



# North Dakota Department of Transportation

Francis G. Ziegler, P.E.  
*Director*

Jack Dalrymple  
*Governor*

March 27, 2012

Ms. Pam Sharp, Director  
Office of Management and Budget  
600 East Boulevard Avenue  
Bismarck, ND 58505

Dear Ms. Sharp:

Subject: State Fleet Services 2013-2015 Biennium Budget Guidelines

The State Fleet Services budget guidelines for the 2013-2015 biennium are attached and explained as follows:

1. The mileage/hourly rates consist of two components: Operating costs and depreciation.
  - a. Operating costs include parts, fuel, insurance, labor, shop overhead, and administration, divided by usage and charged back on a per-mile/hour basis.
  - b. Depreciation is the actual cost, less salvage value of the fleet, spread over the estimated useful life of the vehicle, divided by usage and charged back on a per-mile/hour basis.
2. The replacement rate is the difference between what is needed to purchase new vehicles, and the amount that is recovered through the depreciation portion of the rate. Because this rate is to fund replacement costs, it cannot be charged to federal programs. The replacement rate also funds additional vehicle needs. Agencies are to budget the total of the mileage/hour rate, and the replacement rate. The funding source for the replacement rate must be either general or special funds.

You will notice across-the-board increases because fuel costs, commercial repairs, and labor are anticipated to increase. In addition, after the 2011 legislative session increases in FTE's and state programs requiring additional travel forced us to increase the size of the fleet to meet those demands. This necessitates state fleet to collect additional replacement rate dollars to make up for the increased capital expenditures. State Fleet Services will continue to make every effort to contain the rising costs.

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The attached budget guidelines reflect our best estimate of potential costs for the next biennium. The projected fuel prices were calculated with a 15 percent per year rise from the prices as of February 15, 2012, of \$3.19 for gasoline and \$3.77 for diesel fuel. The repair parts costs were estimated to rise at a rate of 10 percent annually and all other expenses were calculated with an inflationary factor of 4 percent annually. It was also assumed that there would be no further growth to the fleet size. Therefore, keep in mind that many factors, including greater than expected fuel prices or growth to the fleet can increase the actual rental rates to exceed these projections. On the other hand, if actual expenses fall below projections and/or we are able to eliminate some vehicles from the fleet, the rental rates will reflect accordingly and remain below these projections. Additionally, State Fleet Services adjusts rates on a quarterly basis to reflect changes in fuel and other costs.

All agencies anticipating changes in need for monthly rentals due to an increased number of FTE's or programs needing assigned vehicles must identify in writing the number of units, and which rental group will be affected so State Fleet Services can plan accordingly.

Each agency/institution's mileage may be determined by referring to the monthly billing report located in the billing and usage system (BUS).

Should you have any questions, please contact Paul Hanson, CAFM, State Fleet Services Director at 701-328-2543.

Sincerely,

A handwritten signature in blue ink, appearing to read "Francis G. Ziegler".

Francis G. Ziegler, P.E.  
Director

30/ph  
Attachment  
c: Paul Hanson, State Fleet Director