

## SALT LAKE CITY COUNCIL STAFF REPORT

### BUDGET ANALYSIS – FISCAL YEAR 2008-09

**DATE:** June 3, 2008

**SUBJECT:** **FLEET MANAGEMENT FUND**

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The City's Fleet Management Internal Service Fund provides vehicles, fuel, and vehicle maintenance and repair services for all City departments. The only exception is the airport, which owns and provides for its own fleet services. General Fund departments and enterprise funds reimburse the Fleet Management Fund for these services to a significant extent, but Fleet has not implemented a full cost recovery system yet. 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 be \$19,547,866, an increase of \$725,277 (3.9%).

According to data provided by Fleet Management, there are approximately 3,051 total pieces of equipment which consists of 1,400 rolling stock items/vehicles. Fleet vehicles include the following: 1) 221 pieces of heavy equipment, which includes fire engines, diesels, and leaf-bed trucks 2) 73 pieces of light equipment, which includes items not licensed for road use, such as backhoes and graders, and 3) 1,120 light vehicles, which include cars, pickup trucks, and sedans. The Fleet currently has 37 vehicles that are able to utilize an alternative fuel source, such as Compressed Natural Gas (CNG), Ethanol, Electrical, or hybrid technology. Fleet Management follows the alternative fuel issue closely and, where appropriate, will purchase items that meet department needs and conserve fuel.

Fleet Management uses life cycle cost analysis to set replacement parameters within classes of equipment. The 15-point replacement component of FASTER (Fleet Management Software program) applies life cycle parameters to individual units. This vehicle replacement point system generates an optimum time (maximum use of vehicle at lowest cost) to replace a vehicle based on the following criteria: miles, vehicle condition, maintenance costs, depreciation, original purchase price, and anticipated resale value. For unmarked administrative and police cars this is likely to occur at seven years and for marked police cars this is likely to occur at five years. After the list is generated, items on the replacement list are reviewed and prioritized based on department needs and the possibility of extending the life of particular vehicles a bit longer.

During this year's annual budget discussion, rising fuel prices and the effects on City departments and employees, utilization of alternative fuel sources, conservation efforts, transferring of personnel and equipment from Public Services and the Golf Fund, and a future Fleet Facility are items of importance to Fleet Management. The daily increase in fuel prices and the uncertainty of just how high gas prices will rise is of concern and has impact to not only the Fleet, but is of concern to the City Administrators, Council Members, employees, and Salt Lake City residents. The following is a AAA summary of the Daily Fuel Gauge Report as

presented on their website at [www.aaa.com](http://www.aaa.com) on May 21, 2008. Fleet Management personnel provided the numbers for the Salt Lake City Fleet Management section of the chart. The Fleet prices presented are based on the monthly average of actual billings from Sinclair Oil, state contract provider. City Departments and Enterprise funds are billed on a monthly basis using the average monthly fuel cost plus a \$.25/gallon overhead charge, which is reviewed annually by Fleet Management. The overhead charge of \$.25/gallon, reduced 2 years ago from \$.30/gallon, is to cover Fleet costs; including environmental testing, site maintenance, and distribution to 15 City owned fueling sites. For Fiscal Year 2008-09, Fleet Management has budgeted for the purchase of 1.12 million (1.13 million gallons in FY2008 Budget and 1.14 million in FY2007 Budget) gallons of fuel at \$2.65/gallon for unleaded and \$3.50 for diesel (\$2.00/gallon for unleaded and \$2.35 for diesel in FY2008 Budget). According to Fleet Management personnel, 690,000 gallons of unleaded and 425,000 gallons of diesel fuel are expected to be purchased in Fiscal Year 2009. Projected fuel purchases through Fiscal Year 2008 are 685,000 gallons for unleaded and 428,000 gallons for diesel. As per the chart and the information provided below, the average price for April was \$2.75/gallon for unleaded and \$3.58/gallon for diesel. YTD average price through April is \$2.42/gallon for unleaded and \$2.83/gallon for diesel.

