

Mayor and Council Communication

DATE: 08/13/24

M&C FILE NUMBER: M&C 24-0662

LOG NAME: 21FY2024 FLEET & EQUIPMENT SERVICES BUDGET ADJUSTMENT

SUBJECT

(ALL) Adopt Appropriation Ordinance Enacting Fiscal Year 2024 Budget Adjustments in the Fleet & Equipment Services Fund in the Amount of \$5,189,016.00 by Allocating Projected Current-Year Revenues to Offset Projected Operating Shortfalls and Amend the Fiscal Year 2024 Adopted Budget to a Total Adjusted Budget of \$39,952,668.00

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Fleet & Equipment Services Fund in the amount of \$5,189,016.00 from available net position for the purpose of covering projected operating shortfalls due to unexpected significant increases in repairs, parts and other contractual obligations; and
2. Amend the Fiscal Year 2024 Adopted Budget.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to recognize additional Fleet & Equipment Services revenue projected to be received by the Property Management Department due to increased costs related to the repair and maintenance of the City's fleet and fuel infrastructure. This includes increased costs related to repairs done by third party vendors, the price of maintenance parts, and other contractual obligations.

Fleet & Equipment Services Fund

Per Ordinance No. 26453-09-2023 Section 5, the Fiscal Year (FY) 2024 adopted budget for the Fleet & Equipment Services Fund was \$34,763,652.00. This M&C recommends an increase in appropriations of \$5,189,016.00 for an adjusted FY2024 budget of \$39,952,668.00.

Expenditure appropriations in the General Operating and Maintenance accounts will increase by \$5,189,016.00. There has been greater demand and cost for outside repairs services as a result of the rates in new/renewed contracts being higher than anticipated, subcontracting fees due to the limited number of contracts with approved vendors, aging fleet and loss of tenured staff that repaired and maintained heavy equipment, which combined resulted in higher than expected costs of \$3,856,704.00. Additionally, due to unexpected increases in parts costs of approximately 19%, as well as greater demand for repair services, the Fleet Division is forecasting to be over budget by \$1,603,223.00. The higher demand for parts has also resulted in greater than anticipated operational costs (of about 6%) for the NAPA storefronts located at each of the Fleet Service Centers, resulting in an estimated overage of \$328,070.00.

An additional overage of \$242,715.00 in contractual services resulted from higher operational costs, as well as unexpected emergency repairs at James Ave and Southside Fuel Stations. Other operating expenses such as utilities, facility repair and maintenance, minor equipment, among others, are expected to go over budget by \$112,539.00.

Projected savings in fuel of \$666,143.00, as well as projected salary and benefit savings in the amount of \$288,092.00 are partially offsetting the overage in outside repair, parts and contractual services. To balance the increases in expenditures, the use of net position will be appropriated until revenue is collected from user departments, which is expected to occur by the end of the Fiscal Year.

Funding is available for appropriation in the net position balance of the Fleet and Equipment Service Fund. The net position balance as of May 31st, 2024 was \$7,099,136.00. The new net position balance after this M&C will be \$1,910,120.00.

The action in this M&C will amend the Fiscal Year 2024 Adopted Budget as approved in connection with Ordinance 26453-09-2023, Section 5. Internal Service Funds, as listed on page 22.

Fund / Department	FY2024 Adopted Budget	Authority	Budget Adjustment	Revised FY2024 Budget
Budget Category				
Equipment Services Fund				

Revenues				
Charges for Services	\$34,702,786.00			\$34,702,786.00
Use of Money and Property	\$39,557.00			\$39,557.00
Other Revenue	\$9,643.00			\$,9,643.00
Sales of Capital Asset	\$1,563.00			\$1,563.00
Salvage Sales	\$10,103.00			\$10,103.00
Use of Net Position		This M&C Rec 1	\$5,189,016.00	\$5,189,016.00
Total Revenues	\$34,763,652.00		\$5,189,016.00	\$39,952,668.00
Expenditures				
Property Management	\$34,499,783.00	This M&C Rec 1	\$5,189,016.00	\$39,688,799.00
Transfer to General Fund	\$74,869.00			\$74,869.00
Transfer to Capital Fund	\$165,000.00			\$165,000.00
Transfer to IT Refresh Capital	\$24,000.00			\$24,000.00
Total Expenditures	\$34,763,652.00		\$5,189,016.00	\$39,952,668.00

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon the approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the current operating budget, as appropriated, in the Fleet & Equipment Serv Fund. Prior to any expenditure being incurred, the Property Management department has the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Dana Burghdoff 8018

Originating Business Unit Head: Marilyn Marvin 7708

Additional Information Contact: Eliana Guevara 5199

