Alaska Department of Transportation & Public Facilities

State Equipment Fleet Overview

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State Equipment Fleet

Highway Equipment Working Capital Fund

- SEF manages the Highway Equipment Working Capital Fund, or HEWCF. The HEWCF is used to maintain the fleet and replace fleet vehicles (AS 44.42.020 & AS 44.68.210)

- SEF receives no direct General Fund appropriation; its funding comes from fees paid by other state agencies.

- SEF has a complex coding system designed to allocate fleet costs to the fleet users who incur those costs.

- SEF's rate system is designed to 'break even,' or allocate all costs to customers. Over/under adjustments are made to all rate programs when an over or under collection occurs.

How it Works

The Bank

- Monthly Billings
- Operating Rate Payments
- Replacement Rate Payments
- Billable Work Orders
- Reimbursement for Fuel
- Reimbursable Work for Other Agencies

•Revenue goes in, expenses go out. We cannot run out of money, but we also have a limit on what we can spend.

•Our budget limits our spending like an ATM card; no matter how much money we have in the bank, we cannot spend more than our budget allowance for the year.

Budget

Operating Budget $32.6M

- Personal Services
- Travel
- Commodities
- Vendor Payments
- Parts
- Fuel (Credit Cards)
- Capital Needs
- Tools
- Office Supplies

