

City of Sacramento API #52

**CITY OF SACRAMENTO
ADMINISTRATIVE POLICY INSTRUCTIONS**

Topic: Fleet Purchasing/Budgeting Policies

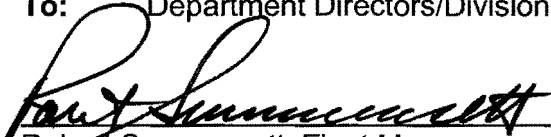
Effective Date: 3/29/05

From: Department of General Services
Department of Finance

Supersedes: 12/16/04

To: Department Directors/Division Managers

Section: API #52


Robert Summersett, Fleet Manager


Reina Schwartz, Director of General Services


Gus Vina, Finance Director

APPROVED: 
for ROBERT P. THOMAS
City Manager

SUMMARY OF CONTENTS

<u>Topic</u>	<u>Page No.</u>	<u>Last Revision</u>
1. Purpose		11/04
2. Background		11/04
3. Scope		11/04
4. Policies		11/04
5. ATTACHMENTS (in development process)		3/05
A. Fleet Replacement Budgeting Process Flowchart		
B. New/Upgraded Equipment Process		
• Exhibit B-1- Budget Exceptions List		
• Exhibit B-2- Request Form		
C. Accident Reimbursement Process		
• Exhibit C-1 – Reimbursement Form		

FLEET PURCHASING AND BUDGETING

1. PURPOSE

The purpose of this policy is to define the operational guidelines that form the basis of fleet services provided by the City's Fleet Operations and the fee for service structure.

2. BACKGROUND

- 2.1 The City's Fleet Management Organization/Fund is an internal service fund, which was established to provide convenient, competitive and timely fleet services including technical assistance to all City departments. The fund shall remain solvent at all times. Primary responsibilities are to provide fleet oriented services to all City Fleet customers through a fee-for-service structure designed to recover all fleet capital and operating costs. Services and repairs shall conform to industry-accepted standards, charges and practices and all regulatory requirements.
- 2.2 Fleet Management is responsible for providing fleet services including: maintenance, repair, leasing/renting of equipment, fuel and fueling infrastructure, regulatory compliance, asset management, and establishing annual replacement agreements with each department to ensure the continued renewal of the City's fleet assets.
- 2.3 As a government agency, the City must be a leader in minimizing the impact of its operations on the environment. Even at the risk of higher costs, Fleet Management in cooperation with departments must continue in this leading role and those costs will be passed on to fleet customers.
- 2.4 Fleet Management shall develop interdepartmental service level agreements representing the contractual relationship between Fleet Management and departments. The agreements shall specify the responsibilities of both Fleet Management and the departments.
- 2.5 All requests for additional fleet assets, equipment upgrades and vehicle upgrades must be approved by the City Manager's Office and/or the City Council. In all cases, the Budget Office will evaluate the fiscal impacts of new vehicle and upgrade requests and may make recommendations to the City Manager's Office.
- 2.6 The Budget, Policy & Strategic Planning Division ("the Budget Office") is responsible for establishing department budgets for motor pool, operations and maintenance, and vehicle replacement each fiscal year. Budgets will be based on available resources for the funds involved.
- 2.7 Department Directors are responsible for adhering to policy and procedures pertinent to the utilization and operation of fleet vehicles and equipment. Department Directors responsibilities shall include but not be limited to the following:

- a. Meeting with Fleet Management between May and June of each year (see Exhibit A) to review the proposed replacement list for the next fiscal year, making adjustments as may be needed and agreeing to the vehicle replacement plan.
- b. Enforcement of all City policies, rules and regulations with regard to the operation and use of fleet vehicles and equipment.
- c. Assignment of a fleet equipment coordinator or contact person for departmental fleet matters. The coordinator shall provide all directional decisions with regard to the departmental assigned fleet and act as the main point of contact with Fleet Management.
- d. Ensure that departmental employees maintain the proper operator license and comply with all federal, state and local laws relating to the operation of motor vehicles.
- e. Comply with the rules and regulations relative to the maintenance, repair and inspection of fleet equipment.
- f. Ensure that all employees report vehicle crashes and incidental damage to law enforcement, City Risk Management and Fleet Management.
- g. To take appropriate disciplinary action against employees who misuse City fleet vehicles and equipment.

