Pend Oreille County, Washington

Resolution No. 2016-28

EQUIPMENT RENTAL AND REVOLVING FUND
Vehicle and Equipment
Policy & Procedures

WHEREAS, R.C.W. 36.33A directs every County to establish, by resolution, an "equipment rental and revolving fund", but does not provide specific policies for administering this fund;

WHEREAS, the Board of County Commissioners has created the 502 - Equipment Rental and Revolving Fund;

WHEREAS, the mission of the Equipment Rental and Revolving Fund (ER&R) is to provide safe, cost effective, reliable transportation and equipment that meets the County's needs;

WHEREAS, to establish cost containment procedures that reflect proper fiscal management of these resources and ensure proper equipment maintenance and replacement;

WHEREAS, to identify procedures for establishing rates and replacement of equipment and services provided within this fund;

NOW, THEREFORE

IT IS HEREBY RESOLVED by the Board of County Commissioners of Pend Oreille County, Washington that the following policy and procedures are adopted for the Equipment Rental and Revolving Fund:

EQUIPMENT RENTAL AND REVOLVING FUND
Vehicle and Equipment
Policy & Procedures

1. APPLICABILITY

This policy applies to all Pend Oreille County offices and departments and to County Officials (elected officials and department heads), and their employees, that utilize ER&R resources and services.

2. DEFINITIONS

Board – Board of County Commissioners

Book Value – The lifetime sum of the depreciation payments and replacement payments received for a vehicle. The book value is also corrected by subtracting any unpaid carryover or rebuild costs.

Capital Replacement – ER&R collects a fee to support the capital replacement of vehicles and equipment on a "pay as you go" basis. The intent is to maintain a fund balance sufficient to replace ER&R vehicles at the end of their useful life.

Carryover Cost — The salvage value of the old vehicle is always carried over to the new vehicle as a credit. The carryover cost also includes either a cost overrun payment due or a cost under run credit

Cost overrun – the amount the purchase cost for a new vehicle exceeds the book value of the replaced vehicle.

Cost under run – the amount the book value of the replaced vehicle exceeds the purchase cost of a new vehicle.

Depreciation – The decrease in the vehicle value over the service life of the vehicle.

Fuel Charge Stabilization Account – an accounting process to spread capital costs related to the fuel system over several years to avoid large annual changes in the fuel service charge.

Purchase Cost – The full purchase cost of the vehicle including tax and license costs and excluding any trade in or surplus value of the replaced vehicle.

Rebuild cost – The cost of completely rebuilding or refurbishing a vehicle undertaken with the intention of extending the useful life of the vehicle, or a vehicle repair whose cost is significantly larger than routine maintenance or repair, normally limited to drive line components.

Rebuild Life – the expected useful life of rebuilding a vehicle.

Replacement – The anticipated increase in purchase cost for inflation and changes in vehicle equipment.
Replacement Index – The index used to anticipate the future purchase cost increases due to

inflation and changes in equipment specifications. The annual replacement charge is the original purchase cost multiplied by the replacement index.

Reserve Life – Period in time after the service life is completed and the date the vehicle is actually scheduled for replacement.

Salvage - The trade-in value or resell price of a vehicle when replaced. The Board will determine the market value of a vehicle to use as salvage if the vehicle is transferred to another department.

Service Life – The expected life of the vehicle while in normal service. Normally a vehicle will not be replaced until after service life has been exceeded.

3. VEHICLE AND EQUIPMENT PURCHASE AND REPLACEMENT

3.1 Annual review with user departments

The Fleet Manager will meet with each department head at least annually to review the user's vehicle use and needs and how those needs impact how the replacement program for the department's vehicles. The Fleet Manager will adjust the replacement index during the life of the vehicle with the goal of matching the book value of the replaced vehicle to the purchase cost of the new vehicle. The Fleet Manager may also stop the monthly depreciation charge if the current book value exceeds the anticipated replacement cost of the vehicle. The Fleet Manager may also adjust the service life and programmed replacement year with the approval of the department head.

3.2 Vehicle or equipment purchase requests

New vehicle or equipment purchase requests will be made by the County official to the Fleet Manager. The Fleet Manager may also initiate a vehicle or equipment replacement request if a vehicle or equipment has a high maintenance history or requires repairs that are not cost effective after considering the remaining service life of the vehicle or equipment.

