

STAFF REPORT*CITY OF OCEANSIDE*

DATE: June 11, 2008

TO: Honorable Mayor and City Councilmembers

FROM: Public Works Department

SUBJECT: **APPROVAL OF BUDGET APPROPRIATIONS TOTALING \$250,000 FROM VARIOUS CITY FUND RESERVES TO THE FLEET OPERATING ACCOUNT FOR THE PURCHASE OF FUEL**

SYNOPSIS

Staff recommends that the City Council approve budget appropriations totaling \$250,000 from various City fund reserves to the Fleet Operating Account for the purchase of fuel.

BACKGROUND

When the current fuel budget was created in 2006, the cost of fuel was roughly 33 percent less than it is today. In April 2006 the City purchased regular fuel at \$2.65 per gallon; in April 2008 the purchase price was \$3.52 per gallon. Given this significant price increase, the fuel budget will not be sufficient to complete FY 2007-08.

ANALYSIS

The City has initiated efforts to reduce fuel consumption overall and petroleum-based fuels in particular in an attempt to create an environmentally and economically sustainable City fleet. The first step in this process has been to reduce the City Fleet by 14 vehicles over the last year and all new police cars are flexfuel capable. The Public Works Department expects to have a "Green Fleet" policy to Council this summer that will emphasize fleet reductions, pool use vehicles, renting or contracting equipment and the replacement of older, less fuel-efficient vehicles with alternate-fuel vehicles which will allow the City to reduce the overall vehicle fleet emissions, fuel and maintenance costs while still meeting the operations and services needs of the City. With a fleet of over 500 vehicles this will be an evolving process that takes time. In the meantime fuel prices continue to escalate much faster than we anticipated when the budget was developed.

New calculations by staff using historical usage patterns and increasing fuel prices indicate that the fuel account will be exhausted prior to the end of the fiscal year. Projections indicate a possible deficit of \$250,000 by fiscal year end. This request for

\$250,000 will cover fuel expenses through the remainder of the fiscal year and allow for all tanks to be at approximately 95 percent of capacity on July 1.

FISCAL IMPACT

The current Fuel Budget is \$1,097,555. Staff recommends that the City Council increase the Fuel Budget to \$1,347,555 by approving budget appropriations transferring a total of \$250,000 to the Fleet Services Operating account to allow continued fuel purchases for the remainder of the fiscal year. An analysis of fuel usage by department determined the percentage of the total cost each fund would be charged. The following chart displays the sources of the requested funds, the percentage of total and the amount that each fund will be charged.

Source of Funding	Percentage of Fuel Usage	Funds from Reserves
General Fund Unallocated Fund Balance 101	64%	\$160,000
Water Operating Fund 711	12%	30,000
Sewer Operating Fund 721	8%	20,000
Solid Waste Disposal Fund 731	8%	20,000
Gas Tax Fund 213	5%	12,500
Harbor Fund 751	2%	5,000
Traffic Services Fund 260	1%	2,500
Totals	100%	\$250,000

The budget appropriations will require an increase in 831.416210.5361 in the amount of \$250,000; an increase in 8310.4990 XXXXX totaling \$250,000 and an increase to Transfers Out from the various funds using their corresponding 6990.000831 totaling \$250,000.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

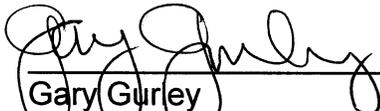
City Attorney analysis does not apply.

RECOMMENDATION

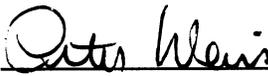
Staff recommends that the City Council approve budget appropriations totaling \$250,000 from various City fund reserves to the Fleet Operating Account for the purchase of fuel.

PREPARED BY:

SUBMITTED BY:



Gary Gurley
General Services Manager



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Lonnie Thibodeaux, Water Utilities Director

Joseph Arranaga, Deputy Public Works Director

Ray Duncan, Harbor & Beaches Division Manager

Teri Ferro, Financial Services Director





