

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2005-06

DATE: May 24, 2005

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 (excluding actual vehicle borrowing). Vehicle purchases for general fund departments are funded by a transfer from the Non-departmental budget. The operating budget for the Fleet Management Fund is proposed to increase by \$429,274, which is a 6.2% increase. Of this increase \$298,640 or 4.3% is related to the increased cost of fuel.

FLEET MANAGEMENT FUND PROPOSED BUDGET				
	Adopted 2004-05	Proposed 2005-06	Difference	Percent Change
Revenue & other sources				
Maintenance fees	\$4,368,728	\$ 4,508,160	\$ 139,432	3.2%
Fuel fees	1,858,836	2,085,850	227,014	12.2%
Sale of vehicles	400,000	450,000	50,000	12.5%
General Fund transfer	5,010,381	5,010,381	-	0.0%
Other revenue	57,961	60,500	2,539	4.4%
Debt Proceeds - GE Capital	0	3,800,500	3,800,500	-
Use of reserves	49,499	429,628	380,129	768.0%
Total revenue & other sources	\$11,745,405	\$ 16,345,019	\$4,599,614	39.2%
Expenses & other uses				
Personal services	\$2,509,771	\$ 2,571,722	\$ 61,951	2.5%
Parts and supplies	3,713,664	4,009,150	295,486	8.0%
Charges for services	686,222	758,059	71,837	10.5%
Debt and interest	4,369,248	3,419,088	(950,160)	-21.7%
Capital Expenditures - GE Capital	0	3,800,500	3,800,500	-
Capital outlay	466,500	1,786,500	1,320,000	283.0%
Total expenses & other uses	\$11,745,405	\$ 16,345,019	\$4,599,614	39.2%

During the past year, there has been an accounting change requiring that the City reflect the cash flow with escrow accounts for installment purchases of vehicles. This has affected the Fleet Management budget accounting, and is reflected above in the line items “Debt Proceeds – GE Capital” and “Capital Expenditures – GE Capital” on the revenue and expense side, respectively.

POTENTIAL MATTERS AT ISSUE

The major changes and some of the issues relating to the proposed budget are as follows:

- A. Fuel Costs – Fuel costs to the fund are expected to increase at a greater rate than fuel fees charged. Fuel costs are expected to increase by \$298,640 (20.7%) in fiscal year 2006. Fuel fees charged (source of revenue) are expected to increase by \$227,014 (12.2%). This is due to the overhead costs (which are built in to fuel fees charged) going down. The Council may wish to ask whether enterprise funds in particular (golf, refuse, public utilities) are covering their full cost of fuel.
- B. Capital Outlay – The Capital outlay budget is proposed to increase by \$1.3 million. This is due to a policy shift in the department, to purchase more of certain types of vehicles with cash instead of financing (for a projected savings of \$950,160 in debt and interest).
- C. Youth City Buses – The budget for the Fleet Management Internal Service Fund includes purchasing four mid-size buses for the YouthCity program. The approximate cost of all four buses is \$200,000 (roughly \$50,000 for each bus). The Council may wish to consider this request in relation to the overall Public Services budget, the Youth and Family programs within the budget, the age and condition of the City’s entire fleet and the impact of this proposal on the fleet replacement schedule, and on-going operations and maintenance costs. Because these funds are proposed to come from Fleet fund balance, the Council may wish to inquire whether these resources would otherwise be available for fleet replacement (see item D).
- D. Cash Reserve Draw – The Administration is recommending in the proposed budget that \$490,128 be drawn from cash reserves to offset the proposed budget increases (included in this figure is \$200,000 for the Youth City Buses). As of June 30, 2004, the Fleet Management Fund had a total of \$4.2 million at the end of the previous fiscal year (unrestricted net assets). The Council may wish to inquire about true cash available in the Fleet Management Fund at any given time. The Council may wish to have further discussion regarding this strategy as a short-term budget fix.
 - 1. Also at issue is the long-term status of the fleet fund balance in general. The Department Six Year Plan (see below) states that between \$4.9 and \$5.6 million will be needed annually over the next five years to cover costs of fleet replacement (based on a life-cycle analysis). The Council may wish to ask the Administration if we are currently funding fleet replacement at the levels that will be needed in order to meet true life-cycle costs.

E. Fleet Facility – The Administration is recommending that the City issue sales tax revenue bonds to secure approximately \$7.2 Million in bonds in order to renovate the existing Fleet Facility. This proposal is included in the CIP discussion, as there is a request for \$209,692 for the first year of interest payments this fiscal year. Actual debt service for the bond would be roughly \$490,000 (split between the General Fund - \$320,000, The Refuse Fund - \$63,050, and The Fleet Fund - \$67,900).

1. In the preliminary CIP discussion, the Department indicated that there is an alternate site that could be used as a more efficient fleet facility. The Council requested that the Administration provide preliminary cost estimates for this alternate site before making a decision. Attached is a summary of a consultant’s comparison of renovating the existing facility versus building a new facility at a new site.

