

Activity at a Glance

- Provides state programs and political subdivisions with long-term rental vehicles and vehicle support services including fuel, insurance, and maintenance/repair
- Assists 19 state agencies and numerous political subdivisions with fleet management planning, implementation, and ongoing review
- Implement enterprise-wide, cost effective, fleet management practices
- Provides assistance in the disposal of nearly \$20 million annually in surplus property

Activity Description

The Fleet and Surplus Services Division (FSS) supplies vehicles to state agencies and political subdivisions for use in the conduct of official business. Support services including maintenance, fuel, and insurance are also provided. FSS assists in the disposal and reuse of state, federal, and political subdivision surplus property using methods that ensure the best value is returned to the state.

Population Served

Fleet Services provides vehicles to all branches of state government and to political subdivisions including cities, counties, and school districts. Surplus Services serves state agencies, political subdivisions, various nonprofit organizations, and the public.

Services Provided

The division provides a mix of direct service and compliance activities:

- operates a long-term rental program providing a wide variety of passenger vehicles and light trucks
- assists state agencies in meeting the state and federal requirements for alternative fuel vehicle acquisition
- assists agencies in decreasing dependence on petroleum fuels
- monitors and adjusts leases to help customers realize best value from fleet equipment
- manages the disposal of state surplus property
- provides assistance in the re-use of government surplus items
- provides storage and handling services for state agencies

Historical Perspective

Fleet Services was established in 1961 to help state agencies effectively meet transportation needs. The program has evolved over the years to address more efficiently the changing needs of state government. Vehicle life cycles are monitored closely and tailored to best meet the work requirements of customers.

The Federal Surplus Property (FSP) Program was created and operates under the Federal Property and Administrative Services Act of 1949, as amended. Authority was established by an act of the state legislature, first enacted as Minnesota Session Laws of 1957, Chapter 808. The FSP Program and State Surplus Property (SSP) Program were reorganized under one division in 1986 to maximize resources.

The Surplus Services unit merged with the Fleet Services unit in FY 2008 to become a single division within the Department of Administration (Admin). This co-location has provided opportunities to streamline operations and share support services.

Key Activity Goals & Measures

Admin Goal – To provide our customers with valuable services, products, advice, and expertise
(<http://www.admin.state.mn.us/admin.html>)

Goal 1) Fleet Services provides state agencies with a complete vehicle package including acquisition, insurance, maintenance/repair, fuel, and disposal. This allows customers to focus on their governmental missions.

Measure: Fleet Services reviews the use patterns and corresponding life cycles for state agency leased vehicles and adjusts leases to better align vehicle use with assigned life cycle.

Measure: Fleet Services facilitates the move away from petroleum dependency by increasing the use of alternative fuels. State fleet use of E85 fuel has increased by approximately 780 percent from calendar year 2005 to 2010.

Goal 2) Surplus Services provides information and recommendations for the optimal method of disposal to obtain the greatest return while addressing environmental objectives.

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Measure: The Auction Program and Surplus Exchange Program return revenue to participating state agencies and political subdivisions (cities, counties, school districts, and others) to aid customers in replenishing equipment budgets.

Measure: Minnbid online auction software provides a public forum for state agencies and political subdivisions to sell their surplus items from their locations, avoiding time delays and transportation costs associated with transporting items to alternative locations.

Admin Goal – To reduce costs by working across government

(<http://www.admin.state.mn.us/admin.html>)

Goal 1) The physical co-location of the new Fleet and Surplus Services Division enhances the efficient sale of used vehicles. Co-location allows vehicles to be offered for sale as soon as they are physically present at the combined site. Vehicle sales include online auctions and live auctions.

Measure: The average number of days that a vehicle is not in use/assigned to a customer is 30 days or less.

Goal 2) In the current economic climate, government organizations are turning more to Surplus Services for used equipment to meet their needs because purchasing new items may not be a viable option.

Measure: The Property Exchange Program provides a common forum for state agencies and political subdivisions to reuse surplus property.

Measure: The Surplus Store maintains an inventory of usable state and federal surplus property for redistribution to eligible organizations.