3.3 New (additional) and replacement vehicle or equipment

The Fleet Manager will meet with the requesting department and review the department's needs and available vehicle or equipment types, options and estimated costs. The Fleet Manager will determine the most appropriate vehicle/equipment specification that meet the needs of the requesting department.

The requesting official must approve the vehicle or equipment specifications and estimated costs before the vehicle or equipment is purchased.

The entire purchase cost including taxes and license for new (additional) vehicles shall be required from the requesting department at time of purchase.

Used vehicles and equipment may be added to ER&R. The Fleet manager will establish a replacement index and service life such that the book value of used vehicle will be adequate to purchase a replacement vehicle at the end of the useful life of the used vehicle.

3.4 Replacement

The Fleet Manager will annually prepare a six year capital replacement program for review and approval by the Board. The replacement program will be used by the Fleet Manager as guidance for scheduling vehicle replacement.

The Fleet Manager will make the initial decision as to whether a piece of equipment qualifies for replacement.

The Fleet Manager will meet with the requesting department and review the department's needs and available vehicle or equipment types, options and estimated costs. The Fleet Manager will determine the most appropriate vehicle or equipment that meets the needs of the requesting department. In an effort to keep rental rates cost-effective, the Fleet Manager shall place an emphasis on purchase price, fuel efficiency, and appropriate class size, make, and models when purchasing vehicles and equipment.

The replacement vehicle does not have to be the same type of vehicle as the original vehicle.

3.5 Vehicle/Equipment and Accessories

The Fleet Manager shall determine the vehicle or equipment specifications to be provided and what accessories are supplied with the vehicle or equipment. All costs including taxes shall be included in determining the purchase cost of the vehicle or equipment.

The requesting official must approve the vehicle or equipment specifications and estimated costs before the proposed vehicle or equipment is purchased.

3.6 Cost Overruns

A cost overrun less than 10% of the new purchase cost plus the salvage value will be considered reasonable and be included in the carryover to the new vehicle. A cost overrun that exceeds the above limit will be considered excessive and payment in the amount that reduces the cost overrun to the maximum reasonable overrun will be due at time of replacement.

3.7 Cost Under runs

A cost under run less than 10% of the new purchase cost will be considered reasonable and be included in the carryover to the new vehicle. A cost under run that exceeds the above limit will be considered excessive and a credit in the amount that reduces the cost under run to the maximum reasonable under run will be issued at time of replacement.

3.8 Outstanding carryover and rebuild costs

Any outstanding carryover and/or rebuild costs for a vehicle will be due at the time the vehicle is replaced, withdrawn or transferred.

3.9 Withdrawal or Turn back of Vehicles

A department may request to withdrawal a vehicle from ER&R, transfer the vehicle to another department or turn back the vehicle to ER&R by submitting a written request to the Fleet

Manager. The withdrawal, transfer or turn back must be approved by the Board as a legislative action.

The Board may continue the assignment of the vehicle to the original department, may reassign the vehicle to another department, either in or out of ER&R, or may declare the vehicle surplus. The proceeds received from the sale of ER&R equipment, which is no longer of any value to or needed by the County, shall be placed into the ER&R fund.

The requesting department may be due a refund from the ER&R fund balance for previous depreciation and replacement payments. The refund will be adjusted by the ratio of the beginning year capital replacement account to the beginning year total book value for the fleet.
Any outstanding carryover and/or rebuild costs will be due at the time of withdrawal/transfer.

3.10 Transfer of vehicles between departments

Vehicle transfers between County departments shall be a legislative decision of the Board.

The procedures to be used for the originating department, if within ER&R, are as follows:

1. The normal vehicle replacement procedure will be followed if the vehicle is being replaced in the original department. The Board will determine the fair market value of the vehicle and that amount shall be transferred from the receiving department, or other funding source outside ER&R, to ER&R at the time of transfer

2. The vehicle withdrawal procedure will be followed if the vehicle is not being replaced in the original department. The originating department will receive a refund from ER&R as provided for in the withdrawal procedure. The fair market value is not used at any point in the transfer.

