



COUNCIL BUDGET STAFF REPORT

CITY COUNCIL of SALT LAKE CITY
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TO: City Council Members

FROM: Ben Luedtke
Budget & Policy Analyst

DATE: May 24, 2022

RE: Fleet Fund Fiscal Year 2023 Budget

Project Timeline:

Briefing: May 24, 2022

Budget Hearings: May 17 and June 7

Potential Action: June 14

BUDGET BOOK PAGES: Key Changes on 61-63; Staffing Document 280

ISSUE AT-A-GLANCE

The Fleet Fund provides repair, preventative maintenance, replacement and fueling services for Salt Lake City's approximately 1,600 vehicles. The Airport vehicle fleet and funding are managed separately. See Additional Info section for a breakdown of vehicles by department and replacement values. The Fleet Fund also maintains approximately 2,400 pieces of equipment, operates 16 fueling sites and a car wash facility. As an internal service fund, the Fleet Fund operates with money that is paid out of other funds (including the General Fund) for the several offered fleet services. The Fleet shops modified operations for employee safety and remained working on-site throughout the pandemic.

The FY2023 proposed budget for the Fleet Fund is \$30.4 million which is \$2.3 million (8%) more than last year. The budget is split into the \$15.9 million maintenance budget which is nearly \$2.5 million (18%) more than last year and the \$14.5 million replacement budget which is slightly less than last year by \$123,338 (1%). For the first time in over a decade, the total available funding for vehicle replacements meets the targeted funding level in the Division's 10-year plan for ideal vehicle replacement schedules. At past funding levels it would have taken over 20 years to fully replace the City's General Fund vehicle fleet. This has significantly improved to 11.5 years under the proposed FY2023 funding level.

Over \$2 million Inflationary Impacts

There are a few items in the proposed Fleet budget that reflect inflationary impacts of continuing to provide existing services at higher costs. The two largest items include a \$1.4 million increase in fuel billings and \$615,400 for vehicle and equipment parts and supplies. Note that departments pay Fleet for fuel. Several departments have corresponding fuel budget increases in their proposed budgets so they can pay Fleet for fuel at higher rates. Fleet tries to keep fuel prices lower by purchasing in bulk and prioritizes Tier 3 fuel to help improve air quality.

\$87,784 for One New Customer Service Advisor FTE

A Fleet Customer Service Advisor FTE is proposed to be added bringing the total division staffing to 46 FTEs. The new FTE is converting an hourly position to coordinate with departments and vendors during expanded hours of operations at the service shop. 29 of the positions are mechanics. The proposed budget includes reclassifying a Fleet Asset Manager to a Business Systems Analyst at a slightly higher pay grade. There are currently four vacant mechanic FTEs. The last staffing change was in FY2018 when three mechanic FTEs were added.



\$6,567,100 Million from Funding Our Future (FOF) Dollars

The proposed transfer from FOF to the Fleet Fund is split into \$5.7 million for vehicle replacements and \$867,100 for new vehicles associated with new FTEs and ongoing maintenance. The funding supports two of the FOF critical need areas: public safety and street maintenance. A breakdown of the funding is summarized in the below table. It's important to note that the Division has been able to reduce reliance on issuing new debt (purchasing vehicles with financing) because of the FOF transfers. This allows purchasing vehicles with cash so more vehicles can be replaced faster and at a lower total cost.

FOF Category	Amount	Description
Public Safety	\$4 million	<u>Total of 47 vehicles:</u> 1 Ford Explorer 2 fire ladder trucks, and 44 Ford Interceptor SUVs
	\$425,300	<u>New vehicles for proposed new FTEs in Departments:</u> Expanded Fire Medical Response Team (\$50,000) Police Civilian Response Team Director (\$60,300) Police Civilian Responders (\$315,000)
Street Maintenance	\$1.7 million	<u>Total of 6 vehicles:</u> 1 loader 1 Ford F550 1 sweeper 3 dump trucks
	\$303,300	<u>New vehicles for proposed new FTEs in Departments:</u> Traffic sign & markings (\$133,000) Traffic signal maintenance (\$170,300)
	\$138,500	Ongoing dump trucks maintenance

\$1.6 Million from Fleet's Fund Balance (rainy day fund/savings account)

The Finance Department recommends a funding target for Fleet's Fund Balance equivalent to 5% of ongoing revenues. This will allow the Division to have cash reserves in case of an emergency, or a drop in revenues, to cover debt obligations or urgent vehicle replacement needs. The FY2023 budget exceeds the 5% target with a \$3.8 million estimated Fund Balance. \$1,599,039 is proposed to be used from cash reserves. This is a significant increase over recent years when little or no dollars were used from Fleet's Fund Balance. Increased revenues from vehicle sales are a major contributor to the Division's ability to use these one-time funds. In FY2019 the recommended minimum was reduced from 10% to 5% which allowed the Fleet Fund to use \$4.48 million of one-time funds to purchase 68 vehicle replacements.

