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DATE: July 6, 2011

TO: Honorable Mayor and City Councilmembers

FROM: City Manager's Office

SUBJECT: **APPROVAL OF BUDGET TRANSFERS FROM FLEET MANAGEMENT VEHICLE REPLACEMENT FUND TO THE GENERAL FUND AND WATER UTILITIES FUND**

**SYNOPSIS**

Staff recommends that the City Council approve budget transfers from the Fleet Vehicle Replacement Fund to the City's General Fund in the amount of \$306,483, and to the Water Utilities Fund in the amount of \$667,029, returning these funds to the originating funds due to reductions in the City's fleet.

**BACKGROUND**

The City's Fleet Management Program includes a Vehicle Replacement Fund to provide for the eventual replacement of City vehicles. The Replacement Fund is based on the acquisition cost of each vehicle and piece of equipment, and amortization over the life expectancy of each vehicle.

The City's Fleet Program, in cooperation with the various Departments, has been reducing the size of the City's fleet and heavy equipment. With the elimination of these vehicles and equipment, and the need to replace them, the accumulated replacement funds need to be returned to the appropriate originating funds.

**ANALYSIS**

The City's Fleet Program has been actively reviewing opportunities to reduce the City's fleet and overall costs. Generally, as vehicles are replaced or removed from service, the ongoing savings associated with replacement and operating and maintenance costs are addressed through the budget process.

In 2010, Fleet identified several pieces of heavy equipment to be removed from the Fleet inventory, with savings to the City. Due to the timing of the Fleet recommendations, the maintenance and operations cost savings have been accounted for in the FY 2011-12 budget, but the accumulated replacement cost reductions were not included in the FY 2011-12 budget.

## FISCAL IMPACT

The elimination of the vehicles and equipment will result in a transfer in of \$306,483 to the General Fund (101.6800.0831) and \$667,029 to the Water Utilities Fund (711.6800.0831). The corresponding transfer out will come from the Fleet Replacement BU 620609831.0101 (\$306,483) and BU 620609831.0711 (\$667,029).

Since the funds are considered one-time revenue, the savings should be used to offset the gap between the General Fund bargaining unit targets and actual bargaining unit concessions that result from the six-month transition for all miscellaneous employees paying their full PERS costs.

<b>Target Fund</b>	<b>Vehicle/Equipment Description</b>	<b>Accumulated Replacement Cost</b>
General Fund	S94 – Street Tree Maintenance Truck	\$87,683
General Fund	PBC – Street Tree Chipper	25,550
General Fund	Parks Loader/Backhoe	61,256
General Fund	P55 – Chevrolet C1500	33,746
General Fund	P52 – Ford F150	33,746
General Fund	E35 – Ford Explorer	32,041
General Fund	E32 – Chevrolet C1500	32,461
	<b>General Fund total</b>	<b>\$306,483</b>
Water Utilities Fund	SBW – D6 Dozer	52,552
Water Utilities Fund	SCL – D6 Swamp Cat	239,230
Water Utilities Fund	SGP – Caterpillar 172	75,000
Water Utilities Fund	SH – Caterpillar 225	300,247
	<b>Water Utilities total</b>	<b>\$667,029</b>
	<b>Total Appropriations</b>	<b>\$973,512</b>

## INSURANCE REQUIREMENTS

Does not apply.

## COMMISSION OR COMMITTEE REPORT

Does not apply.

## CITY ATTORNEY'S ANALYSIS

Does not apply.

**RECOMMENDATION**

Staff recommends that the City Council approve budget transfers from the Fleet Vehicle Replacement Fund to the City's General Fund in the amount of \$306,483, and to the Water Utilities Fund in the amount of \$667,029, returning these funds to the originating funds due to reductions in the City's fleet.

PREPARED AND SUBMITTED BY:



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