CITY OF STOUGHTON
VEHICLE AND EQUIPMENT REPLACEMENT AND DEPRECIATION

Purpose:
To establish a fiscally responsible Vehicle and Equipment Replacement policy to insure that the full service life of each City vehicle or item of equipment is achieved and that uniform guidelines are implemented among all departments. The purpose of this policy is to establish a funding mechanism to provide reserves for the systematic replacement of capital equipment, and reduce long term debt and borrowing, by committing the funds to reserve, and by setting guidelines for the use of the reserve fund.

Reserve Fund Commitment:
The Equipment Replacement Reserve Fund is not available for expenditure for any other purpose than is laid out in this polity. By resolution of the Council and adoption of this policy, the Equipment Replacement Reserve will be classified as "Committed Fund Balance" in the City's Financial Statements.

The City shall commit $250,000 of its Annual Tax Levy and increase the Levy and additional $50,000 per year for years 2013 to 2017, to the Vehicle and Equipment Replacement Reserve Fund. Future additional revenue will be considered by the Council to stabilize this fund.

GASB 54 Fund balance Definition:
Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the highest-level action (3/4 vote of the Council) to remove or change the constraint.

Objective:
Setting aside equipment and vehicle reserves from current funds promotes prudent financial management by:

- Increasing awareness of the ongoing need for equipment replacement
- Segregating dollars reserved for future vehicle and equipment purchases.
- Reduce long term debt from borrowing for equipment needs.
- Preventing inadvertent use of equipment reserves for non-equipment expenditures
- Encouraging departments to do more long-term planning and decrease the cyclical tendencies inherent when budgeting and funding for the equipment only in the year of the intended purchase

The Vehicle and Equipment Replacement Plan (ERP) is a twenty-year forecast and a five-year plan of equipment needs within the City. It is intended to inform the Council and citizens of the major equipment needs on the horizon. The first year of the plan becomes an adopted equipment budget and relates to the operating budget of the equipment replacement fund, which is approved on an annual basis. The remaining nineteen years represent an estimate of equipment needs and funding capabilities of the City.

Funding requirements vary from year to year. Equipment needs are evaluated each year and the schedule modified to account for changes in the condition of the equipment. Some

items may need replacement sooner than expected due to high maintenance costs and other items lives may be extended thus delaying their replacement. The City's Fleet Maintenance Manager will evaluate each piece of equipment each year and update the maintenance records and condition of the equipment so as to maximize the life of each piece of equipment.

Funding Goals:

- Maintain Minimum Cash Surpluses - avoid excessive "cash reserve" surpluses being accumulated to be spent in future years.
- Maintain Level Income Sources - provide for even annual contributions and income sources to be more readily budgeted.
- Base Income Sources on the Twenty-Year Expenditures

Annual Review and Appropriation:
The CIP committee will review scheduled Vehicle and Equipment replacement recommendations and Fund Balance annually, starting in the month of June, and adjust the schedule as is necessary. The CIP committee will recommend approval of projects to be funded in compliance with the Vehicle and Equipment Replacement Fund policy annually during the budget process.

Replacement Policy:
The City Fleet Maintenance Manager is responsible for recommending replacement based on scoring methods with the input from Department Heads as to replacement due to technology changes or changes in the standards.

Replacement criteria for City-owned vehicles/Equipment will depend primarily on a point system, which is based upon:

1. Age
2. Miles/Hour Usage
3. Type of Service
4. Reliability
5. Maintenance and Repair Costs
6. Condition
7. Regulations

Point Range Chart Note: The City may decide to retain a vehicle beyond the stated criteria after evaluation of anticipated usage, repairs and operating costs, or sell before stated criteria.

Each City Vehicle has been placed in a category, as listed below, so a replacement standard can be followed:

Category "A-1"
This category consists of the Police Department's Patrol Car Program, which is used primarily in dealing with the public. Because these cars are assigned for daily patrol officer duties, the targeted cycle is 3 years or 80,000 miles. This group uses a fleet of six vehicles that are rotated to keep mileages low and to spread mileage across the vehicle group.

Category "A-2"

This category consists of the Police Department's Administrative and Detective vehicles, which are used primarily in dealing with the public. Because these vehicles are normally assigned to perform different types of activity such as administrative support, investigative follow, and surveillance work they may be pooled, rotated and replaced at the discretion of the operating department. The target replacement period for this group is eight years or 100,000 miles. The department will formulate the replacement based on indicated factors. The department may also, from time to time, decide to retain or replace a vehicle outside this service consideration based on anticipated or need of a "clean" vehicle for needs of surveillance. This determination shall not compromise any vehicle operating requirements.