\$335,465 Revenue from Vehicle Sale Auctions

The FY2023 proposed budget includes a \$54,995 increase in projected revenue from vehicle sales. This is a result of more vehicles expected to be sold and at higher prices in the secondary market caused by pandemic-related economic factors. Proceeds from vehicle sales help to pay for replacement vehicles. Resale value can be maximized, and maintenance expenses minimized when available funding allows Fleet to meet industry best practices for replacement schedules. In recent years, the City's vehicle sales were longer than the recommended life per class of vehicle (sedans, light trucks, and heavy-duty trucks).

19% of General Fund Vehicles are Beyond Recommended Life

The Division reports 227 vehicles in the General Fund are beyond industry recommended useful life but are continuing to be used because current funding levels do not allow replacement vehicles to be purchased. This represents 19.3% of the General Fund's entire vehicle fleet. The total estimated replacement cost for the 227 vehicles is \$17.2 million. This represents an improvement over recent years when nearly a quarter of General Fund vehicles were beyond useful life with total replacement costs over \$20 million. Note that this doesn't include enterprise fund or internal service fund vehicles such as IMS, Public Utilities and Refuse.

\$113,000 for Two New Electric Charging Stations

This funding would be used to install two electric charging stations at the Fleet shop and parking lot. The Division is also exploring solar power options and back up charging options for improved emergency response resiliency.

\$58,680 for Vehicle Telematics

The FY2023 proposed budget includes \$58,680 to purchase 498 additional Global Positioning System (GPS) devices for General Fund vehicles. The Division is also working to upgrade existing devices to be compatible with 5G data networks and training department management how to run usage reports in the online system. Several hundred vehicles in the City's fleet have onboard sensors that allow the collection of data such as speed, engine idling time, location, intensity of braking, fuel consumption and more. The data provides insight into a vehicle's health and driver's behavior. The Division stated vehicle telematics can improve safety, "minimize long-term equipment damage, reduce operational costs, such as fuel consumption, and extend the maintenance intervals of heavy-wear parts like brakes and tires."

POLICY QUESTIONS

1. **Fleet's Role in Meeting City Sustainability Goals** – The Council may wish to ask the Administration how the Fleet Fund will help the City meet the 2016 sustainability goals. Clean vehicles typically cost more to purchase but have lower lifetime fuel and maintenance costs. The ongoing vehicle replacement budget may need to be increased in coming years to advance this policy goal. See Additional Info section for the four goals jointly adopted by the Council and Mayor in July 2016.
2. **Proactive Placement of Electric Vehicle Charging Stations and Energy Storage** – The Council may wish to ask the Administration what is being done to proactively plan and place electric vehicle charging stations around the City. The Fleet Division notes that some vehicle manufacturers are prioritizing sales to municipalities that have charging infrastructure in place. The Council may also wish to ask the Administration how the transition to an electrified fleet and energy storage systems can improve the City's emergency response resiliency in case of power outages. See Attachment 3 for the City's electrified transportation goals.
3. **Ideal Staffing of Mechanics and Space Limitations** – The Council may wish to ask the Administration how the fleet facility will accommodate growing demand for repairs and maintenance of vehicles and major equipment. The industry standard is one mechanic per 48 vehicles. 12 additional mechanics would be needed to meet the 1:48 mechanic ratio for all equipment and vehicles maintained by Fleet. The Council may wish to ask the Administration if they are evaluating space options in addition to staffing options. The fleet facility, built in 2009, has no available room for additional mechanics.
4. **Report on Impacts of Take-Home Vehicle Ordinance Changes** – The Council may wish to request the Administration report back next year on impacts to the Fleet Fund from recent amendments to the take home vehicle ordinance such as increased costs from shortened vehicle maintenance and replacement schedules. If the Council is interested this could be included in FY2023 Legislative Intent.

