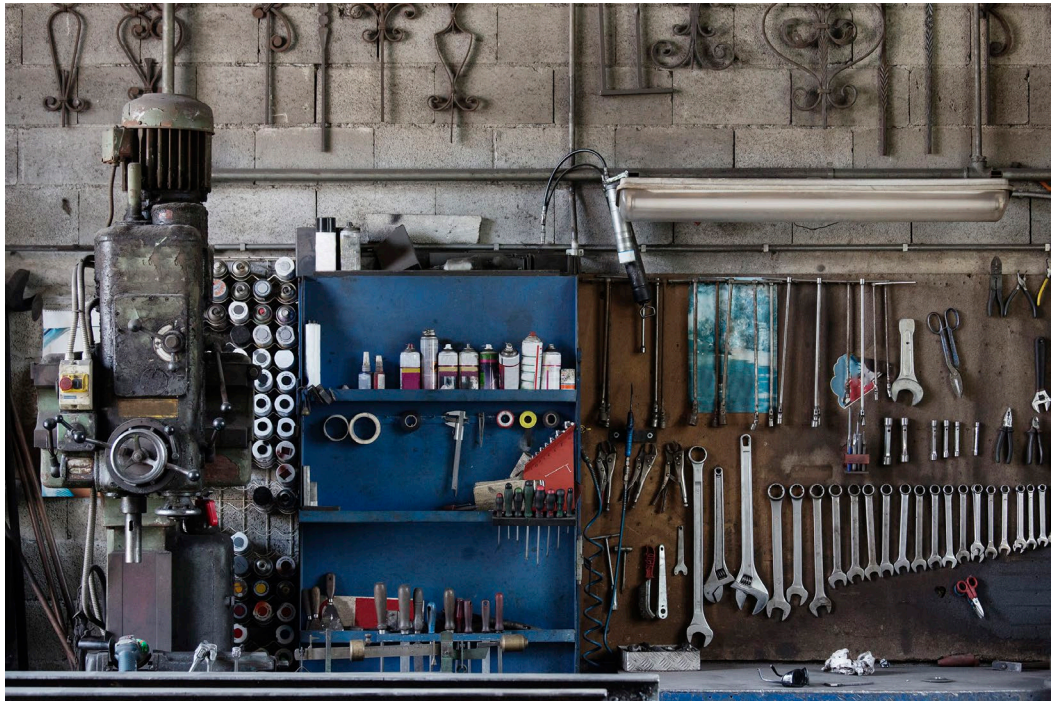
- How are you recouping salaries and benefits of staff members that are not “turning wrenches” (which is captured in the hourly technician rate)?
- Office supplies
- Computers, phones, software, etc.
- Administrative fees
- Advertising
- Facilities
- Other inter-department allocations
- Utilities
- Misc.

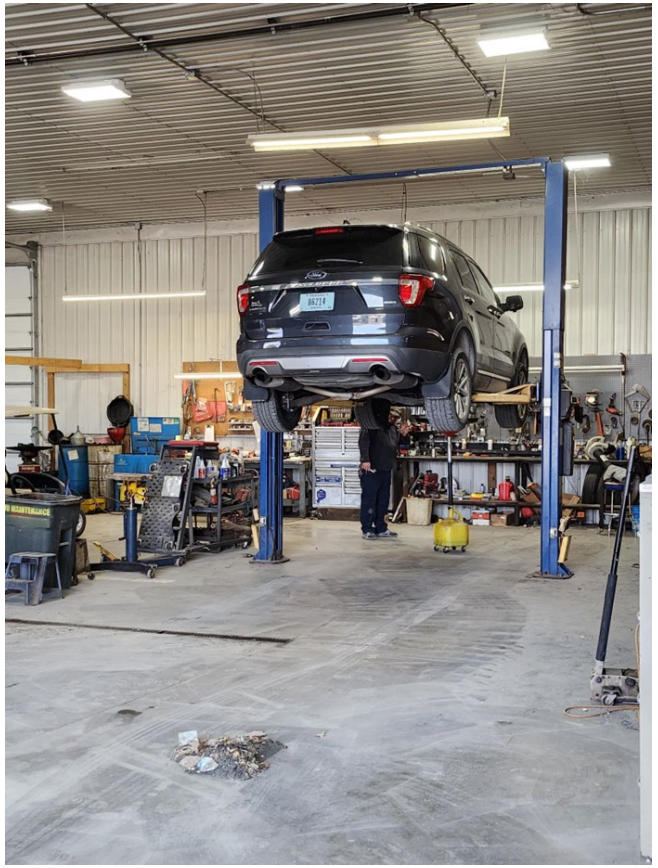
Capital Improvements

- New car wash
- Resurfacing of lots
- New tools
- New shop equipment
- Fuel Island upgrades
  - Maybe in your fuel price per gallon

