

State of Alaska FY2010 Governor's Operating Budget

Department of Transportation/Public Facilities State Equipment Fleet RDU/Component Budget Summary

RDU/Component: State Equipment Fleet*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Replace, maintain, and manage state-owned vehicles, equipment, and attachments for safe and appropriate use.

Core Services

- The State Equipment Fleet (SEF) is responsible for the management, maintenance, and inventory of all state vehicles, equipment, and attachments assigned to state executive branch agencies. Vehicle licensing and titling services are provided to the Legislature, Alaska Court System, University of Alaska, and Alaska Housing Finance Corporation.
- SEF provides maintenance, repair and servicing of state equipment at maintenance and operations shops, remote rural airport stations, and roadside locations throughout Alaska. Preventive maintenance, safety and vehicle emission inspections, parts procurement, and inventory control are provided. Equipment condition is evaluated for the replacement program. New vehicles, equipment, and attachments are received, checked in, made ready for service, and issued to using agencies.
- SEF contracts for vehicle fuel credit card systems for use by state agencies.
- SEF headquarters also develops specifications and purchases new equipment and vehicles for all executive branch agencies, and provides administrative support including, but not limited to: policies and procedures, rate setting, computer systems, and training.
- SEF evaluates excess equipment and sells it at auction, negotiates sales to cities and boroughs, or assigns it to an appropriate alternative use.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$26,395,600

Personnel:

Full time	164
Part time	2
Total	166

Key Component Challenges

Costs of operating a fleet have continued to increase. Personal services and fuel costs have risen dramatically over the last four years. Management must shift the available budget from preventative maintenance activities to cover the basic credit card fuel program, delivery services, travel and parts. Our continued challenge is to sustain our cost base to our customers despite rising costs in personnel, fuel and manufactured goods while maintaining needed services.

Inflation, advancement in equipment specifications and technology, buying larger equipment to do multiple jobs, and government regulations all play a part in increasing the fleet's cost base. In 1990, the book cost of the SEF fleet was \$99 million. In 2008, it was \$212.7 million, an increase of 115%; this is up from the book value in 2007 of \$203.3 million, or an increase of 4.7%.

Depreciation can be a fast growing component of SEF's cost structure. Growth slowed in 2005 due to increased

amortization lives to a portion of the fleet, decreasing the growth to 2% over the five year average. In 2006, there was a nominal increase of 2.7% but FY07 showed an increase of 18% as efforts were made to replace high maintenance, high cost units with new units and decrease the amortization period to meet the demands of user agency missions. The amortization periods for heavy trucks and off road equipment was typically 12 to 15 years; however, in FY06 we began to decrease these periods in areas where we were experiencing higher use and higher maintenance costs. In FY08, depreciation is at .5% over last year, so the effort to reduce depreciation by extending life on vehicles is working. However, these long depreciation periods also make it difficult to predict the replacement cost of the equipment which has increased substantially. SEF will continue to monitor asset amortization periods; however, it is difficult to reduce depreciation costs without adversely affecting maintenance costs as vehicles are kept for longer periods of time. It continues to be a challenge to find a balance between acceptable maintenance costs and reduced depreciation expenses.

As customer agencies increase their missions in areas such as road maintenance and public safety, it has resulted in higher usage rates on the vehicles and an increase in the number of wheeled assets in operation. As usage increases, so does the demand for preventive maintenance and associated personnel.

The workforce of mechanics is aging and retiring. Finding skilled, qualified mechanics is becoming increasingly difficult as salaries and benefits in the private sector have surpassed the state. A general trend across the state and nation is that young people are not flocking to the trades and those that do have greater opportunities in the private sector.

Significant Changes in Results to be Delivered in FY2010

No significant changes are anticipated.

Major Component Accomplishments in 2008

- 88 bids were awarded and the program received 460 new vehicles.
- Awarded 16 new contracts for fleet vehicles, equipment and parts for best pricing and quicker replacement time.
- Disposed of 340 surplus vehicles.
- In 2008, we continued to review the allocation of mechanic positions statewide to determine the most efficient distribution of labor throughout the state. Some vacant positions have been re-classed to mechanic positions and relocated in areas needing additional resources.
- Instituted a new notification system for interested parties when surplus equipment becomes available for sale. 191 parties registered in 2008 for this service and the posting period has been shortened from 10 to 5 days.
- SEF has begun selling surplus equipment directly to the public after the Government Entity/Non-profits' five day period. Such sales have occurred in Palmer and Fairbanks to increase salvage value and revenue for fleet operations.
- When they become available, equipment or vehicles are occasionally being posted to Craig's List to increase visibility of disposal items.

Statutory and Regulatory Authority

AS 44.42.020 Department of Transportation and Public Facilities, Powers and Duties
AS 44.68.010-040 Use of State-Owned Vehicles
AS 44.68.210-250 Highway Equipment Working Capital Fund
AS 44.68.270-280 Transfer of Equipment to Political Subdivisions

Contact Information
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State Equipment Fleet Component Financial Summary

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	14,046.1	14,964.8	15,017.4
72000 Travel	538.2	503.9	503.9
73000 Services	3,085.7	1,771.2	1,771.2
74000 Commodities	10,339.7	9,083.1	9,083.1
75000 Capital Outlay	14.5	20.0	20.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	28,024.2	26,343.0	26,395.6
Funding Sources:			
1007 Inter-Agency Receipts	2.0	0.0	0.0
1026 Highways/Equipment Working Capital Fund	28,022.2	26,343.0	26,395.6
Funding Totals	28,024.2	26,343.0	26,395.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	46,864.9	52,215.4	54,105.3
Unrestricted Total		46,864.9	52,215.4	54,105.3
Restricted Revenues				
Interagency Receipts	51015	2.0	0.0	0.0
Restricted Total		2.0	0.0	0.0
Total Estimated Revenues		46,866.9	52,215.4	54,105.3

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	0.0	0.0	26,343.0	26,343.0
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	0.0	52.6	52.6
FY2010 Governor	0.0	0.0	26,395.6	26,395.6

**State Equipment Fleet
Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	164	164	Annual Salaries	9,394,554
Part-time	2	2	COLA	51,697
Nonpermanent	0	0	Premium Pay	392,240
			Annual Benefits	5,331,184
			Less 1.00% Vacancy Factor	(152,275)
			Lump Sum Premium Pay	0
Totals	166	166	Total Personal Services	15,017,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk	1	1	0	0	2
Administrative Assistant II	1	1	0	0	2
Administrative Clerk II	1	1	0	0	2
Administrative Officer I	0	1	0	0	1
Analyst/Programmer V	1	0	0	0	1
Contracting Officer II	1	0	0	0	1
Contracting Officer III	1	0	0	0	1
Equip Operations Analyst	2	0	0	0	2
Equip Operator Jrny III/Lead	0	0	0	12	12
Equipment Fleet Dist Manager	2	2	0	0	4
Equipment Fleet Dist Mgr	0	0	1	0	1
Equipment Fleet Parts Manager	1	0	0	0	1
Mech Auto Adv Journey	18	16	3	65	102
Mech Auto Foreman I	0	0	1	0	1
Mech Auto Foreman II	2	2	0	6	10
Mech Auto Sub Journey	1	0	0	4	5
Procurement Spec I	2	0	0	0	2
State Equipment Fleet Manager	1	0	0	0	1
Stock & Parts Svcs Journey I	0	0	1	0	1
Stock & Parts Svcs Journey II	2	3	0	4	9
Stock & Parts Svcs Lead	1	1	1	0	3
Stock & Parts Svcs Sub Journey	1	1	0	0	2
Totals	39	29	7	91	166