



# COUNCIL BUDGET STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

**TO:** City Council Members

**FROM:** Sylvia Richards  
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**DATE:** May 30, 2024

**RE:** Fleet Fund Fiscal Year 2025 Budget

## PROJECT TIMELINE:

Briefing: May 21, 2024

Budget Hearings: May 21 and June 4,  
2024

Potential Action: June 11 or 13, 2024

**BUDGET BOOK PAGES:** 44, 49, 61, 72-73, 76 227-231, 229-231, 255-256, 267

## ISSUE AT-A-GLANCE

Fleet Services is an Internal Service Fund within Public Services, consisting of 46 FTEs supporting departments city-wide with vehicle and equipment procurement, maintenance, repair, replacement, fueling and inspection services for over 1,600 vehicles. The Airport vehicle fleet and funding are managed separately. Fleet employees maintain more than 2,500 pieces of light equipment. As an internal service fund, the Fleet Fund operates with money that is paid out of other funds (including the General Fund).

The FY2025 proposed budget for the Fleet Fund is \$27.9 million which is a decrease of \$4.5 million or (16.3%) as compared to last year. The decrease in budget is due to Fleet's proposal to use their Fund Balance as discussed below. For the upcoming year, the Department has identified the following expenses in addition to the base budget included in the Mayor's Recommended Budget:

### \$1.2 Million For Replacement of Vehicles

### \$1.277 Million in Inflationary and Contractual Increases

This amount includes personnel, contractual, and inflationary increases and does not add new levels of maintenance or service above the previous budget year. This is the amount needed to maintain 2023-2024 service levels, including:

- \$725,548 is due to a parts inflation increase of 15%
- \$364,347 is due to a sublet inflation increase of 19%
- \$187,404 is due to all other contractual/inflationary increases.

Rather than asking for additional funding from the General Fund and increasing the need for one-time money out of the General Fund Balance, Fleet will be coordinating with the Finance Department to access funds previously appropriated and currently available in Fleet's Fund Balance, which has historically remained at a healthy level. The cash available is projected to be \$2.47 million at the end of the current fiscal year.

- ***The Council may wish to note that any emergencies Fleet may encounter in the upcoming fiscal year may need to be covered by the General Fund Balance, as Fleet is using their entire fund balance for replacement of vehicles and inflationary and contractual increases.***



- *The Council may also wish to note that during the next fiscal year, other sources of funding will need to be identified to replace the one-time use of Fleet fund balance.*

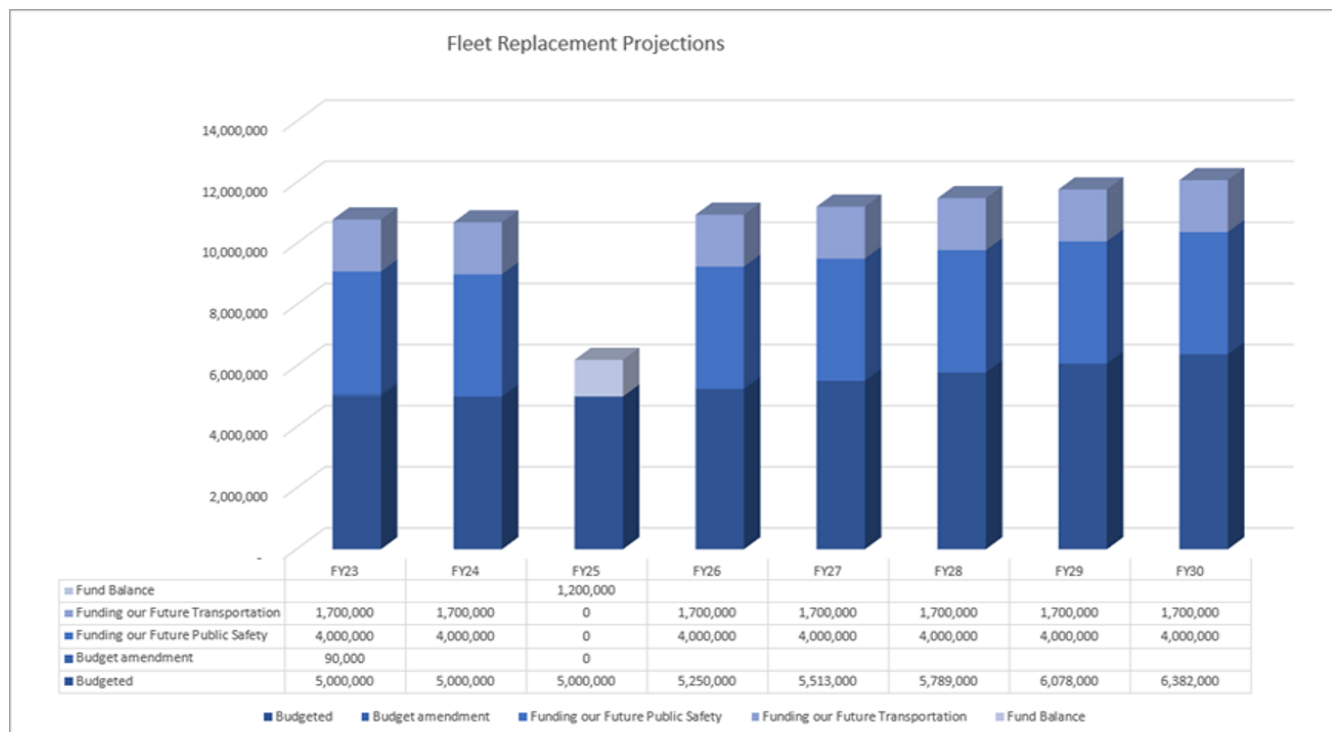
Below is a breakdown of vehicles to be replaced in FY25.

