



ADMINISTRATIVE PROCEDURES

SECTION: 800 – Vehicles and Equipment	PROCEDURE #: 801 - B
TITLE: Vehicle and Equipment Use – Financial Procedures to Acquire and Replace County Vehicles and Equipment	IMPLEMENTS POLICY #: 801
SPONSORING DEPARTMENT/DIV: Support Services/Fleet Services	
EFFECTIVE DATE: 6/04/2019	REVIEWED:

OBJECTIVE: To establish the procedures used to acquire and replace County vehicles and equipment.

PROCEDURES:

1. Purpose of Procedures.

- 1.1. Describe the management of the Fleet Replacement Fund, including replacement rates, replacement values, vehicle life cycles, classifications, and other applicable criteria.
- 1.2. Describe the practices used to acquire, replace, and dispose of County vehicles and equipment.
- 1.3. Describe the practices used to provide funds for the cyclical replacement of County vehicles, and to provide funds for related facility and equipment capital expenses used to maintain and operate County vehicles.
- 1.4. To ensure only safe and the most economical vehicles are selected for procurement to ensure judicious use of public funds.

2. Fleet Replacement Fund.

- 2.1. The Fleet Replacement Fund is an internal service fund used to maintain an adequate fund balance to provide for the ongoing, cyclical replacement of County vehicles.
- 2.2. Fleet Services maintains ownership and management of all vehicles that participate in the fund.
- 2.3. Fleet Replacement Fund revenues are derived from charges that are assessed to participating vehicles and from budgetary transfers from departments or offices acquiring vehicle additions or upgrades and through sales of surplus vehicles and from monthly interest income.
- 2.4. Fleet Replacement Fund balance.
 - 2.4.1. The balance will be managed at the fund, department, class, and vehicle level.

- 2.4.2. Fleet Services, with guidance and oversight by Finance and the County Administrative Office, will determine minimum and maximum reserve levels in order to maintain sufficient replacement funds at all times.
- 2.4.3. Balance and financial status will be reviewed and reported by Finance.
- 2.5. Fleet Replacement Fund Financial Review.
 - 2.5.1. A financial review shall occur at least every three years or more frequently if deemed necessary by the Fleet Manager and Finance. The financial review shall be administered by Fleet Services with assistance from Finance.
 - 2.5.2. At a minimum, the review will provide an analysis of the adequacy of the reserve balance, historical revenues, expenditures and reserve levels at the department/office, and vehicle class levels; and a five year or longer cash flow projection of revenues, expenditures, and cash balances relative to planned expenditures based on current vehicle life cycles.
 - 2.5.3. The review will provide observations and recommendations to address any issues raised by the financial review.
 - 2.5.4. If the projected ratio of cash balances versus planned expenditures is 1.0 or below, consideration may be given to either increase revenue or reduce expenditures.
- 2.6. Transfer of Funds.
 - 2.6.1. There shall be no ability to transfer fleet replacement funds between funding sources except by direction and approval of the Fleet Manager or the County Administrative Office. In such instances, any fund transfers shall be done in compliance with State statutes and County Budget Policies and Procedures.
- 2.7. Surplus Funds.
 - 2.7.1. The goal and intent is to maintain an adequate fund balance. It is not intended to retain a fund balance that exceeds projected requirements.
- 2.8. Fleet Replacement Fund Administration Cost Recovery.
 - 2.8.1. Administrative fees will be assessed monthly to each active vehicle in the fleet. A minimum base fee will be assessed for each active vehicle. Vehicles requiring more active management by Fleet Services will be assessed a higher administrative fee.
 - 2.8.2. Administrative fees are intended to fund the costs associated with Fleet Services administrative staff and apportioned operating expenses.
 - 2.8.3. Administrative fees are reviewed and adjusted annually.
- 3. Capital Replacement Rates.
 - 3.1. A capital replacement rate setting procedure will be used to establish annual replacement rates intended to collect sufficient funds to provide for the cyclical replacement of participating vehicles. These procedures will be documented and available for review upon request.
 - 3.2. Capital replacement expense generated by the rate setting procedure will be billed and collected monthly and pro-rated for the expected life of the vehicle.