3. Any unpaid carryover or rebuild costs are due at time of transfer. The originating department shall be responsible for any unpaid carryover or rebuild cost due.

The procedure for the receiving a vehicle into the ER&R fleet is the same as for any new (additional) vehicle. The Board will determine the fair market value of the vehicle to be used as the purchase cost.

4. VEHICLE AND EQUIPMENT RATES

Vehicle and equipment rates are required to be annually set by the County Engineer and reviewed by the Board. Rates shall reflect 100 percent of annual expense, including depreciation and replacement, fuel, repairs and service, materials and parts, insurance, indirect costs and overhead.

ER&R provides full services including repair and replacement to several County user departments and limited services including fuel to other County departments. ER&R also provides fuel services and may provide other services to other government agencies.
All departments and agencies are directly charged for all services that can be attributed to that department or agency.

Jointly-incurred costs are distributed between the County users such that no fund is benefitting.

The base for distributing joint costs between ER&R user departments is the number of vehicles in the ER&R fleet.

The base for distributing joint costs to non-user County departments is the incurred costs in dollars.

The portion of jointly-incurred costs associated with providing fuel cannot be determined. The Board will determine the fuel service charge to be applied to all fuel users.

The overhead charges and fuel service charges to outside government agencies using ER&R services will include an additional allowance for undistributed County administrative costs and risks as determined by the Board. The intent is to recover a fair share of the County's injured costs that are not being recovered otherwise.

4.1 Annual Rate Setting Procedure

The Fleet Manager and County Engineer will prepare an annual report. The annual report includes but is not limited to the following elements:

A. Status of vehicle and equipment fleet
    1. Vehicles and equipment currently in the fleet
    2. Vehicles and equipment added to the fleet
    3. Vehicles and equipment removed from the fleet
B. Six Year Capital Replacement Program
C. Beginning year fund balance
    i. Total fleet book value
    ii. Capital replacement account
    iii. Crushed gravel account
    iv. Rebuild account
    v. Fuel Stabilization account
D. Analysis of adequacy of fund balance to assure continuity of fund operation

The Annual Report is the basis of establishing the ER&R rates for the next fiscal year.

The County Engineer will set rates in accordance with these policies for the Board review and approval. All rates shall be included in an ER&R rate resolution.

The Board will determine whether the ER&R fund balance is adequate to assure continuity of the Fund. The rates must be adjusted to refund an excess in the fund or recovery a deficit in the fund. The determination of adequacy, the amount and means of any refund/recovery is a discretionary decision of the Board.

4.2 ER&R Fleet Vehicles and Equipment Rates

Rates for fleet vehicles and equipment shall consist of the following components:

1) Service and Repairs
    a) Labor – charged at wage plus fringe rate

b) Materials – charged at invoice cost
c) Outside service and parts – charged at invoice cost

2) Fuel
   a) Charged at latest delivered cost (set each week)
   b) Fuel Service Charge
      i) Fuel service charge per gallon
         (1) The total fuel service expenditures divided by the total gallons of fuel delivered in the base year
      ii) Capital recovery per gallon
         (1) A Fuel Charge Stabilization Account shall be included within the ER&R cash balance to smooth the impacts of capital improvements related to the fuel system over several years to avoid large annual changes in the fuel service charge. Every year the excess amount collected in fuel service charges over the actual fuel overhead expenditures shall be added to the Fuel Charge Stabilization Account and the all capital expenditures related to the fuel system shall be subtracted.
         (2) The Board shall determine the target capital recovery amount for the next year based on the status of the Capital Stabilization Account and planned capital expenditures. The goal of the target capital recovery amount is to provide necessary funds for needed capital improvements while avoiding large changes in the fuel service charges each year.

