

EQUIPMENT REPLACEMENT FUND PROGRAM

The purpose of the City's Equipment Replacement Fund (ERF) Program is to establish policy and procedures to ensure that adequate funds will be available to purchase replacement vehicles and equipment, and to fund the ERF related to the purchases, thereby stabilizing the budgeting for future year replacements. Also, to provide for such replacements and purchases, and administer the disposition of the replaced vehicles and equipment.

SECTION 1: POLICY

A. Policy Overview

1. All fleet vehicles and equipment will be owned by the ERF and assigned to the user departments.
2. All user departments will be charged a monthly replacement fee for each item allocated for their use from the ERF. Such a fee will provide funds to purchase future replacement vehicles and equipment.
3. All items replaced will be surrendered simultaneously with the acquisition of the replacement. A determination will be made prior to the acquisition regarding the disposition of the item being replaced.
4. Proceeds for replaced items sold as surplus property will be credited to the ERF.
5. The ERF is for the purchase and replacement of vehicles and equipment. New items, additions and/or upgrades may be requested by departments during the budget process. If approved, items will be added to the ERF after acquisition, and the monthly replacement fee for units will be assessed accordingly.

SECTION 2: ORGANIZATIONAL RESPONSIBILITIES

Throughout the process, it is critical that City staff works together to ensure that requirements are met, and that the City of Burleson achieves the identified goal that created the need for this funding mechanism.

A. City Departments

Departments operating vehicles and equipment are responsible for:

1. contributing monthly to the ERF according to this policy;
2. requesting replacement units during the annual budget process; and
3. appointing members to the internal vehicle and equipment review committee.

The internal review committee for vehicles and equipment is comprised of a Purchasing Division staff, Fleet Division staff, the Finance Director, and one representative from each user department with a vehicle/equipment unit in the ERF Fund. The user department representatives are appointed by their respective department heads.

Committee duties include:

- a. reviewing the Vehicle and Equipment Procurement Request Forms submitted annually for both scheduled and unscheduled replacements, identifying the items warranting replacement per this policy, and prioritizing these items for budgetary consideration;
- b. making recommendations regarding departmental requests to purchase used vehicles or equipment from the ERF; and
- c. recommending revisions to the replacement criteria.

B. City Council Finance Committee

The City Council Finance Committee is responsible for reviewing staff recommendations on behalf of the City Council. The purpose and scope of the committee is defined below. The Council Finance Committee is comprised of Councilmembers appointed by the City Council.

Committee duties include:

- a. periodically reviewing and making recommendations to the City's ERF as it relates to the acquisition, replacement and upgrading of the City's vehicles and equipment for recommendation in the budget development process.

C. Purchasing Division

The Purchasing Division is responsible for maintaining the ERF Policy, maintaining updated replacement schedules for vehicles and equipment, and for overseeing the activities of the ERF Committee for vehicles and equipment. The Purchasing Division also coordinates with user departments to facilitate individual replacements.

D. Finance Director

The Finance Director is responsible for managing the ERF, setting the annual budget for vehicle equipment replacements, and reviewing and proposing modifications and/or replacement lists based on budgetary constraints.

E. City Manager

The City Manager is responsible for reviewing and deciding departmental requests to purchase retired items from the ERF, approving proposed replacement units to be recommended to the Council Finance Committee and overseeing the activities of the ERF committee.

F. City Council

The City Council reviews and approves the list of proposed replacements, and the amount of annual contributions to the ERF during the budget development process each year.

SECTION 3: REPLACEMENT REQUEST PROCESS

Departments will complete a Vehicle and Equipment Procurement Request Form to initiate the replacement process. Requests must be submitted annually during the budget process. If the requested unit is not scheduled for replacement, the user department will provide additional justification and support for the request. The internal vehicle and equipment review committee will meet to review all requested replacements.

SECTION 4: REPLACEMENT CRITERIA

The Vehicle/Equipment Replacement Criteria (Exhibit A) identifies the estimated life expectancy of the City's vehicles and equipment. Age and mileage or hours are the primary criteria for replacement. The criterion is only intended as a guide for the replacement decision; items meeting or exceeding the criteria are not automatically approved for replacement. Meeting the criteria makes a unit eligible for replacement, but still subject to additional scrutiny, considering items such as physical condition, resale value, etc. Also, items that do not meet the criteria may still be eligible for early replacement for reasons like excessive maintenance costs, or a total loss declaration by the City's insurer.

SECTION 5: REPLACEMENT FUNDING

The ERF is an internal service fund used to account for the replacement of City's vehicles and equipment. Contributions are made to the ERF based on a replacement schedule for each item. Departments using vehicles and equipment will contribute funds from their operational budget into the ERF; these contributions are then used to replace the items which mitigate the impact on the operating budget. The amount of the annual contribution for each item is determined as follows:

CONTRIBUTION = ITEM REPLACEMENT PRICE / EXPECTED USEFUL LIFE

Example: Chevrolet Tahoe purchased for Police Department: \$60,000*
 Expected useful life: 5 years
 Contribution = $(\$60,000/5) = \$12,000/\text{year}$

*Acquisition price is inclusive of all after-market installations required to place the unit into operation. The replacement costs are updated on a regular basis and the contributions are adjusted accordingly.

The annual contribution amount is divided by twelve (12) for monthly transfers from the department's budget to the ERF via journal entry. Proposed ERF transactions are reviewed and approved as part of the City's annual operating budget process.

1. Proceeds from sold vehicles will be credited to the ERF, as will income earned from investment of ERF balances and all claims paid on ERF items.
2. The funding level goal of the ERF is to reach and maintain 65% to 75%.
3. Vehicles and equipment with a replacement cost greater than \$300,000 will be funded by the issuance of certificates of obligation, and the debt service payment will not exceed the unit's useful life.

4. If a department's item reaches its expected useful life but continues in service, the department will not be required to make additional contributions for that unit.
5. In the event that City Manager approval is received to purchase a retired or replaced item from the ERF, the purchase price shall be ten percent (10%) of the original cost of the item or estimated sale price (whichever is greater). This amount is intended to compensate for the loss of sale proceeds that would otherwise be deposited in the ERF. The retained item will be removed from the ERF and will not be funded for future replacement.
6. In the event that a user department has not contributed enough over the life of an item to cover the cost of its replacement, the difference in funding may be derived from:
 - a. savings on other items being replaced according to this policy in the same department; and/or
 - b. funds available from total ERF balance of contributions made by the department, with the difference to be accounted for during the annual review; and/or
 - c. funds available in the department's operating budget, which shall be transferred to the ERF to fund the entire replacement cost.

This section applies to replacement items that are different in nature and more costly than the items to be replaced. It does not apply to increased costs resulting from inflation.

7. Replacement contributions will be discontinued for units sold or retired before the expiration of their useful life.
8. The acquisition price for ERF items will be reviewed on an annual basis during the budget development process and adjusted accordingly to reflect current market prices. This may result in an adjustment to the annual contributions in order to accommodate future replacement costs.

The City of Burlison Equipment Replacement Fund (ERF) Program was revised and adopted the day of , 2025.

Tommy Ludwig, City Manager