

MEMORANDUM

TO: All State Agencies/Institutions

FROM: Paul Hanson
State Fleet Services Director

DATE: February 25, 2008

SUBJECT: State Fleet Services 2009-2011 Biennium Budget Guidelines

The State Fleet Services budget guidelines for the 2009-2011 biennium are attached and explained as follows:

1. The mileage/hourly rates consist of two components: Operating costs and depreciation.
 - a. Operating costs include parts, fuel, insurance, labor, shop overhead, and administration, divided by usage and charged back on a per-mile/hour basis.
 - b. Depreciation is the actual cost, less salvage value of the fleet, spread over the estimated useful life of the vehicle, divided by usage and charged back on a per-mile/hour basis.
2. The replacement rate is the difference between what is needed to purchase new vehicles, and the amount that is recovered through the depreciation portion of the rate. Because this rate is to fund replacement costs, it cannot be charged to federal programs. The replacement rate also funds additional vehicle needs. Agencies are to budget the total of the mileage/hour rate, and the replacement rate. The funding source for the replacement rate must be either general or special funds.

You will notice across-the-board increases because fuel costs, commercial repairs, and labor have continued to increase. However, State Fleet Services is making every effort to keep these rising costs at a minimum. Minimum mileage standards have been implemented for the past two years for several of the newly purchased vehicles to offset rising fuel costs.

Depreciation is on the rise for almost all groups as a result of the increasing purchase price for all vehicles and in some instances declining sales revenue or usage.

The attached budget guidelines reflect our best estimate of potential costs for the next biennium. Keep in mind that many factors can increase or decrease the rental rates.

All agencies anticipating increases in monthly rentals must identify in writing the number of units, and which rental group will be affected so State Fleet Services can plan accordingly.

Each agency/institution's mileage may be determined by referring to the monthly billing report.

Should you have any questions, please contact us.

JB
Attachment
C: Tim Horner