

Budget Brief – Fleet Operations (ISF)

NUMBER CFAS-05-19

SUMMARY

The Division of Fleet Operations was established as a new division of Administrative Services in 1997. The division also includes the State and Federal Surplus Property programs, which were housed in the Division of Purchasing and General Services prior to 1997.

ISSUES AND RECOMMENDATIONS

Rate Increases

The Analyst recommends approving the rate changes approved by the ISF Rate Committee, 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 agree to participate in cost reimbursement, not storing up for future costs. Please see Issue Brief CFAS-05-11 for more information on rate impacts by state agency.

Memorandum of Understanding with DNR

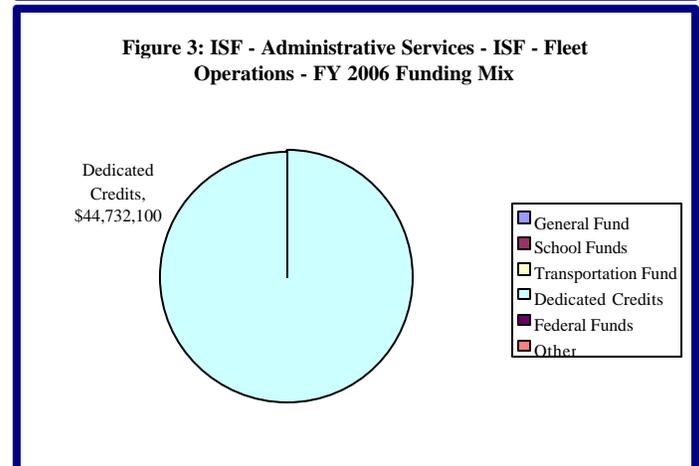
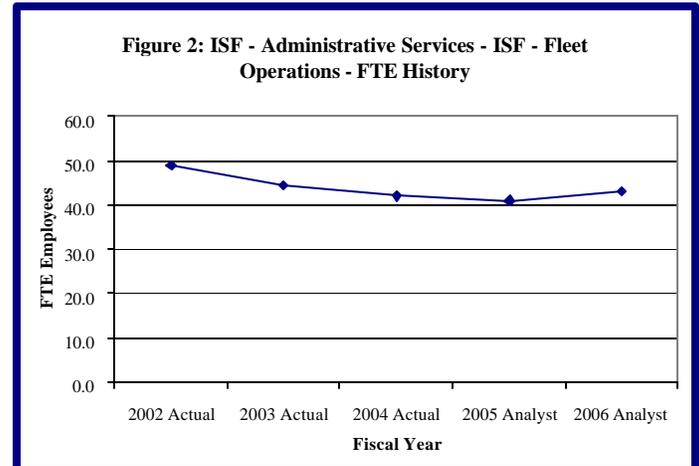
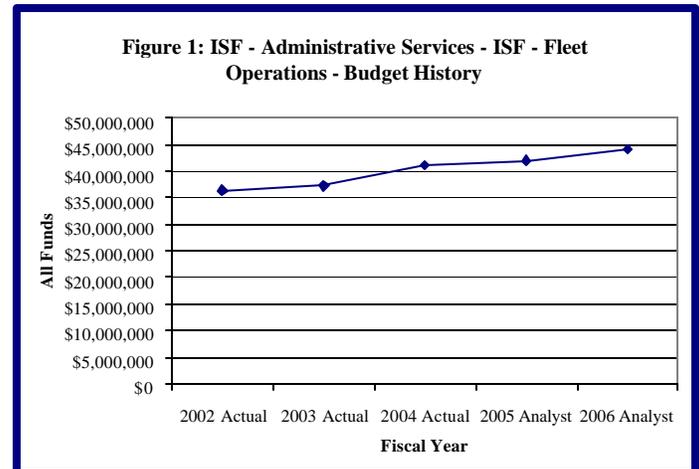
The Analyst recommends new intent language as shown in Issue Brief CFAS-05-13 to readdress the memorandum of understanding between the Department of Natural Resources (DNR) and the Division of Fleet Operations. The MOU was created as required by legislative intent, but is now six years old.

