



4

DEPARTMENT OF
FINANCE

BUDGET DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 14
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5845

November 6, 1990

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Report back on Current Oil Prices

SUMMARY

This is a report back regarding the effect of oil prices as a result of the Middle East situation. Increases in fuel prices over FY 89-90 prices have ranged thus far from a low of \$0.31/gal increase (40%) to a high of \$0.46/gal increase (60%) for gasoline. Diesel fuel has fluctuated from a low of \$0.38/gal increase (60%) to a high of \$0.54/gal increase (86%). The issue of reducing petroleum purchases by 5-10% and its impact are discussed in general, but requires a more detailed analysis and will be addressed as part of the Midyear Review. This report is for information only.

BACKGROUND INFORMATION

During Fiscal Year 1989-90, Fleet Management paid an average cost of \$0.77 per gallon for unleaded gasoline and \$0.63 per gallon for diesel fuel. Since the invasion, gasoline prices have been fluctuating up and down. Fleet Management is attempting to project what the effect will be, but these figures change week to week. Attachment A is the most current projection for this impact.

DISCUSSION

In developing these projections, Fleet Management used actual costs for July, August and September 1990. The number of gallons used for the estimate were the following: gasoline = 1,079,449 gallons, diesel = 671,675 gallons (these figures represent a 4% increase over FY 89-90). Also included was Fleet growth which added 137 new vehicles and equipment from FY 89-90 through 90-91.

From Attachment A, one can see that Fleet Management will exceed its operating budget if prices remain at projected levels. The current plan is that this overage may be absorbed by the Fleet Management Contingency Reserve and will not require additional funds. Should the prices rise to levels significantly above the projections, a re-evaluation will need to be done to consider a rental rate increase.

In 1989-90, City vehicles accounted for approximately 12.8 million miles driven. Below is a table showing the mileage estimate for the major users:

Department	Miles Driven
Police	5,000,000
Solid Waste	900,000
Water Division	850,000
Sewer/Storm Drainage	650,000
Park Maintenance	600,000
Fire	500,000
Garden Refuse	400,000
Street Maintenance	300,000
Building Inspection	245,000
Animal Control	200,000

If a 5% to 10% reduction in fuel consumption was achieved through reduced mileage, this would be equivalent to 639,000 to 1,278,000 miles. Fleet Management is looking at fuel efficient vehicles and other energy saving plans and systems. A large portion of City miles are driven by the Police Department. The reduction in mileage needs to be carefully considered especially when it will impact this crucial department. This issue will require a more detailed analysis and will be addressed in the Midyear Review.

FINANCIAL DATA

See Attachment A. Projected cost overruns to Fleet Management due to the increase in oil prices are estimated to range from \$ 39,864 to \$240,334 with the current information. This overage may be absorbed by the Fleet Management Contingency Reserve. This may impact future vehicle rental rates. Also impacting the Fleet Management Operating Budget are increases to taxes on gasoline and diesel fuel which became effective August 1, 1990. These projected

expenses are included in Attachment A. Precise estimates of the overages are difficult to predict because gasoline and diesel prices are unstable at the current time and more taxes are rumored to be on the horizon. During the Midyear Review, a more in depth analysis will be performed based on 6 months of actual usage. Prices hopefully will have stabilized and a more accurate projection of the cost overruns will be developed.

MBE/WBE EFFORTS

N/A

POLICY CONSIDERATIONS

It is the City's policy to practice sound fuel efficient methods of driving vehicles. Fleet Management is currently in the process of preparing a brochure regarding energy saving tips for fuel consumption which will be sent to all departments in the near future.

Reduction in fuel consumption resulting from reduced miles driven needs to be reviewed in the context of the impacts on the affected programs.

RECOMMENDATION

This report is for information only.

Respectfully submitted,

Sandra Dunn

Sandra Dunn
Management Analyst

Approved for information only:



Jack R. Crist
Deputy City Manager

November 6, 1990
All Districts

ATTACHMENT A

FUEL COST PROJECTIONS

	Actual FY89/90	Projected* Gasoline @ \$1.08 Diesel @ \$1.01	Projected** @ \$1.23 @ \$1.17
Fleet Usage	\$1,331,817	\$1,789,864	\$1,990,334
Budget	\$1,750,000	\$1,750,000	\$1,750,000
	<u>418,183</u>	<u>(39,864)</u>	<u>(240,334)</u>
Net Effect due to oil prices		(39,864)	(240,334)
\$0.05 increase fuel tax gasoline eff. 8/1/90		(49,874)	(49,874)
Diesel Hwy use tax incl. \$0.05 increase eff. 8/1/90		(46,907)	(46,907)
Total Potential Overage		(136,645)	(337,115)

* Projection is based on September monthly average

** Projection is based on weekly price from 10/15/90 to 10/19/90

Notes:

1. July, August and September 1990 Actual Costs Used.
2. Projected Gallons for FY 1990-91 are as follows:

Total Gasoline: 1,079,499 gallons (4% inc. over last FY)
 Total Diesel: 671,675 gallons (4% inc. over last FY)