

Office of the  
Legislative Fiscal Analyst

## **FY 2003 Budget Recommendations**

Joint Appropriations Subcommittee for  
Capital Facilities and Administrative Services

Utah Department of Administrative Services  
**Internal Service Funds**  
**Division of Fleet Operations**

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**1.0 Summary: Division of Fleet Operations**

The Division of Fleet Operations was established as a new division of Administrative Services in 1996. Utah Code (63A-9-401) empowers the division to coordinate all purchases of state vehicles, establish fleet authorization and information systems, and make rules for all aspects of vehicle acquisition maintenance, resale, and utilization. The division also includes the State and Federal Surplus property programs, which were housed in the Division of Purchasing and General Services prior to 1996.

	<b>Analyst FY 2003 Base</b>	<b>Analyst FY 2003 Changes</b>	<b>Analyst FY 2003 Total</b>
<b>Financing</b>			
Dedicated Credits - Intragvt Rev	41,240,100		41,240,100
<b>Total</b>	<u>\$41,240,100</u>	\$0	<u>\$41,240,100</u>
<b>Programs</b>			
ISF - Motor Pool	22,815,200		22,815,200
ISF - Fuel Network	17,279,800		17,279,800
ISF - State Surplus Property	712,000		712,000
ISF - Federal Surplus Property	433,100		433,100
<b>Total</b>	<u>\$41,240,100</u>	\$0	<u>\$41,240,100</u>
Profit/Loss	\$0	\$0	\$0
<b>FTE/Other</b>			
Total FTE	52		52
Authorized Capital Outlay	20,662,800		20,662,800
Retained Earnings	4,604,800		4,604,800

The *Analyst FY 2003 Base* budget recommendation includes the *Revised Estimate* from FY 2002 as approved by the Executive Appropriations Committee and the following items:

- Adjustment for FY 2002 one-time programs;
- Payroll cost of an extra day in FY 2003;
- Transfers of Market Comparability Adjustments; and,
- Net changes for Internal Service Fund rates.

FY 2003 changes reflect the incremental costs of across the board reductions and annualization of partial budget cuts approved for FY 2002.

## **2.0 Issues**

### **2.1 General Fund Borrowing**

During the 1999 General Session, the Legislature appropriated \$4 million to reduce the growth of General Fund borrowing in the Division of Fleet Operations. The combination of the new appropriation and the centralization/consolidation of the fleet has led to better than expected results. While the Division must still borrow from the General Fund to purchase new vehicles, the amount that is needed is much lower than in previous years. General Fund borrowing levels for the Division of Fleet Operations and other agencies can be found in the Internal Service Fund overview contained behind Tab 14.

### **2.2 Response to Intent Language**

Last year the Legislature approved an intent statement regarding several fleet issues. In meeting the intent language, the Analyst prepared a report that offered seven recommendations. That report can be found following this document, or online at <http://www.le.state.ut.us/lfa/reports/lfareports.htm>.

### **2.3 On-line Auctioning of Surplus Property**

The overwhelming success of on-line auction sites like *eBay*, *uBid*, and *BidGov* offers a unique opportunity for State government. These services have the potential to reduce the cost of surplus activities as well as increase the demand for state property offered for resale. A discussion of this opportunity is presented in the recommendation for State Surplus Property.

### **2.4 Shuttle**

The Division of Fleet Operations maintains a shuttle service that loops between Capitol Hill, the Cannon Health Building the Heber Wells Building and other downtown locations. Funding for the shuttle comes from rates charged to motor pool customers statewide. The Analyst believes that this is an inappropriate funding source and recommends that DFO rebate the FY 2002 receipts to the General Fund. DFO should find alternative means to fund the shuttle service or cancel it.

**3.0 Programs: Internal Service Fund – Fleet Services**

**3.1 Fleet Services - Administration**

**Recommendation** The Analyst is recommending the agency request.

	<b>2001 Actual</b>	<b>2002 Estimated</b>	<b>2003 Analyst</b>	<b>Est/Analyst Difference</b>
<b>Financing</b>				
<b>Expenditures</b>				
Personal Services	644,300	818,700	821,400	2,700
In-State Travel	2,200	2,200	2,200	
Out of State Travel	5,100	5,100	5,100	
Current Expense	120,200	117,800	117,800	
DP Current Expense	68,900	76,400	101,500	25,100
DP Capital Outlay	6,000	9,500	12,200	2,700
Other Charges/Pass Thru	(842,400)	(1,029,700)	(1,060,200)	(30,500)
<b>Total</b>	<b>\$4,300</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FTE/Other</b>				
Total FTE	12	13	12	(1)

**Purpose**

The Administration program is responsible for the accounting and budget functions of the Division of Fleet Operations. This section is also responsible for billing and associated activities. In addition, it coordinates the annual rate package for Internal Service Funds and distributes the annual fleet operations budget for the Division.

