Budget Brief: DAS Fleet Operations (ISF)

SUMMARY

The Division of Fleet Operations performs all administrative duties related to managing the state's vehicles, coordinates all vehicle purchases, manages the fleet information system for all state vehicles, makes rules, runs a fuel dispensing service, and sets rates to recover costs. Further, the division 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

Extended life for vehicles

Fleet calculates vehicle lease rates as follows: Purchase Price minus Salvage Value divided by Life Cycle plus Administrative Fees. Fleet currently uses 90,000 miles as the lifecycle for standard cars and light-duty trucks. This lifecycle, however, does not reflect the longer life of most new vehicles produced at present; which often have warranties up to 100,000 miles. The Analyst requested that Fleet review state vehicle lifecycles as a potential method for reducing costs as part of this year's budget reductions. The division analyzed the issue and found that the state could save $1.8 million annually if vehicle lifecycles were changed from 90,000 miles to 105,000 miles. The Analyst therefore recommends that the Legislature implement a new rate schedule that would change the lifecycle from 90,000 miles to 105,000 miles.

Hybrid vehicles and fuel efficiency

The Governor has mandated that the division include a significant number of alternative fuel vehicles in its vehicle replacement cycles. Each year the division replaces aging state vehicles using capital outlay authority granted by the Legislature. During the 2008 General Session the Legislature granted $1.3 million in additional capital outlay to purchase hybrid vehicles in FY 2008.

This year the division requests an additional $2,115,000 in FY 2009 and $1,870,000 in FY 2010 of capital outlay authority to pay for the higher cost of hybrid and/or compressed natural gas (CNG) vehicles. Fleet also requests that the Legislature consider allowing them to build alternative fuel vehicle replacement costs into the normal capital outlay request presented annually to the Legislature.

CNG upgrades for state fuel sites

In FY 2009 the Division requests $500,000 in additional capital outlay authority to upgrade several compressed natural

Figure 1: ISF - Administrative Services - ISF - Fleet Operations - Budget History

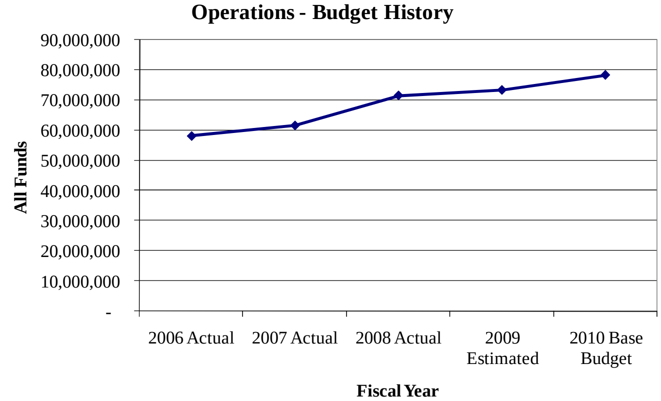


Figure 2: ISF - Administrative Services - ISF - Fleet Operations - FTE History

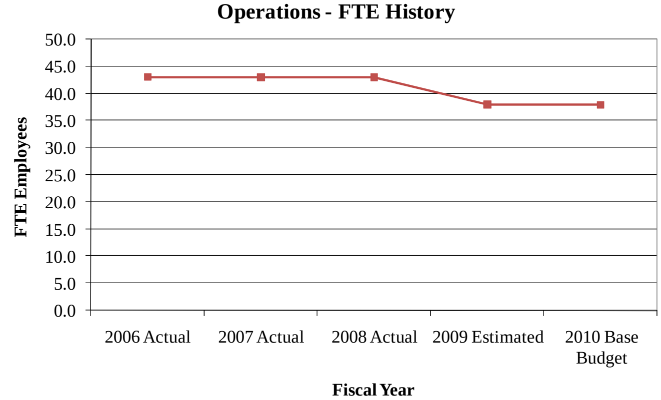
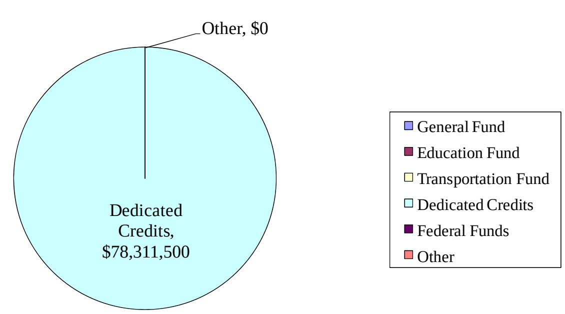