► *The actual averaged April 2008 prices, based on actual bills for fuel purchases, exceed the per gallon amounts of \$2.65 for unleaded and \$3.50 for diesel that were used in the calculating the estimated fuel budget for the 2008-09 fiscal year. The Council may wish to ask the Administration whether the estimate for fuel cost should be increased or if a contingency plan has been developed in the event fuel prices continue to rise and conservation efforts are not able to reduce the City's fuel consumption.*

Note – the retail prices below include state, local, and federal taxes.

| <b>Salt Lake City-Ogden Metro Area, Utah, and National Data Provided by: AAA – Daily Fuel Gauge Report – <a href="http://www.aaa.com">www.aaa.com</a> – May 21, 2008</b> |                |            |                |               |
|--|----------------|------------|----------------|---------------|
|  | <b>Regular</b> | <b>Mid</b> | <b>Premium</b> | <b>Diesel</b> |
| <b>Salt Lake City-Ogden – Unleaded Average</b>   |                |            |                |               |
| Current – 5/21/08  | \$3.652        | \$3.852    | \$4.020        | \$4.554       |
| Prior Date – 5/21/08   | \$3.637        | \$3.836    | \$4.004        | \$4.537       |
| Month Ago  | \$3.330        | \$3.512    | \$3.665        | \$4.103       |
| Year Ago   | \$3.192        | \$3.366    | \$3.513        | \$3.044       |
| % Increase from Prior Year   | 14.41%         | 14.44%     | 14.43%         | 49.61%        |
| <b>Utah – Unleaded Average</b>   |                |            |                |               |
| Current – 5/21/08  | \$3.711        | \$3.914    | \$4.084        | \$4.576       |
| Prior Date – 5/21/08   | \$3.698        | \$3.901    | \$4.071        | \$4.555       |
| Month Ago  | \$3.383        | \$3.568    | \$3.724        | \$4.141       |
| Year Ago   | \$3.249        | \$3.427    | \$3.576        | \$3.058       |
| % Increase from Prior Year   | 14.22%         | 14.21%     | 14.21%         | 49.64%        |
| <b>National – Unleaded Average</b>   |                |            |                |               |
| Current – 5/21/08  | \$3.807        | \$4.043    | \$4.188        | \$4.558       |
| Prior Date – 5/21/08   | \$3.800        | \$4.036    | \$4.181        | \$4.539       |
| Month Ago  | \$3.503        | \$3.721    | \$3.854        | \$4.200       |
| Year Ago   | \$3.209        | \$3.407    | \$3.531        | \$2.911       |
| % Increase from Prior Year   | 18.64%         | 18.67%     | 18.61%         | 56.58%        |

|   |                |  |  |               |
|---|----------------|--|--|---------------|
| <b>Salt Lake City Fleet Management Data Provided by Fleet Personnel - The OH Charge of \$.25 is not included in the Fleet prices below.</b> |                |  |  |               |
| <b>Salt Lake City Fleet Management</b>  | <b>Regular</b> |  |  | <b>Diesel</b> |
| Current - Latest Fuel Bill  | \$3.35         |  |  | \$4.27        |
| Month Ago - April 2008 Average  | \$2.75         |  |  | \$3.58        |
| Year Ago - April 2007 Average   | \$2.31         |  |  | \$2.46        |
| % Increase from Prior Year - April Average  | 19.05%         |  |  | 45.53%        |