- 3.3. The rates will be individually applied to each participating vehicle and will be monitored regularly by Fleet Services.
- 3.4. A database will be maintained to monitor and report life-to-date capital replacement collections for each participating vehicle.
4. Replacement Values.
 - 4.1. Replacement values will be determined based on original acquisition cost, plus inflation, plus upfit expenses minus estimated surplus proceeds.
 - 4.2. Fleet Services will prepare annual capital replacement rate recommendations for budgetary purposes, those recommendations will be shared as part of the annual budget process.
5. Salvage Values.
 - 5.1. Estimated salvage values are established for vehicles based on average auction results, dealer trade quotations, and estimates provided by a variety of publications and internet sources.
 - 5.2. Actual salvage value is based on actual sale proceeds, less auction or disposal fees.
 - 5.3. Where practical, Fleet Services will use actual salvage values for rate calculations and projections.
6. Vehicle Disposal Methods.
 - 6.1. The standard method for disposal of surplus vehicles will be public auction.
 - 6.2. For some specialized vehicles, it may be in the County's best interest to trade the vehicle in to the dealer who provides a replacement vehicle. Fleet Services will request bidders to provide an optional trade-in quotation for various vehicles as part of the bid process and will determine whether the vehicle will be traded-in to the dealer or sold at public auction.
 - 6.3. For some specialized vehicles, it may be in the County's best interest to allow the dealer who provides a replacement vehicle to offer a guaranteed buy-back amount during the bid process.
 - 6.4. For disposal of severely damaged or totaled vehicles, salvage bids will be solicited and will be awarded to the highest bidder.
 - 6.5. Fleet Services and Risk Management will jointly coordinate the disposition and handling of these vehicles, Fleet Services will be responsible for the final disposition.
7. Cessation of Replacement Collections.
 - 7.1. A participating department or office may choose to request that replacement funding for specific vehicles cease; this request should only be for vehicles not being replaced.
 - 7.2. Any vehicle requesting cessation of replacement collections must be approved by the Fleet Manager.
 - 7.3. If approved, replacement funds are reimbursed back to the participating department or office.
8. Vehicle Budget Process.

- 8.1. An annual vehicle replacement plan will be developed by Fleet Services and distributed as part of the annual budget process.
 - 8.2. Vehicle replacements will be planned and submitted as part of the annual Fleet Services capital budget request and will be subject to the review and approval of the County Administrative Office, Budget Committee and Board of Commissioners.
 - 8.3. All vehicles scheduled for replacement that receive budgetary approval will be included in the annual capital expenditure budget request.
9. Vehicle Replacement Funding.
- 9.1. For standard vehicle replacements, the Fleet Replacement Fund will provide all necessary replacement funds.
 - 9.2. Due to significant or unanticipated cost increases or due to insufficient monthly collections, there may be insufficient funds held in reserve to fully fund a vehicle's entire replacement cost.
 - 9.3. In instances where there are insufficient funds held in reserve, a review of the projected shortfall will occur between Fleet Services and the using department or office.
 - 9.4. The using department or office may be required to provide the additional funds needed to replace the vehicle.
 - 9.5. Unscheduled Vehicle Replacements.
 - 9.5.1. Unscheduled budget replacements will occur from time to time, primarily due to either higher than anticipated usage, higher than anticipated repair expenses, or when vehicles are declared a total loss.
 - 9.5.2. As part of the annual budget process, Fleet Services shall plan for sufficient capacity to acquire a reasonable quantity of unscheduled replacements and additions.
 - 9.5.3. The using department or office may also have unbudgeted obligations to partially fund the replacement as described in Section 9.3.
 - 9.5.4. Any unscheduled replacement vehicles not budgeted for replacement in the current fiscal year will be reviewed by Fleet Services, the Fleet Manager will determine final disposition of the replacement.
10. Vehicle Replacement Criteria.
- 10.1. The intent of the Fleet Replacement Fund is to provide for "like for like" replacement of participating County vehicles.
 - 10.2. "Like-for-like" vehicle replacements are functionally and substantially equivalent to the vehicle being replaced. This will include standard specifications and options that are most similar to the vehicle being replaced and that are intended to perform similar functions (e.g. $\frac{3}{4}$ ton pickups, midsize sedans, 2-wheel drive SUV's, etc.)
 - 10.3. Fleet Services will develop and maintain vehicle life cycle standards that generally meet each department or office's operating requirements.
 - 10.4. Fleet Services will periodically review and amend the life cycle standards in order to maximize the useful life of County vehicles.

- 10.5. Life cycle standards will be uniformly applied to vehicles who share common purpose and usage practices and to vehicles that are assigned to similar replacement classes.
- 10.6. Life cycle standards will be documented in writing and will be incorporated into the rate setting process.
- 10.7. On a case by case basis, Fleet Services will determine that it is in the County's best economic interest to either lengthen a vehicle life cycle beyond its scheduled replacement, or to shorten a vehicle life cycle earlier than its scheduled replacement.
- 10.8. Fleet Services will contact the using department or office and report the extension. If they disagree with the decision, then the County Administrative Office will provide final disposition.

10.9. Component or Chassis Replacement.

- 10.9.1. Some vehicles and equipment utilize auxiliary components or implements, including but not limited to aerial lifts, utility or dump bodies, pickup bed tonneau covers, snow plows, tractor buckets, and brush cutter attachments.
- 10.9.2. In some cases, the auxiliary components may need replacing but the chassis may not; in other instances, the chassis may need replacing but the auxiliary components may not.
- 10.9.3. In some cases, overhauling or rebuilding the auxiliary components may extend the useful service life of the component.
- 10.9.4. Fleet Services will analyze the potential benefit of such overhauling or rebuilding and advise the using department if the proposed action is anticipated to be of economic benefit.
- 10.9.5. Fleet Services may re-use or transfer auxiliary equipment if deemed necessary and cost effective.