3. SCOPE

Establish a foundation for the concepts and methodologies to be used in recovering the costs of the services supplied to all consumers of City fleet services and how annual budgets will be established and used.

4. POLICIES

- 4.1 Centralized Services: The City's fleet services will be centralized. This will include the following:
 - a. Ownership of fleet units.
 - b. Maintenance and repair operations.
 - c. Fueling and fuel infrastructure.
 - d. Development of replacement schedules, provide long range forecasting by unit, organization, fund, and update replacement costs.
 - e. Maintenance of records and documents relating to the purchase, maintenance, licensing, permitting, etc.
 - f. Disposal of fleet units.
 - g. Regulatory compliance associated with Fleet Operations.

h. Clean air initiatives and efforts to reduce emissions of City vehicles and equipment.

4.2 Fleet Assets: Fleet assets are described as any vehicle or equipment that meets at least two of the following criteria:

- a. Units that require fuel to be operated.
- b. Units that have wheels and tires or tracks.
- c. Units that require licensing/titling with the State Department of Motor Vehicles.
- d. Units that are mounted to fleet equipment that use fuel.
- e. Units that require an operator to ride on to operate.

There may be units meeting the above criteria that will not be included in the City's Fleet, those exceptions will be identified and approved in advance of purchase by the City Manager or his/her designee.

4.3 Adding Units to the Fleet: All new fleet units should be approved with the Annual Budget. Departments need to provide a description of the type of vehicle/equipment and a brief explanation on the need for the unit in the department narrative section of the annual budget.

Vehicles/equipment not approved with the annual budget will be considered on an "Exception Basis" only and are subject to the following:

- a. Approval from the Budget Office and the City Manager's Office for fleet equipment purchases under \$100,000 (see Exhibit B).
- b. Resolution and augmentation approved and authorized by the City Council for fleet equipment purchases exceeding \$100,000.
- c. Donations are subject to review by Fleet in advance of acceptance by the Budget Office and the City Manager's Office.

All augmentations for additional fleet equipment, including those that are donations to the City, must include the source of initial procurement funding for the capital acquisition, all preparation costs, and first year annual O & M costs.

4.4 Fleet Purchases: All purchases of Fleet Assets, services, supplies and products must be done in conformance with the City Charter, the City Code and established City policies. Fleet Management will be responsible for the development and/or review of all purchase requests to assure conformance with vehicle and equipment standards.

Fleet vehicle and equipment customers are expected to be environmentally conscious. As such they are expected to be supportive of using low emission technologies and alternative fuels units. It is recognized that reducing the impact to

the environment of vehicle and equipment operation may increase the costs of operation to the customer.

- 4.5 Vehicle and Equipment Standards: Fleet Management in conjunction with the Departments shall be responsible for standardizing the fleet. The intent of establishing vehicle/equipment standards is to increase Fleet's ability to repair, stock parts, and maintain units in an economical manner. To that end, vehicle and equipment standards will be established for typical types, sizes and levels of equipping for fleet units.

Justification for deviation from Fleet standard equipment and/or standard practices to accelerate delivery must be documented by the Customer and approved by the Budget Office and the City Manager. A procedure will be developed for departments to follow to secure approval of units that do not meet the standards (see Exhibit B).

- 4.6 Types of Fleet Assignments:

- a. Assigned units – units assigned and billed to the customer organization.
- b. Pool units – units rented/leased from Fleet motor pool(s).
- c. Outside Rentals – units rented/leased from private sources to meet specific short-term needs.

- 4.7 Vehicle/Equipment Transfers between Organizations:

- a. Prior to the transfer of any assigned vehicle/equipment the assigned department may work with their Fleet Representative to establish a current value for the asset to be transferred.
- b. Departments/Divisions receiving transferred vehicle/equipment may pay the value of the current asset to the organization transferring the vehicle/equipment.
- c. Fleet Management shall be notified in writing of the request to change the organization code for the vehicle/equipment that is being transferred.

- 4.8 Short and long term Renting/Leasing of Fleet Assets from Private Sources: Short and long-term rentals or leases (outside rentals) may be used as a method of acquiring Fleet equipment to sustain customer operations. Any rental or lease over three months in duration (long term) and/or any rental or lease that includes a purchase provision must be reviewed by Fleet and approved in advance by the Finance/Budget Offices and the City Manager. All rentals or leases, short or long term, must be processed in conformance with the City Charter, the City Code and established City policies. Fleet and Risk Management must be notified for proper insurance coverage, fuel purchase, repair and maintenance requirements, etc. If purchase options are exercised the asset will be placed in the City Fleet inventory.

