



<b>TITLE:</b> <b>Fleet Management Policy</b>		<b>POLICY:</b> <b>PW-001-2020</b>
<b>EFFECTIVE DATE:</b> 12/30/2020	<b>SUPERSEDES:</b> <b>FLTOPS-1</b>	<b>PAGES:</b> <b>4</b>
<b>MAYOR:</b> DocuSigned by: <i>Nicola Smith</i> 201B3C5795882DA <b>Nicola Smith</b>	<b>DEPARTMENT DIRECTOR:</b> DocuSigned by: <i>William Franz</i> 1498C164B0C3400... <b>William Franz</b>	<b>ADMIN MANAGER:</b> DocuSigned by: <i>Marcie MacQuarrie</i> 199138E145EC728 <b>Marcie MacQuarrie</b>

**APPLICABLE TO:** All City Departments, Offices, Employees and Elected Officials

**POLICY STATEMENT:**

The policy of the City of Lynnwood is to provide safe, reliable, cost-effective vehicles and equipment to support the City's ongoing business needs and maintain responsible stewardship of the City's investment.

**CITY VISION ALIGNMENT:**

This policy furthers the goals of a sustainable and efficient transportation system by assuring that City vehicles and equipment are efficiently maintained and repaired, and that departments have a transparent and reliable system for planning for and replacing equipment.

**PURPOSE:**

The purpose of the Fleet Management Policy is to establish guidelines, assign roles, and provide a basis for the replacement of the City's Fleet vehicles and equipment and the addition of new vehicles and equipment using the Fund 510 Equipment Rental Reserve Fund. The policy also describes how the User Departments will be charged for services related to the servicing and upkeep of their vehicles funded by the Fund 511 Equipment Rental Operations Fund-Fleet.

**DEFINITIONS:**

**Fleet Vehicles and Equipment:** Any vehicle or piece of equipment, generally with a purchase price in excess of \$5000, that Public Works, through Fund 510, collects replacement payments for from User Departments.

**User Department:** The City, through Fund 510, owns all Fleet Vehicles and Equipment. Any Department that has the need for a vehicle (or equipment) must secure funding from their budget to purchase the vehicle. Public Works will then purchase the vehicle and charge the User Department for it. Then, Public Works will begin collecting replacement costs for a new vehicle at the end of the service life from the User Department.

**Shop Rate:** A Shop Rate will consist of mechanics' salaries plus shop overhead costs divided by the expected number of billable hours for the emergency mechanics in the biennium. This is the hourly rate charged to all User Departments for maintenance and repair of Fleet Vehicles and Equipment.

**Replacement:** The purchase of a new vehicle at the end of the service life of the original vehicle. Regular payments will be paid into Fund 510 by the User Department to save up funds for the replacement purchase.

**Retention:** Typically, when a vehicle reaches its service life, it will be sold at auction to help offset the cost of the replacement vehicle. If any department wishes to keep the old vehicle in service, and it is deemed safe to operate by the Fleet Supervisor, the retaining department must make a small monthly payment to offset the loss of surplus value.

## **PROCEDURES:**

### **SERVICE LIFE:**

Each vehicle or piece of equipment has a service life. The Public Works Department will determine, with input from the customer, the service life based on the purpose of the vehicle or equipment, the manufacturer's recommendation, customer needs, and technological relevance.

### **SHOP RATE:**

**Shop Rate:** Each biennium the Department of Public Works will establish a Shop Rate. The Shop Rate will consist of the mechanics salary plus shop overhead costs divided by the expected number of billable hours in the biennium. All repair and set-up work will be billed to user departments based on this Shop Rate.

At the end of the first year of each biennium, if the collection of Fund 511 overhead through work orders is running ahead or behind schedule, the Shop Rates may be adjusted for the second year.

User departments will receive five separate charges for each vehicle or piece of equipment:

1. **Replacement charges:** Based on the original purchase price, the number of years of service life, and an approved interest rate to cover inflation, a monthly charge will be billed and saved in Fund 510 to replace the vehicle/equipment at the end of its life. All expenses for replacements over the amount collected will be billed via work order to the department the month after the work is completed.
2. All costs for labor (based on the Shop Rates) and parts for any preventative maintenance or repair work will be billed the month after the work is accomplished. Any user department may defer major repairs if their current biennial budget has insufficient funds to cover the cost. If the vehicle is deemed as "unsafe" then it shall be placed out of service until sufficient funds are available to make such repairs.
3. All costs for fuel used will be billed the month after the fuel is purchased.
4. All costs for insurance will be billed monthly.
5. All costs for insurance deductibles, labor and parts for insurance related repair or replacement will be billed the month after the insurance claim is closed and insurance reimbursements received. User Departments are encouraged to budget dollars for insurance replacement to ensure that adequate funds are available should a vehicle need to be replaced and insurance funds do not cover the full amount of the replacement.

During biennial budget preparation, the Public Works Department will provide estimated monthly

charges for items 1-4 above, based on the previous year's use and any proposed changes to a user department's operations. Estimates provided by Public Works to User Departments shall be put into the User Department's budget.