**The following is the proposed Fleet Management Fund Budget for 2008-09:**

| <b>FLEET MANAGEMENT FUND<br/>PROPOSED BUDGET</b> |                            |                             |                   |                           |
|--|----------------------------|-----------------------------|-------------------|---------------------------|
|  | <b>Adopted<br/>2007-08</b> | <b>Proposed<br/>2008-09</b> | <b>Difference</b> | <b>Percent<br/>Change</b> |
| <b>Revenue &amp; other sources</b>               |                            |                             |                   |                           |
| Maintenance fees                                 | \$5,174,522                | <b>\$6,031,259</b>          | \$856,737         | 16.6%                     |
| Fuel fees  | 2,819,925                  | <b>3,370,882</b>            | 550,957           | 19.5%                     |
| Sale of vehicles                                 | 600,000                    | <b>600,000</b>              | -                 | 0.0%                      |
| General Fund transfer - Includes one time        | 5,364,181                  | <b>5,780,318</b>            | 416,137           | 7.8%                      |
| Other revenue - sundry                           | 50,000                     | <b>50,000</b>               | -                 | 0.0%                      |
| Interest Income                                  | 10,000                     | <b>20,000</b>               | 10,000            | 100.0%                    |
| Lease Purchase Proceeds                          | 2,400,000                  | <b>2,400,000</b>            | -                 | 0.0%                      |
| Use of reserves - Balancing Figure               | 2,403,961                  | <b>1,295,407</b>            | (1,108,554)       | -46.1%                    |
| <b>Total revenue &amp; other sources</b>         | <b>\$18,822,589</b>        | <b>\$19,547,866</b>         | <b>\$725,277</b>  | <b>3.9%</b>               |
| <b>Expenses &amp; other uses</b>                 |                            |                             |                   |                           |
| Personal services                                | \$2,862,324                | <b>\$3,428,815</b>          | \$566,491         | 19.8%                     |
| Parts and supplies                               | 4,973,416                  | <b>5,874,282</b>            | 900,866           | 18.1%                     |
| Charges for services                             | 726,616                    | <b>748,539</b>              | 21,923            | 3.0%                      |
| Debt and interest Charges                        | 3,449,704                  | <b>3,330,855</b>            | (118,849)         | -3.4%                     |
| Equipment Replacement                            | 3,478,800                  | <b>3,294,937</b>            | (183,863)         | -5.3%                     |
| Use of lease purchase proceeds                   | 2,400,000                  | <b>2,400,000</b>            | -                 | 0.0%                      |
| Use of prior year lease capital                  | 850,000                    | <b>250,000</b>              | (600,000)         | -70.6%                    |
| Other Capital Expenditures                       | 62,000                     | <b>87,000</b>               | 25,000            | 40.3%                     |
| Transfers Out                                    | 19,729                     | <b>133,438</b>              | 113,709           | 576.4%                    |
| <b>Total expenses &amp; other uses</b>           | <b>\$18,822,589</b>        | <b>\$19,547,866</b>         | <b>\$725,277</b>  | <b>3.9%</b>               |

**BUDGET ITEMS AND POTENTIAL MATTERS AT ISSUE**

Some of the proposed revenue and expenditure changes to the budget are highlighted below. The “►” symbol indicates questions that Council may wish to address or request additional follow-up information.

**REVENUES AND OTHER SOURCES**

- 1. Increase - Maintenance Fees - \$856,737** – The small equipment shop billings to other departments, including public services and golf, are projected to be \$452,000. The Fleet Management labor rate for service and repair is proposed to increase from \$69/ hour to \$77/hour resulting in a \$255,000 increase. According to Fleet personnel, the 2008-09 proposed hourly rate is below the current hourly rate charged by other non-city service garages. Billings to City departments for parts and supplies is also expected to increase by \$101,000.
  
- 2. Increase - Fuel Fees – \$550,957** – The increase is due to fuel price increases that will be billed back to City departments and enterprise funds. Fuel fees billed are based on the prior month’s averaged actual costs with a \$.25/gallon overhead charge. The overhead charge of \$.25, reduced 2 years ago from \$.30/gallon, is to cover Fleet costs; including environmental testing, site maintenance, and distribution to 15 City owned fueling sites.
  - a. Increase - Take-Home Vehicle Bi-Weekly Reimbursement - \$111,873** – To offset a portion of the expected increase in fuel prices, the Administration is proposing to increase the amount of the bi-weekly reimbursement amount that participants of the take-home vehicles will pay back to the City for the use of a take-home vehicle. According to data provided by City Finance, there are currently 390 Fleet vehicles that are considered take-home vehicles. The participation by department of take-home vehicles is as follows: Police – 346; Public Services – 2; Community and Economic Development – 1; Public Utilities – 7; Fire Department – 24; and Airport – 10. The SLCPD provided the data for the following table, which presents the current and proposed bi-weekly reimbursement amount and the approximate number of take home vehicles and monthly and annual cost to employees participating in each distance category. Fleet Management is in the process of preparing a Request for Proposal (RFP) for a Fleet Usage Study.