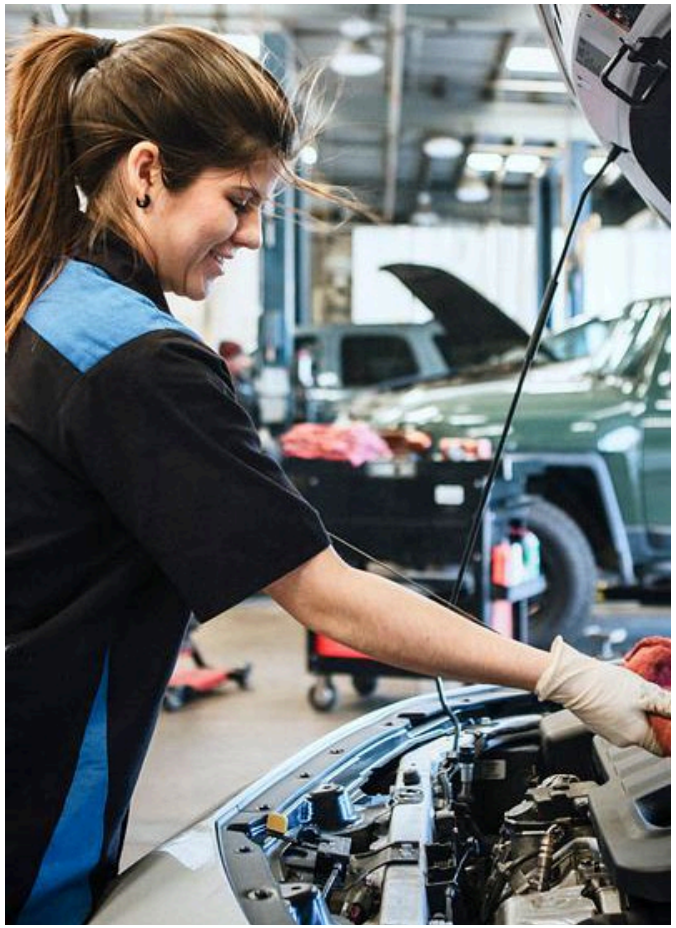
Fuel

Maintenance





Direct and Indirect Labor



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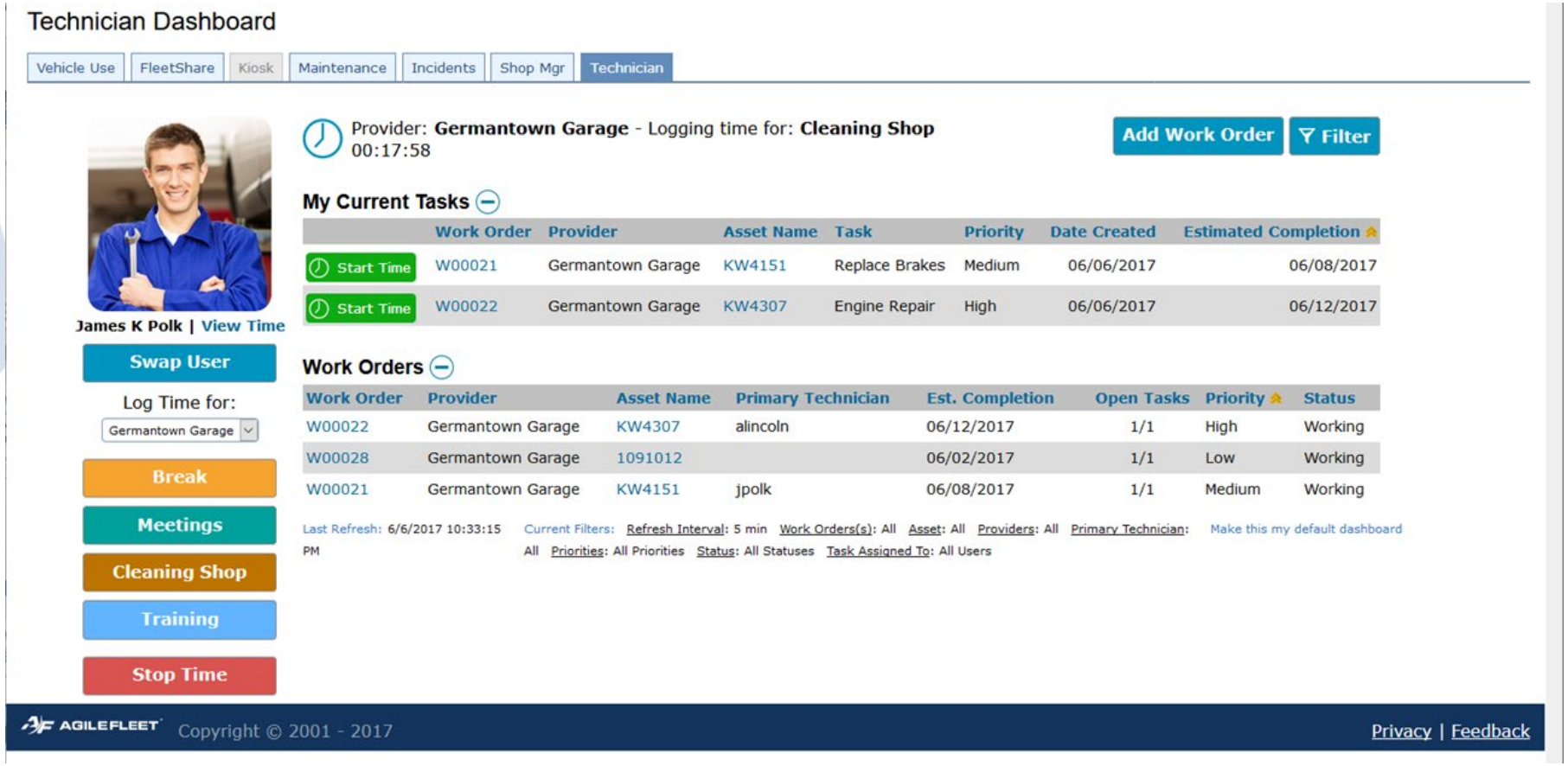
Direct Labor Examples in a Maintenance Shop

- Changing the oil on a vehicle
- Fixing a tire on a vehicle
- Rotating tires
- Performing an alignment
- Replacing windshield wipers
- Replacing bulbs
- Performing repairs after an incident or
- when damage is not reported

Indirect Labor Examples in a Maintenance Shop

- Staff Meetings
- Training & Continuing Education