Category "B"

This category consists of all other cars and pickups, which use does not significantly affect the public image of the City of Stoughton. These vehicles should not be replaced earlier than 100,000 miles, 10,000 operating hours, or provided the maintenance cost is considerably higher than vehicles of the same type. Pickup trucks are cycled down to Parks Department after 10 years.

Category "C"

This category consists of one ton dump trucks that are used to serve the public on a day-to-day basis. These vehicles should not be replaced earlier than 75,000 miles, 8,000 operating hours, or provided the maintenance cost is considerably higher than vehicles of the same type. One ton dump trucks are cycled down to Parks Department after 10 years.

Category "D"

This category consists of all patrol trucks with a GVRW above 26,000 lbs. that are used to serve the public on a day-to-day basis. Replacement of this category may be made after 60,000 miles, 5,000 operating hours, or provided the maintenance cost is considerably higher than vehicles of the same type.

Category "E"

This category consists of Street Sweepers, Leaf Vacuums, and Bucket Truck that are used to serve the public on a day-to-day basis. Replacement of this category may be made after 5,000 operating hours, or provided the maintenance cost is considerably higher than vehicles of the same type.

Category "F"

This category consists of heavy off-road equipment (loaders, backhoes, graders) that is used to serve the public on an "as needed" basis. Replacement of this category may be made after 3,500 operating hours, or provided the maintenance cost is considerably higher than vehicles of the same type.

Category "G"

This category consists of other small off-road equipment (tractors, mowers, bobcat, stump grinder, and other small riding equipment or attachments) that are used to serve the public on an "as needed" basis. Replacement of this category may be made after 2,500 operating hours, or provided the maintenance cost is considerably higher than vehicles of the same type.

Category "H"

This category consists of First Line and Reserve Automotive Fire Apparatus, Engines. Apparatus that is greater than 15 years old will be replaced by apparatus that meets the most

up to date NFPA standards. The Apparatus that is greater than 15 years old, that has been properly maintained and that is still in serviceable condition may be place in reserve status. Apparatus that were not manufacture to the applicable NFPA Standards or that are over 25 years old may be taken out of service.

Category "I"
This category consists of First Line Automotive Fire Apparatus consisting of Ladders, Tenders and Squads. Ladder and tender apparatus that is greater than 20 years of age may be replaced. Squad apparatus that is 15 years old may be replaced by apparatus that meets the applicable NFPA Standards. Generally the apparatus in this category are not moved to reserve status.

Category "J" - Specialized Fire Department Equipment
This category consists of specialized, generally non vehicle fire department equipment. This equipment is used at different types of emergency incidents as well as for training of first responders.

Category "K" - Park Equipment
This category consists of park equipment consisting of playground structures, fence lines and backstops, dugouts, scoreboards, court surfaces etc. Replacement schedules are based on manufacturer's recommendations but should be open to change based on the actual condition and need.

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ATTACHMENT "A"

Guide for Early Replacement of City-Owned Vehicles

The consideration of early replacement of a vehicle often arises when major expenditures are necessary to restore it to a safe operating condition (e.g., major component failure or incident damage). The economic effect of such repairs cannot be avoided because the cost to the City is normally about the same whether the vehicle is sold in un-repaired condition or restored to repaired condition.

However, replacement prior to the normal criteria for vehicles will result in an acceleration of all future replacement cost cycles required to satisfy a continuing vehicle need. This acceleration of cost cycles causes a sizable increase in total present value cost of all future cycles and should be avoided whenever possible. Major vehicle repairs should always be made, with two exceptions:

1. Major expenditures for repair should not be made when the cost of the repair plus the vehicle salvage in un-repaired condition exceeds its wholesale value in repaired condition.
2. Major deferrable expenditures should not be made when a vehicle is in the final year of its retention cycle. During this period the penalty for early replacement is small and, therefore, the vehicle should be replaced rather than repaired.

ATTACHMENT "B"

Depreciation Formula

Current acquisition price of each vehicle divided by the utilization cycle (mileage, hours or total maintenance cost) will provide the yearly depreciation allowance.

EXAMPLE A
Engine Hours: $300,000.00 truck divided by the target replacement cycle of 6,000 engine hours will give a depreciation cost of $50.00 per engine hour.