- Renovation – The consultant has identified that with the proposed \$7.3 million bond, 19 of the 38 “deficiencies” could be fully addressed, and 8 of the 38 could be partially addressed (leaving 11 not addressed). Should additional funding become available 8 of these 11 deficiencies could be addressed. The consultant estimates that an additional \$2.5 million would be necessary. Of the deficiencies cannot be addressed at all, even with additional funding, due to existing site limitations (marked in the center column with a diamond – adding 17 additional heavy shop bays, relocating the fuel bays, and adding a lube and service station). The consultant has also identified an additional \$1.4 million in deficiencies that would need to be addressed at the current site. The total to remedy this site (absent the 3 deficiencies which will remain no matter what) would be approximately \$11.2 million.

2. New Construction – The consultant has indicated that all 38 deficiencies could be met at the alternate site, for an approximate construction cost of \$19.4 million (not including land acquisition). It is estimated that selling the current fleet facility would yield approximately \$3 to 5 million, for a net cost of \$14.4 - \$16.4 million.

- Currently traffic enforcement motorcycle storage is at the international center. The Council may wish to ask the Administration whether it would be more efficient to include this at the fleet facility. There is currently not sufficient space at the current facility to accommodate these vehicles, even with the renovation.

F. Police Vehicles – The Administration is proposing adding 15 police officers. Should the Council approve this recommendation, additional police vehicles would be needed. There are currently 39 vehicles that are considered “spare” allocated to the police department. The “spare” vehicles are used as loaners when other police vehicles are in the shop for maintenance or repair. Because there are multiple computer systems and mounts in the vehicles, more spare vehicles are needed than would be necessary if there was a single computer system vehicle mount. Fleet management and the Police Department are currently working to resolve this issue. Fleet has indicated that they have a need to maintain between 24 and 30 vehicles to use as loaners in the case of repairs (currently approximately 8-10 cars

per day are brought in for repairs, minor and major). Therefore, approximately 10 vehicles could be considered truly “spare” and may be available for use with new officers (assuming that existing injured officers assigned to “light duty” do not need these cars). Each additional police vehicle costs \$32,500.

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.

SIX YEAR BUSINESS PLAN

The following has been identified as specific and likely future changes to budget and/or staffing of the Fleet Management Division, as outlined in the Six Year Business Plan:

- Based on fleet “life-cycle” analysis, approximately \$4.9 to \$5.6 million will be needed annually over the next five years, for fleet replacement. The level of replacement will contribute an average of 2% to the Fleet fund balance, from which the Fund will draw heavily in FY 06-07 and 07-08. This life-cycle replacement reduces the overall cost of fleet operation. *The Council may wish to clarify with the Administration whether this will be met.*
- There will be a possible proposal for a new Fleet Management Facility in the FY 06 budget.

AUDIT DEFICIENCIES

Salt Lake City Fleet/Streets Complex Renovation
 Job Number 650503
 Salt Lake City Corporation, Department of Public Services



- Deficiency Addressed with Primary Funding
- Deficiency Addressed with Additional Funding

- ◆ Site Limitations/Deficiency Not Addressed
- Partial: Addressed only Deficiency in Audit

AUDIT ISSUE #	AUDIT DEFICIENCY	1997 STUDY	RENOVATION	NEW
1, 19	Improve Ventilation	■	■ Partial	■
2, 16	Increase Electrical Capacity	■	■	■
3, 17	Replace Emergency Generator	■	■	■
4	Building & Accessibility Codes	■	■ Partial	■
5	Improve Fire Protection	■	■ Partial	■
6	Improve Storage Sheds	■	<input type="checkbox"/> Partial	■
7	Improve Site Drainage	■	■ Partial	■
8, 31	Ventilate Break & Training Areas	■	■	■
9	Additional Heavy Shop Lifts	■	■	■
10	Adequate Shop Flooring	■	■	■
11, 29	Improve Complex Security	■	<input type="checkbox"/> Partial	■
12, 30	Remote Refuse Can Operations	■	■	■
13	Improve Water & Water Oil Issue	■	■	■
14, 22	Automated Wash Bay	■	<input type="checkbox"/>	■
15	Stabilize & Improve Sewer System	■	■ Partial	■
18	Repair Rooftop HVAC Equipment	■	■ Partial	■
20	Increase Warehouse Capacity	■	■	■
21	Provide Warehouse Receiving	■	■	■
23, 39	17 Additional Heavy Shop Bays	■	◆	■
24	5 Additional Light Shop Bays	■	■	■
25	2 Additional FASTER Workstations	■	■	■
26	Improve Parking Facility	■	■ Partial	■
27	Designated Down and Ready Vehicles	■	■	■
28	Protected Parking for Sensitive Equip.	■	■	■
32	Adequate Break & Training Areas	■	■	■
33	Update Streets Administration	■	<input type="checkbox"/>	■
34	Expand Fleet Administrative Areas	■	<input type="checkbox"/>	■
35	Improve Personal wash/cleanup areas	■	■	■
36	Improve Yard Lighting	■	<input type="checkbox"/>	■
37	Relocate Fuel Bays	■	◆	■
38	Lube and Service Station	■	◆	■

Construction Costs	\$	16,864,772	\$	7,291,000	\$	19,398,000
30% Escalation from 1997-->	\$	5,059,432	\$	2,480,000	<--Additional Funding	
	\$	21,924,204	\$	9,771,000		