- 4.9 Fleet Services: Maintenance and repair of fleet assets shall be performed when scheduled and/or when required for continued safe operation of the units.
- a. Authorization of Services: Customer service agreements will specify the threshold dollar amount for customer notification by Fleet of estimated charges for specific repairs. The intent of the notification is to inform the customer of a high cost repair, to receive their agreement on the extent of the repairs, and to assure adequate funding is available.
 - b. Removal of Units: If it is determined and agreed that a unit will not be repaired it will be removed from assignment to the department, removed from the replacement schedule and disposed of. Any proceeds from the disposal shall be used to offset any remaining repair balances, handling costs, sales expenses, etc., with the balance credited to the fund where the asset was assigned at the time of sale.
 - c. Other Services: Fleet may provide services such as repair and maintenance or products such as oils and fuels to City assets that are not fleet units. The costs of the services will be billed directly to the owning organization.
- 4.10 Fleet Charging Methodology: The Fleet Charging Methodology is intended to recover the costs of maintenance and operation, asset management, regulatory compliance and administration. Customers will be charged for maintenance, repairs and operational costs for each assigned unit; the direct costs including associated overhead. Customers will be provided billings by Fleet Management. Additional detailed information regarding specific charges will be made available upon request.

The purpose of the charge structure is to equitably assess the costs of operation of fleet equipment to the customer and to encourage customers to practice proper and economic behavior on the part of the customer organizations and Fleet Management through lower operation and maintenance costs.

- 4.11 Annual Fleet Budgeting: Annual fleet budgets for motor pool, operations and maintenance, and replacement vehicles are established by the Budget Office in coordination with information received from Fleet Management regarding historical information on organization costs. The budgets established for motor pool (4234), operations and maintenance (4235) and vehicle replacement (4236) shall not be used to fund vehicle upgrades, additional vehicles, new equipment or repair/replacement needs due to accidents.

Department Budgets for Fleet Expenses will be established each fiscal year based on the following:

- a. Motor Pool: Motor Pool budgets will be established for all organizations (enterprise, internal service and general fund organizations) based on actual prior calendar year costs. Actual prior year costs will be adjusted to reflect current fleet rental rates and anticipated needs.

- b. Operations and Maintenance: Fleet Management will charge the actual costs of maintenance, repairs, fuel, outside or commercial repairs and parts based on agreed upon labor rates and markup structures on a periodic basis. The charges will be for actual charges to those units assigned to the customer during the period. Operations and Maintenance budgets will be based on the following:
 - All Organizations: Operations and Maintenance budgets will be based on actual calendar year costs and known additions/deletions of assigned units.
- c. Vehicle Replacement: In February of each year Fleet Management will provide customers and the Budget Office the proposed replacement list including replacement costs for all assigned units on the list based upon the agreed upon replacement schedule. Replacement budgets will be based on the following:
 - General Fund Organizations: Replacement budgets will be based on the actual anticipated replacement need for the organization for that fiscal year. If no vehicles assigned to an organization are due for replacement, no replacement budget will be established. The unobligated replacement budget (4236) for each organization will be carried over at the end of each fiscal year.¹
 - Enterprise/Internal Service Organizations: Replacement budgets shall be established at the same funding level that the General Fund provides each fiscal year, but should be funded at 100% of the anticipated replacement need if resources are available.

Departments shall meet with Fleet Management regarding any changes to the vehicle replacement during May and June of each fiscal year to discuss any changes to the proposed replacement list (early replacement, etc.). Fleet Management will begin purchasing replacement vehicles in July of each year.

4.12 Losses from a "Chargeable Accident":

- a. Departments will be responsible for the actual repair/replacement cost of the unit.
- b. Departments will need to work with Fleet Management on obtaining the necessary repairs/replacement of units involved in accidents.
- c. Risk Management will credit Departments consistent with the City's current insurance coverage when proceeds have been received.

