

Passenger Fleet Rates For 2006-07

Revenue Background

The 43-vehicle passenger fleet requires an estimated budget of \$410,060 to break-even. Historically, the program has lost money in part because rates had not been adjusted for a 6-year period (1999-2004). Last year we increased rates and still lost money.

Table A - Shortfalls	6/30 Shortfall	Annual Loss	Factors Contributing to Growing Shortfall	
			Gasoline Outlays	Initial Insurance Premiums
2003-04	(\$ 6,041)	\$ 6,041	\$ 61,448	\$13,604
2004-05	(\$ 24,445)	\$ 18,404	\$ 75,545	\$ 15,978
2005-06	(\$ 51,797)	\$ 27,352	\$ 83,672	\$ 28,311

Current Daily Rate vs. Previous Daily Rate Plus Mileage Charge

In past year's we used a rate which relied significantly on mileage to generate revenue. Two years ago we increased rates and notified the Deans of the changes via e-mail. This past March we again notified the Deans of two changes effective 1 July 2006, (a) we would be using a rate based solely on a daily charge, not unlike a car rental company and (b) we began charging a \$100 surcharge if a vehicle went out-of-state. The rationales for the changes were:

- During previous two legislative sessions there was interest from various legislators into the size and makeup of the fleets maintained by various state agencies. In order to better defend our program, an "apples-to-apples" business model with our local Enterprise car rental agency makes sense.
- Program required to be "cash-flow neutral"; rates must keep pace with increasing expenses (e.g., insurance increased \$40K in FY07)
- \$100 surcharge pays some of the burden (\$27K) on vehicles going out-of state; the remaining insurance increase (\$13K) shared amongst the entire fleet (\$1.62/trip).
- Daily rate better evens out overall cost; typical trip to Twin Cities would be less expensive than previous model.

Table B – Rate Models	Last Year's Daily Rate Plus Mileage	Current Model		Optional Rate Model for a Daily Rate Plus Mileage
		Daily Rate	Half Day Rate	
Sedans	\$11 + 26¢ per mile	\$ 33	\$ 20	\$ 26 Fixed Costs + 11¢ per mile
Mini-Vans	\$13 + 28¢ per mile	\$ 55	\$ 30	\$ 40 Fixed Costs + 17¢ per mile
12 Pass. Vans	\$16 + 30¢ per mile	\$ 73	\$ 45	\$ 74 Fixed Costs + 32¢ per mile
Over the Border Surcharge	Not In Place in 2005-06	\$100 Per Vehicle Per Trip (not per day)		\$100 Per Vehicle Per Trip (not per day)

Table C – Optional Daily Rate Plus Mileage – Gasoline Costs

Variable Costs - Gasoline	Est. Miles Driven	# of Vehicles	Average Per Vehicle		Average Per Vehicle % x Revenue Need ÷ Estimated Miles Driven	Mixed Rate Per Mile Charge	Enterprise Rent-a-Car	Current Daily Rate
Sedans	365,000	÷ 21	17,381	37%	X \$104,613 = \$38,707 ÷ 365,000 miles =	11¢	Added To \$37 Daily Rate	Included in Daily Rate
Mini-vans	155,000	÷ 13	11,923	25%	X \$104,613 = \$26,153 ÷ 155,000 miles =	17¢	Added To \$59 Daily Rate	Included in Daily Rate
12 Pass. Vans	125,000	÷ 7	17,857	38%	X \$104,613 = \$39,753 ÷ 125,000 miles =	32¢	Added To \$90 Daily Rate	Included in Daily Rate
					Needed for Gas \$104,613			

Table D – Optional Daily Rate Plus Mileage – Fixed Costs Recovery

Fixed Costs	Fixed Costs Share of \$383,221 Need	FY'06 Rental Receipt Mix	Vehicle Type Share of Fixed Costs Total	Revenue Days Factored in Formula to Establish Fixed Costs Daily Rate	Mixed Rate Day Charge + Mileage	Enterprise Rent-a-Car	Current Daily Rate	
Sedans	\$278,000	X 40%	= \$111,200	÷ 4,400 Revenue Days = \$26 Rounded	\$ 26 + 11¢	\$37	\$33	
Mini-vans	\$278,000	X 43%	= \$119,540	÷ 2,975 Revenue Days = \$40 Rounded	\$ 40 + 17¢	\$59	\$55	
12 Pass. Vans	\$278,000	X 17%	= \$ 47,260	÷ 638 Revenue Days = \$74 Rounded	\$ 74 + 32¢	\$90	\$73	
		100%	\$278,000					

Table E – Breakeven Point – Which Model to Choose?

At what mileage point does either model make better economic sense?		
	Current Model	Mixed Day/Mileage Chargeback Model
Sedans	65 Miles and Above	64 Miles and Below
Mini-Vans	89 Miles and Above	88 Miles and Below
12 Passenger Large Vans	1 Mile and Above	Never Makes Sense

Table F - Examples

Vehicle Type	Trip	Optional Daily Rate Plus Mileage	Current Daily Rate	Savings Using Current Daily Rate
Sedan	180 Miles Round Trip	$\$26 + \$19.80 = \$45.80$	\$33	\$12.80
Mini-Van	180 Miles Round Trip	$\$40 + \$30.60 = \$70.60$	\$55	\$15.60
12 Passenger Van	180 Miles Round Trip	$\$74 + \$57.60 = \$131.60$	\$73	\$58.60
Sedan	3 Days to Duluth – 465 miles	$\$78 + \$51.15 = \$129.15$	\$99	\$30.15
Sedan	3 Days to Eau Claire Wisconsin - 335	$\$120 + \$56.95 = \$176.95 + \100 cross border surcharge = $\$276.95$	$\$99 + \100 surcharge = $\$199.00$	\$77.95
12 Passenger Van	Field Trip to St. Peter 20 Miles	$\$74 + \$6.40 = \$80.40$	\$73	\$ 7.40
Sedan	Trip to St. Peter Hospital 20 Miles	$\$26 + \$2.20 = \$28.20$	\$33	(\$ 4.80)