General Fund Borrowing

The Legislature appropriated \$4M each in FY 2000 and FY 2001, and then \$2.68M in FY02, to reduce the growth of General Fund borrowing in DFO. The subsidy allowed the division to transition to a new rate structure that more accurately reflects the full cost of vehicle ownership. Additionally, the Legislature requires any fleet expansion to include not only legislative approval, but also capitalization funds up front. With the new rates, the division stabilized the level of borrowing at approximately \$27M. The motor pool's net book value of fixed assets is estimated at approximately \$59M.

Reduction in Federal Surplus Property Program

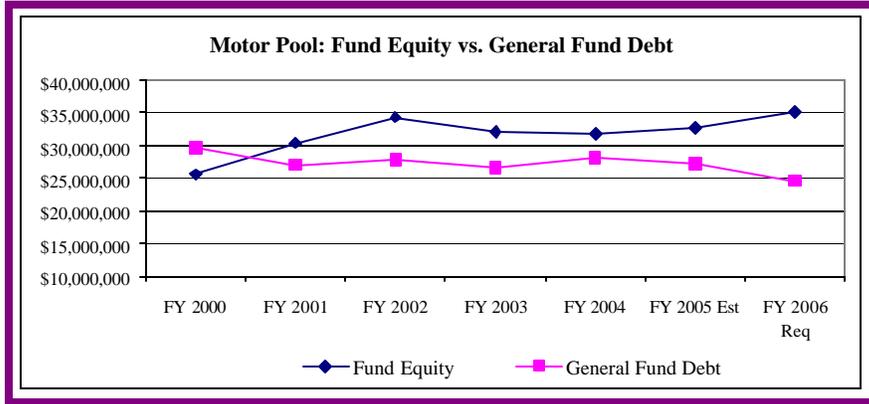
In 2004 the Legislature accepted the division's plan to reduce the federal surplus property program. The plan includes reducing FTE from 6 to 1.5, reducing inventory, and reducing all costs. The division will acquire federal property only as it is requested from state or local



entities. The value of Federal Surplus Property’s capital assets (building) and negative retained earnings (\$112,500) is recommended for transfer to the State Surplus Property Program (see intent language below).

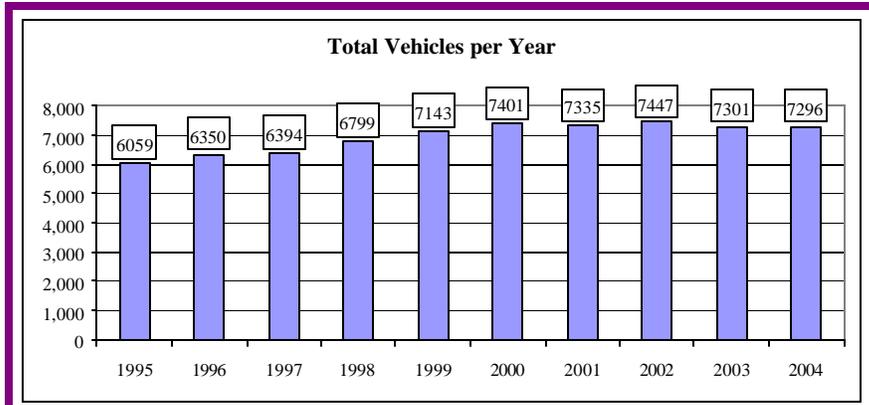
ACCOUNTABILITY DETAIL

Fund Equity vs. General Fund Debt



Fund equity includes the value of the assets (vehicles and revenue) compared to liabilities (expenses and General Fund debt). Since consolidation of the fleet and establishment of more accurate rates, fund equity has increased by more than twenty percent. Allowing DFO to borrow from the General Fund for replacement vehicles provides flexibility to the state so long as the Motor Pool remains in a positive equity position.

Total Vehicles per Year



	1999	2000	2001	2002	2003	2004
U of U	543	492	485	480	457	467
USU	712	608	590	723	682	662
Corrections	380	405	400	380	386	389
Human Serv	478	463	493	489	479	481
Natural Res	738	754	757	697	722	726
Public Sfty	649	681	687	718	714	718
UDOT	1,522	1,882	1,862	1,852	1,797	1,804

The total number of vehicles has leveled off since FY 2000. The Department of Transportation appears to have the fastest growth, up 18.5 percent since FY 1999. The Department of Public Safety grew by 10.6 percent over the same period.

BUDGET DETAIL

Because the Administration Program passes all of its expenditures through to the other four programs (Motor Pool, Fuel Network, State Surplus Property, and Federal Surplus Property), its total budget is zero and it doesn't appear in the Budget Detail Table below. Estimated FY 2006 costs are \$769,500.