Administration also oversees the statewide fleet management information system (CARS database) and the statewide fuel network which serves approximately 600 state and local agencies. This program is staffed primarily with technical support personnel skilled in computer programming, LAN infrastructure maintenance, electronic fuel equipment maintenance and customer service telephone support/training.

The Administration budget continues to grow at a pace faster than programs. At this point, the Analyst believes that administration costs are reasonable, but believes the Legislature should continue to monitor DFO overhead costs.

	<b>Total Budget</b>	<b>Administration</b>	<b>Percent</b>
FY 2003	\$40,849,400	\$1,060,200	2.60%
FY 2002	\$39,351,900	\$1,029,700	2.62%
FY 2001	\$37,312,700	\$842,400	2.26%

### 3.2 Fleet Services - Motor Pool

**Recommendation** The Analyst recommendation reflects the Division’s request.

	2001	2002	2003	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	20,740,000	21,776,900	22,815,200	1,038,300
<b>Total</b>	<u>\$20,740,000</u>	<u>\$21,776,900</u>	<u>\$22,815,200</u>	<u>\$1,038,300</u>
<b>Expenditures</b>				
Personal Services	951,300	967,100	970,100	3,000
In-State Travel	4,000	4,300	4,300	
Out of State Travel	3,400	3,400	3,400	
Current Expense	9,510,200	9,602,600	9,389,500	(213,100)
DP Current Expense	53,300	48,900	48,900	
DP Capital Outlay	142,300	85,200	44,800	(40,400)
Other Charges/Pass Thru	692,400	817,200	834,500	17,300
Depreciation	9,058,000	10,053,700	11,077,600	1,023,900
<b>Total</b>	<u>\$20,414,900</u>	<u>\$21,582,400</u>	<u>\$22,373,100</u>	<u>\$790,700</u>
<b>Profit/Loss</b>	\$325,100	\$194,500	\$442,100	
<b>FTE/Other</b>				
Total FTE	19	18	21	3
Authorized Capital Outlay	20,066,800	15,355,900	20,662,800	5,306,900
Retained Earnings	3,789,300	3,983,800	4,425,900	442,100

**Purpose** The Operations program is responsible for all management accountability associated with the operation of statewide vehicle fleet, central motor pool operation, division wide safety objectives/compliance and the underground storage tank program. The central motor pool operates a vehicle fleet of approximately 4,100 vehicles and manages several small daily rental mini-pools located along the Wasatch front. The program also administers the division safety program, vehicle accident management program, federal alternative fuel program and coordinates the statewide underground storage tank program.

*Capital Outlay* Beginning with Fiscal Year 2000, all fleet expansions must be capitalized up-front. Therefore, the Capital Outlay recommendation is only for replacement vehicles currently authorized to be in the fleet. For Fiscal Year 2003, the Analyst supports the Division request for authority to purchase replacement vehicles in an amount not to exceed \$20,662,800, which includes \$4 million in General Fund. Any addition to the State fleet must be approved and funded by an agency’s appropriation committee prior to acquisition by the Division of Fleet Operations.

*Note to capital authorization* The Analyst is recommending this level of capital authorization subject to the availability of working capital. Absent any other mechanism, the majority of the funding for fleet capitalization will come from General Fund borrowing.

### 3.2.1 Fleet User Report Cards

In working with State Agencies and Higher Education to maximize fleet management, the Division of Fleet Operations prepares semi-annual report cards that measure progress on objective standards. Summary information is presented here. The Division of Fleet Operations provided the expanded data to agencies and the Analyst.

