

STAFF REPORT*CITY OF OCEANSIDE*

DATE: April 20, 2011

TO: Honorable Mayor and City Councilmembers

FROM: Public Works Department

SUBJECT: **APPROVAL OF A BUDGET APPROPRIATION IN THE AMOUNT OF \$250,000 FROM THE FLEET MAINTENANCE AND OPERATING FUND TO THE FLEET MAINTENANCE ACCOUNT FOR THE PURCHASE OF FUEL**

SYNOPSIS

Staff recommends that the City Council approve a budget appropriation in the amount of \$250,000 from Fleet Maintenance and Operating fund balance to the Fleet Maintenance Account for the purchase of fuel.

BACKGROUND

Over the last two years all City Departments have made a concentrated effort to reduce their fuel usage. In 2009-10 the overall fuel consumption was reduced by 20,000 gallons. The reduced fuel consumption coupled with relatively stable fuel prices resulted in a \$289,000 fuel cost saving for the year. City Departments have continued to reduce their fuel consumption this Fiscal Year. We are on pace to reduce overall fuel consumption by another 1,400 gallons this year. Unfortunately the cost of fuel continues to sky rocket. When the current fuel budget was created the City purchased regular fuel at \$2.71 per gallon; in February 2011 the purchase price was \$3.25 per gallon. It is estimated that the wholesale fuel price will be at or above \$3.75 per gallon before May 2011. Given this significant price increase, the fuel budget will not be sufficient to complete the Fiscal Year.

ANALYSIS

This year's fuel budget of \$1,050,000 was developed assuming there would be a continued reduction in fuel consumption and fuel prices would escalate at a moderate rate. New calculations by staff using current 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 of \$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 Fleet Maintenance budget is funded from internal service charges to the various departments according to the number of vehicles and their use per department. Any funds remaining in the Fleet Maintenance account at the end of the fiscal year are transferred to the Fleet Maintenance and Operating fund balance and credited back to the various departments as part of the budget reconciliation process.

The Fleet Maintenance and Operating fund balance account 831.3100.0002 has a fund balance from last year of \$289,000, which is sufficient to fund the budget appropriation of \$250,000 to the Fleet Maintenance account 620608831.5400.0001.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

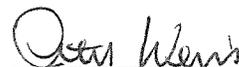
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