ADDITIONAL & BACKGROUND INFORMATION

SLC Renewable Sustainability Goals from July 2016 Joint Council-Mayor Resolution

1. 50% renewable energy for municipal facility operations by 2020 (2 years in the future)
2. 100% renewable energy for municipal facility operations by 2032 (14 years in the future)
3. 100% renewable energy for community wide electricity supply by 2032 (14 years in the future)
4. 80% reduction in Salt Lake City's greenhouse gas emissions by 2040 (22 years in the future)
 - a. Collaborating with Rocky Mountain Power could significantly move the City toward this energy goal; however, it is insufficient alone to achieve an 80% reduction in greenhouse gas emissions.

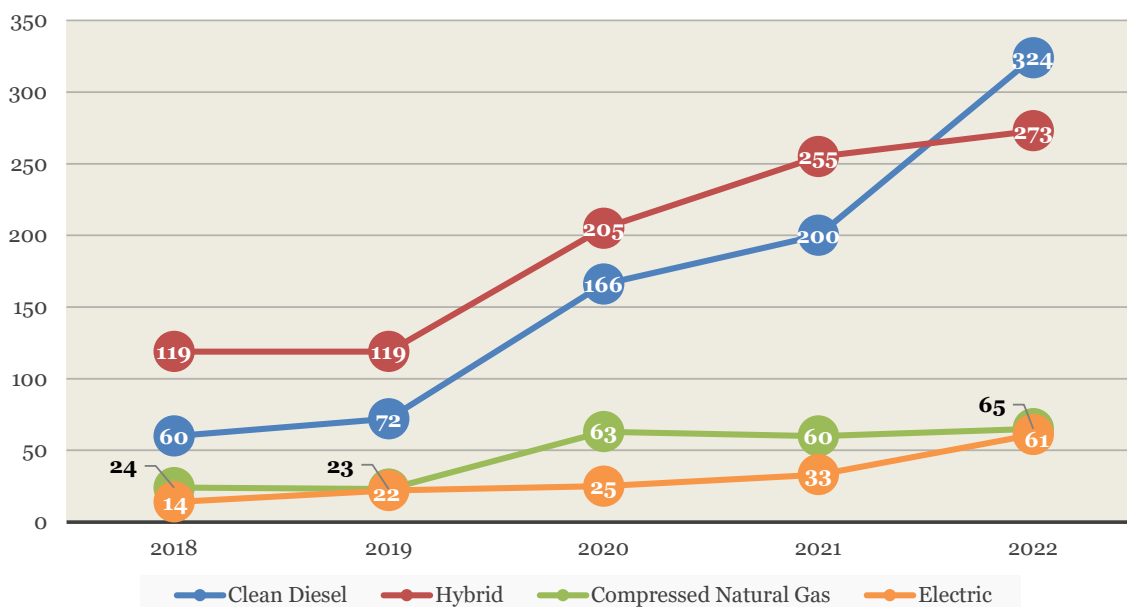
Electrified Transportation Goals

In December 2020, the City Council and Mayor jointly adopted a resolution setting out goals to electrify the City's vehicle fleet which builds upon the greenhouse gas emissions reduction goal from the 2016 joint resolution. See Attachment 3 for the resolution.

Alternative Fuel and Electric Vehicles

Of all City vehicles except those at the Airport, 43.4% or 723 vehicles are alternative fuel or electric powered. The below chart and corresponding data table compare alternative fuel vehicles by type in the City's fleet from 2018 to 2022. The chart shows the City is making significant progress overall in transitioning to alternative fuel vehicles but progress has been slower for electric vehicles in large part due to limited options in the market.