<i>USHE Fleet Management Report Card</i>				
	<b>03/01/00</b>	<b>08/01/00</b>	<b>06/01/01</b>	<b>CUM</b>
	<b>Grade</b>	<b>Grade</b>	<b>Grade</b>	<b>GPA</b>
<i>USHE</i>				
U of U	2.70	2.84	3.18	2.36
USU	3.23	2.52	3.02	2.59
WSU	2.49	1.83	2.28	2.43
SUU	3.54	3.21	2.84	3.23
UVSC	2.24	1.97	2.78	2.23
SLCC	2.56	2.76	3.20	2.74
Snow	3.15	2.64	3.31	2.35
CEU	3.11	2.65	2.52	2.50
CEU SJC	N/A	N/A	1.65	0.89
Dixie	3.70	3.76	3.65	3.34
<i>UCAT</i>				
UBATC	3.50	3.46	3.60	3.54
DATC	3.30	2.88	2.98	2.89
OWATC	2.80	2.23	2.93	2.27
BATC	3.10	2.62	2.94	2.60
DNR	2.10	N/A	2.72	2.26
UDOT	3.00	N/A	3.45	2.78
DFO	3.70	N/A	3.56	3.33

The only agency with a grade of “A” is the Division of Fleet Operations. One should expect the Motor Pool managers to lead the way in vehicle maintenance. State agencies and higher education must continue to work with DFO to improve performance. The goal of consolidation was to reduce costs, eliminate General Fund borrowing and reduce the size of the fleet.

### 3.2.2 Elimination of Capitol Hill Shuttle

To balance the FY 2002 budget, the Analyst recommended finding another source of funds to pay for the Capitol Hill Shuttle. At this point the Shuttle only serves downtown employees but is funded by a \$74 fee assessed on each vehicle in the state fleet. The Analyst felt that in tough budget times it was unfair to charge agencies away from downtown for a service they could not use. Rather than find another source of funds, DAS chose to eliminate the shuttle system. The reduction should allow for an additional \$300,000 to be taken out of the total rate charged to state agencies. To implement this change, the Analyst offers the following intent language:

*It is the intent of the Legislature that the State Rate Committee shall reduce add-on fees charged to state vehicles by an amount equivalent to the cost of operating the Capitol Hill Shuttle.*

### 3.3 Fleet Services - Fuel Network /Management Information System (MIS)

#### Recommendation

The Analyst is recommending the agency request for the fuel network.

	2001	2002	2003	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	15,704,000	16,496,700	17,279,800	783,100
<b>Total</b>	<u>\$15,704,000</u>	<u>\$16,496,700</u>	<u>\$17,279,800</u>	<u>\$783,100</u>
<b>Expenditures</b>				
Personal Services	363,100	448,500	450,000	1,500
In-State Travel	1,700	1,700	1,700	
Current Expense	14,766,100	15,458,700	16,158,900	700,200
DP Current Expense	4,400	7,200	7,200	
Other Charges/Pass Thru	396,200	423,200	431,300	8,100
Depreciation	157,500	157,400	148,700	(8,700)
<b>Total</b>	<u>\$15,689,000</u>	<u>\$16,496,700</u>	<u>\$17,197,800</u>	<u>\$701,100</u>
<b>Profit/Loss</b>	\$15,000	\$0	\$82,000	\$82,000
<b>FTE/Other</b>				
Total FTE	9	9	9	0
Authorized Capital Outlay	20,100	115,000		(115,000)
Retained Earnings	(294,800)	(294,800)	(212,800)	82,000

This program centrally manages all aspects associated with the Division’s telecommunication services, computer information systems, and consolidated electronic refueling stations.

The Fuel Network uses capital outlay authorizations to replace card readers and fuel tank monitors. This year’s replacement schedule requires no new capital outlay as replacement components will cost less than \$5,000. Card readers and tank monitors are the most common replacement item.



- *Card Readers* The GasCard program includes more than 100 participants. A key component of the program is a card reader system that collects data on fuel efficiency and utilization. The Fuel Network replaces readers on a six-year depreciation cycle and needs to replace ten readers this year.
- *Tank Monitor Replacements* Tank monitors are a depreciating asset subject to changing technology. Without scheduled updates, the replacement parts will become more expensive than complete replacement. Updates from older systems are able to incorporate new technology without complete replacement costs and provide the ability to increase the level of functionality.