Activity Funding

Fleet Services operates as an internal service fund that primarily provides services to state agencies. Surplus Services operates as an enterprise fund that provides services to a variety of customers. No money is appropriated to FSS from the state's general fund. Vehicle lease rates are calculated on an individual vehicle basis and take into account acquisition cost, fuel economy, and life cycle. This rate structure offers customers flexibility in managing vehicle expenses. As of 7-01-10, Fleet Services had eight full-time employees.

General Fund Loans:

General fund loans are used to refinance master lease loans so that the repayment schedules work within cash flow parameters. New vehicles are purchased on a regular replacement schedule throughout the year. Cash flow issues arise due to the need to pay for the purchase of fleet vehicles when received, while reimbursement for the vehicle occurs over the life cycle of the vehicle. No general fund loans were used in FY 2010.

Operating Losses/Increases in Retained Earnings:

FY 2010 retained earnings increased due to lower than anticipated expenses. Retained earnings are used to improve cash flow and reduce the amount borrowed from the general fund.

History of Rate Changes:

Fiscal Year	2007	2008	2009	2010	2011
Change	3.5%	3.5%	0%	(3.0%)	(3.0%)

Impact of Rate Changes:

Assuming the same volume and mix of goods/services as in FY 2010, Fleet Services' customers will pay 3% less in FY 2011 than in FY 2010 because rates were reduced.

Contact

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**Fleet Services
Internal Service Fund
Fund Financial Statement**

(Dollars in thousands)

*** OPERATIONS DATA ***

	ACTUAL FY 2010	ESTIMATED FY 2011	PROJECTED FY 2012	PROJECTED FY 2013
OPERATING REVENUES:				
NET SALES	13,840	14,699	15,901	16,341
LESS: COST OF SALES				
GROSS PROFIT ON SALES	13,840	14,699	15,901	16,341
OTHER REVENUE				
NET REVENUES	13,840	14,699	15,901	16,341
LESS: OPERATING EXPENSES:				
SALARIES	645	656	767	787
SUPPLIES & EXPENSES	6,758	8,636	8,797	9,022
INDIRECT COSTS	331	435	435	435
AMORTIZATION & DEPRECIATION	4,898	5,458	5,488	5,518
TOTAL OPERATING EXPENSES	12,632	15,185	15,487	15,762
OPERATING INCOME (LOSS)	1,209	(486)	414	579
NON-OPERATING REVENUES (EXPENSES)	114	(210)	(50)	(50)
NET INCOME (LOSS)	1,322	(696)	364	529
BEGINNING RETAINED EARNINGS	8,330	9,618	8,922	9,286
PRIOR PERIOD ADJUSTMENT	(34)	0	0	0
ENDING RETAINED EARNINGS	9,618	8,922	9,286	9,815
RATE INCREASE/(DECREASE):	-3.00%	-3.00%	3.50%	3.50%
FTE	7.5	9.4	10.2	10.2

Expenditure Reconciliation to BBS

Operating Expenses	15,487	15,762
Less amortization & depreciation (non cash)	(5,488)	(5,518)
Plus interest expense and purchase of vehicles and capital assets	7,500	8,100
Total cash payments	17,499	18,344

BBS Amounts - Financing by
Fund

Travel Management	17,499	18,344
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Receipt Reconciliation to BBS

Net Revenues	15,901	16,341
Interest Income from Non operating revenue/expenses	300	300
Sale of used vehicles and miscellaneous revenue	1,300	1,300
	17,501	17,941

BBS Amounts - Revenue Collected

Travel Management	17,051	17,941
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Note: Non-operating revenue/expenses generally includes interest revenue, interest expenses, gains/losses on sale of capital assets.

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**Fleet Services
Internal Service Fund
Fund Financial Statement***** FINANCIAL DATA ***

	ACTUAL FY 2010	ESTIMATED FY 2011
ASSETS:		
CURRENT ASSETS:		
CASH	2,205	2,720
OTHER CURRENT ASSETS	1,705	2,147
TOTAL CURRENT ASSETS	3,910	4,866
NON-CURRENT ASSETS:		
	17,731	18,009
TOTAL ASSETS	21,641	22,876
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0	0
MASTER LEASE - CURRENT	2,295	3,117
OTHER CURRENT LIABILITIES	322	326
TOTAL CURRENT LIABILITIES	2,616	3,443
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0	0
MASTER LEASE - NON-CURRENT	8,809	9,903
OTHER NON-CURRENT LIABILITIES	96	106
TOTAL NON-CURRENT LIABILITIES	8,905	10,008
TOTAL LIABILITIES	11,521	13,452
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	502	502
RETAINED EARNINGS	9,618	8,922
TOTAL FUND EQUITY	10,120	9,424
TOTAL LIABILITIES & FUND EQUITY	21,641	22,876