**TAKE HOME VEHICLE FEES**

| Distance              | Number of Vehicles in Category | Current                      | Proposed                     | Monthly Cost Proposed                           | Annual Cost Proposed                            |
|-----------------------|--------------------------------|------------------------------|------------------------------|---|---|
|                       |                                | Bi-Weekly Reimbursement Rate | Bi-Weekly Reimbursement Rate | Reimbursement Per Take Home Vehicle by Category | Reimbursement Per Take Home Vehicle by Category |
| City Limits           | 55                             | \$0.00                       | \$0.00                       | \$0.00  | \$0.00  |
| Within 5 Miles        | 1                              | \$8.00                       | \$10.40                      | \$22.53   | \$270.40  |
| Within 6 to 10 Miles  | 68                             | \$16.00                      | \$20.80                      | \$45.07   | \$540.80  |
| Within 11 to 15 Miles | 84                             | \$24.00                      | \$31.20                      | \$67.60   | \$811.20  |
| Within 16 to 20 Miles | 75                             | \$32.00                      | \$41.60                      | \$90.13   | \$1,081.60                                      |
| Within 21 to 25 Miles | 41                             | \$40.00                      | \$52.00                      | \$112.67  | \$1,352.00                                      |
| Within 26 to 30 Miles | 47                             | \$48.00                      | \$62.40                      | \$135.20  | \$1,622.40                                      |
| Within 31 to 45 Miles | 38                             | \$56.00                      | \$72.80                      | \$157.73  | \$1,892.80                                      |

► According to the Police Department, there are advantages of a take home policy, including, but not limited to the following: 1) the ability to get public safety vehicles into the City in the event of emergencies; 2) not currently having adequate facilities to park vehicles when not in use; or 3) not having the ability to check shared vehicles in and out of a facility/checkpoint as employees come on and off of shifts. As mentioned above, a RFP (Request for Proposal) is being prepared for a Fleet Usage study, which should occur in Fiscal Year 2009. The Council may wish to include any concerns they have with regard to the Fleet vehicle usage and/or gain an understanding of the complex issues surrounding the utilization of the City's Fleet.

**State GasCard** – Currently Fleet Management purchases unleaded, mid-grade, premium and CNG fuel from the State of Utah using the State's GasCard. According to Fleet Management, there are many reasons that State GasCard is not used for all of the Fleet fuel purchases. The following is a partial list of those reasons as provided by Fleet:

- The April analysis comparing the State GasCard rates and the City's Fleet rates averaged a \$.04/gallon savings in favor of the State GasCard. However, this savings fluctuates depending on the month and where the fuel is purchased. This is not a guaranteed savings.
- GasCard sites do not have alternative fuel, bio-diesel and ethanol, options which meet the Administration's initiatives and mandates.
- The City has 15 fueling sites located within City limits as compared to 5 unleaded State of Utah controlled GasCard sites, only one of which has 24 hour availability.
- Monitoring and control features currently established would be lost with the use of the State GasCard. State GasCard lacks the ability to validate mileage, which is an essential part of a successful Preventive Maintenance (PM) program. Based on Salt Lake County Fleet Management's experience the City would need one FTE to enter data into the system, thereby losing any cost savings that may or may not be generated.
- In the event of an emergency, the City's Fleet facility would be able to provide fuel for its vehicles. According to Jeff Done of State GasCard, the priorities would be State, County, and then City vehicles. The Police Department has indicated that public safety vehicles have priority in emergencies under Homeland Security requirements. The issue in emergencies would focus on non-public safety vehicles.

The Administration has provided the following response with regard to the proposed Fleet Management Fund 2008-09 budget:

“During the course of budget discussions regarding the Mayor's Recommended Budget, questions related to the 1) potential savings if the Police Department were to use the State's Fuel Dispensing Program rather than the City's fuel system, and 2) the 30% proposed increase in the take home vehicle reimbursement rate were raised. The Administration has reviewed each question and continues to support the recommendations of the Mayor's Recommended Budget.

While some savings for the Police Department using the State's fueling system may be realized, the cost to other departments for fuel would need to increase to compensate for this loss, so citywide, there would be little savings associated with this change. Therefore the Administration does not recommend any changes at this time.

The Administration continues to support the recommended increase of 30% in the take home vehicle reimbursement rate. The proposed increase will move the estimated reimbursement for the take home program from 20.7% to approximately 27.9% of the total estimated cost for the program."

**3. Increase - Interest Income - \$20,000** – The increase in interest income is to reflect amounts that are closer to actual earnings. .

