



<b>TITLE:</b> <b>Fleet Management Policy</b>		<b>POLICY:</b> <b>PW-002-2024</b>
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**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 \$10,000, that Public Works, through Fund 510, collects replacement payments for from User Departments.

**User Department:** Any department or division that operates a City Vehicle.

**Shop Rate:** This is the hourly rate charged to all User Departments for maintenance, set-up, and repair of Fleet Vehicles and Equipment.

**Replacement:** The purchase of a new vehicle or piece of equipment 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, as determined by Public Works, to offset the loss of surplus value.

**Surplus Value:** The estimated amount of money that an interested buyer will be willing to pay the City for the property, or collection of property items. Often collected when a vehicle or piece of equipment is sold, auctioned, etc.

**Fund 510:** The Equipment Rental Reserve Fund is an internal service fund used to provide for the accumulation of revenues (reserves) which allows for the replacement of the City's vehicles and equipment.

**Fund 511:** Equipment Rental Operations Fund pays for the maintenance of the vehicles and equipment. All revenue comes from direct charges to the departments and South County Fire and Rescue for maintenance, repairs, and fuel.

**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.

**PROCEDURES:**

The City, through Fund 510, owns all Fleet Vehicles and Equipment, and maintains all vehicles through Fund 511. 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.

**FLEET CHARGES TO USER DEPARTMENTS:**

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. Charges for all maintenance, repair and set-up on all City vehicles. 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.
  - a. A Shop Rate will consist of mechanics' salaries plus shop overhead costs divided by the expected number of billable hours for the mechanics in the biennium. This rate is determined by the Public Works Department and is reviewed annually. The shop rate may be updated at least annually as it is set to ensure that Fund 511 is reimbursed in full from user departments. All maintenance, repair and set-up work will be billed to user departments based on this Shop Rate.
3. All costs for insurance through our insurance carrier will be billed monthly.
4. All costs for fuel and/or electricity used to operate a vehicle will be billed the month after it is purchased. In the event that a fuel card is not available, and a purchase card (P-Card) or other is used, this charge will be directly coded to the department.
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 1-3 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. Prior fuel usage records will be provided as a guideline for User Departments to make budget estimates.

**ADDITIONS:**

A department may make a request for a new 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. Mid-biennial adjustments may be made the first year of a biennium. Adjustments must be confirmed by the date provided by the fleet admin. The purchase price will be a one-time new expenditure and the ongoing replacement, repair, fuel, and insurance cost will be charged monthly.
3. 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 and/or equipment will be replaced each biennial budget cycle. 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 and/or equipment 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 monthly rate to cover the reduction in surplus

value. Rate to be determined at each biennial budget review.

- 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, pursuant to the Mayor's approval, 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. Costs for this decommissioning work will be billed to the User Department through the work-order process. 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 VEHICLE DAMAGE:**

When a fleet vehicle is purchased, fleet admin and City Clerk's office will add the new vehicle to the insurance vehicle schedule. This schedule will be reviewed annually for updates based on current replacement costs.

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.

If a vehicle has less than 50% of the estimated replacement cost saved, then Public Works will insure the vehicle for the entire current replacement cost. If there is over 50% of the estimated replacement cost saved, then Public Works will insure the current value of the 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. The department may elect to transfer the existing funds to a different vehicle if they expect to need more funds for this vehicle, or would like to replace the vehicle sooner, etc. This money may also 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.**

### **Purchasing Vehicles**

The Public Works Department will purchase all vehicles, equipment, and vehicle outfitting through Funds 510 and 511. All vehicle purchases must follow finance purchasing rules, being either purchased on contract, or by following the 3-quote rule.

**Dealerships:** If a User Department wishes to work with a dealership, the department must obtain Public Works Fleet approval first. Public Works cannot guarantee the purchase through a dealership will be made as they often do not align with the City's purchasing rules, LMC Chapter 2.92 Procurement and Contracting and corresponding City Purchasing Policies listed in the Administrative Policies on the City website. Public Works standard is to purchase off the state contract. Other avenues may be explored with the permission and assistance of the Public Works Fleet department.

Any changes to vehicle orders after the order has been finalized must be made in written form and approved by the Public Works Director.

All set up of the vehicles is to be coordinated by and through Public Works Fleet Division. This includes any set up such as window tinting, graphics, outsourcing, etc. Public Works Fleet will schedule and make arrangements and track the expenses per the internal Public Works Procedure.

### **ELECTRIC VEHICLE (EV), EQUIPMENT, AND INFRASTRUCTURE:**

Electric vehicles, equipment, and infrastructure will be purchased through the Public Works Fleet division, and:

- EVs that are purchased may be equipped with telematics that will work with the software utilized by the Public Works Fleet division.
  - The cost of the telematics will be the responsibility of the department that the vehicle is assigned.
  - GPS functions on vehicles will not be used unless in emergency situations, i.e. lost or stolen. Telematics software will only be used by Public Works Fleet maintenance and administration staff for the health and life, billing and tracking of the vehicle.
- The cost of electricity to charge EVs will be billed to the department that the vehicle is assigned.
- EV Infrastructure, such as charging stations, must either:
  - Be a dedicated charger connected to a specific vehicle; or
  - Communicate with the software utilized by the Public Works Fleet division.
    - In the instance that the charging station is added to the software, The annual software cost will be billed annually to the department.

- EV equipment software will only be used by Public Works Fleet maintenance and administration staff for the health and life, billing and tracking of the vehicle.

**Charging Station Purchasing:** When a department purchases an electric vehicle to replace a gasoline or diesel vehicle, they will need to obtain a charging station in addition to a vehicle. Public Works Fleet will purchase the charging stations, funding for the initial charging station may be obtained by:

- If there is enough money saved in the vehicles' replacement, the cost of the charging station can come from those 510 funds.
- If the department would like to purchase the charging station out of a different account like fuel, maintenance, or other departmental fund, the department will provide the budget code to Public Works.
- If the department has insufficient funds to pay for the charging station up front, they have the option to add it to the Equipment Rental and Replacement Schedule. Departments can choose to pay it back over 1-7 years, this amount would be added to their vehicle replacement total.

Once a charging station is purchased, it will be added to the Public Works Fleet Equipment Rental and Replacement Schedule. All charging stations will be put on a 7-year life cycle. The department using the charging station will be responsible for paying the monthly replacement charge. All charging stations over \$10,000 will be Public Works Capital Assets.

Public Works will work with the department to find the proper location for a charging station to be installed. Fleet and Building and Properties teams will work with the User Department to find a place for the charging station to be installed that works best for the City and the user.

In the case that an at home charging station is allowed by a User Department, the User Department will work with Public Works Fleet to have a contractor install the unit. If an employee with an at home charging station leaves the city, the city will determine if the charging station should be removed and retained. All at home charging stations must be connected to the City software for reimbursement purposes.

#### Insurance

- All charging stations valued at or above the current City Insurance Policy's deductible will be put onto the City's insurance and the User Department will pay the fee.
- The department using the charging station and paying for the insurance would be responsible for paying the deductible for any damage, or paying for repairs if the damage is under the deductible.
- At home charging stations will not be added to the City's insurance if their value is below our insurance deductible. All take home vehicle guidelines and requirements will be worked out between the department, driver, and union at this time.

#### Charging Station Maintenance

- Warranties will vary from station to station depending on the location and type of station. If a station is out of warranty and requires maintenance, it will be billed to the department via the work order process.