Taking the $50.00 times the number of engine hours (560) the vehicle was operated the previous year will give you the yearly depreciation amount of $28,000.00.

EXAMPLE B
Mileage: $24,000.00 police vehicle divided by the target replacement cycle of 80,000 miles will give you a depreciation cost of $.30 per mile.

$0.30 times the number of miles (20,000) the vehicle was driven the previous year will give you the yearly depreciation amount of $6,000.00.

EXAMPLE C
Maintenance Cost: depreciate the original purchase price by 15% per year, for power hand tools, trailers, etc.

Replace item only when the maintenance cost reaches the original purchase price.

ATTACHMENT "C"

Point Ranges for Replacement Consideration

Point Scale	Condition	Description
20 points and under	I. Excellent	Do not replace
21 to 28 points	II. Good	Re-evaluate for the following years budget
29 to **35** points	III. Fair	Qualifies for replacement if budget allows or M/R cost exceed 60 % of replacement cost
Above **36** points	IV. Poor	Needs priority replacement

ATTACHMENT "D"

Point Ranges Detail for Sedans, SUV's, Trucks (1 Ton and Less)
(Used for Categories A-1, A-2, B, C)

Factor	Points	Description
Age Hours/Usage Type of Service	1	Each Year of Chronological Age
	1	Each **8**,000 miles or 250 hours of usage
	1	Standard Sedans, SUV's, pickups
	2	Standard vehicles with occasional off-road use
	3	Any vehicle that pulls trailers, hauls heavy loads and has continued off-road usage
	4	Any vehicle involved in snow removal
	5	Police units
Reliability PM Work Not Included	1	In shop one time within three month time period, no major breakdowns or road calls
	2	In shop one time within three month time period, 1 breakdown/road call within same period
	3	In shop more than once within 3 month time period, 1 breakdown/road call in same time period
	4	In shop more than twice within one month time period, 1 or more breakdown/road call in same time period
	5	In shop more than twice monthly, two or more breakdowns within one month time period
M & R Costs Incident Repair Not Included	1	Maintenance costs are less than or equal to 20% of replacement cost
	2	Maintenance costs are 21-40% of replacement cost
	3	Maintenance costs are 41-60% of replacement cost
	4	Maintenance costs are 61-80% of replacement cost
	5	Maintenance costs are greater than or equal to 81% of replacement costs
Condition	1	No visual damage or rust, good drive train
	2	Minor imperfections in body and paint surface, (no rips, tears, burns), good drive train
	3	Noticeable imperfections in body and paint surface, minor rust, minor damage for add-on equipment, worn interior (one or more rips, tears, burns) and weak or noisy drive train
	4	Previous accident damage, poor paint and body condition, rust (holes), bad interior (rips, tears, cracked dash) major damage for add-one equipment and on drive train component bad
		cracked dash) major damage for add-on equipment and on drive train component bad
	5	Previous accident damage, poor paint and body condition, rust (holes), bad interior (rips, tears, cracked dash) major damage for add-on equipment and on drive train component bad
Point Ranges	Condition	Description
0-**20**	Excellent	Do not replace
21-28	Good	Re-evaluate for replacement for next year's budget
29-**35**	**Fair**	Qualifies for replacement this year or if M/R cost exceed 60% of cost
36+	Poor	Needs priority replacement

ATTACHMENT "E"

Point Ranges Detail for Heavy Equipment and Vehicles
(Used for Categories D, E, F)

Factor	Points	Description
Age Hours/Usage Type of Service	1	Each Year of Chronological Age
	1	Each **8,**000 miles or 250 hours of usage
	1	Standards duties as equipped
	2	Standards duties when used with attachments
	3	Multiple duties on seasons
	4	Extreme duties in harmful atmosphere(dust, salt, water, waste solids)
	5	Heavy construction work including snow removal
Reliability PM Work Not Included	1	In shop one time within three month time period, no major breakdowns or road calls
	2	In shop one time within three month time period, 1 breakdown/road call within 3 month period
	3	In shop more than once within 3 month time period, 1 breakdown /road call in same time period
	4	In shop more than twice within one month time period, 1 or more breakdown/road call in same time period
	5	In shop more than twice monthly, two or more breakdowns within one month time period
M & R Costs Incident Repair Not Included	1	Maintenance costs are less than or equal to 20% of replacement cost
	2	Maintenance costs are 21-40% of replacement cost
	3	Maintenance costs are 41-60% of replacement cost
	4	Maintenance costs are 61-80% of replacement cost
	5	Maintenance costs are greater than or equal to 81% of replacement costs
Condition	1	Good condition, fully functional
	2	Fair body, functional
	3	Minor body damage, weak operating system
	4	Severe damage, components not functional
	5	Extreme damage, inoperable
Point Ranges	**Condition**	**Description**
0-**20**	Excellent	Do not replace
21-28	Good	Re-evaluate for replacement for next year's budget
29-**35**	**Fair**	Qualifies for replacement this year if budget allows or if M/R cost exceed 60% of cost
36+	Poor	Needs priority replacement

