SUBJECT: Fleet Services Budget Increase of $120,000 Due to Increased Operational Costs in Fiscal Year 2011/2012 and Approval of Budget Modification No. 34

DISCUSSION

A budget increase is requested in the amount of $120,000 for Program 763 Provision of Vehicles and Motorized Equipment (Fleet Services) to fund additional fleet costs resulting from the recent increase primarily in fuel prices. Prices have risen approximately $.50 per gallon since July 2011 and there has been a corresponding increase to the cost of repair parts. The requested $120,000 is expected to cover the increased costs for fuel ($72,000), parts ($19,000) and outside labor ($29,000). Council approval is requested for Budget Modification No. 34 to re-appropriate $120,000 from the General Services Fund/Fleet Services Equipment Replacement account to cover the expected overage at fiscal year end in operational expenditures.

EXISTING POLICY

7.1A.4.1 – Expenditures for each department are legally limited to the amount authorized by the City Council in the Budget Resolution, plus subsequent changes individually approved by the City Council through Budget Modifications.

FISCAL IMPACT

Historically, Fleet Services has been able to provide annual savings in vehicle replacement costs by deferring the planned replacement of vehicles and equipment based on conditional assessments that indicate useful lives can be extended. This year is no exception. Fleet Services will defer 78 of the 118 units included on the replacement list for FY 2011/2012. Although deferred units still have to be replaced, stretching the lives of vehicles results in reduced demand on the Fleet Equipment Account. The current account balance along with future planned transfers into the account are sufficient to meet the City’s vehicle replacement needs. As such, Budget Modification No. 34 has been prepared to re-appropriate $120,000 from the Fleet Services Equipment Replacement Account into the Program 763 operating budget to cover expected overages in operating costs.
Budget Modification No. 34
FY 2011/2012

<table>
<thead>
<tr>
<th>General Services Fund/Fleet Services Sub-Fund</th>
<th>Current</th>
<th>Increase/ (Decrease)</th>
<th>Revised</th>
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</thead>
<tbody>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program 763 Operating Budget</td>
<td>$2,853,510</td>
<td>$120,000</td>
<td>$2,973,510</td>
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<tr>
<td>Fleet Equipment Account 020700</td>
<td>$1,420,322</td>
<td>($120,000)</td>
<td>$1,300,322</td>
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PUBLIC CONTACT
Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

ALTERNATIVES
1. Approve Budget Modification No. 34 in the amount of $120,000 to increase the operating budget for Program 763 Provision of Vehicles and Motorized Equipment to cover the increase in operational costs.
2. Do not approve Budget Modification No. 34.

RECOMMENDATION
Staff recommends Alternative No. 1: Approve Budget Modification No. 34 in the amount of $120,000 to increase the operating budget for Program 763 Provision of Vehicles and Motorized Equipment to cover the increase in operational costs.

Reviewed by:

Kent Steffens, Director, Public Works
Prepared by: Tony Vargas, Fleet Manager

Reviewed by:

Grace Leung, Director of Finance

Approved by:

Gary M. Luebbers,
City Manager