¹ *This will be added to the Budget Resolution as it requires City Council authorization.*

4.13 Losses from a "Non-Chargeable Accident":

a. General Fund Organizations:

- General Fund (Administrative Contingency) will be used to cover repair/replacement costs; and
- Risk will credit General Fund Administrative Contingency with the insurance recovery when received.

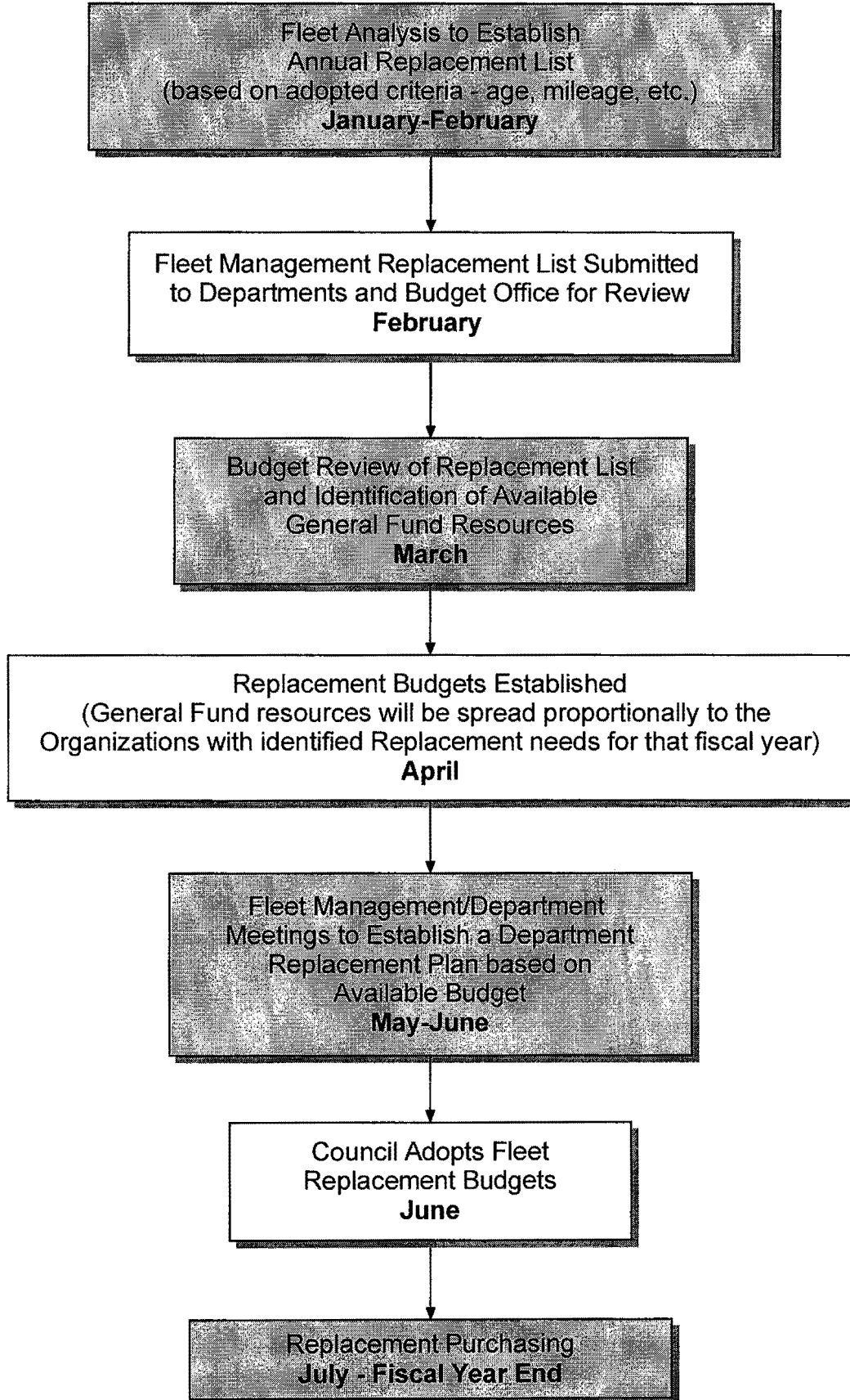
b. Enterprise/Internal Service Fund Organizations:

- Departments will be responsible for the actual repair/replacement cost of the unit.
- Risk will credit the Organization where the vehicle was assigned with the insurance recovery when received.

