



City of Palo Alto

City Council Staff Report

(ID # 7411)

Report Type: Consent Calendar

Meeting Date: 11/14/2016

Summary Title: Approval of \$3,175,600 Appropriation to Capital Improvement Program Project VR-17000

Title: Approval of \$3,175,600 Appropriation to Capital Improvement Program Project VR-17000 from Vehicle Replacement and Maintenance Fund Reserve and Approval of Budget Amendments in Various Funds

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council amend the Fiscal Year 2017 Budget Appropriation Ordinance for

- a. the Water Fund by:
 - i. Increasing the transfer to the Vehicle Replacement and Maintenance Fund in the amount of \$15,407; and
 - ii. Decreasing the Rate Stabilization Reserve in the amount of \$15,407; and
- b. the Gas Fund by:
 - i. Increasing the transfer to the Vehicle Replacement and Maintenance Fund in the amount of \$15,407; and
 - ii. Decreasing the Rate Stabilization Reserve in the amount of \$15,407; and
- c. the Wastewater Fund by:
 - i. Increasing the transfer to the Vehicle Replacement and Maintenance Fund in the amount of \$15,406; and
 - ii. Decreasing the Rate Stabilization Reserve in the amount of \$15,406; and
- d. the Vehicle Replacement and Maintenance Fund by:
 - i. Increasing the transfer from the Water Fund by \$15,407;
 - ii. Increasing the transfer from the Gas Fund by \$15,407;

- iii. Increasing the transfer from the Wastewater Fund by \$15,406;
- iv. Decreasing the ending fund balance by \$232,380;
- v. Eliminating the Reserve for 2017 Vehicle Replacements in the amount of \$2,897,000; and,
- vi. Increasing the Scheduled Vehicle and Equipment Replacement Fiscal Year 2017 project VR-17000 in the amount of \$3,175,600

Background

During the Fiscal Year 2017 budget process, staff reviewed its current progress on vehicle replacements for Fiscal Years 2015 and 2016. In May 2016 staff requested a total of \$4.9 million be reappropriated from prior year Capital Improvement Program (CIP) projects VR-15000 and VR-16000 as vehicle replacements had not yet been completed. At that same time, the decision was made, as part of the the Fiscal Year 2017 Budget, to hold \$2,897,000 for CIP project VR-17000 vehicle replacements in a reserve while staff caught up with the previous year's replacements.

The process for vehicle replacement can be lengthy and includes procurement, outfitting, and delivery. Some vehicles take up to 18 months to build and outfit before staff can deliver to customer departments. There are four vehicles in CIP projects VR-15000 and VR-16000 that still require Council approval, since they are over \$250,000. All other replacement vehicles/equipment in CIP projects VR-15000 and VR-16000 have been ordered, thirty-three of which have yet to be received from vendors. Once received, the vendors can be paid, outfitting can ensue if needed, vehicles can be delivered to departments, and the process for closing the VR-15000 and VR-16000 projects can be executed.

Discussion

Staff recommends moving the \$2,897,000 from reserves under capitalized equipment to CIP VR-17000 in order to begin issuing purchase orders for the Fiscal Year 2017 vehicle replacements.

Staff also recommends amending the FY 2017 budget appropriation ordinance for the Vehicle Fund by \$278,600 for the escalated replacement cost of two Utilities vehicles, both used by the Gas/Water division and being replaced due to maintenance issues, and one Community Services Department Parks and Open Space vehicle, being replaced due to irreparable damage caused in an accident.

Unit 7214 is a 2010 Mercedes Sprinter, high roof cargo van with custom interior, used for 24-hour emergency customer response. It is the only vehicle of its kind in the fleet, and is used for valve repairs and repairing water and gas pipe leaks. This vehicle has had ongoing electrical issues, causing safety concerns. The continued maintenance costs for this vehicle will far exceed the costs of replacing.

Unit 8279 is a 2000 Ford F-450 with a utility body, used to support the gas and water valve maintenance programs. It is also used as a secondary weld truck and carries a PV-66 vacuum used for valve and meter box maintenance. This vehicle is critical to maintaining optimum operation of the gas and water distribution systems. This vehicle has had extensive maintenance issues.

Unit 2764 is a 2003 Ford F-350 Wildland Patrol unit used by park rangers for general patrol and is the first responder for emergencies in Open Space and the vicinity. Responses for emergency situations range from pedestrian and cyclist injuries to medical emergencies and fire suppression. This vehicle is critical to accessing remote areas of parks and preserves as some police/fire vehicles cannot travel off paved roads. On April 8, 2016, it was involved in an accident causing major damage.

According to Vehicle and Equipment Use, Maintenance and Replacement Policy and Procedures, unit 8279 should have been replaced in 2009/2010 and unit 2764 should have been replaced in 2013. Including the replacement of units 8279 and 7214 in CIP VR-17000 was approved by the Fleet Review Committee on September 12, 2016, and unit 2764 on October 18, 2016. Some funds have been collected for the future replacement but not enough for the total cost due to the escalated replacement.

Resource Impact

The Scheduled Vehicle and Equipment Replacement Fiscal Year 2017 CIP (VR-17000) does not have sufficient funding to purchase the additional three vehicles. Traditionally, vehicle procurements are funded through annual charges to the department/fund that uses the vehicle in order to collect the total replacement cost of the vehicle by the year it's scheduled for replacement. In the Fiscal Year 2017 budget for VR-17000, nothing was allocated for the replacement of these three vehicles, because they were not scheduled to be replaced in FY 2017. To

support this purchase, an appropriation of \$278,600 to the Scheduled Vehicle and Equipment Replacement Fiscal Year 2017 CIP project (VR-17000) in the Vehicle Replacement and Maintenance Fund, offset by transfers of \$46,220 from the Utilities Water, Gas, and Wastewater Collection Funds, and \$232,380 from the Vehicle Replacement and Maintenance Fund ending fund balance is recommended.

Policy Implications

Approval of recommendations does not represent any change to the existing policy.

Environmental Review

These vehicles will meet the EPA 2016 Emissions standards.