

Issue Brief – Fleet Operations (ISF) Rate Impacts

NUMBER CFAS-05-11

SUMMARY

The Analyst recommends approving the rate changes approved by the ISF Rate Committee for the Division of Fleet Operations (DFO) except for the three percent inflation increase. The division requested the inflation increase be built into the monthly lease rate in an attempt to capture cost increases for future vehicle replacements. However, it is likely that federal auditors would demand reimbursement for their funds that went toward inflation. Federal programs are set up to provide cost reimbursement, not to store up for future costs.

When the Legislature approves ISF rate increases or decreases, it usually adds or subtracts funding to the appropriated customer agencies accordingly. The Analyst recommends continuing this pattern.

DISCUSSION AND ANALYSIS

The following rate impacts were approved by the Rate Committee:

- Fleet Component Rate: \$335,200. This rate captures the cost of replacing components in or on vehicles, such as radios, hazard lights, hydraulics, side bins, winches, towing packages, cranes, jacks, etc. The largest impact of this rate increase will be on the Department of Transportation, at \$232,600.
- Fleet Daily Pool Rate: \$364,500. This rate is based a percentage of the monthly lease rate. The daily rate is five percent of the monthly rate. The increased rate reflects an average of 75% utilization. Prior to now no utilization factor has been added to the rate. The division is also replacing the hourly rate with a half-day rate. DFO is beginning to study whether the daily pool function should be outsourced. The daily rate is calculated as follows:

$$\text{Daily Rate} = (\text{monthly lease cost} \times .05) + \text{pool overhead} + \text{mileage rate} \div .75$$

- Fleet Lease Rate: (\$505,200). This rate is used to cover the anticipated vehicle replacement costs. It is calculated by taking the price of the vehicle, less estimated salvage value, over its estimated useful life. Most state agencies will see a rate decrease, the largest decrease being \$227,000 for UDOT. However, the impact on the Department of Natural Resources is a positive \$291,200, of which \$92,800 is General Funds. If this appropriation increase become unnecessary, depending on an agreement between DNR and DFO, the Analyst will recommend a supplemental reduction in the 2006 General Session (please see Issue Brief CFAS-05-11).
- Fleet Variable Rate: \$585,400. This rate captures the most recent maintenance and fuel costs by vehicle class. By far the largest impact of this rate increase is on the Department of Public Safety, at \$604,900. This is primarily associated with class code 608 (police package full size sedan) changing from \$0.14 to \$0.21 per mile.
- Inflation: \$364,900. For reasons stated above, the Analyst does not recommend adopting this new rate.

If the Legislature adopts the Analyst's recommendations, the total impact on state government will be \$779,900, with \$530,800 from General Funds, \$30,000 from school funds, and the balance being from federal funds and other agency funds.