**ADDITIONS:**

A department may make a request for a vehicle or equipment to be added to the fleet in one of two ways:

1. The requesting department may obtain council approval during the biennial budget process. The purchase price will be a one-time new expenditure and the ongoing replacement, repair, fuel, and insurance cost will be charged monthly.
2. During the biennium the requesting department may request the Mayor's approval, through the Public Works Director, to purchase a new vehicle with current budget expenditure authority. The requesting department must be able to show that their current biennial budget authority includes enough funds for both the purchase, and the ongoing replacement, repair, fuel, and insurance cost that will be charged monthly.

**REPLACEMENT SCHEDULE:**

The Public Works Department will consult with each department to determine which vehicles will be replaced each budget period. Replacement dates shall be based on the original Service Life of the vehicle/equipment, but may be modified due to equipment condition, need, and budget realities. Replacement funds collected over the service life will be used for the purchase of the replacement. All vehicle/equipment purchases will be made by the Public Works Department.

**EARLY REPLACEMENT:**

If it is determined, through the replacement criteria, insurance loss or a vehicle/equipment failure that a vehicle must be replaced before the replacement fund has accrued sufficient funds; the Public Works Department will consult with the department using the vehicle or equipment. The user department will pay the difference between the replacement cost of the vehicle or equipment and the replacement funds accrued to date.

**UPGRADES OR CHANGES:**

If it is determined, through the replacement criteria, that a vehicle must be replaced, the department using the vehicle/equipment may request an upgrade or change to the vehicle or equipment to support ongoing business needs. If the replacement vehicle or equipment cost, including the upgrade or change, exceeds the replacement funds accrued to date, the user department will pay the difference between the replacement cost of the vehicle or equipment and the replacement funds accrued to date.

**RETENTION OF REPLACED VEHICLE OR EQUIPMENT:**

If it is determined, through the replacement criteria, that a vehicle or equipment must be replaced, any department may request to keep the replaced vehicle, with first choice going to the original user department. Once the Public Works Department determines that the vehicle is safe to use for an extended period of time, the requesting department will obtain Mayor approval, through the Public Works Director, to increase the fleet size. The requesting department must show that their current biennial budget authority includes enough funds to pay for both the rental cost of the vehicle/equipment, plus the ongoing repair, fuel, and insurance cost that will be charged monthly. The rental cost will be determined as follows:

- Sedans and pickups will be charged a flat \$100 per month to cover the reduction in surplus value.
- Vehicles larger than a pickup will have a monthly charge based on the estimated reduction in surplus value spread over the timeframe that the retired vehicle is retained.

The Public Works Department may determine, in its sole discretion, that a vehicle or equipment is no longer safe or it is not in the best interest of the City to retain that vehicle or equipment. The vehicle or equipment will then be surplus in accordance with the City's Surplus Policy.

If it is determined that a retention vehicle is a permanent addition to the fleet, the Public Works Department will establish a replacement rate.

**VEHICLES EXEMPT FROM REPLACEMENT CHARGES:**

Vehicles donated or obtained with grant funds or other funding sources that require that the purchase must be made by, and ownership of the vehicle remain with, the department awarded the funds will be exempt from replacement charges, but will pay for the ongoing repair, fuel, and insurance cost that will be charged monthly. If it is determined that the vehicle will be a permanent addition to the fleet, then the Public Works Department will establish a replacement rate.

**SURPLUS:**

Once a vehicle or piece of equipment has been replaced, it will be processed for disposal. The Public Works Department will remove all identifying decals, reusable equipment, and public safety lights and equipment. All salvaged equipment is the property of the original user department and must be removed to department storage. Any salvaged equipment declined by the user department becomes property of Public Works to store or dispose of as it sees fit. The vehicle or piece of equipment will then be surplus in accordance with the City's Surplus Policy.

If a vehicle or piece of equipment was obtained with grant funds or other funding sources where there are specific disposal requirements, the vehicle or equipment will be disposed of accordingly.

**INSURANCE AND CRASHES:**

A damaged vehicle will be repaired and all costs, internal and external, will be entered on a repair work order and held until all insurance money, if any, has been collected. The user department will be responsible for all costs beyond what is received from insurance.

If the vehicle is totaled, an estimate will be made, based on current new vehicle pricing and expected insurance money, on what the cost to the user department will be to immediately replace the vehicle. It will be the user department's decision when to replace the totaled vehicle.

**TRACKING OVER- AND UNDER-RUNS ON REPLACEMENT COSTS**

According to the adopted biennial budget, each user department has a specified dollar amount that can be spent on purchasing a specified number of vehicles. A user department may alter the vehicle specifications to spend more or less money on any or all of the vehicles specified for that biennium. Any funds required beyond what was specified in the biennium budget, the user department is responsible for. This trading of funds between vehicles may only be done on purchases within one biennium.

If the adjustment of specifications results in less money being spent on the user department's vehicles in a biennium, a new line item in the Fund 510 budget will be created to track the funds not used, by

department. This money may roll over from biennium to biennium and be used to pay unexpected costs of vehicle replacement in later years.

Similarly, a user department may add funds to their Fund 510 savings account through the biennial budget process. Once in the Fund 510 account, these funds may only be used to purchase vehicles or equipment. All purchases must be made by the Public Works Department.