Replacement Budget $15M

- Purchase Vehicles
- Purchase Equipment

OMB Rate Approvals

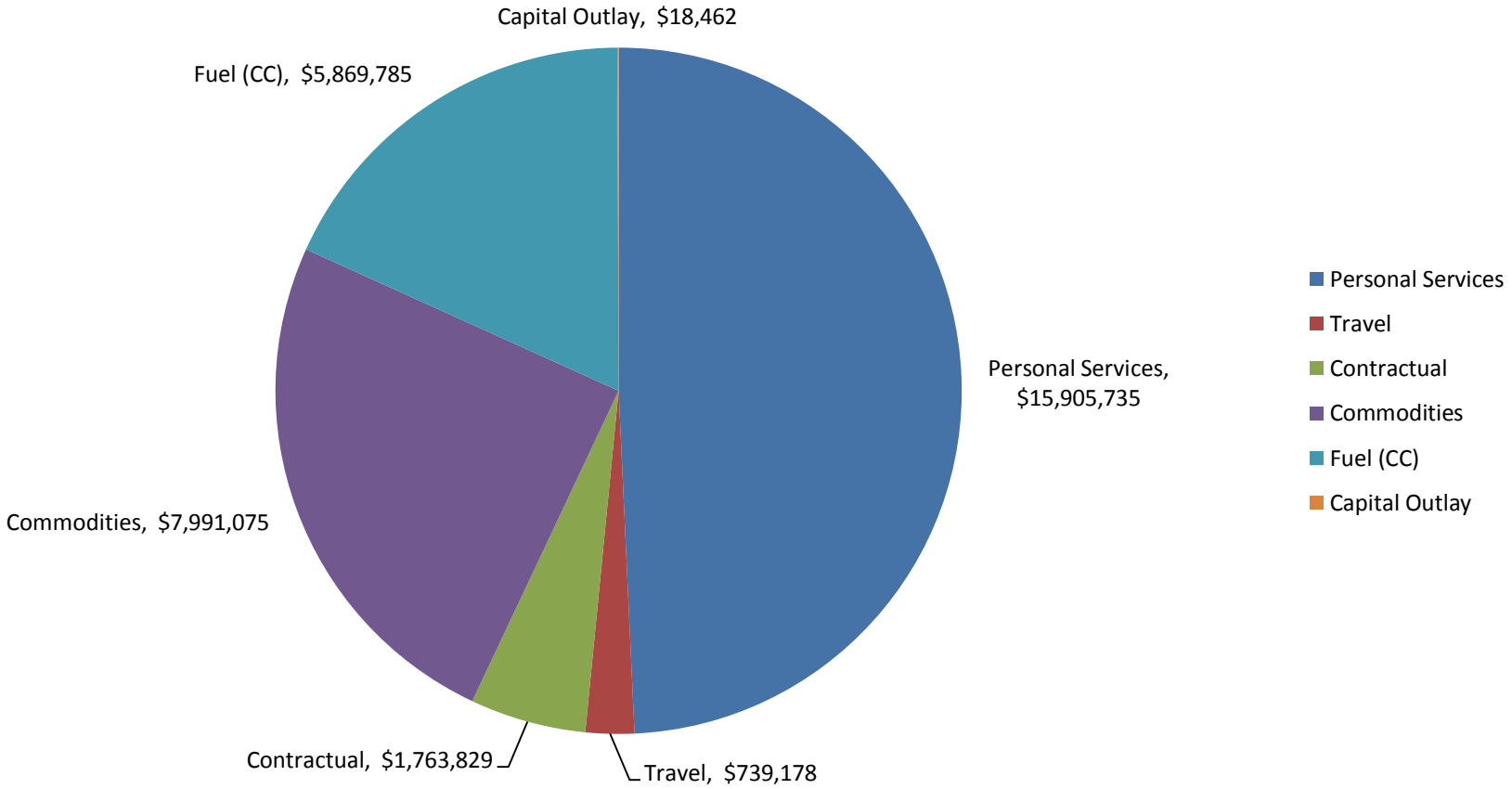
Department	FY2014 Projected in FY2013 Operating Costs	Replace Costs	Total Costs
UofA A & State Corps (00)	$ 5,880.00	$ 10,339.80	$ 16,219.80
Governor (01)	$ 41,796.00	$ 2,861.88	$ 44,657.88
Administration (02)	$ 106,872.00	$ 149,043.72	$ 255,915.72
Law (03)	$ 14,688.00	$ 13,024.32	$ 27,712.32
Revenue (04)	$ 5,268.00	$ 6,495.00	$ 11,763.00
Education (05)	$ 6,432.00	$ 46,002.00	$ 52,434.00
Health & Social Services (06)	$ 404,076.00	$ 660,072.24	$ 1,064,148.24
Labor (07)	$ 61,368.00	$ 148,084.32	$ 209,452.32
Community & Economic Dev. (08)	$ 26,376.00	$ 5,535.72	$ 31,911.72
Military & Veterans Affairs (09)	$ 101,880.00	$ 152,259.48	$ 254,139.48
Natural Resources (10)	$ 651,372.00	$ 984,040.20	$ 1,635,412.20
Fish & Game (11)	$ 388,452.00	$ 496,311.12	$ 884,763.12
Public Safety (12)	$ 1,680,756.00	$ 2,180,342.52	$ 3,861,098.52
State Equipment Fleet (16)	$ -	$ 624,784.80	$ 624,784.80
Environmental Conservation (18)	$ 62,316.00	$ 129,198.12	$ 191,514.12
Corrections (20)	$ 422,184.00	$ 497,506.08	$ 919,690.08
Transportation & Public Facilities (25)	$ 21,320,004.00	$ 21,686,785.68	$ 43,006,789.68
Legislative Affairs (31)	$ 4,860.00	$ 603.36	$ 5,463.36
Alaska Court System (41)	$ 2,064.00	$ 907.80	$ 2,971.80
Total	$ 25,306,644.00	$ 27,794,198.16	$ 53,100,842.16

** OMB Rate Approvals do NOT include fuel.

Where Our Budget Goes

FY2012 Expenditures

Total: $32,288,065



SEF Rates

Users pay all or a combination of the following fees:

- Replacement: Monthly rate paid to accumulate funds to replace assets at the end of their life.
- Operating: Monthly rate that pays for maintenance and repair of the asset.

Replacement and Operating rates are calculated for each asset based on their cost and experience.

Operating Rate Calculation

- Total operating revenue collected during the fiscal year
- Less billable services
- Less reimbursements such as warranty
- Add inflation
- Less capital cost (make ready costs)
- Add HEWCF appropriated for administrative support
- This total is what SEF aims to recover in the operating rate program

Operating Rate Calculation

- EMS computes the non-billable maintenance costs (from work orders) for each vehicle. An average of the three most recent fiscal years is used to determine the costs of an individual piece of equipment. The total of these averages does not match the total expenses from the previous year; this is due to inflation, prior year losses, and other costs not calculated into the current year costs.

- The average maintenance costs are totaled and compared to the target to be collected by operating rates; all rates are adjusted so the amount collected will equal the target amount.

- For vehicles and equipment that are less than 12 months old are given a rate that is calculated using class averages.