### 3.4.1 Surplus Property - Federal

**Recommendation** The Analyst is recommending the agency request for this program.

	2001	2002	2003	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
Dedicated Credits - Intragvt Rev	383,300	433,100	433,100	
<b>Total</b>	<b>\$383,300</b>	<b>\$433,100</b>	<b>\$433,100</b>	<b>\$0</b>
<b>Expenditures</b>				
Personal Services	237,100	263,800	264,600	800
In-State Travel	1,400	1,400	1,400	
Out of State Travel	6,100	7,700	7,700	
Current Expense	165,000	168,500	168,500	
DP Current Expense	4,600	5,400	5,400	
DP Capital Outlay	3,600	6,100	5,500	(600)
Other Charges/Pass Thru	94,000	75,200	77,200	2,000
Depreciation	15,100	13,100	12,700	(400)
<b>Total</b>	<b>\$526,900</b>	<b>\$541,200</b>	<b>\$543,000</b>	<b>\$1,800</b>
<b>Profit/Loss</b>	<b>(\$143,600)</b>	<b>(\$108,100)</b>	<b>(\$109,900)</b>	<b>(\$1,800)</b>
<b>FTE/Other</b>				
Total FTE	5	5	5	0
Retained Earnings	(10,000)	(118,500)	(228,400)	(109,900)

**Purpose**

The Federal Surplus Program acquires and donates federal property to public and non-profit agencies, which presently exceed 600 accounts. A handling fee is charged to agencies acquiring surplus property. These dedicated credits fund the operation while offering a means for state, county, and local agencies to stretch their limited resources.



Figure 1: Murray Police Vehicle Donated by DFO Surplus

*Revenue  
Estimates*

Two years ago the Analyst expressed concern that Surplus was estimating a loss for Fiscal Year 1999, following a large loss in Fiscal Year 1998. Following reorganization, the program became solvent and held a retained earnings balance of nearly \$180,000. However, in FY 2001 actual costs resulted in substantial losses, driving retained earnings into a negative position of more than \$10,000. The agency expects to post another loss in the current year and further losses are anticipated in FY 2003. With the Federal Government selling its own surplus property now, there is less chance for the state to maintain the program in an effective way. The Analyst believes that continued losses in this program do not benefit the state and recommends that DAS prepare an analysis of the issue. The following intent language will require such a report:

*It is the intent of the Legislature that the Department of Administrative Services shall prepare a report outlining options for Federal Surplus Property. The options should include a plan for solvency and options for terminating the program. It is anticipated that DAS will deliver this report to the Fiscal Analyst no later than June 30, 2002 and that the Executive Appropriations Committee will hear the report and a staff.*

**3.4.2 Surplus Property - State**

**Recommendation**

The Analyst is recommending the agency request for this program.

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Est/Analyst</b>
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
Dedicated Credits - Intragvt Rev	597,200	653,800	712,000	58,200
<b>Total</b>	<b>\$597,200</b>	<b>\$653,800</b>	<b>\$712,000</b>	<b>\$58,200</b>
<b>Expenditures</b>				
Personal Services	254,400	262,600	263,400	800
In-State Travel	900	900	900	
Current Expense	283,100	317,800	317,800	
DP Current Expense	6,700	6,200	6,200	
DP Capital Outlay	2,800	5,500	5,800	300
Other Charges/Pass Thru	109,400	118,900	122,100	3,200
Depreciation	20,300	19,700	19,300	(400)
<b>Total</b>	<b>\$677,600</b>	<b>\$731,600</b>	<b>\$735,500</b>	<b>\$3,900</b>
<b>Profit/Loss</b>	<b>(\$80,400)</b>	<b>(\$77,800)</b>	<b>(\$23,500)</b>	<b>\$54,300</b>
<b>FTE/Other</b>				
Total FTE	6	5	5	(0)
Authorized Capital Outlay	11,700			
Retained Earnings	(517,700)	(595,500)	619,000	1,214,500

**Purpose**

The Division sells state agency surplus property to the public subject to a 30-day purchase priority that is given to state and local government agencies. The best possible price is obtained by using varied sales methods; i.e., warehouse direct sales, sealed bids, spot bids and auction sales to the public.

*Concern: Continued Operating Losses*

The Surplus Property program projected net gain in operating income for FY 2001. However, upon final calculation, the program again lost more than \$80,000. The Analyst continues to be concerned that the program loses money every year. The ISF Rate Committee adopted a new rate structure in January of 2001 that they hope will allow State Surplus to eliminate the retained earnings deficit within four years. The Analyst is skeptical that the new structure will achieve that goal and believes that the program may no longer be viable.

Other states are experiencing similar troubles with surplus property. Five years ago computers were becoming obsolete in a matter of months. Today, computers are maintaining value longer and cost less to purchase new. Without the added income of used car sales from state fleets, state surplus agencies are finding it difficult to cover costs. The State of Colorado assigned surplus duties to their correctional industries, but even with cheap inmate labor, costs exceed revenue. Oregon has shown some success with their online surplus operation, but their sales include merchandise from law enforcement property seizures.