- Moving Snow
- Stick Reading for the Fuel Pumps
- Driving to get Parts
- Cleaning Shop
- Breaks and Lunch

Technician Dashboard



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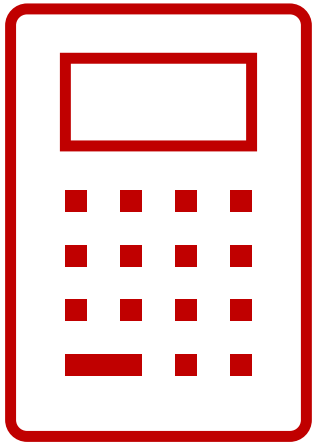
Understanding Marginal Costs and Their Impact

Marginal Costs

Marginal Cost = The increase or decrease in the total cost a business will incur by serving one more customer.



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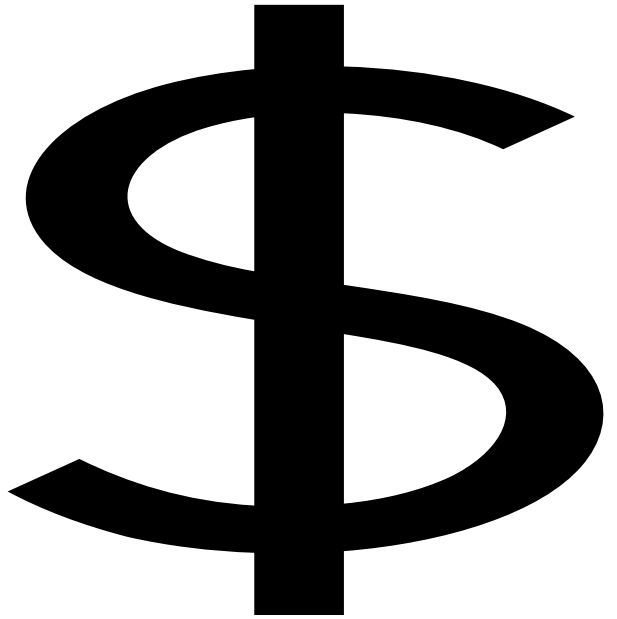
Real-World Examples of Chargeback Rate-Setting Strategies