**Alternative Fuel City Vehicles by Type
2018-2022**



Note: clean diesel vehicles have very low sulfur and particulate emissions compared to traditional diesel

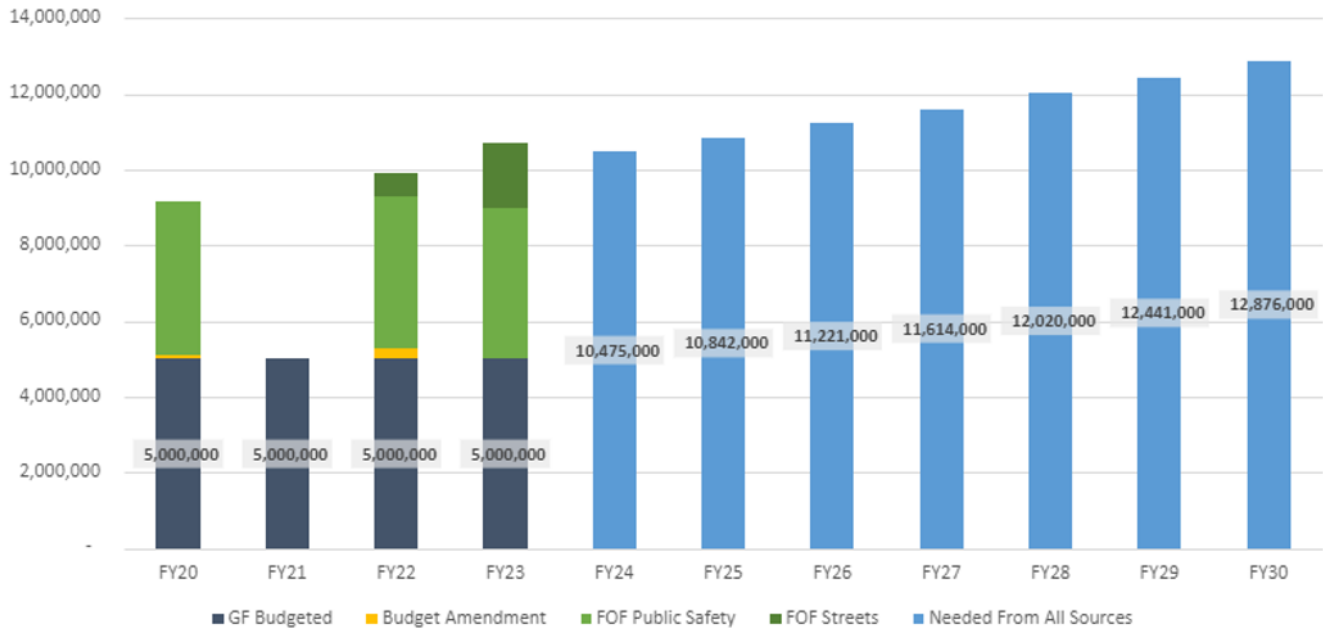
Alternative Fuel Type	2018	2019	2020	2021	2022	% Change 2018 to 2022
Clean Diesel	60	72	166	200	324	440%
Hybrid	119	119	205	255	273	129%
Compressed Natural Gas	24	23	63	60	65	171%
Electric	14	22	25	33	61	336%
TOTALS	217	236	459	548	723	233%

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. In coordination with the multi-departmental Fleet Committee, the Division identifies fossil fuel vehicles for replacement with alternative fuel or electric versions. Sometimes this requires holding off on replacement until suitable alternative vehicles are available for purchase in the market. Fleet has placed its first order for an all-electric pickup truck, a Ford F-150 Lightning. Fleet expects delivery by the end of 2022 or early 2023.

Ideal Vehicle Replacement Schedule and Financial Sustainability

For the first time in over a decade, the total available funding for vehicle replacements meets the targeted funding level in the Division's 10-year plan for ideal vehicle replacement schedules. The Division provided the below chart summarizing the 10-year plan. The schedule on which vehicles are replaced is a significant factor in the evaluation of the fiscal health of any fleet budget. Delaying replacement drives up repair and maintenance costs, increases down time, and reduces resale values. Down time can sometimes mean delays in service delivery. Adequate replacement funding is necessary to strike the most cost-effective balance. The benefits of funding ideal vehicle replacement schedules are improved safety, faster response times, smaller relief pool of vehicles, more predictable and smoother funding needs for replacements and avoiding higher financing (leasing debt costs).

Ten-Year Replacement Projections



The City has not funded the Fleet replacement budget adequately in the past decade. The FY2020 budget made significant improvement but did not rectify this long-standing issue. The FY2021 budget removed the \$4 million ongoing for public safety vehicles using Funding Our Future sales tax revenues. The FY2022 budget restored the \$4 million ongoing for public safety vehicles. As a result, the FY22 budget was \$2.8 less than the ideal funding level identified in the 10-year Plan.

