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Vehicle Replacement Sample Plan

Dear Reader:

The following document was created from the MTAS website (mtas.tennessee.edu). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Vehicle Replacement Sample Plan

Reference Number: MTAS-1964

Exhibit 2: MTAS SAMPLE VEHICLE REPLACEMENT PLAN

SCOPE

This program provides for the planned replacement of all fuel consuming vehicles and equipment, their attachments and implements. The current fleet's replacement value is approximately $ _____ million and covers _____ vehicles.

The Replacement Plan will be administered by the city's (suggested — fleet services manager). The Replacement Plan will be based on criteria and a point system as defined below.

OBJECTIVES

- Establish a Replacement Fund to provide funds for vehicle replacement in advance of need.
- Smooth the outflow of capital funding and the rotation of incoming and outgoing vehicles year to year to prevent spikes in cash and asset flow.
- Eliminate the requirement to request approval from the governing body for each replacement purchase.
- Meet the needs of the end user.
- Provide a central point of control to account for all fleet specifications, acquisition, assignment, utilization, maintenance, and repair.
- Maximize fleet resources by providing timely acquisition and disposal of vehicles and equipment.
- Right size the fleet. Ensure the city has the optimum number and type of vehicles and equipment and that fleet growth is planned and controlled.
- Promote standardization. This is needed for promoting cost effective maintenance/repair.
- Optimize vehicle utilization.
- Comply with state of Tennessee purchasing laws and financial procedures.
- Reduce per unit maintenance costs by eliminating old, expensive to maintain vehicles and equipment.

Vehicle Replacement Sample Criteria

Reference Number: MTAS-1965

VEHICLE REPLACEMENT CRITERIA

Suggested scoring categories: Age, Mileage, Annual Maintenance Cost and Use.

TABLE 1.

1. Vehicle Age (years)	Points
>15	5
13 – 15	4
10 – 12	3
7 – 9	2
4 – 6	1

TABLE 2.

2. Vehicle Mileage	Points
>100 K	5
70 – 99 K	4
50 – 69 K	3
30 – 49 K	2
<30 K	1

TABLE 3.

3. Annual Maintenance Cost ($)	Points
>$2,000	5
$1,500 – 1,999	4
$1,000 – 1,499	3
$500 – 999	2
<$500	1

TABLE 4.

4. Vehicle Use (Specialty)	Points
Special built/purpose	5
Medium duty	4
Single purpose w/attachments	3
4-wheel drive	2
Standard vehicle	1

Application of Fleet Ranking Criteria

Reference Number: MTAS-1966

APPLICATION OF RANKING CRITERIA

The American Public Works Association (APWA) vehicle replacement guide uses a weighted point system based on age, usage, type of service, maintenance and repair costs and overall condition of the vehicle. The city's ranking system could be used to develop vehicle replacement cost. Tables 5 and 6 provide examples.

Table 5.

Score	Condition	Needed from General Fund	No. Vehicles	Needed from Utility Enterprise Fund	No. Vehicles
< 9 points	Excellent to very good	$25,000	1	$75,000	3
9 – 12 points	Good	$456,855	10	$575,000	6
13 – 19 points	Qualifies for replacement	$1,290,210	18	$450,000	7
> 19 points	Needs immediate replacement	$131,500	2	$0	0
Total		**$1,903,565**	**31**	**$1,100,000**	**16**

The current total replacement cost is $3,003,565.

Fleet Plan Implementation

Reference Number: MTAS-1967

- Each year prior to budget preparation, the fleet manager and finance director will hold a meeting with each user department to confirm vehicle replacements for the upcoming budget.
- When new vehicle/equipment is purchased, a replacement cost will be established based on its economic life.
- The replacement cost will be applied as an expense against the new vehicle and charged to the department where it is assigned.
- The replacement expense will be credited to the Replacement Fund.
- Proceeds from vehicle/equipment sales will be credited to the Replacement Fund to provide a cushion against inflation.
- Expenditures from the Replacement Fund will be authorized by the finance director.
- The finance director will prepare and distribute to department heads a report detailing the replacement charge and remaining balance due for each unit. The report will be prepared and distributed on a frequency to be determined by the city.
- A unit's replacement fee is discontinued when the fund for that specific unit is fully reimbursed.
- If a vehicle is totaled due to an accident and for the amount not covered by insurance, the accumulated total of replacement fees for that vehicle can be used to help fund the replacement. Any additional funding needed to fully pay the replacement cost must be provided from sources beyond the Replacement Fund.
- At the end of the vehicle's economic life, funding for its replacement will be provided by the Replacement Fund.
- Table 6 provides an example of the annual cost needed from the general fund and the utility fund.

- The replacement plan assumes that an average life span can be established for a group (type) of equipment based on industry standards and analysis. The following life expectancy shown in Table 7 could be used for purposes of planning. Because this listing is an average, some equipment will operate beyond the stated life expectancy and some less.

Table 6.

	Number in Fleet	Replacement Cost	Annual Cost
General Fund	88	$5,500,000	$605,000
Fire Apparatus	6	$2,400,000	$145,000
Utilities	20	$1,100,000	$100,100
Total	**114**	**$9,000,000**	**$850,100**

Table 7.

VEHICLE DESCRIPTION	AGE/MILES
Car	8 years/100 K
Police pursuit car	6 years/100 K
Pickup, SUV, van, 1-ton truck	8 years/100 K
Medium- and heavy-duty trucks, utility trucks, bucket truck, flatbed	10 years/120 K
Front-load refuse truck	8 years/100 K
Track loader, track backhoe, rubber tire loader, curbing machine	10 years
Backhoe/loader combination	10 years
Skid-steer loader	10 years
Forklift	15 years
Grader	10 years
Small engine equipment, tractor, mower, sprayer, leaf loader	10 years
Trailer-mounted compressor	10 years
Trailers, snow plows and salt spreaders	15 years
Fire engine truck	10 – 15 years
Ladder truck	15 – 20 years
Rescue trucks	10 years