

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2003-04

DATE: May 20, 2003

SUBJECT: **FLEET MANAGEMENT FUND**

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The City's Fleet Management Internal Service Fund provides vehicles, fuel and vehicle maintenance for the City except for the Airport, which provides its own fleet services. General Fund departments and enterprise funds reimburse the Fleet Management Fund for these services. Vehicle purchases for general fund departments are funded by a transfer from the Non-departmental budget. The budget for fiscal year 2003-2004 is proposed to increase by \$478,326 or 4.3% over fiscal year 2002-2003.

Over the next several years, the Fleet Division will be addressing deficiencies in their stockroom, light and heavy shops, fuel operation and fleet pool and replacement program. With an unlimited source of revenue the changes to the operations at the Fleet Division could happen within the year, but given the budget constraints of the City, it is anticipated that the changes will take at least six years. The Fleet Division will soon be coming before the City Council to review their proposed building remodeling, operating plans and propose a funding program to address the deficiencies in the division.

FLEET MANAGEMENT FUND PROPOSED BUDGET				
	Adopted 2002-2003	Proposed 2003-2004	Difference	Percent Change
Revenue & other sources				
Maintenance fees	\$ 4,196,469	\$4,663,122	\$466,653	12.0%
Fuel fees	1,947,965	1,258,160	(689,805)	(35.4)%
Sale of vehicles	624,600	474,000	(150,600)	(24.1)%
General Fund transfer	3,949,537	4,568,960	619,423	15.7%
Other revenue	235,000	91,070	(143,930)	(76.1)%
Use of reserves	220,265	596,850	376,585	171.0%
Total revenue & other sources	\$11,173,836	\$11,652,162	\$478,326	4.3%
Expenses & other uses				
Personal services	\$ 2,250,404	\$2,529,224	\$278,820	13.6%
Parts and supplies	3,889,621	3,296,288	(593,333)	(15.8)%
Charges for services	666,759	689,941	23,182	3.5%
Debt and interest	3,285,452	4,106,709	821,257	25.0%
Capital outlay	1,081,600	1,030,000	(1,600)	(4.8)%
Total expenses & other uses	\$11,173,836	\$11,652,162	\$478,326	4.3%

POTENTIAL MATTERS AT ISSUE

The major changes reflected in the proposed budgets for the Fleet Management Fund include:

- Replacement of vehicles – The Department of Public Services is recommending that the Fleet Division use Fleet Management Fund fund balance to purchase the replacement of a ladder truck for the Fire Department.
- Lease-Purchase Payments – The Fleet Division is recommending that the funding for lease-purchase payments increase by \$821,257 to \$4,106,709. The majority of this increase comes from the additional responsibility for making purchases for the forestry and sweeping programs, recently added to the General Fund. The Fleet Division uses the lease-purchase financing to fund the purchase of replacement vehicles for each of the departments that the Division serves. The ideal funding level for replacement of vehicles is between \$4.9 million and \$5.6 million annually from the General Fund according to the recent fleet study. The Fleet Division can reduce the overall cost the fleet operation by adhering to a more aggressive replacement schedule. If a longer replacement schedule is followed, more expensive maintenance costs could cause overall fleet operations expenses to increase.
- Additional Staff – The Fleet Division is proposing the addition of an accountant, a parts warehouse operator, and a US Department of Transportation Compliance Manager. The accountant position will handle the monthly maintenance and fuel billing process and assist with warranty recovery (see business plan). The Division anticipates additional recapture of more than \$100,000 due to a more aggressive warranty program.
- USDOT Compliance - The Fleet Division will be centralizing the City's USDOT compliance program and providing this service to City departments, including to those which do not have a lot of vehicles in this program.

Capital Improvement Budget

The budget proposes appropriations for capital expenditures of \$1,030,000 for fiscal year 2003-2004.

Proposed Capital Expenditures Fiscal year 2003-2004	
Type of Project	2003-2004
Equipment – Cash purchases for Fleet Maintenance	\$80,000
Equipment – Replacement of Fire ladder truck	\$825,000
Equipment – Cash purchases for Fleet Replacement	100,000
Total Capital Expenditures	\$1,030,000

Additional Information

FIVE-YEAR BUSINESS PLAN

The Department of Public Services prepared a five-year business plan for the Fleet Management Fund in 2001 to help guide the budgeting process and provide a means for management to better evaluate overall department performance. The business plan identifies goals and objectives of the Department. The plan was updated for fiscal year 2003-2004 to include targets through fiscal year 2008-2009. In order to assist the Council in evaluating progress, Council staff has attached the Fleet Division portion of the Administration's 6 Year Business Plan.

The Fleet Division has six main operations that they oversee for the Fleet Management Fund. They are Fleet Administration, Stockroom (Parts Warehouse), Fuel and Wash Rack Operations, Maintenance Light and Heavy Shops, Fleet Replacement and the Fleet Facility. The Division has noted in the Business Plan the activities of each of the six operations and what plans the division has for these areas.

FLEET MANAGEMENT AUDIT

The Council's audit of Fleet Management contained many recommendations for the improved operation and efficiency of the division. The division has reported to the Council as required by the Council and is following the recommendations of the Fleet Audit. In the future, the division will be updating the Council on proposed future plans for the Fleet Facility.

LEGISLATIVE INTENT STATEMENTS

No legislative intent statements are outstanding for the Fleet Management Fund.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Fleet Management Fund.