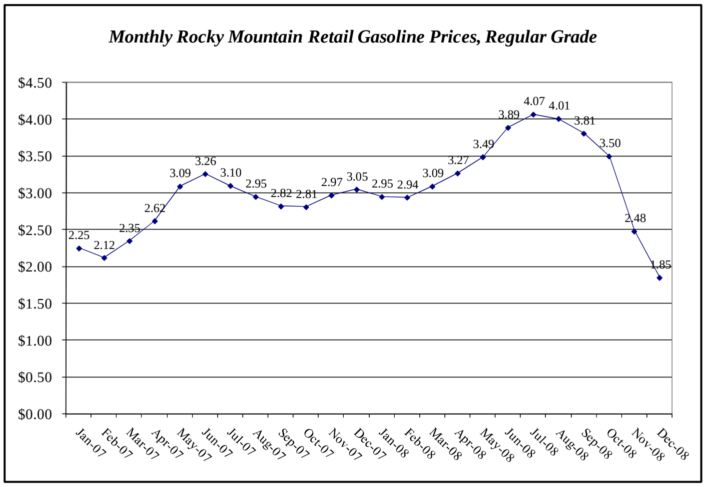
Figure 3: ISF - Administrative Services - ISF - Fleet Operations - FY 2010 Funding Mix



gas sites and install additional dispensers to meet increasing demand. These sites were opened to the public last year and have seen increasing demand. $300,000 is requested for the fuel site at the Department of Transportation, $100,000 for the Alpine school district site, and $100,000 for the Jordan school district site.

No rate change for volatile fuel costs

Today's gasoline prices are extremely volatile due to geopolitical tensions, federal regulations, and supply/ demand cycles. As the chart at right demonstrates, prices have risen and declined sharply during the past two years. Even though the state pays less than retail prices by avoiding 44 cents per gallon in taxes and negotiating volume discounts, the trend is similar. Rates adopted in the 2006 and 2007 General Sessions included an expected rise in fuel prices. The substantial increase in fuel prices in mid-2008 led the Division to request an additional $1.6 million fuel rate increase to the rate committee for FY 2010; however, as fuel prices have dramatically declined in the last few months, the division requests no additional change to rates for fuel costs. The Analyst agrees with this request and recommends no change.



Nonlapsing capital outlay authorization

Prior to FY 2005 the Fleet Operations was able to carry all unused capital outlay authority into the next fiscal year. The Legislature ended this nonlapsing authority in FY 2005 to provide more oversight of capital outlays. An unanticipated difficulty Fleet has encountered due to this change is that ISF accounting requires expenditures be booked at the time goods are delivered and every year some vehicles are not delivered in the fiscal year they were ordered. This results in several million dollars of capital outlay authority being used for previous year purchases – convoluting the division's annual capital outlay request. To mitigate this problem the Analyst recommends intent language (see pg. 3) allowing the division to not lapse an amount of capital outlay authority equal to the value of cars ordered in the current fiscal year but not received by June 30th of that same year.

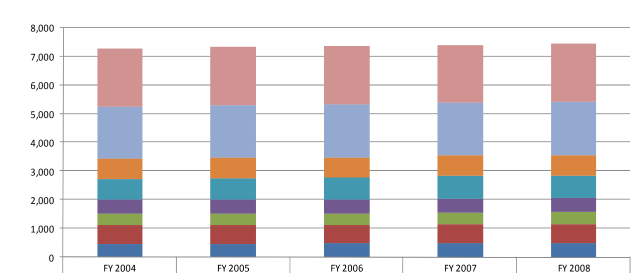
Fuel Network Retained Earnings

The Fuel Network ISF ended FY 2008 with $6,339,700 in retained earnings, which exceeds the federally allowable amount by almost $300,000. In FY 2009 the Legislature reduced the retained earnings by $3 million with an estimated $2.25 million being returned to the General Fund as part of this year's budget reductions.