ATTACHMENT "F"

Point Ranges Detail for Specialty Equipment and Vehicles

Category G

Factor	Points	Description
Age Hours/Usage	1	Each Year of Chronological Age
	1	Each 200 hours of operation
	2	Standard Duties
	3	Standard Duties Reserve Status

Reliability PM work Not Included	1	In Shop one time within three month time period, no major breakdowns or road calls
	2	In Shop one time within three month time period, 1 breakdown/ road call within three
	3	In monthn shop period more than once within three month time period, one breakdown/road call within
	4	In same shop tie mor period than twice within one month time period, one or more breakdown/road call
	5	In witi nsho psame more time than period twice monthly, two or more breakdownss within one month time period

M & R Costs Incident Repair Not Ildd	1	Maintenance Costs are less than or equal to 20% of replacement cost
	2	Maintenance Costs are 21-40% of replacement cost
	3	Maintenance Costs are 41-60% of replacement cost
	4	Maintenance Costs are 61-80% of replacement cost
	5	Maintenance Costs are greater than or equal to 81% of replacement cost

Condition	0	Good Condition
	2	Fair body, functional
	3	Minor Body Damage, week operating system
	4	Severe damage, compoants not functional
	5	Extreme damage, inoperable

Safety	0	Meets Current NFPA Standards
	4	Generaly meets current NFPA Standards
	8	Does Not meet current NFPA Standards

Point Range	Condition	Description
0-23	Excellent	Do not Replace
24-28	Very Good	Re-evaluate for next year's budget
29-33	Good	Qualifies for replacement this year if M?R cost exceed 60% of cost to replace
34-38	Fair	Qualifies fir replacement this year if budget allows
39+	Poor	Needs priority replacement

ATTACHMENT "G"

Point Ranges Automotive Fire Apparatus
(Used for Categories H, I)

Replcement Guidelines

Factor	Points	Description
Age	1	Each Year of Chronological Age
	10	Equipment is outside the manufactureres Recommended Life

	0	Equipment performs as required
Equipment does not always		
	1 0	perform as required Equipment

Reliability	2	
Technology	0	Equipment technlogically performs as required
	5	Equipment has been technlogically outdated by advancements
	10	Equipment does not meet technological requirements of the department

Condition	0	Good Condition
	2	Fair condition
	5	Poor condition
	20	Inoperable condition

Safety	0	Meets current NFPA and other regulatory standards
	2	Generally meets current NFPA and other regulatory standards
	10	Does Not meet current NFPA and other regulatory standards
	20	Equipment Not Safe to Operate - Remove From Service

Point Range	Condition	Replacement Recommendation
0 -9	Good	Do not Replace
10 - 14	Fair	Watch condition - Evaluate replacement schedule
15 - 19	Poor	Evaluate for replacement ASAP
20 +	A Non bl	Needs priority replacement - Remove From Service

ATTACHMENT "H"

Point Ranges Parks Equipment

	Points	Description
Condition	0	Good condition, fully functional
	2	Fair, functional
	4	Minor damage
	6	Severe damage
	8	Unusable
Reliability PM Work Factor Not Included	0	Requires maintenance less than one time within three month time period,
	1	Requires maintenance one time within three month time period,
	2	Requires maintenance more than once within 3 month time period,
	3	Requires maintenance more than twice within one month time period,
	4	Requires maintenance more than twice monthly.
Safety	0	Meets Current CVMIC Standards
	2	Acceptable by Current CVMIC Standards
	10	Does NOT meet Current CVMIC Standards
Point Ranges	**Condition**	**Description**
0	Excellent	Do not replace
1-5	Very Good	Do not replace
6-7	Good	Do not replace
8-9	Fair	Evaluate for future replacement
10+	Poor	Needs priority replacement or elimination