3) Capital Replacement
   a) Depreciation
      i) Total purchase cost of the vehicle divided by the service life in months
      ii) Will be set to zero when the vehicle has been fully depreciated or the Fleet Manager determines the book value of the vehicle is sufficient to replace the vehicle
   b) Replacement
      The standard replacement index is 2% of total purchase cost per year, but may be set to another rate determined by the Fleet Manager. The goal is for the book value to be the same as the expected purchase cost of the new vehicle at time of replacement. The index will be set to zero if the Fleet Manager determines the book value of the vehicle is sufficient to replace the vehicle.
   c) Carryover
   d) The carryover value determined during the vehicle replacement divided by the service life in months. A positive carryover is a payment due and a negative carryover is a credit.
   e) Rebuild
      (a) The cost of rebuilding the vehicle to extend service life divided by the rebuild life in months

4) ER&R Overhead
   a) The monthly rate for each vehicle is determined by dividing adjusted overhead cost for the prior year by the number of vehicles in the fleet divided by 12 months
   b) Adjustments to overhead costs
      i) Actual fuel service and other overhead charges collected in the prior year shall be subtracted from the overhead charges.

ii) The Board will review the difference between the overhead collected in prior year and the actual overhead cost for that year. The Board may waive adjusting the overhead costs by the difference if the difference is di minimus. The Board may also determine to apply all or a portion of the difference to be applied to the rate year. Caution is advised in making corrections that may cause larger corrections in the future.

iii) The Ending Fund Balance shall be tested each year to determine that it is adequate to assure continuity of operations into the future and is not excessive.

(1) No corrective action is needed if the test determines that the Ending Fund Balance adequate, but not excessive to needs of the fund.

(2) The Board will determine the Fund Balance Adjustment to be included with the overhead charge if the test determines that the fund balance is inadequate or excessive. The Board may choose to apply the corrective adjustments over multiple years.

4.3 County Vehicles Other Than ER&R Fleet Rates

Rates for fleet vehicles and equipment shall consist of the following components:

A. Service and Repairs
   1. Labor – charged at wage plus fringe rate
   2. Materials – charged at invoice cost
   3. Outside service and parts – charged at invoice cost
   5. Overhead – rate determined by dividing the total overhead expenditures adjusted for the fuel service charges divided by the total expenditures

B. Fuel
   1. Charged at latest delivered cost (set each week)
   2. The fuel service charge set in Section 4.2.2.b

4.4 Outside Agency Rates

Rates for outside agency's vehicles and equipment shall consist of the following:

A. Service and Repairs
   1. Labor – charged at wage plus fringe rate - Subject to collective bargaining agreement
   2. Materials – charged at invoice cost
   3. Outside service and parts – charged at invoice cost
   4. County overhead – overhead rate for determined in 4.3.A.5
   5. Indirect cost allocation determined by the County Auditor applied to the total cost including County overhead

B. Fuel
   1. Charged at latest delivered cost (set each week)
   2. The fuel service charge set in Section 4.2.2.b
   3. Indirect cost allocation determined by the County Auditor applied only to the fuel service charge set in Section 4.2.2.b

4.5 Monthly billing

ER&R will invoice user departments monthly. ER&R will promptly bill for services and will provide supporting information for each item invoiced.

User departments should promptly bring discrepancies to the attention of the Fleet Manager. The Fleet Manager will investigate and may make adjustments as warranted. Unresolved disputes may be appealed following the appeal process in Section 5.10 Appeal of Fleet Manager Decision. Monthly invoices overdue by more than three months will be forwarded to the Board, County Auditor and County Treasurer for resolution.

4.6 Short-Term Rental Vehicles

The ER&R Manager may provide short-term rental vehicles for those departments that don't have need for permanently assigned vehicles, subject to availability of such vehicles. ER&R will use published rates from the IRS or FEMA for short-term rentals.

5. POLICIES

5.1 ER&R Responsibility

ER&R responsibilities include but are not limited to the following:

A. Service and repair each ER&R vehicle in a professional manner throughout its life
B. Perform annual safety and condition inspection of all vehicles and equipment
C. Establish service intervals with the user department
D. Determine the most cost effective manner of repairing
E. Arrange to outsource repairs if that is the most cost effective or resources are not available in a timely manner. ER&R will consult with the user department before outsourcing repairs, if internal resources are not available in timely manner
F. Review unusual repairs and cost estimate(s) with the user department
G. Annual review with each department the capital replacement program as to how it effects that department
H. ER&R will not provide loaner vehicles or equipment during repair

5.2 User Responsibility

The user department responsibilities include but are not limited to following:

A. Track vehicle service intervals and schedule all service or repair with the Fleet Manager
B. The user department and the equipment or vehicle user shall be responsible to deliver vehicle or equipment to the Newport shop, unless directed otherwise by the Fleet Manager, for regular scheduled maintenance and/or repair service
C. Report mechanical problems promptly to ER&R
D. Schedule annual safety and condition inspection with the Fleet Manager
E. Clean the vehicle and protect the finishes of the vehicle or equipment
F. Operate the vehicle or equipment in the most appropriate manner to protect its useful life
G. Each Department will be responsible for paying its own ferry and toll fees, traffic infractions, and parking fees. They will not be charged to or paid through the ER&R

Fund.

H. The user department shall be directly responsible for all costs for repair, maintenance or parts acquired from sources other than the ER&R shop, unless preauthorized by the ER&R Fleet Manager

5.3 Annual Safety and Condition Inspection

All vehicles and equipment in the ER&R shall be inspected by ER&R mechanics at least annually. ER&R will also perform a safety inspection as part of every service and repair.

5.4 Outsourcing all maintenance and repair

A user department may choose to outsource all maintenance and repair activity other than the annual safety and condition inspection. The user department must submit a request in writing to the Fleet Manager for approval prior to assuming maintenance and repair. If the request is approved, the user department is solely responsible for outsourcing the work and for directly paying all costs, including all required preventive maintenance and inspections. The user department is also required to report all maintenance to the ER&R Fleet Manager and to make any required reports to the Risk Manager.

5. 5 Fuel Charge Card Limitations

Fuel charge cards are provided for use only at ER&R fuel depots. The Department assigned to the fuel charge card shall be responsible for all fuel charged by that card.
ER&R does not provide credit cards for use at locations other than the ER&R fuel depots. User departments shall acquire their own fuel credit cards for their vehicles as needed.

5. 6 Broken Down Vehicle Equipment
When vehicle or equipment is broken down or cannot be safely brought in for service by user, the user shall contact ER&R or the shop, and they will arrange for pickup or service in the field. After normal work hours or if ER&R is unable to respond, the user shall arrange for towing to the ER&R shop or other secure location.

5. 7 Collision or damage repair

The user department shall promptly notify the Risk Manager and the Fleet Manager of any collision or damage to a vehicle or piece of equipment. If a vehicle or piece of equipment is wrecked or damaged, or for any other reason outside of ER&R's direct responsibility, it will be the responsibility of the user department or the County's insurance fund to pay the costs to repair the vehicle or the difference between the depreciation and replacement paid in costs to purchase a new vehicle. The decision to repair or replace the vehicle/equipment will be made by the Fleet Manager and Risk Manager, based on the cost to repair, the depreciation and replacement costs, and the remaining useful service life.

5. 8 Misuse/abuse

Any service or repair outside of routine service or regular repairs, determined to be the result of misuse and/or abuse of the vehicle or equipment by the user department, will be reviewed by the ER&R Fleet Manager and the user County Official. If the issue is unresolved the matter

may be reported to the Board.

5.9 Unsafe or Unfit Vehicles and Equipment

The Fleet Manager may declare any vehicle or equipment unsafe or unfit for service. Such vehicle or equipment shall be immediately withdrawn from service and stored until repaired or replaced.

5.10 Appeal of Fleet Manager Decision

If the decision made by the Fleet Manager is not acceptable to the County official, their reasons for disagreement, along with their specific request shall be given to the Director of Public Works for review. The Director of Public Works will either determine in favor of the Fleet Manager, or provide an alternative decision based on additional information received. The decision of the Public Works Director will be given to the County official for approval. If the department approves the decision, the Fleet Manager will pursue course of action specified. If the decision is not approved the county official may appeal the decision to the Board, whose decision will be final.

6. REPEALER

Resolution 2015-29 is repealed in its entirety upon the adoption of this Resolution.

7. EFFECTIVE DATE

All sections shall be effective immediately.

ADOPTED this 2nd day of August 2016.

BOARD OF COUNTY COMMISSIONERS

Mike Manus, Chair

Karen Skoog, Vice-Chair

Stephen Kiss, Member

ATTEST: Rhonda Carey
Clerk of the Board