Vehicle count

Total vehicle count was up by 42 vehicles in FY 2008 to a total of 7,453 which surpasses its peak in FY 2002 of 7,447 after which the Legislature mandated a 5% statewide decrease (source: State Vehicle Report). The chart at right shows vehicle count by major agency (those having over 400 vehicles) per year.

Annual Vehicle Counts

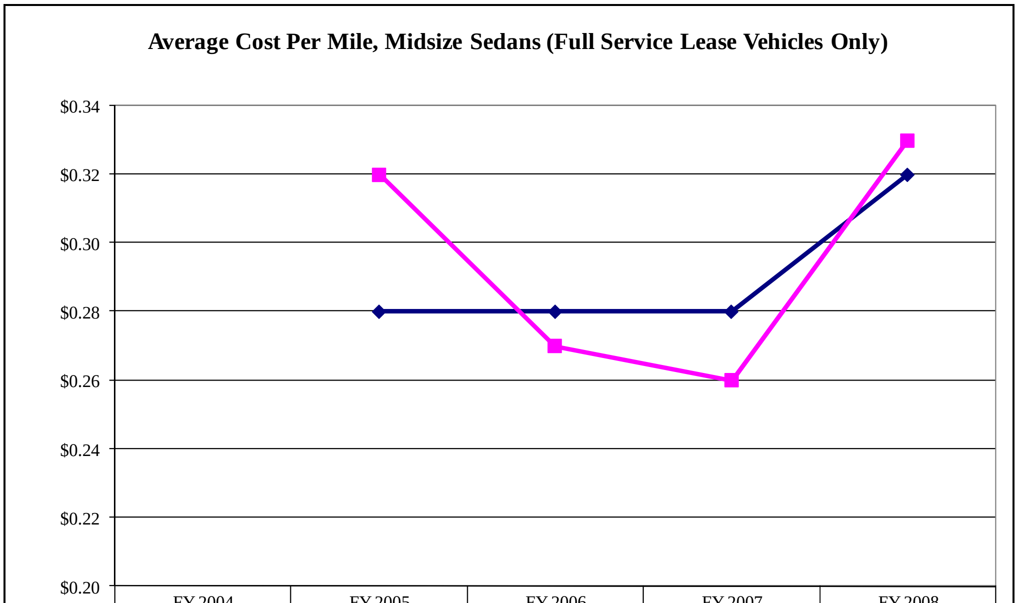


	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Other	2,049	2,038	2,019	2,015	2,035
Transportation	1,804	1,838	1,871	1,843	1,858
Public Safety	718	711	695	714	714
Natural Resources	726	751	767	794	784
Human Services	481	482	502	497	496
Corrections	389	389	395	398	416
Utah State Univ	662	664	634	665	666
Univ of Utah	467	467	477	485	484

ACCOUNTABILITY DETAIL

Average cost per mile of midsize sedans

Measuring the cost per mile (CPM) for each vehicle class allows the division to track cost trends relative to increased vehicle costs and inflation factors. The “midsize sedan” is a good representative sample of the average fleet vehicle. The goal is to maintain the CPM at a level less than the private sector and IRS privately-owned vehicle reimbursement rates.



	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		$0.28	$0.28	$0.28	$0.32
Actual		$0.32	$0.27	$0.26	$0.33

Actual average Cost Per Mile increased significantly from FY 2007 to FY 2008. This increase may be at least partially due to the significant increase in gasoline prices during the year. The large decrease from FY 2005 to FY 2006 is not an indication of increased efficiency as much as it is an indication of better data collection. FY 2005 was the first year this data was gathered, and several vehicles that year had unusually high CPM, driving up the average.

