



## **AGENDA MEMORANDUM**

**CONTACT:** CLIF CUSTER

**SUBJECT:** PROPOSED EQUIPMENT REPLACEMENT SCHEDULE DISCUSSION

### **SUMMARY:**

Due to a recent lengthy and expensive request for new and replacement equipment for Public Works, Council requested a proposed equipment replacement plan. The information presented will provide Council with an overview, initial cost, future cost, and depreciation schedules for Public Works' equipment and vehicle inventory.

### **BACKGROUND INFORMATION:**

For decades the City of Richwood provided little to no means of consistent funding for vehicle and equipment replacement. Roughly three years ago Council approved funding for equipment and vehicle replacement in the annual amount of \$20,000 for vehicles and \$4,000 for equipment. This funding source primarily serves Public Works, Admin, and Fire Department. PD has a separate form of funding set up for equipment and equipment replacement in the form of the Crime Control and Prevention District which is funded via a portion of sales tax revenue.

At the time Council approved the funding of a Vehicle and Equipment Replacement line item, several pieces of Public Works' mission critical equipment and vehicles were becoming aged and some not viable to sustain due to redundant and continued high maintenance and repair costs.

Without consistent and sufficient funding of equipment and vehicle replacement, Department Heads are forced to operate equipment and vehicles to the point of failure or nonviable sustaining of that equipment or vehicles. Situations such as the recent coincidental failure or nonviability of sustaining certain pieces of Public Works' equipment, as well as the need for new equipment, put Richwood into a fiscally challenging position to fill that request.

### **ISSUE:**

Public Works as well as all other departments must sustain a minimum equipment and vehicle fleet to achieve success and efficiency within their daily operational duties. Means to replace such equipment and vehicles are generally limited to city funding or bank loans. Local cooperatives for equipment sharing have not become viable options.

Options to relieve some financial stress for Richwood and other cities with regards specifically to vehicle replacement are available. These options generally take form in a vehicle turnover program managed by a third party. These programs are designed to put a vehicle on the used market for sale at the peak of its resale value. Revenue generated from the sale is shared with the third party in the form of a handling fee. Over time, revenue generated from the resale of vehicles will become substantial enough to minimize a city's funding of vehicle replacement.

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Discussion.