Shop Labor Rates

SEF LABOR RATES

- Labor rates are calculated every year using the previous year's costs and labor hours.
- SEF employees track their time using labor codes that define the work they are doing.
- Labor hours are added up and divided into the 5 individual rate programs:

- SHOP LABOR
- REPLACEMENT
- PARTS
- FUEL
- POOL

Shop Labor Rates

COST ALLOCATION

- Parts, commodities, and vendor repair costs are removed and used to compute parts markups
- Costs are then allocated to the different rate programs based on the labor hours breakdown


Labor


Parts


Replacement


Fuel


Pool

Labor Rates

Current Statewide Rates

- $99 HR / 22% Parts Markup

- Labor rates are computed statewide
- This AVERAGES the labor rates
- Urban areas/Large shops/Road System subsidize Rural areas/Small shops/remote areas
- Regional or Individual Shop rates ARE possible to calculate but would create high variance in rates.

SE Region

- $104 HR / 39% Parts Markup

SW & Western

- $120 HR / 45-50% Parts Markup

Road System Rates

- $80 HR / 20% Parts Markup
- Individual shop rates could vary drastically; geographic differential pay scales and other factors would cause some remote shop rates to be double the rates for Anchorage and Fairbanks shops.

The Bottom Line

- No matter what we call the rate, or where we put the costs, SEF must collect sufficient funds to operate. The goal is to put the costs where they belong and where they are fair to using agencies.

- The rates/fees also become the basis for reimbursements to agencies from federal dollars, such as FHWA or BLM during federally managed fires.

Cost Challenges

Replacement Cost Challenges:

- Increased cost of equipment
  - EPA emission requirements.
  - H&A working to attain efficiencies from larger more complex equipment able to be handled by a single operator.
  - Unstable fuel, transportation and steel costs over the prior 7 years.

Cost Challenges

Operating Cost Challenges:

- Higher use as mission increased.
- Complexity of equipment due to EPA engine compliance and manufacturer's increasing the computerization of mechanical functions.
- Unavailability of parts for older but not fully amortized equipment.
- Freight and travel increases.
- Increased parts costs as manufacturing costs increased.
- Weather and disaster response.

Cost Reduction and Fleet Optimization Measures

- Implementation of Anti-Idle Policy
- Optimizing fleet utilization by sharing equipment between camps/districts/regions and increasing hours on low-use equipment (equalization)
- Better and more training/education of managers and staff
- Implemented use of roving crews for specialty equipment for efficiencies and to minimize potential for equipment damage
- All additions to the fleet and retention of “x” class equipment must be approved at the Commissioner’s Office
- Exploring potential benefit of rent /lease vs. buy/own for seasonal, specialty, and low use equipment

Cost Reduction and Fleet Optimization Measures

- The use of TowPlows to reduce the number of trucks needed for snow plow operations as well as fuel savings.
- Anti-icing measures to provide safety improvements and reduce wear and tear on equipment.
- Developing strategies to:
  - Implement and install a Statewide Fuel Management System.
  - Replace mission essential “x” class equipment over a five year period.
  - Replacing aging AIP equipment at airports.

Fun Facts

	1973	1993	2012
• Asphalt Distributor Truck	$ 29,120	$ 139,300	$ 204,872
• Police Interceptor	$ 3,290	$ 17,820	$ 27,095
• Full Size Auto	$ 4,370	$ 14,250	$ 17,495
• 4X2 1/2 Ton Pickup	$ 3,150	$ 9,022	$ 18,509
• 4X4 3/4 Ton Pickup	$ 4,620	$ 14,780	$ 25,253
• 6X4 8CY Plow Truck	$ 25,000	$ 107,000	$ 211,148
• 4CY Wheel Loader	$ 57,200	$ 164,850	$ 235,152
• Motor Grader, 34K lb	$ 35,000	$ 132,000	$ 327,849
• Crawler Dozer, D8 Size	$ 95,000	$ 246,760	$ 429,180

- In 1992 the fleet size averaged 6,863 assets. The annual billing was $14,214,271
- In 2012 the fleet size averaged 8,100 assets. The annual billing was $56,547,470

- Dec 1989 Parts Issued: $211,000….. Dec 1999: $336,000….. Dec 2011: $510,877