*Potential Solution: Other governments experience doubling of profits using on-line auction services*

In addition to these traditional methods of resale, the State now has at its disposal a number of on-line auctioneers with large and varied customer bases. Auction houses like *eBay*, *uBid*, and *GovBid* allow private citizens, businesses, and governments to offer items for sale over the Internet. The economies of scale presented by these electronic markets allow low transaction costs and higher than traditional demand.

Other governments throughout the nation have already begun to move surplus property disposal on-line. Maine and Massachusetts are both using commercial auction houses to sell depreciated fixed assets. Oregon has found that using *eBay* more than doubles the profit generated by the sale of surplus property. Harris County, Texas has developed its own on-line auctioning site fashioned after *eBay*, turning what was formerly a losing proposition into one that generated thousands of dollars per week for the county.

Beginning in May of last year, the Analyst suggested that Surplus Property managers pursue on-line auctioning for Utah. Not until a week prior to Legislative session did they begin to make progress on this front. The Analyst again recommends that the division begin offering surplus property for sale on-line.

As DFO analyzes the situation, the Analyst recommends that State Surplus Property be included in the analysis called for above in regard to Federal Surplus Property.

*It is the intent of the Legislature that the Department of Administrative Services shall prepare a report outlining options for State Surplus Property. The options should include a plan for solvency and options for terminating the program. It is anticipated that DAS will deliver this report to the Fiscal Analyst no later than June 30, 2002 and that the Executive Appropriations Committee will hear the report and a staff response.*

**3.5 Fleet Capitalization**

The Legislature appropriated \$4 million to the Division of Fleet Operations in Fiscal Year 2000 to help reduce the need for General Fund borrowing. The Analyst recommends that these funds continue at the same level in FY 2003.

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Est/Analyst</b>
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	4,000,000	4,000,000	4,000,000	
<b>Total</b>	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$0</u>
<b>Expenditures</b>				
Other Charges/Pass Thru	4,000,000	4,000,000	4,000,000	
<b>Total</b>	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$0</u>
<b>FTE/Other</b>				

**4.0 Additional Information**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
Premiums	24,500				
Dedicated Credits - Intragvt Rev	22,270,500	33,260,300	37,424,500	39,360,500	41,240,100
<b>Total</b>	<b>\$22,295,000</b>	<b>\$33,260,300</b>	<b>\$37,424,500</b>	<b>\$39,360,500</b>	<b>\$41,240,100</b>
<b>Programs</b>					
ISF - Motor Pool	11,242,900	19,448,700	20,740,000	21,776,900	22,815,200
ISF - Fuel Network	9,359,100	12,648,000	15,704,000	16,496,700	17,279,800
ISF - Fleet Administration	670,800				
ISF - State Surplus Property	233,300	539,900	597,200	653,800	712,000
ISF - Federal Surplus Property	788,900	623,700	383,300	433,100	433,100
<b>Total</b>	<b>\$22,295,000</b>	<b>\$33,260,300</b>	<b>\$37,424,500</b>	<b>\$39,360,500</b>	<b>\$41,240,100</b>
<b>Expenditures</b>					
Personal Services	2,199,300	2,145,400	2,450,200	2,760,700	2,769,500
In-State Travel	9,400	8,200	10,200	10,500	10,500
Out of State Travel	19,400	19,600	14,600	16,200	16,200
Current Expense	13,705,600	20,921,300	24,844,600	25,665,400	26,152,500
DP Current Expense	121,500	87,400	137,900	144,100	169,200
DP Capital Outlay	312,900	185,400	154,700	106,300	68,300
Capital Outlay	6,300	6,742,700			
Other Charges/Pass Thru		(446,100)	449,600	404,800	404,900
Depreciation	7,265,800	106,000	9,250,900	10,243,900	11,258,300
<b>Total</b>	<b>\$23,640,200</b>	<b>\$29,769,900</b>	<b>\$37,312,700</b>	<b>\$39,351,900</b>	<b>\$40,849,400</b>
<b>Profit/Loss</b>	<b>(\$1,345,200)</b>	<b>\$3,490,400</b>	<b>\$111,800</b>	<b>\$8,600</b>	<b>\$390,700</b>
<b>FTE/Other</b>					
Total FTE	45	49	51	50	52
Authorized Capital Outlay	21,198,200	20,881,315	20,098,600	15,470,900	20,662,800
Retained Earnings	(584,200)	2,906,200	3,018,000	3,026,600	3,417,300