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**Surplus Services
Internal Service Fund
Fund Financial Statement***** OPERATIONS DATA ***

	ACTUAL FY 2010	ESTIMATED FY 2011	PROJECTED FY 2012	PROJECTED FY 2013
OPERATING REVENUES:				
NET SALES	1,293	1,292	1,275	1,275
LESS: COST OF SALES	154	200	175	200
GROSS PROFIT ON SALES	1,139	1,092	1,100	1,075
OTHER REVENUE	0	0	0	0
NET REVENUES	1,139	1,092	1,100	1,075
LESS: OPERATING EXPENSES:				
SALARIES	489	477	532	544
SUPPLIES & EXPENSES	357	449	605	637
INDIRECT COSTS	75	76	78	80
AMORTIZATION & DEPRECIATION	95	90	70	70
TOTAL OPERATING EXPENSES	1,016	1,092	1,285	1,331
OPERATING INCOME (LOSS)	123	0	(185)	(256)
NON-OPERATING REVENUES (EXPENSES)	11	0	0	0
NET INCOME (LOSS)	134	0	(185)	(256)
BEGINNING RETAINED EARNINGS	1,258	1,407	1,408	1,223
PRIOR PERIOD ADJUSTMENT	16	0	0	0
ENDING RETAINED EARNINGS	1,407	1,408	1,223	968
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%
FTE	7.4	7.2	7.7	7.7
Expenditure Reconciliation to BBS				
Operating Expenses			1,285	1,331
Less amortization & depreciation (non cash)			(70)	(70)
Plus purchase of items for resale (cost of goods sold)			175	200
Total cash payments			1,390	1,461
BBS Amounts - Financing by Fund				
Materials Distribution - Surplus Property			1,390	1,461
Receipt Reconciliation to BBS				
Net Sales			1,275	1,275
BBS Amounts - Revenue Collected				
Materials Distribution - Surplus Property			1,275	1,275

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**Surplus Services
Internal Service Fund
Fund Financial Statement***** FINANCIAL DATA ***

	ACTUAL FY 2010	ESTIMATED FY 2011
ASSETS:		
CURRENT ASSETS:		
CASH	757.4	828.3
OTHER CURRENT ASSETS	87.1	85.7
TOTAL CURRENT ASSETS	844.5	914.0
NON-CURRENT ASSETS:	818.7	728.7
TOTAL ASSETS	1,663.2	1,642.7
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0	0
MASTER LEASE - CURRENT	0	0
OTHER CURRENT LIABILITIES	53	33
TOTAL CURRENT LIABILITIES	53	33
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0	0
MASTER LEASE - NON-CURRENT	0	0
OTHER NON-CURRENT LIABILITIES	80	80
TOTAL NON-CURRENT LIABILITIES	80	80
TOTAL LIABILITIES	134	113
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	122	122
RETAINED EARNINGS	1,407	1,408
TOTAL FUND EQUITY	1,529	1,530
TOTAL LIABILITIES & FUND EQUITY	1,663	1,643

ADMINISTRATION DEPT
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Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	2	0	0	0	0
Central Motor Pool	14,729	16,795	17,499	18,344	35,843
Materials Distribution	1,091	1,203	1,390	1,461	2,851
Total	15,822	17,998	18,889	19,805	38,694
<u>Expenditures by Category</u>					
Total Compensation	1,023	1,133	1,299	1,330	2,629
Other Operating Expenses	14,799	16,318	17,515	18,400	35,915
Capital Outlay & Real Property	0	50	75	75	150
Other Financial Transactions	0	497	0	0	0
Total	15,822	17,998	18,889	19,805	38,694
Full-Time Equivalents (FTE)	14.9	16.6	17.9	17.9	