**EXPENDITURES**

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

**A. Increase Staffing - Transfer of positions - \$317,682** – The Administration is recommending that 2 FTEs be transferred from the Parks Division of Public Services and that 3 FTEs be transferred from the Golf Fund. Fleet Management will bill these departments for small equipment (lawn mowers, generators, pumps, snow blowers, and weed eaters) repair and maintenance costs. Goals of the consolidation include achieving efficiencies and utilizing the small equipment repair machines while minimizing equipment downtime and improving equipment effectiveness.

► *The Council may wish to ask whether there are efficiencies gained in consolidation of small equipment services that would reduce the number of FTEs.*

**B. Increase - Personal Services - \$248,809** – Increases in the cost of living, pension, insurance, etc. are proposed to be \$248,809.

**C. Increase - Parts and Supplies – \$888,000 - (Fuel - \$665,632)** – Fuel prices increases are proposed at \$665,632. The Salt Lake City Fleet, Salt Lake City Metro Area, State of Utah, and National fuel price details are included earlier in this report. Repair and maintenance parts are expected to increase by \$138,000 and the new small equipment shop parts and supplies are expected to increase by \$85,000.

**D. Increase – Vehicle Replacement - Base Transfer from the General Fund - \$5,235,381; Fleet Management Fund Balance - \$1,000,000; and \$544,937 One-Time Purchases** – The Administration is proposing to do a base transfer of \$5,235,381 from the General Fund and to use \$1,000,000 in Fleet Management’s Fund Balance for fleet replacement needs. In addition, \$544,937 in one-time money will be used for Fleet purchases. This reduces the total outstanding capital needed for fleet replacement to \$11.06 million. It has allowed the Fleet Fund to offset some of the dramatic increases seen in the cost of equipment. In addition, the following one-time funds will be used to purchase the following Fleet items:

| <b>Item</b>  | <b>Cost</b> | <b>Department</b> |
|--|-------------|-------------------|
| Walk-Behind Striper for Crosswalks                 | \$8,000     | Public Services   |
| Utility Truck to Install and Maintain Signage      | \$26,000    | Public Services   |
| 2 – Ten Wheelers, including Snow plows and sanders | \$400,000   | Public Services   |
| Paramedic Apparatus and Equipment                  | \$54,000    | Fire Department   |
| Vehicle for Parking Enforcement                    | \$25,000    | Public Services   |
| Vehicle for Building Maintenance Worker            | \$21,000    | Public Services   |
| Vehicle for Snow Fighting for                      | \$10,937    | Public Services   |

**E. Decrease in Reserves - \$1,000,000** - The Administration is recommending that \$1.0 million be drawn from Fleet Fund reserves. The June 30, 2009 projected cash reserve is \$1.2 million. According to the Administration, the reserve should provide for three months of operating expenses or \$2.6 million.

- Also at issue is the long-term status of the fleet fund balance in general. The Department has indicated that \$7.2 million will be needed annually over the next three years (Proposed Fiscal Year 2009 funding of \$6,780,318 is short by \$400,000 for the Fleet's replacement needs.) and \$8.2 million for years 4 and 5 to cover costs of fleet replacement (based on a life-cycle analysis). This planned approach for fleet replacement will allow the City to address the overdue replacement needs of the City's Fleet.

**F. Fleet Facility** – The Administration is recommending that the City issue sales tax revenue bonds to construct a new Fleet Facility, at a site purchased in FY 2006. The construction of the facility is expected to start by the end of calendar year 2008. Because of spend-down requirements the Treasurer's Office has recommended that the City hold off on selling of the bonds until closer to the end of FY 2008. Debt service payments will not start until Fiscal Year 2009 and the payments would be split between the General Fund, Refuse Fund, and Fleet Internal Service Fund.

- The Administration has indicated that current planning for the new facility includes extra space for IMS to house a mirror operation, to cover technological needs in case of an emergency. The Administration has estimated that because of the space requirements this may increase the project cost by \$250,000.
- Continuing debt service, assuming a 20 year bond, would be approximately \$2.1 million per year (not including any other proposed projects included in the sales tax bond proposal). The Fleet Fund and Refuse Fund would be both eligible to contribute to debt service payments on this bond, the CIP 10 Year Plan has contemplated this. The Fleet Fund portion would be approximately \$296,342.
- The Administration is currently reviewing programming and scope options for the new facility. The latest cost estimates for construction are at \$28.7 million which represents a \$5.2 million increase due to rising material costs and also design changes to meet LEED certifications.