BUDGET DETAIL

Capital Outlay Authority

Fleet Operations requests $19,954,800 of capital outlay authority for FY 2010 as follows:

- $14,552,000 for vehicle and vehicle component replacements in FY 2010 (90,000 mi. replacement cycle)
  - $11,508,200 for vehicles that reached 90,000 miles in 8 years or less
  - $ 1,310,300 for vehicles that reached 90,000 miles somewhere between 8 and 10 years
  - $ 1,344,100 for vehicles that reached 90,000 miles in 10 years or more
  - $ 389,200 for vehicle component replacements
- $2,000,000 for the replacement of Natural Resources vehicles not on last year’s list plus a contingency
- $1,870,000 for incremental costs of alternative fuel vehicles including hybrids and CNG
- $ 345,800 for vehicles totaled during the year that will need replacement
- $ 337,000 for motorcycle replacements
- $ 350,000 for class changes (i.e. moving from a sedan to a SUV) and extra components
- $ 300,000 for Public Safety equipment (lights, wiring, etc)
- $ 200,000 for fuel network tank monitors

Intent Language

The Analyst recommends the Legislature adopt the following intent language for FY 2009:

> *It is the intent of the Legislature that the Division of Fleet Operations shall not lapse capital outlay authority granted within a fiscal year for vehicles not delivered by the end of the fiscal year in which vehicle purchase orders were issued obligating capital outlay funds.*

LEGISLATIVE ACTION

The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of $78,311,500 for the Division of Fleet Operations ISF
2. Rates as presented separately in the Issue Brief including $1.8 million of rate reductions
3. 38.0 FTE
4. Authorized Capital Outlay of $18,084,800 for FY 2010
5. Intent Language as presented above

The Analyst also recommends consideration of the requested additional capital outlay authority for hybrid/CNG vehicle additions to the state fleet and CNG site upgrades.

BUDGET DETAIL TABLE

ISF - Administrative Services - ISF - Fleet Operations

Sources of Finance	FY 2008 Actual	FY 2009 Appropriated	Changes	FY 2009 Revised	Changes	FY 2010* Base Budget
Dedicated Credits - Intragvt Rev	71,374,200	63,506,500	9,870,600	73,377,100	4,934,400	78,311,500
Sale of Fixed Assets	182,200	0	0	0	0	0
Total	$71,556,400	$63,506,500	$9,870,600	$73,377,100	$4,934,400	$78,311,500
Programs						
ISF - Federal Surplus Property	13,800	38,600	(25,800)	12,800	100	12,900
ISF - Fuel Network	41,054,800	34,162,100	9,753,300	43,915,400	2,860,600	46,776,000
ISF - Motor Pool	29,541,500	28,350,000	126,100	28,476,100	2,046,400	30,522,500
ISF - State Surplus Property	946,300	955,800	17,000	972,800	27,300	1,000,100
Total	$71,556,400	$63,506,500	$9,870,600	$73,377,100	$4,934,400	$78,311,500
Categories of Expenditure						
Personal Services	2,451,800	2,514,900	175,100	2,690,000	0	2,690,000
In-State Travel	25,400	14,900	10,300	25,200	0	25,200
Out of State Travel	8,600	11,400	(2,300)	9,100	0	9,100
Current Expense	54,693,000	48,122,400	10,121,800	58,244,200	3,741,400	61,985,600
DP Current Expense	656,300	663,100	300,000	963,100	39,400	1,002,500
DP Capital Outlay	0	0	0	0	248,000	248,000
Other Charges/Pass Thru	117,500	109,800	7,800	117,600	0	117,600
Depreciation	11,381,200	12,496,300	(969,500)	11,526,800	2,931,100	14,457,900
Total	$69,333,800	$63,932,800	$9,643,200	$73,576,000	$6,959,900	$80,535,900
Other Data						
Budgeted FTE	43.0	38.0	0.0	38.0	0.0	38.0
Actual FTE	33.7	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	19,938,400	14,494,000	4,121,900	18,615,900	(531,100)	18,084,800
Retained Earnings	12,822,300	11,812,400	811,000	12,623,400	(2,224,400)	10,399,000
Vehicles	46.0	43.0	(17.0)	26.0	0.0	26.0

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