4.14 Salvage Revenues: Revenues from the sale of vehicles and equipment, less the costs associated with the sale, will be recorded as follows:

- a. Revenues from the sale of vehicles/equipment will be credited to the owning fund in Non-Department.

Fleet Replacement Annual Budgeting Process



Procedures for Requesting Additional/Upgraded Vehicle/Equipment

1. Department completes attached form including justification for the purchase and submits to Fleet Management for completion of financial information and recommendation.
2. Fleet completes review and recommendation and forwards the form back to the Contact Person listed on the form.
3. Requesting department completes the necessary budget documentation to move budget as follows:
 - a. Expense Budget (EB) form for purchase cost – moving budget from non-restricted budget lines (see Exhibit B-1) to new vehicle/equipment purchase line (4632);
 - b. Expense Budget (EB) form for estimated operations and maintenance (O&M) costs for the remainder of the fiscal year – moving budget from non-restricted budget lines to O&M budget line (4235);
 - c. Prep Form for the next Fiscal year:
 - Reducing the one time expenditure for vehicle purchase to zero and moving that budget back to another line item (net zero change);
 - Adjusting the O&M budget line (4235) for the actual full year O&M costs associated with the new vehicle/equipment purchase by moving budget from non-restricted budget lines to O&M budget line (net zero change).
4. Completed request form, EBs and Prep Forms are submitted to the Department Director for review and approval. Signed request forms and all back up documentations/financial paperwork is submitted to Fleet (Mail Code 3259) for processing.
5. Fleet Management processes approved requests that meet Fleet Recommendations, and Department Directors have approved;
6. Fleet Management forwards to the General Services Director any requests that do not meet Fleet Recommendations or don't have proper budget documentation;
7. General Services Director reviews/approves requests and/or works with Department Directors to resolve issues.

City of Sacramento API #52

8. If the General Services Director and the requesting department director do not agree the request will be forwarded to the City Manager's Office for determination. A cover memo from the General Services Director will be attached to these requests.
9. Fleet management will do the following for approved requests:
 - a. Proceed with ordering the approved vehicle/equipment;
 - b. Send a copy of the Signed/Completed form back to the requesting department; and
 - c. Send a copy of the Signed/Completed form and EBs to the Budget Office for input once the actual vehicle costs are known.
10. Budget staff will do the following for approved requests:
 - a. Enters the EBs for the purchases that are approved;
 - b. Enters purchase related adjustment on the one-time log for the proper fiscal year;
 - c. Returns a copy of entered EBs to the requesting department;
 - d. Puts a copy of the approved request the entered EB and the Prep form for the full O&M cost for the next fiscal year in the Budget Fleet binder; and
 - e. Reviews the Fleet Binder at the start of each fiscal year during the review of one-time adjustments to back out one time costs and add in additional full year O&M costs.

Notes:

- A copy of the approved New Vehicle/Equipment form needs to be attached to the Material Receiving Report (MRR) and Journal Voucher (JV) submitted to Accounting in order to encumber the department budget.
- Departments are required to absorb the purchase and on-going maintenance costs – service and supply budgets will be adjusted for the anticipated first year costs based on estimated months in service and full-costs will be adjusted in the next fiscal year's budget process (based on service/supply line reductions identified by the department).

EXCEPTIONS TO OBJECT CODE ADJUSTMENTS

Departments **cannot** make prep table adjustments to **employee services** object codes in the **41XX** series with the following exceptions:

Departments can adjust: (exceptions)

- 4110 Overtime
- 4112 On Call
- 4113 Out of Class
- 4139 Bus Passes
- 4190 Educational Assistance

Departments **can** make prep table adjustments in the **services and supplies** object codes in the **42XX, 43XX, 44XX and 491X, 492X, 493X, 494X, 495X, 496X, 497X, 498X** series with the following exceptions:

Departments cannot adjust (exceptions)

- 4204 Reproduction-Central Services
- 4234 Rental of Equipment – Fleet
- 4235 O & M Fleet Management
- 4236 Replacement – Fleet
- 4237 Fleet – Other
- 4341 Property Tax
- 4342 In Lieu Franchise Fees
- 4630 Machinery and Equipment
- 499X Base Adjustments

Object codes that are used for **offsets** should be discussed with your budget analyst and adjusted **by the Budget Office**. These object codes include:

- 4510 Retirement of Bond Principal
- 4520 Interest Expense
- 4374 Cost Reimbursement - Credit
- 4375 Indirect Cost Plan – Credit
- 4376 Operating Subsidy – Credit
- 4379 Debt Service Transfer In
- 4380 Budgeted Cost Reimbursement- Credit
- 4384 Cost Reimbursement – Charge
- 4385 Indirect Cost Plan Charge
- 4386 Operating Subsidy – Debit
- 4389 Debt Service Transfer Out
- 4390 Budgeted Cost Reimbursement – Debit
- 4710 CIP Labor Reimbursement
- 4711 Indirect Charges Reimbursement
- 4715 Non-CIP Labor Reimbursement
- 4716 Other Labor Reimbursement

NEW VEHICLE/EQUIPMENT REQUEST FORM

Department/Division: _____ Contact Person/Phone #: _____ Date: _____

Additional Equipment: Yes No Upgrade: Yes No to Unit #: _____

Position Classification: _____ Description of Duties: _____

Estimated Monthly Usage (average miles/hours): _____

Special Requirements (towing, weight of pick up load, equipment, etc.): _____

Justification for Purchase/Upgrade (new FTE/Crew, change in business practice, new technology, etc.): _____

	DEPARTMENT REQUEST Dept. to complete sections noted with an *	FLEET RECOMMENDATION Based on Vehicle Standards by Classification
Vehicle Type/Class*		
Special Equipment*		
Est. Vehicle/ Unit Cost*		
Preparation Cost		
Upgrade Cost		
Operations & Maintenance (O&M) Cost		
Replacement Life (years)		
Emission Rating		
Total Cost with O&M		
Fleet Representative/Phone #:		
Fleet Comments/Recommendation:		
Fleet Manager Signature/Date:		
Requesting Department Review (return to Fleet for final processing after signed)	Approve Fleet Recommendation <input type="checkbox"/>	Department Requests Exception <input type="checkbox"/>
Department Director Signature/Date:		
Additional Review (for exception requests)	Approve Department Exception <input type="checkbox"/>	Forwarded to City Manager for Review <input type="checkbox"/>
Director of General Services Signature/Date:		

DEPARTMENT NON-CHARGEABLE ACCIDENT BUDGET REIMBURSEMENT PROCESS

1. Departments are to follow the process outlined in Section 10 of API #29.
 2. Department completes the Department Accident Reimbursement Form after verification of a non-chargeable incident/accident by the Department Safety Committee.
 3. Department completes the Department Accident Reimbursement Form and submits it to Risk Management for Verification.
 4. Department obtains a copy of Fleet Management's accident work order which provides the details on the replacement and/or repair costs for the vehicle/equipment involved in the accident.
 5. Department prepares an Expense Budget (EB) form to adjust the budget line for agency and organization that incurred the expense from the non-chargeable accident (object code 4239 is used to record all accident related replacements/repairs).
 6. Department submits the Department Accident Reimbursement Form with the determination from Risk, an EB and a copy of the accident work order to the Budget Office.
 7. Budget will review documentation submitted and prepare the off-setting EB for the requested department adjustment.
 8. Budget staff inputs the EB's.
 9. A copy of the Department Accident Reimbursement Form and all back up material including EB entries will be filed in the Budget Office.
 10. Budget sends a copy of the entered EB to the requesting department.
- * Note: this process is only used to obtain budget relief from accidents involving vehicles/equipment assigned to General Fund organizations.

Department Non-Chargeable Accident Reimbursement Form

Department / Division: _____

Agency and Org of vehicle assignment: _____

Prepared by (name/number): _____

The following information **MUST** be included for timely processing.

1. An EB requesting reimbursement for a fleet policy Non-Chargeable accident.
2. Documentation from the safety council verifying the accident is Non-Chargeable incident.
3. A copy of Fleet's accident work order providing repair/replacement costs.

	Fleet Vehicle #	Date of Loss	Employee	Non-Chargeable Yes/No	Budget Adjustment Repair/Dept Cost
A					
B					
C					
D					
Total Department Request:					\$
Department Director:				Date:	

* To be completed by Risk Management	
Safety Officer Signature:	Date:

* To be completed by the Budget Office	
Document #:	Date Entered:
Budget Office Approval:	Date:

* This form is only required for General Fund accident recovery.