

2009-2010 Proposed Budget *Program Discussion*

Budget Unit Public Works – Fleet Services ISF
Budget # 8190000000

- *The program discussion should present a fiscally-oriented narrative overview of the budget and program. Include any significant fiscal or program changes from 2007-2008, any specific goals or objectives for 2008-2009, and any budget or policy issues to be addressed during 2008-2009. (Refer to the 2007-2008 Program Discussion for appropriate level of content and detail to include below.)*

Program Discussion

Fleet Services Division is an Internal Service Fund that operates on a break-even standard, which charges only for services used. Cost is tracked by class of vehicle and rates set to recover that cost, including vehicle replacement, operating costs, and repairs. The mileage and shop rates are reviewed and adjusted annually based on historical and projected costs. This year, shop rates have been changed to reflect the type of labor being provided rather than equipment type. Separate rates have been established for Service Workers and Mechanics. Fleet Services also added additional classes of vehicles in the rate structure to better delineate between standard fleet vehicle, emergency equipped vehicle, and hybrids. These changes reflect our efforts to “right size” our services to provide the highest value for our departmental customers. Additional revenue is derived from reimbursements for repair/maintenance services and fuel provided to departments owning their own vehicles.

Fleet Services’ strategy continues to annually program, plan and replace older, high operating cost vehicles with newer cleaner efficient vehicles. Fleet Services proposes to replace 71 vehicles this year from the reserve fund established for that purpose. The Administrator has directed departments to reduce utilization, turn-in under utilized assets, and to “right size” our fleet. Vehicle turn-in may enable the division to reassign assets and reduce the number of vehicle purchases.

Fuel economy and overall utilization continue to be priorities as fuel prices continue to fluctuate, creating difficulty in predicting costs over the next budget year. Air quality issues are also affected by our fleet use. Fleet Services will continue to purchase hybrid vehicles for improved fuel economy and low emissions impacts. Electric-Gasoline Hybrid vehicles have near zero emissions and the improved fuel economy will offset some of the fuel cost increases. Recent hybrid purchases have demonstrated a low cost-of-ownership as well.

Fleet Services applied for and received a REMOVE II grant of \$66,000 to offset the purchase cost of hybrid vehicles during FY2008-09 from the San Joaquin Valley Air Pollution Control District and will apply for these funds in FY2009-10 in the amount of \$40,000 as well. The division also obtained funding from a Federal program titled “Congestion Mitigation Air Quality” (CMAQ) program, which provides \$120,000 for FY2009-10 to offset the differential cost of purchasing hybrid vehicles over conventionally powered ones. We anticipate replacing 20 assets with hybrid vehicles in FY2009-10 along with utilizing these grants to offset costs.

The California Air Resources Board (CARB) adopted the Diesel Rule for Municipal and Utility Fleets operating On-Road diesel trucks over 14,000 GVW effective January 1, 2007. CARB has also adopted a similar Diesel Rule for Off-Road Equipment. Fleet is advising and assisting County Departments regarding CARB reporting and compliance requirements. The requirements include equipment replacement with certified engines and retrofitting remaining fleet-worthy diesel-powered trucks with soot traps and catalytic devices to clean the exhaust of Particulate Matter (PM). The rule represents a large expenditure for the County considering the cost of replacing obsolete and non-compliant equipment.

Fleet Services has developed replacement plans for Public Works Divisions that utilize heavy equipment which include purchasing replacements, leasing with options to buy, short-term rentals, and downsizing. In addition, Fleet Services has established contracts with suppliers of the certified parts and has coordinated installation for the vehicles that will remain in the fleet beyond 2010. The costs are included in the fleet budget and will be reimbursed by departments operating the affected equipment. Ultimately, each owner department is responsible for determining the suitability and viability of retrofitting or replacement of equipment.

In this uncertain economic environment of reduced County revenues and increasing business costs, finding practical means of cost reduction is first priority for the division. The fleet budget reflects a 12.5% decrease that enables a reduction of fleet costs for the entire County. Fuel cost continues to be the single largest operating cost for the county fleet. Fleet Services will explore trip reduction measures such as GPS monitoring for speed and disposition, creation of sub-pools at major work centers that utilize internet-based checkout systems, and fleet utilization scenario reviews with user departments. A review of under utilized assets is currently being performed to provide data to departments as requested by the CAO's office. The Public Works department has implemented a "no idle" rule for all department vehicles and has recommended the County administrator to consider adopting the policy countywide.