

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 05/22/06		Item Number: <u>A-7</u>	
AGENDA ITEM: That the City Council authorize a budget amendment to appropriate funds to the Equipment Maintenance & Fleet Services Division in the amount of \$200,000 to cover fuel purchases through the remainder of FY05-06.			
Contact Person/Dept.: Paul Condran		Phone Number: 310-253-6520	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☐	
Public Notification: Master Notification List (05/18/06)			
Department Approval: Stephen Cunningham (5/11/06)		CAO Approval: Jerry Fulwood 5/18/06	
City Controller Approval: Marlee Chang 5/17/06			
<u>RECOMMENDATION:</u> That the City Council authorize a budget amendment to appropriate funds to the Petroleum Products account 30868900.520000 of the Equipment Maintenance & Fleet Services Division of the Transportation Department in the amount of \$200,000 to cover fuel purchases through the remainder of FY05-06. A 4/5ths vote is required to adopt a budget amendment. <u>BACKGROUND:</u> The Equipment Maintenance & Fleet Services Division of the Transportation Department is responsible for the purchase and distribution of fuel for all City vehicles, including the compressed natural gas powered fleet. The Fiscal Year 05-06 adopted budget for Petroleum Products was \$1,070,000. After considerable spikes in the cost for natural gas after Hurricane Katrina (a 42% increase), and the subsequent rise in petroleum fuels since July 2005 (a 45% increase) the division has utilized its initial budget for fuels. We have also utilized an additional \$100,000 in funds specifically appropriated for possible fuel increases in an appropriated reserve line item. Staff has analyzed projected fuel purchase costs, and has concluded that an additional \$280,000 is needed for the remainder of this fiscal year.			

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DISCUSSION:

Costs for petroleum fuels continue to rise nationwide. Our suppliers have indicated that the costs for diesel fuels may reach as high as \$4.00 per gallon (wholesale rack) due to the regulations mandating the exclusive use of Ultra Low Sulfur Diesel fuels. Costs for unleaded fuels appear to be leveling; however, our most recent price paid for a full load of unleaded fuel was \$3.17 per gallon, including all taxes and fees. These increases have created an unforeseen excess expenditure for petroleum fuels in the amount of \$165,000.

While costs for natural gas have declined, and appear to be relatively stable at this time, the spikes experienced in the months of September through December of 2005 caused unforeseen increased expenditures for compressed natural gas in the amount of \$115,000.

Staff's conservative projection for petroleum fuels and compressed natural gas expenditures for the remainder of the fiscal year equals \$280,000.

Unfortunately, we cannot predict what political, social or environmental factors may impact future prices. Staff has continued to work with suppliers to obtain the lowest rack price available. We have also determined that long-term contracts which lock in our cost at OPIS-price-plus margins are not in the best interests of the City, and have actually impeded the ability of other municipalities and agencies to obtain competitive prices for fuel.

The increases in fuel cost are expected to be sustained at these higher levels for an unknown period of time; budgetary adjustments are anticipated.

FISCAL ANALYSIS:

The funding sources for this additional \$280,000 are proposed as follows:

An \$80,000 transfer from within our own Divisional FY05-06 budget. Staff has submitted an Appropriation Amendment Transfer as of the writing of this report, with transfer anticipated shortly. The remaining of the \$200,000 will be allocated to all user departments. The breakdown is: Transportation Fund (\$110,900), Sanitation Fund - \$20,554, Sewer Fund - \$960, General fund - \$67,586. Each department has sufficient funds to transfer into their Equipment Maintenance accounts to cover these anticipated increases in fuel cost within their existing budgets.

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It is recommended that the budget amendment proposed herein be adopted in order to allow staff to continue to purchase fuels for the City's fleet operations for the remainder of this fiscal year.

MOTION:

That the City Council:

1. Authorize a budget amendment to increase \$200,000 in the petroleum account (account # 30868900.520000) in Equipment Maintenance & Fleet Services division for the purchase of fuels through the remainder of the Fiscal Year 2005-2006.

AND

2. Authorize Accounting and Budget Office staff to facilitate the appropriated transfer of funds prior to May 31, 2006.

A 4/5ths vote is required to adopt a budget amendment.