

<b>POLICY NO:</b>	AD 020
<b>POLICY TITLE:</b>	VEHICLE REPLACEMENT POLICY
<b>DEPARTMENT:</b>	ALL, INCLUDING GAS UTILITY
<b>APPROVAL DATE:</b>	43-06-11 (June 28, 2011)
<b>REVISION DATE:</b>	
<b>REVIEW DATE:</b>	

**Policy Statement:**

The purchase of vehicles by the County of Vermilion River creates a contingent liability for the replacement of those vehicles at the end of their useful life and this liability grows with the age of the vehicles.

In order to recognize this liability, the County shall, in a planned manner, annually transfer to the capital vehicle replacement reserve those funds necessary to build up reserves that when replacement is justified and approved by Council, funds will be available for their purchase.

All revenues from the sale of all vehicles shall be deposited to the capital vehicle replacement reserve to be used for vehicle replacement.

Procedures for the proper and orderly replacement of existing vehicles are detailed in the Capital Vehicle Replacement Plan, which is approved by Council.

**Purpose:**

The purpose of this plan is to provide for a process to be followed by all departments within the County of Vermilion River to allow for the replacement of vehicles on a regularly scheduled annual basis, and the procurement of new vehicles as approved by Council.

Further, this plan will reduce or eliminate potential tax rate swings, leasing options with high finance charges, and large fluctuations in annual budgets by providing funding for the proper and orderly replacement of vehicles through the use of annual planned transfers to a vehicle replacement reserve.

**Related Information:**

Capital Vehicle Replacement Plan

**Policy:**

This document contains information on light and medium vehicles purchased and maintained by the County of Vermilion River.

The purpose of this document is to provide administration and Council with the information necessary to plan for the proper and orderly replacement of existing vehicles through the use of annual transfers to vehicle replacement reserves.

The purchase of additional vehicles will be addressed in the Service Levels of each department and budgeted for in accordance with yearly budget procedures, with any adjustments to reserve contributions, if required.

It is recognized that it is economically expedient to replace and/or discard vehicles before extensive breakdowns and downtime result, and also to replace old or worn out vehicles before it becomes financially unsound for the continued use due to extensive repairs. It is also recognized that a liability is created upon the purchase of vehicles for the future replacement of those vehicles.

**Procedures for Vehicle Replacement:**

1. The original purchase cost and expected useful life, as outlined in section 2, shall be used as the basis in determining the annual reserve transfer. The information will be set up on each unit for which a replacement reserve is required at the time of purchase on the fixed asset. Actual transfers shall be based on budgeted amounts.
2. Vehicles will be inventoried and classified into one of the following categories, which will identify the estimated useful life.

<b>Category</b>	<b>Code</b>	<b>Estimated Useful Life</b>
Light Trucks (defined as ½ ton, ¾ ton, 1500-2500 series)	LT	Replace at 200,000 – 225,000 kilometers
Medium Trucks (defined as 1 ton, 3500 1 ton – 5500 2 tons series)	MT	Replace at 225,000 kilometers

3. If feasible, vehicles may be transferred to another department, where lesser usage is required until the useful life span is reached. In some circumstances, as determined by the County Administrator and Department Manager, a unit may be used longer than the above established limits if it is practical and economical to do so.
4. Vehicle reserve funds are accounted for as Departmental funds, which shall be invested and the income earned reinvested and added to the reserve fund. Any surplus vehicle reserve funds from disposal revenue or other sources shall be added to the vehicle reserve fund.
5. Department Managers, in conjunction with the County Administrator, will annually review the vehicles due for replacement. Once a decision is made as to which vehicles will be disposed of and/or replaced these vehicles will be communicated to the County Administrator who will then list them on the Capital Vehicle Plan, which will be submitted with the budget.
6. At a budget meeting County Council will review the Capital program budget information. The cost of purchase of the vehicles to be replaced shall be included in the capital budget.

Any disposal proceeds projected shall be used to offset the cost of replacement. Reserve funds shall be used to the extent available, considering long term replacement required. The reserve fund represents depreciated value and inflation for future purchases.

7. If an approved vehicle scheduled for replacement is not purchased in the current budget year, any municipal tax dollars raised for the vehicle in the capital budget will be established as a reserve for future expenditures and added to a future year's capital budget.
8. At the discretion of the Department Manager, in conjunction with the County Administrator, a vehicle which is anticipated to exceed a reasonable level of repairs and maintenance costs can be considered for replacement prior to the scheduled replacement plan, and upon approval from Council of a revised Capital Plan.

**Long Range Capital Plan:**

1. Finance, in conjunction with Department Managers, will formulate and update a 10-year capital plan to include future anticipated vehicle replacement requirements. This plan will be updated annually in conjunction with the annual budget procedures.
2. The long-range plan will include identification of units to be replaced, the estimated year of replacement, original cost, estimated inflation factor, and anticipated reserve fund transfers. Any shortfall shall be funded from operations (tax revenue).
3. No acquisitions shall be made until approved by Council as part of a Capital Budget.

**Approved Units For Reserve For Departments**

The following units are currently approved for each department. Requests to purchase additional units (not replacement) shall be as approved by Council in a Capital Plan.

<b><u>Department</u></b>	<b><u>No. Units</u></b>	<b><u>Unit Type</u></b>
Agriculture	3	Light Truck
Fire Services	1	Light Truck
Pest Control	1	Light Truck
Public Works	11	Light Truck
Public Works	8	Medium Truck
Water & Sewer	2	Light Truck
Gas Utility	17	Light Truck
Gas Utility	5	Medium Truck