## **OTHER BUDGET-RELATED ITEMS**

**A. Alternative Fuel Vehicles** – Fleet Management has been utilizing alternative fuel vehicles since purchasing a Compressed Natural Gas (CNG) vehicle in the mid-1990s. Currently there are 37 alternative fuel vehicles. Alternative fuel sources used include: Compressed Natural Gas (CNG), Bio Diesel and Electrical. The Administration is committed to adding another 10 electric cars to the fleet during the 2009 Fiscal Year. The Fleet Staff closely monitors the purchase prices, fuel savings, and costs per mile for each category in the fleet. In addition to acquiring fuel efficient vehicles, Fleet Management believes in acquiring the right equipment for the job and working to balance the environmental needs with the departmental needs of the City.

► *The Council may wish to ask Fleet Management about how is it currently working with the various City departments in order to find solutions that address equipment needs, conservation efforts, and address environmental issues.*



**B. Police Vehicles** – The Administration is not proposing the addition of any police officers. Should the Council consider additional police officers, vehicles would be needed. There are currently older fleet vehicles that are considered “spare”, which are allocated to the police department. The “spare” vehicles are used as loaners when other police vehicles are in the shop for maintenance or repair and to replace vehicles that get totaled. 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). Each additional police vehicle costs \$25,000 (fully loaded). The loaner vehicles are older units held back from going to auction.

## **LEGISLATIVE INTENT STATEMENTS**

**A.** In the Fiscal Year 2007-08 budget process, the Council adopted the following legislative intent statement with regard to the Fleet Management Division:

- 1. It is the intent of the City Council that the Administration update the fleet replacement analysis to determine optimal replacement schedules considering budget restraints and provide a written midyear report to the City Council which includes recommendations to lower overall costs to the City. This report could result in the Council contracting for an independent analysis.**

Administration’s Responses: Fleet Management has been complying with the replacement guidelines that were established pursuant to the 2002 audit by Apex Transportation Consulting Group. However, a usage audit needs to be conducted to verify the needs of the various departments. The Administration has recommended that an independent analysis be conducted under the auditing powers of the City Council. As of April 27, the Fleet Manager is in the process of defining the scope of work, and the CAO will assist the Council with the audit process as needed.

- 2. It is the intent of the City Council that the Administration continue to analyze options for decreasing the City's vehicle fleet including greater use of mass transit, car sharing (such as Flexcar) and bicycles.**

Administration’s Responses: As above, a usage audit needs to be conducted to verify the needs of the various departments. The analysis could include recommendations for inventory levels, alternative transportation, etc. On a related note, the Administration is recommending to the Council that some funds. Allocated for fuel cost increases instead be used to purchase electric cars for certain city functions.

- 3. FTZ Warehouse -It is the intent of the City Council that the Administration consider selling the FTZ Warehouse in the International Center to help replenish the funds spent to purchase land for a new fleet facility rather than include the purchase price of the land in the bond (less any funds needed for replacement of the minimal storage function). The Administration could also consider selling the old employee clinic building on Redwood Road.**

Administration’s Responses: The FTZ warehouse is being transferred to the Airport within the next few weeks and the proceeds of the transfer will be placed in the Surplus Land Account as required by ordinance. Half of the former employee clinic building is leased to a private clinic. The clinic will now also house the Emergency Management

Division and the Civilian Review Board Administrator. These moves are necessary to provide additional space for the City Attorney and the City Prosecutor.

**4. Take-home vehicles - It is the intent of the City Council that the Administration provide analysis of fleet costs related to take-home vehicles in conjunction with each year's annual budget presentation. This should include information about potential savings from reduced or more reasonable personal use limits so that the Council can include this information in consideration of the fees and program structure.**

Administration's Responses: Updated costs related to take-home vehicles will be provided in conjunction with the pending fleet audit. In the Police Department, take home vehicle charges and changes continue to be monitored by City Finance and managed on a weekly basis.

*B.. 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 established in FY 01-02 and last updated in FY 05-06:

- 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.*