Funding	FY25	
Row Labels	Sum of Current Acquire & Cap Cost	Count of Asset Number
Facilities	688,012	11
Fire	53,479	1
Forestry	56,044	1
Police	336,399	6
Public Lands	200,221	4
Streets	1,701,946	7
CAN	507,232	12
<b>Grand Total</b>	<b>3,543,332</b>	<b>42</b>

### Fleet's Ten-Year Replacement Projections

As mentioned previously and noted in the chart below, the Mayor's Recommended Budget proposes no allocation of FOF (Funding Our Future) monies for FY25. However, the Fleet Fund will still receive \$5 million from Non-Departmental.

The Division's ability to advance the City's sustainability goals is generally dependent upon available funding levels for vehicle replacements, technology available in the market for purchase and the rollout of electric charging infrastructure. The updated Ten-Year fleet replacement chart is presented below.



*Fleet's ten-year projection of Funding Our Future needs.*

Since 2002, Fleet has received an annual appropriation of \$5 million for vehicle replacements (with the exception of FY 2023-24, which was increased to \$5.7 million). This appropriation has never been adjusted for inflation, resulting in diminished buying power as vehicle costs have increased. Adjusting for inflation, this appropriation would be approximately \$8.5 million in 2024. A sampling of current purchase prices compared to 2002 purchases also demonstrates that vehicle costs have increased by more than 50%. Diminished purchasing capacity has created a backlog of vehicles that are eligible for replacement. Fleet staff estimate that more than 26%, or \$49.3 million of the vehicles in the City's fleet are well past the life cycle anticipated at time of purchase.

#### 2002 Costs vs. Current Costs

<b><u>Class</u></b>	<b><u>2002 Cost</u></b>	<b><u>Current Cost</u></b>
Utility Trucks	\$ 23,712	\$ 60,305
Sport Utility Vehicles	\$ 20,521	\$ 35,944
Off Road & Construction Wheeled Loaders	\$ 102,917	\$ 259,015

Electric vehicle purchases have a higher upfront cost. Fleet is confident that increased demand will eventually translate into competitive pricing as more manufacturers enter the EV market. Likewise, Fleet remains committed to the Mayor's and Council's electrification goals. However, the Fleet budget needs rightsizing to attain those goals according to schedule, as EVs currently cost approximately 40% more than their non-EV counterparts.

#### Current EV vs. Non-EV

<b><u>Class</u></b>	<b><u>Current Non-EV Cost</u></b>	<b><u>Current EV Cost</u></b>
Pickups	\$ 41,240	\$ 56,354
Compact Sedan Automobiles	\$ 23,810	\$ 30,881
Cargo Utility Vans	\$ 38,013	\$ 58,600

- ***The Council may wish to ask how many clean diesel vehicles were added to the Fleet during 2023-2024.***

#### Salt Lake City's General Fund Fleet by the Numbers

The below chart includes all current assets that Fleet is responsible for maintaining and replacing, including vehicles, major equipment, and smaller pieces such as lawn mowers, small generators, etc. The chart identifies which general department the asset belongs to and their current replacement value.

<b><i>Department</i></b>	<b><i># of Assets</i></b>	<b><i>Estimated Replacement Value</i></b>
<i>Police</i>	693	\$35,885,464
Public Services	478	\$67,982,530
Parks and Public Lands	416	\$24,803,259
Fire	147	\$51,045,306
Community & Neighborhoods	73	\$3,411,658
911 Department	2	\$58,160
<b>Total</b>	<b>1809</b>	<b>\$183,186,380</b>

- ***The Council may wish to ask how many General Fund vehicles are beyond industry recommended useful life but are continuing to be used because current funding levels do not allow replacement vehicles to be purchased, and the replacement cost.***

### **Vehicle Lease Payments**

The chart below details the lease payout schedule. Due to the current volatile market, in particular current high interest rates, any maintenance savings from leasing a vehicle are lost due to high leasing costs. As such, Fleet is seeking to pay off the greater portion of the lease vehicles, to allow for more replacement funds to go towards addressing the backlog. This chart shows the principal in those leases decreasing over the next 5 years.

Vehicle Lease Payments Schedule (REPLACEMENT FUND only)								
			FY24	FY25	FY26	FY27	FY28	FY29
Lease Principal								
Total Principal			\$3,004,330	\$2,515,713	\$1,840,639	\$824,502	\$189,798	\$197,538
Lease Interest								
Total Interest			\$188,731	\$142,574	\$84,394	\$36,459	\$13,740	\$6,001
Total Lease Payments			\$3,193,061	\$2,658,287	\$1,925,033	\$860,961	\$203,539	\$203,539

### **CIP Request for Fleet Shop Lifts**

The CIP application for (heavy) vehicle lifts was denied because heavy lifts are considered ‘durable’ operations equipment. Fleet is going to stagger the purchase of the lifts and cover the costs of replacements with any savings found in their operational budget over the next 3 fiscal years. While purchasing all needed lifts at once would have been ideal, this method will still enable them to keep pace with the anticipated number of newer and heavier vehicles that will require upgraded lifts. If savings are not found, they plan to include this request as a future budget insight.

### **Revenue from Vehicle Sale Auctions**

As of May 22<sup>nd</sup>, the total revenue from the sale of vehicles at auctions is \$331,075, which is close to what was proposed for last fiscal year, \$335,465. Fleet Administration indicates that the decrease in revenue from auctions is mainly due to the car market stabilization after Covid. Another factor is that there were less viable vehicles to send to auction due to breakdown or accident.

### **ACRONYMS**

CNG – Compressed Natural Gas

EIA – Energy Information Administration

FOF – Funding Our Future

FTE – Full Time Employee

FY – Fiscal Year

Attachment: Department of Public Services Performance Measures