Standard Billing Algorithm A

Weekly, Daily, Mileage

This vehicle use charge for this algorithm includes a weekly and/or daily charge. Days are counted as calendar days (e.g., 9/1/2020 9:00 AM to 9/2/2020 9:00 AM = 2 days). Weeks are calculated as 7 days, but a period of 5 days or more is rounded up to a full week. Reservations are billed for the number of weeks at the weekly rate and the number of days at the daily rate.

Standard Billing Algorithm B

Monthly, Weekly, Daily, Hourly, Mileage

This vehicle use charge for this algorithm includes an hourly charge or a combination of monthly, weekly, and/or daily charges. Days are counted as 24-hour days and they are always rounded up (e.g., 9/1/2020 9:00 AM to 9/2/2020 9:01 AM = 2 days). Weeks are calculated as 7 days and never rounded up. Months are calculated as 30 days and rounded up at 21 days (e.g., 51 days = 2 months). Reservations lasting 4 hours or less are billed for the number of hours at the hourly rate. Otherwise, they are billed for the number of months at the monthly rate, the number of weeks at the weekly rate, and the number of days at the daily rate.

Standard Billing Algorithm C

Monthly, Weekly, Daily (24-hour) Minimum Charge, Mileage

This vehicle use charge for this algorithm includes either a minimum charge or a combination of monthly, weekly, and/or daily charges. The minimum charge is applied to reservations lasting 4 hours or fewer. It is calculated as half the rate per day. Reservations lasting more than 4 hours and 24 hours or less are charged for 1 day. For reservations lasting more than 24 hours, days are counted as 24-hour days and they are always rounded up (e.g., 9/1/2020 9:00 AM to 9/3/2020 9:01 AM = 3 days). Weeks are calculated as 7 days, and they are rounded up at 6 days. Months are calculated as 30 days and rounded up at 3 weeks. While months are calculated as 30 days, a period of 31 days is always billed for one month, rather than for one month and one day. Reservations are billed for the number of months at the monthly rate, the number of weeks at the weekly rate, and the number of days at the daily rate.

Standard Billing Algorithm D

Daily Charge, Mileage

This vehicle use charge for this algorithm includes a daily charge. Days are counted as 24-hour days and they are always rounded up (e.g., 9/1/2020 9:00 AM to 9/2/2020 9:01 AM = 2 days). Reservations are billed for the number of days at the daily rate.