Salt Lake City's General Fund Fleet by the Numbers

The table below summarizes the City's General Fund fleet (vehicles and major pieces of equipment like forklifts and trailers) by department and estimated replacement value from largest to smallest. Note that the Airport (not listed) separately operates and funds its fleet, and Enterprise Funds like Public Utilities, Golf, IMS, and Refuse and the Gallivan Center fund their vehicle replacements and reimburse the Fleet Fund for fuel and maintenance. The total number of General Fund vehicles and major equipment is 1,579. Enterprise Funds have an additional 488 vehicles and major pieces of equipment.

Department	# of Assets	Estimated Replacement Value	% of Total
Police	626	\$29,781,512	39.6%
Public Services	381	\$48,601,052	24.1%
Parks & Public Lands	370	\$21,173,736	23.4%
Fire	120	\$38,711,760	7.6%
Community & Neighborhoods	61	\$2,495,193	3.9%
Loaner Pool	15	\$644,991	0.9%
911 Department	4	\$79,471	0.3%
Finance	2	\$78,685	0.1%
TOTAL	1,579	\$141,566,400	100.0%

Note: doesn't include Enterprise Funds (Airport, Golf, IMS, Public Utilities and Refuse); assets are vehicles and major pieces of equipment

\$453,704 Reduced Revenue from Take Home Fees Suspension in FY2021

The Fleet Fund estimates the emergency proclamation suspending take home fees for City vehicles reduced revenue for fuel reimbursements by \$453,704 in FY2021. The estimate for FY2022 is closer to \$500,000. This represents 16% of the fuel revenue in the FY2021 adopted budget. Note that take home vehicle fees go to the General Fund and not the Fleet Fund.

Debt Load from Leasing/Financing Agreements

The Fleet Fund operates below an annual \$4 million cap for financed services (vehicle leases). The table below forecasts debt load (committed and assumed future lease/finance payments). *Note: the term “lease” in this context is different than in the private sector, where the asset is returned to the dealership at the end of the lease. This is a financing tool for the City to pay to purchase the vehicle over time (along with interest).* The City has a master lease agreement with JP Morgan Chase Bank for financing these types of agreements. The Division has been able to reduce reliance on new leasing because of Funding Out Future dollars used for vehicle replacements and new vehicles for expanded services levels that otherwise would have been new leases. This is reflected in Attachment 1 where Other Revenue decreases by nearly \$2 million because of fewer leases (incurring less debt).

At current funding levels the table shows the replacement fund will experience relatively high levels of debt payments the next few years being close to the \$4 million maximum. Then in FY2027 the lease payments decrease. The Fleet Fund currently leases light-duty vehicles for three or four years and heavy-duty vehicles for five years. These are shorter lease times than previously used and better aligns resale values with paying off vehicle leases. An additional cost to vehicle leasing is the employee time and resources to track the dozens of individual repayment schedules and administer debt payments.

Projected Remaining Funds under \$4 Million Cap after Debt Payments

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Debt Service for Lease Payments	\$3,368,614	\$3,359,094	\$3,575,050	\$3,633,637	\$3,425,378	\$2,731,094	\$2,138,479	\$2,156,574
Available for New Leases	\$3,000,000	\$1,000,000	\$2,500,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

Performance Metrics

The Fleet Division provided the below metrics for recent fiscal years which are not shown in the Budget Book. In addition, the Division has a target of overdue preventive maintenance inspections to stay below 20% of the City’s vehicle fleet.

Metric	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 & 2023 Target
Maintain Fleet mechanic productivity rate of 90% or more	92%	92%	95%	90%	90%
Achieve one-day turnaround for 70% or more of vehicles	73%	72%	76%	72%	70%
Maintain 70+ vehicles per technician per year	88	86	82	79	70+

ATTACHMENTS

1. Summary Comparison Budget Chart
2. Detailed Budget Comparison Chart
3. Electrified Transportation Goals Joint Resolution of City Council and Mayor

ACRONYMS

CNG – Compressed Natural Gas
FTE – Full Time Employee
FY – Fiscal Year
GPS – Global Positioning System
TBD – To Be Determined

