Proprietary Rates

Proprietary Program Description

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. The various programs within the Montana Department of Transportation (MDT) such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet exclusively. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 123.00 FTE. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

Program Highlights

Equipment Program Major Budget Highlights
♦ The Equipment Program budget is reduced by 3.9% primarily due to: • Plans to purchase less equipment • Reduced fuel costs anticipated in the 2015 biennium • Present law adjustments include new equipment for the needs of the Maintenance Program

Proprietary Revenues and Expenses

Expenses

Significant costs for the program are for:

- Personal services for 123.00 FTE, $15.3 million or 27.6% of total costs
- Operating costs of $27.5 million, including:
  - Gasoline and diesel fuel, $16.2 million
  - Equipment repair and maintenance costs, $8.3 million
  - Insurance and bonds, $427,953
- Equipment costs of $13.6 million

In the 2015 biennium the Equipment Program budget includes:

- Personal services - projected to increase by $100,259, or 0.7%
- Operating costs – projected to decline by $2,342,487, or 5.5%
- Total expenses – projected to decline by $2,242,228 or 3.9%

Revenues

Revenue is generated through the vehicle/equipment rental fees, gains on the sale of surplus assets, and reimbursements from equipment accidents caused by an outside party. Vehicle rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The rental rates are set on a fee basis to recover revenue to meet the program's obligations. Rental rates are calculated each year and billed to the agency users biweekly.

Proprietary Rate Explanation

For the 2015 biennium the legislature approved allowing the Equipment Program the flexibility to charge various rates while operating at no more than a 60-day working capital balance. For the 2015 biennium, the proprietary rates will be reduced from the 2013 biennium. The primary reason for the reduction, which impacts the budgets of all programs but the Aeronautics Division, is lower fuel costs. The total reduction, a base reduction in the impacted programs, is $1.1 million for the 2015 biennium.