

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2004-05

DATE: May 14, 2004

SUBJECT: **FLEET MANAGEMENT FUND**

STAFF REPORT BY: Michael Sears

CC: Rocky Fluhart, Sam Guevara, Rick Graham, Kevin Bergstrom, Lamont Nelson, Greg Davis, Steve Fawcett, Laurie Donnell, DJ Baxter

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 2004-05 is proposed to increase by \$90,700 or 0.8% over fiscal year 2003-04.

FLEET MANAGEMENT FUND PROPOSED BUDGET				
	Adopted 2003-04	Proposed 2004-05	Difference	Percent Change
Revenue & other sources				
Maintenance fees	\$ 4,698,122	\$4,368,728	\$(329,394)	(7.0%)
Fuel fees	1,258,160	1,858,836	600,676	47.7%
Sale of vehicles	474,000	400,000	(74,000)	(15.6%)
General Fund transfer	4,568,960	5,015,442	446,482	9.8%
Other revenue	56,070	55,000	(1,070)	(1.9%)
Use of reserves	596,850	44,856	(551,994)	(92.5%)
Total revenue & other sources	\$11,652,162	\$11,742,862	\$ 90,700	0.8%
Expenses & other uses				
Personal services	\$ 2,529,224	\$2,504,428	\$ (24,796)	(1.0%)
Parts and supplies	3,296,288	3,713,664	417,376	12.7%
Charges for services	689,941	689,022	(919)	(0.1%)
Debt and interest	4,106,709	4,369,248	262,539	6.4%
Capital outlay	1,030,000	466,500	(563,500)	(54.7%)
Total expenses & other uses	\$11,652,162	\$11,742,862	\$ 90,700	0.8%

There are not any major changes reflected in the proposed budget for the Fleet Management Fund.

FLEET MANAGEMENT AUDIT

The Council's audit of Fleet Management contained many recommendations for the improved operation and efficiency of the division. The audit of the Fleet Division noted deficiencies in their stockroom, light and heavy shops, fuel operation and fleet pool and replacement program. The division has reported to the Council as required by the Council and is following the recommendations of the Fleet Audit.

One area of concern that is noted in the Mayor's Recommended Budget is that the Administration is not able to fund the audit recommended vehicle replacement schedule at the recommended level. The Administration is proposing that recommended budget actual funding be \$216,895 less than planned in the Fleet Management Fund Six-year plan. In fiscal year 2003-04 the actual funding of vehicle replacement was \$452,578 below the planned level.

During April of 2004 the Fleet Division updated the Council on the fleet facility reconfiguration and capital needs of the facility. The upgrade is the only remaining implementation item from the Fleet Management Audit.

There has been discussion during the Capital Improvement Program briefings about the audit finding relating to the replacement or rehabilitation of the fleet and streets facility. Given the budget constraints of the City, it is anticipated that corrective action will take several years if the Administration chooses to repair the facility as a pay-as-you-go Capital Improvement Program item. The City could issue bonds for the rehabilitation of the facility. If bonds are issued, it is anticipated that the debt service cost to the Capital Improvement Program will be approximately \$370,000 each year under one scenario, and \$534,000 under a second scenario. The first scenario would significantly affect the fund balances of the Refuse Fund and the Fleet Fund. The reduction in the fund balance of the Refuse Fund could necessitate an increase in the refuse fee charged to the public. Two Council Members have indicated an interest in redeveloping the current site of the fleet facility and building a new facility at another location. To date the Administration's efforts are focused on the current site. *The Council may wish to determine whether they would like to discuss the site issue again and either confirm or revise the current approach.*

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.

