

City of Angels

## **300.16 Capital Equipment & Vehicle Replacement Policy**

### **1. Purpose**

The purpose of this policy is to ensure the timely and financially sustainable replacement of vehicles and capital equipment by establishing a structured funding mechanism that smooths costs over the useful life of assets and avoids significant one-time budget impacts.

### **2. Scope**

This policy applies to all City departments, including:

- Administration
- Fire
- Police
- Public Works
- Water/Wastewater

#### **Assets included:**

- Construction and maintenance equipment
- Consumables
- Emergency apparatus
- Excluded unless specifically approved:
- Facilities (covered under separate CIP plan)
- Generators and large mechanical units
- Major administrative vehicles
- Small tools under capitalization threshold
- Utility system equipment
- Vehicles (light, medium, heavy duty)

### **3. Replacement Fund Established**

The City shall maintain a Capital Equipment & Vehicle Replacement Fund to accumulate resources for future asset replacement.

Funds:

- Shall be restricted for replacement purposes only
- May not be used for operating expenditures
- May accumulate interest earnings

### **4. Funding Methodology**

Each department shall contribute annually based on:

$$\text{(Replacement Cost – Estimated Salvage Value)} \div \text{Remaining Useful Life}$$

Note: Replacement costs shall be reviewed annually and adjusted for inflation (recommended 3–5%).

### **5. Replacement Cycles**

Standard replacement cycles are adopted (see schedule below) and may be adjusted based on usage, condition, or operational need.

## **6. Annual Budget Process**

Finance will prepare a 10-year replacement forecast.

- Departments will review and confirm projected needs.
- Annual contributions will be included in departmental operating budgets as a line item:
  - “Capital Replacement Contribution”

## **7. Authorization of Purchases**

All replacements must:

- Be included in the approved budget or CIP
- Follow procurement policy
- Include disposition plan for replaced asset

## **8. Reporting**

Finance shall provide an annual report including:

- Beginning and ending fund balance
- Contributions by department
- Purchases made
- 10-year forecast
- Funding shortfall (if any)