ATTACHMENT 1
SUMMARY COMPARISON BUDGET CHARTS

Salt Lake City Fleet Management Fund						
Capital and Operating Budget Comparison						
Department Budget	FY 2019-20 Actuals	FY 2020-21 Actuals	FY 2021-22 Adopted	FY 2022-23 Proposed	\$ Change	% Change
Charges for Services	\$ 12,240,437	\$ 12,548,893	\$ 13,428,821	\$ 15,804,069	\$ 2,375,248	18%
Other Revenue	\$ 3,943,070	\$ 1,724,979	\$ 4,239,473	\$ 2,295,468	\$ (1,944,005)	-46%
Interfund Transfers In	\$ 11,893,100	\$ 5,299,781	\$ 10,269,716	\$ 10,727,455	\$ 457,739	4%
TOTAL Revenues	\$ 28,076,607	\$ 19,573,653	\$ 27,938,010	\$ 28,826,992	\$ 888,982	3%
Fund Balance / Cash Reserves Used	\$ -	\$ -	\$ 152,565	\$ 1,599,039	\$ 1,446,474	948%
TOTAL SOURCES	\$28,076,607	\$ 19,573,653	\$28,090,575	\$ 30,426,031	\$ 2,335,456	8%

Note: the FY2023 Budget Book shows a different version of the above table on page 25. This is an error that will be corrected in the online version and final Council-adopted versions of the Budget Book.

ATTACHMENT 2
DETAILED BUDGET COMPARISON CHART

Salt Lake City Fleet Management Fund						
Detailed Budget Comparison						
Line Item	FY 2019-20 Actuals	FY 2020-21 Actuals	FY2021-22 Adopted	FY 2022-23 Proposed	\$ Change	% Change
Revenue & Other Sources						
Maintenance Billings	\$ 9,004,164	\$ 9,798,799	\$ 10,299,985	\$ 11,239,252	\$ 939,267	9%
Fuel Billings	\$ 2,667,334	\$ 2,842,054	\$ 2,942,436	\$ 4,396,440	\$ 1,454,004	49%
Sale of Vehicles	\$ 615,269	\$ 67,495	\$ 280,470	\$ 335,465	\$ 54,995	20%
General Fund Transfer for Replacement	\$ 7,843,100	\$ 5,000,000	\$ 5,318,800	\$ 5,000,000	\$ (318,800)	-6%
Funding Our Future Transfer for Replacement	\$ 4,050,000	\$ -	\$ 4,950,916	\$ 5,700,000	\$ 749,084	15%
Other Revenue	\$ 583,455	\$ 369,645	\$ 1,145,403	\$ 1,155,835	\$ 10,432	1%
Debt Proceeds (financed equipment purchases)	\$ 3,284,524	\$ 1,000,000	\$ 3,000,000	\$ 1,000,000	\$ (2,000,000)	-67%
TOTAL Revenue	\$28,047,846	\$ 19,077,993	\$ 27,938,010	\$28,826,992	\$ 888,982	3%
Expenses & Other Uses						
Personal Services	\$ 3,946,374	\$ 4,309,090	\$ 4,295,628	\$ 4,675,074	\$ 379,446	9%
Parts and Supplies (excluding fuel)	\$ 3,827,559	\$ 4,311,718	\$ 4,447,875	\$ 5,063,275	\$ 615,400	14%
Fuel Purchases	\$ 2,034,595	\$ 2,240,137	\$ 2,594,999	\$ 4,036,815	\$ 1,441,816	56%
Charges for Services	\$ 979,326	\$ 1,764,211	\$ 2,269,759	\$ 2,229,773	\$ (39,986)	-2%
Debt Service and Interest	\$ 3,376,347	\$ 4,125,872	\$ 3,798,924	\$ 3,743,689	\$ (55,235)	-1%
Capital Outlay (financed)	\$ 3,733,529	\$ 1,000,000	\$ 3,000,000	\$ 1,000,000	\$ (2,000,000)	-67%
Capital Outlay (non- financed)	\$ 5,858,258	\$ 1,164,928	\$ 7,388,129	\$ 9,382,044	\$ 1,993,915	27%
Transfers Out	\$ 292,033	\$ 293,315	\$ 295,361	\$ 295,361	\$ -	0%
TOTAL Expenses	\$24,048,021	\$ 19,209,271	\$28,090,675	\$30,426,031	\$ 2,335,356	8%
Change in Net Assets (revenues less expenses)	\$ 3,999,825	\$ (131,278)	\$ (152,665)	\$ (1,599,039)		

Note: the FY2023 Budget Book inadvertently left out the above table which will be updated in the online version and final Council-adopted versions.