The Motor Pool Program anticipates a loss of \$600,000 on sale of fixed assets (vehicles) in FY 2005 and FY 2006. This is based on FY 2004 losses of \$609,300.

Budget Recommendation

The Analyst recommends for FY 2006:

- Estimated revenues of \$44,132,100
- Rate impacts as shown in Issue Brief CFAS-05-11
- Fees as shown in Issue Brief CFAS-05-12
- 43.0 FTE
- Authorized Capital Outlay of \$14,310,600 mostly for replacement vehicles, but also to be spent, if necessary, to replace a four-year-old server (\$6,000) and installing fuel tanks (\$200,000).

Intent Language

The Analyst recommends the Legislature adopt the following intent language to complete the approved reduction to the Federal Surplus Property Program. The value of the Federal Surplus Property building is currently set at \$441,900. State Surplus Property retained earnings are currently set at \$163,100, sufficient to absorb (\$112,500) deficit retained earnings in the Federal Surplus Property program.

It is the intent of the Legislature that the value of the Federal Surplus Property building be transferred to the State Surplus Property program, and that State Surplus Property excess retained earnings be used to offset the deficit in Federal Surplus Property retained earnings.

LEGISLATIVE ACTION

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of \$44,132,100
2. Rate impacts as shown in Issue Brief CFAS-05-11
3. Fees as shown in Issue Brief CFAS-05-12
4. 43.0 FTE
5. Authorized Capital Outlay of \$14,310,600
6. Intent language transferring Federal Surplus Property's assets and retained earnings to State Surplus Property, as shown above
7. Intent language requiring DNR and DFO to readdress the memorandum of understanding between the two agencies, as shown in Issue Brief CFAS-05-13

BUDGET DETAIL TABLE

ISF - Administrative Services - ISF - Fleet Operations						
Sources of Finance	FY 2004 Actual	FY 2005 Appropriated	Changes	FY 2005 Revised	Changes	FY 2006 Analyst*
Dedicated Credits - Intragvt Rev	41,832,300	38,082,100	4,473,700	42,555,800	2,176,300	44,732,100
Sale of Fixed Assets	(609,300)	0	(600,000)	(600,000)	0	(600,000)
Total	\$41,223,000	\$38,082,100	\$3,873,700	\$41,955,800	\$2,176,300	\$44,132,100
Programs						
ISF - Motor Pool	21,844,000	22,552,500	(89,500)	22,463,000	1,888,200	24,351,200
ISF - Fuel Network	18,422,500	14,701,800	3,975,600	18,677,400	280,200	18,957,600
ISF - State Surplus Property	824,400	827,800	(12,400)	815,400	7,900	823,300
ISF - Federal Surplus Property	132,100	0	0	0	0	0
Total	\$41,223,000	\$38,082,100	\$3,873,700	\$41,955,800	\$2,176,300	\$44,132,100
Categories of Expenditure						
Personal Services	2,504,400	2,505,400	95,000	2,600,400	(8,100)	2,592,300
In-State Travel	3,800	4,400	(700)	3,700	8,800	12,500
Out of State Travel	5,700	10,000	(4,200)	5,800	1,600	7,400
Current Expense	26,294,500	23,024,100	3,445,100	26,469,200	159,500	26,628,700
DP Current Expense	142,300	138,600	42,100	180,700	10,200	190,900
DP Capital Outlay	0	8,500	(8,500)	0	0	0
Other Charges/Pass Thru	169,500	74,100	26,200	100,300	200	100,500
Depreciation	12,644,800	12,591,400	(1,068,700)	11,522,700	48,200	11,570,900
Total	\$41,765,000	\$38,356,500	\$2,526,300	\$40,882,800	\$220,400	\$41,103,200
Profit/(Loss)	(\$542,000)	(\$274,400)	\$1,347,400	\$1,073,000	\$1,955,900	\$3,028,900
Other Data						
Total FTE	42.0	45.0	(4.0)	41.0	2.0	43.0
Authorized Capital Outlay	18,329,700	13,870,200	0	13,870,200	440,400	14,310,600
Retained Earnings	1,987,100	2,098,100	962,000	3,060,100	3,028,900	6,089,000
Vehicles	4,334	4,242	92	4,334	0	4,334

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.