

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano
Jim Shannon

SUBJECT: SEE BELOW

DATE: May 13, 2022

Approved



Date

5/13/2022

SUBJECT: ACTIONS RELATED TO THE VEHICLE MAINTENANCE AND OPERATIONS FUND

RECOMMENDATION

Adopt the following 2021-2022 Appropriation Ordinance and Funding Sources Resolution Amendments in the Vehicle Maintenance and Operations Fund:

- (1) Increase the estimate for Transfers and Reimbursements by \$647,000;
- (2) Decrease the Unrestricted Ending Fund Balance by \$248,000; and
- (3) Increase the Inventory Purchases appropriation to the Public Works Department by \$895,000.

OUTCOME

Approval of these amendments will provide additional funding necessary to cover City-wide fuel and parts operational costs for the remainder of Fiscal Year 2021 - 2022. Adoption of the resolution will ensure all essential City services can continue without impact to the community.

BACKGROUND

The Fleet Management Division of Public Works oversees City-wide fuel management. Due to unforeseen changes in the commodity market for fuel and petroleum products, the base funding allocated for fuel purchases will not cover costs through the end of the fiscal year. Additionally, the Fleet Management Division oversees Citywide vehicle and equipment maintenance activities that requires a steady supply of automotive parts to ensure the availability and reliability of City vehicles. As a reflection of the rising costs of automotive parts due to global supply chain disruptions and surging demand, attributed to the COVID-19 pandemic, the base funding allocated for automotive parts will also not cover costs through the end of the fiscal year.

ANALYSIS

The Inventory Purchases appropriation in the Vehicle Maintenance and Operations Fund has been tracking to exceed since the second quarter of 2021-2022. Actions were approved by the City Council through the 2021-2022 Mid-Year Budget Review Report to increase the Inventory Purchases appropriation by \$600,000 through a combination of Personal Services vacancy savings and a reduction of the Fuel Usage Reserve. Despite that increase, the current market conditions drive the need for additional funds, as costs have rapidly accelerated over the past several months.

The most recent analysis of the Fund's budgetary solvency through fiscal year end was completed in late April 2022 during the final preparation of the 2022-2023 Proposed Operating Budget. The Fleet Management team, in coordination with the City Manager's Budget Office, reviewed monthly expenditures to forecast expected fuel usage and automotive parts needs and determined that recommended additional funding of \$895,000 (from \$8.0 million to \$8.9 million) is necessary to ensure the City fuel operations and vehicle maintenance would continue through the remainder of the fiscal year. This anticipated adjustment is reflected in the 2021-2022 Estimate within the Source and Use Statement for Vehicle Maintenance and Operations Fund as included in the 2022-2023 Proposed Operating Budget.

CONCLUSION

Approval of this recommendation will allow the City to continue purchasing fuel for City vehicles and equipment, as well as automotive parts to continue the proper maintenance of such vehicles, through the remainder of Fiscal Year 2021 – 2022.

EVALUATION AND FOLLOW-UP

No additional follow up action with the Council is expected at this time.

CLIMATE SMART SAN JOSE

No proposed changes to service delivery, programs or staffing that has significant community/resource impacts, including any negative impact on Climate Smart San José energy, water, or mobility goals.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the May 24, 2022 City Council meeting.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation or input associated with this action.

COST SUMMARY/IMPLICATIONS

The Vehicle Maintenance and Operations Fund (552) operates as an internal service fund and will charge departments directly for operation and maintenance costs related to their specific vehicles and equipment. Various City funds will have adjustments recommended through the Year-End budget process to align actual expenditures with budgeted estimates, which will correspond with the increased revenues estimated to be received in the Vehicle Maintenance and Operations Fund of \$647,000. The remaining amount of \$248,000 accommodate an increase of \$895,000 will come from a reallocation from the Unrestricted Ending Fund Balance. The amount from fund balance is expected to be replenished during the 2021-2022 Annual Report reconciliation, as a modest amount of savings is anticipated within the Public Works Department's Personal and Non-Personal/Equipment appropriations.

Given the volatility of changing market conditions, the Administration will continue to monitor costs over the next several weeks and may bring forward additional adjustments prior to the end of the fiscal year.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Current Total Appn.	Rec. Budget Action	2021-2022 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
552	R003	Transfers and Reimbursements	\$27,951,734	\$647,000	1026	06/22/2021, 80109
552	0083	Inventory Purchases	\$8,039,000	\$895,000	1026	02/08/2022, 30717
552	8999	Unrestricted Ending Fund Balance	\$868,266	(\$248,000)	1026	02/08/2022, 30717

HONORABLE MAYOR AND CITY COUNCIL

May 13, 2022

Subject: Actions Related to the Vehicle Maintenance and Operations Fund

Page 4

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/

MATT CANO

Director, Public Works



JIM SHANNON

Budget Director

I hereby certify that there will be available for appropriation in the Vehicle Maintenance and Operations Fund in the Fiscal Year 2021-2022 monies in excess of those heretofore appropriated wherefrom, said excess being at least \$647,000.



JIM SHANNON

Budget Director

For questions please contact Walter Lin, Deputy Director, Public Works Department, at 408-535-1298.