11. Vehicle Additions and Upgrades.

- 11.1. A vehicle upgrade is defined as a change that requires additional functions or options, or requires a different size, model or type, that requires a higher acquisition cost than the vehicle being replaced.
- 11.2. A vehicle addition is defined as any vehicle purchase that is not replacing an existing vehicle and increases the fleet size.
- 11.3. Funding for vehicle additions and upgrades will be provided by the requesting department or office.

12. Justification and Approval.

- 12.1.1. The requesting department or office is responsible for preparing a Vehicle Justification Request and a Vehicle and Equipment Request Form (VERF) and submitting to Fleet Services.
- 12.1.2. These will be reviewed by Fleet Services and an estimate will be provided for the base cost and annual estimated operations and maintenance costs.
- 12.1.3. If approved by Fleet Services, they will be sent to the requesting department's director or their designee for their approval and returned to Fleet Services.

12.1.4. Fleet services will collect all documentation and send them to the County Administrative Office for final disposition.

12.1.5. Once approved or denied, the requests will then be routed back to the requesting department or office and Fleet Services.

13. Vehicle Downgrades.

13.1. In some instances, using departments or offices will request a vehicle downgrade due to changing operating requirements or other internal considerations (e.g. going from a pickup to a sedan or from a SUV to a compact pickup).

13.2. Departments or offices who request downgrades will provide sufficient documentation to Fleet Services on a Vehicle Justification Form and VERF. All downgrade requests are subject to the approval of the Fleet Manager.

13.3. Any additional funds held in reserve in excess of the downgraded vehicle's actual replacement cost may be retained by Fleet Services for the specific purpose of replacing other vehicles operated by the using department.

14. Vehicle Leasing.

14.1. In certain circumstances, vehicle leasing may be a cost-effective tool to acquire vehicles for the County fleet.

14.2. Vehicle lease agreements are binding contracts and typically contain terms including lease duration, final payoff amounts, early cancellation penalties, excess mileage fees, maintenance or body damage requirements and penalties, and end of lease term balloon payments.

14.3. Fleet Services must be consulted prior to any establishment of a vehicle lease.

14.4. All funding for vehicle leasing will be provided by the requesting department or office.

14.5. The requesting department or office will be responsible for any and all legal and financial vehicle lease agreement terms, conditions, payments or penalties.

14.6. Vehicle lease agreements must comply with County purchasing rules and regulations.

15. Vehicle Usage Standards.

15.1. Vehicle usage varies by department or office and operational needs.

15.2. It is understood that usage alone is not the sole economic justification for retention or disposal of vehicles.

15.3. Fleet Services will consider vehicle utilization as a factor when considering annual vehicle replacements and proposed vehicle additions and/or upgrades.

16. Long Term Use of Motor Pool or Loaner Vehicles.

16.1. Motor Pool vehicles and Loaner vehicles are provided in support of overall County transportation requirements and are provided as a cost-effective short-term alternative to providing employee private mileage reimbursements and/or short-term rental vehicles.

16.2. Fleet Services will monitor and review the frequency and duration of Motor Pool and Loaner vehicle usage.

- 16.3. If it is determined that a single department or office is providing the majority of usage for a Motor Pool or Loaner vehicle, then it may be determined that the user department or office is enjoying the regular use of a County vehicle without contributing to the Fleet Replacement Fund.
- 16.4. In these instances, the using department or office may be required submit a Vehicle Justification Form and VERF for a vehicle addition.
17. Internal Sales or Transfers.
 - 17.1. When it is necessary to transfer a vehicle from one department or office to another, Fleet Services will determine an estimated value for internal sale/transfer purposes.
 - 17.2. Funding for vehicle transfers that create a vehicle addition will be provided by the acquiring department or office.
 - 17.3. For budgeted internal sales or transfers, the requesting department or office will submit the request in accordance with existing County budget processes.
 - 17.4. The processes described above in Section 11. Additions and Upgrades will also be required for internal sales and transfers if the involved vehicle is an addition for the acquiring department.
18. Fleet Management Information System (FMIS).
 - 18.1. Fleet Services will utilize a FMIS to provide for the active management of County vehicles and associated equipment.
 - 18.2. The FMIS will be used to maintain primary vehicle accounting records, including acquisition cost, upfit cost, life cycle standards, year/make/model information, fleet status, user department data, user department billing account codes, operating expense data and all other relevant vehicle expense data.
 - 18.3. Information that is generated by the FMIS will be made available to participating departments or offices as requested.
 - 18.4. The FMIS and subsequent updates and revisions, will be acquired with funds provided by the Fleet Replacement Fund.
19. Shop equipment such as lifts, refrigerant machines, brake lathes, bulk lubrication systems, shop upgrades or additions and other associated equipment is used to maintain the entire County fleet, as such, any such purchases exceeding \$5,000 may be acquired with funds provided by the Fleet Replacement Fund or as directed by the Fleet Manager.