

SEF OPERATING RATES FAQ'S...

What are they?

Operating rates developed by SEF are how the fleet charges its users for maintaining their vehicles and equipment. SEF does not receive funding from the general fund. It receives funding from the users of vehicles and equipment. The two main categories of funding received are Replacement and Operating. Replacement funds are paid by users monthly to fund the replacement of the equipment. Users pay replacement into the HEWCF as a savings account, which SEF uses to purchase new equipment. Operating funds come in two forms- Operating Rates and Billable Services. Billable Services charges are direct cost charges for maintaining certain types of equipment; whatever any one repair costs, it is charged directly to the user. Operating rates are similar to an extended maintenance agreement. Users pay SEF a monthly operating rate to cover the maintenance and repair of equipment. SEF uses Operating revenue to fund its operation of repair facilities.

How are operating rates calculated?

SEF Operating rates are based on the costs associated with maintaining each piece of equipment. Rates are calculated a year in advance, using the latest maintenance costs. The Equipment Management System (EMS) compiles costs from work orders entered into the system for each vehicle. When EMS is computing an operating rate for a piece of equipment, it compiles costs from the preceding 36 months and computes an average cost per month. Costs come from work orders for standard maintenance and repair; capitalization, decommissioning, and accident repair costs are excluded from the computation. An overhead factor is added to the average, to account for inflation and overhead costs not recorded on work orders. A piece of equipment that does not have 12 months of maintenance history is given a rate that is the average of all the vehicles in its class.

What factors can affect operating rates?

On a statewide scale, increasing costs to maintain the fleet will cause all operating rates to rise. The cost of parts, personnel, and services are all added to the amount that operating rates are targeted to collect. So increases in personnel costs, due to wage increases, drive up operating rates. The increasing cost of fuel, transportation, steel, and parts to repair equipment all work to drive up operating rates. The Fleet works hard to control spending and work efficiently, but every dollar spent to maintain equipment must be passed on as a cost to the user. The statutory requirement for SEF is to operate and maintain the fleet without a profit. So, all costs to the fleet are passed on through operating rates.

Why is my Operating Rate so different than last year?

Beginning with the calculation of FY2009 Operating Rates, SEF is now providing rates based on each individual piece of equipment. This means that equipment that has been expensive to maintain for SEF will be expensive for the user. Equipment that SEF did not spend as much money on to maintain will have lower operating rates. In the past the rate for any one piece of equipment was based on the average costs of all of the equipment in that class; in other words, all graders (of similar size) paid the same rate, an average of the maintenance costs of all the graders. Users can now identify equipment that is costly to maintain and make decisions on how that equipment could be better used, cared for, and maintained. This could involve changing the way equipment is used, changing its location, or providing operator training to reduce the amount of damage and repairs needed to keep it running properly.

Why can't I just pay as I go? Fix my car and send me a bill?

Certain classes of equipment are on the 'pay as you go' or 'billable' system for their maintenance costs. This is a small portion of the fleet. Operating rates provide a few measures of security and certainty. Users know what each piece of equipment is going to cost to maintain for the year, barring any accidents or abnormal damage. This allows them to budget for their equipment costs with confidence that the costs will not vary, if their fleet does not vary. For SEF it provides a steady revenue stream which is used to fund the operation of the maintenance facilities. The Fleet would not be able to operate without knowing it will be receiving funds generated from operating rates.

Why can't we have our equipment maintained by someone else besides SEF?

SEF is mandated by Alaska Statute to maintain the States fleet of equipment in a safe, efficient manner. SEF provides facilities, personnel, and supplies to meet this mandate, and support all fleet users. We are diligent in the pursuit of the best and most economical maintenance practices for a very diverse fleet of equipment, from small sedans and pickups to snow blowers and airport fire trucks. As the cost of personnel, tools, facilities, and supplies rise, operating rates rise. But SEF is still charged with keeping the fleet safe and running. To accomplish this, without funding from the general fund, we must collect operating rates in order to do so.