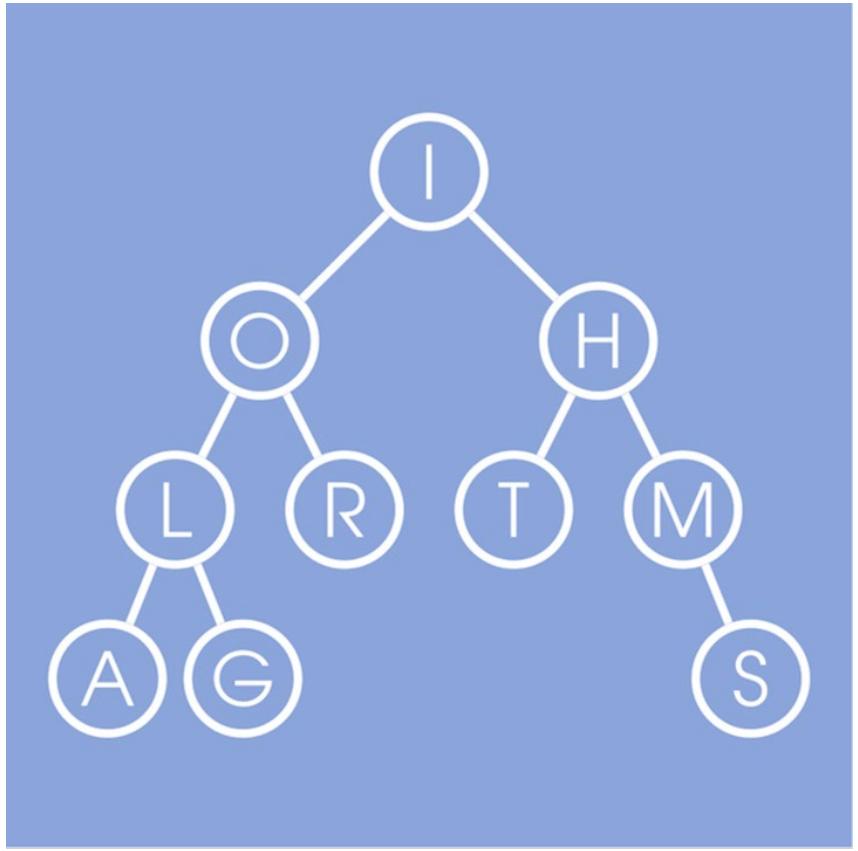
Standard Billing Algorithm E

Monthly, Weekly, Daily (Calendar Day), Minimum Charge, Mileage

This vehicle use charge for this algorithm includes either a minimum charge or a combination of monthly, weekly, and/or daily charges. It is the same as Algorithm C, except that days are calculated as calendar days, rather than 24-hour periods. The minimum charge is applied to reservations lasting 4 hours or fewer. It is calculated as half the rate per day. For reservations lasting more than 4 hours, days are counted as calendar days (e.g., 9/1/2020 9:00 AM to 9/2/2020 9:00 AM = 2 days). Weeks are calculated as 7 days, and they are rounded up at 6 days. Months are calculated as 30 days and rounded up at 3 weeks. While months are calculated as 30 days, a period of 31 days is always billed for one month, rather than for one month and one day. Reservations are billed for the number of months at the monthly rate, the number of weeks at the weekly rate, and the number of days at the daily rate.

Custom Billing Algorithm

- Rental rate + mileage rate
- Rental rate + exact fuel costs
- Fuel costs
- No billing at all



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Implementing Billing Processes for your Organization

Implementing Billing Processes

- Get the right partners involved
  - Audit, accounting, risk management, etc.
- Determine the billing algorithm that works best for your fleet
  - One of five predetermined billing algorithms or create your own with Agile Fleet Inc. Staff
- Determine your rates for the billing process
  - Use the information we discussed to determine proper costs per mile, daily cost, etc.
- Work with your CS and/or Sales Rep for Agile Fleet Inc. to set up your billing process in Fleet Commander

Implementing Billing Processes

- Make sure all staff members understand the billing algorithm
  - Don’t change from one rental type to another during a reservation unless you know how the change will affect billing
- Compare your rates to other fleets and other competition
- Communicate your billing rules to your clients

Implementing Billing Processes

Create an easy-to-use rate sheet for your clients

Vehicle Category	Vehicle Type	Daily Rate*	1/2 Day Rate**	Mileage Rate	Seasonal Monthly Rate***	Yearly Mileage Rate	Yearly Rate****
Small	Compact	$37.10	$24.86	$0.53	$477.00	$0.20	Call for Pricing
	Midsize	$38.50	$25.80	$0.55	$495.00	$0.21	
Medium	Small SUV (5 Pass)	$46.20	$30.95	$0.66	$594.00	$0.27	
	Minivan (7 Pass)	$46.20	$30.95	$0.66	$594.00	$0.29	
Large	Large SUV (8 Pass)	$53.90	$36.11	$0.77	$693.00	$0.27	
	Maxi Van (15 Pass)	$52.50	$35.18	$0.75	$675.00	$0.35	
Trucks	1/4 Ton 2 WD	$50.40	$33.77	$0.72	$648.00	$0.38	
	1/4 Ton 4 WD	$51.80	$34.71	$0.74	$666.00	$0.41	
	1/2 Ton 2 WD	$50.40	$33.77	$0.72	$648.00	$0.39	
	1/2 Ton 4 WD	$51.10	$34.24	$0.73	$657.00	$0.39	
	3/4 Ton 2 WD	$62.30	$41.74	$0.89	$801.00	$0.54	
	3/4 Ton 4 WD	$59.50	$39.87	$0.85	$765.00	$0.52	
	1 Ton 2 WD	$56.70	$37.99	$0.81	$729.00	$0.64	
	1 Ton 4 WD	$63.70	$42.68	$0.91	$819.00	$0.60	
	550 Trucks	$87.50	$58.63	$1.25	$1,125.00	$0.60	
	Large Panel/PD Truck	$119.00	$79.73	$1.70	$1,530.00	$0.96	
Cargo Vans	Small Cargo Van	$51.10	$34.24	$0.73	$702.00	$0.55	
	Large Cargo Van	$70.00	$46.90	$1.00	$882.00	$0.64	
Trailers	Enclosed and Flatbed	$35.00	N/A	N/A	$390.00	N/A	N/A

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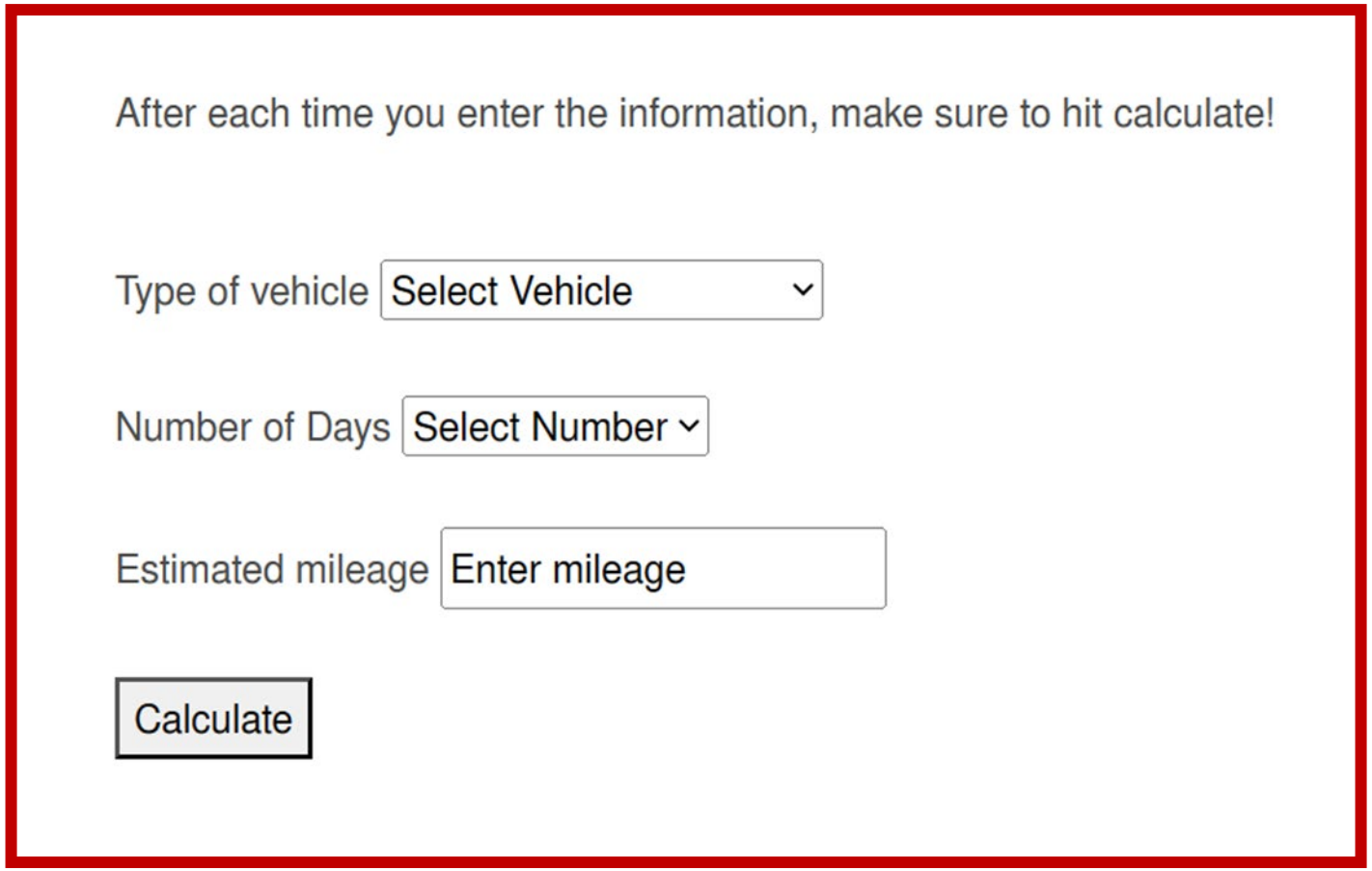
Implementing Billing Processes

Create a rate calculator for clients to use to determine costs



Recap

Recap

- Understanding funding types
- Difference between direct and indirect labor costs
- Understanding marginal costs and their impacts
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Billing and Rate Strategies

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Questions?

THANK YOU