

Title: Fleet and Equipment Replacement Policy

Policy No: 4006

Effective Date: August 22, 2023

Motion Number: 23.08.441

Supersedes Policy No: 4006

Department: Operations

Review Date: August, 2026



Legal References:

Not applicable

Cross References:

Policy 9001 "Procurement and Purchasing"
 Policy 3021 "Fire-Rescue Services Apparatus and Equipment Replacement"
 Policy 1507 "Tangible Capital Assets"
 Policy 1502 "Reserves"

Purpose: To ensure Greenview maintains a dependable, and reliable vehicle & equipment pool. The governance of which is fiscally responsible and captures the true value of assets by establishing a standard equipment procurement, disposal, and replacement policy. Fire-Rescue Services Apparatus and Equipment replacement will be evaluated separately.

1. DEFINITIONS

- 1.1. **Aircraft** means primarily for transportation purposes such as small airplanes, large planes, drones, and other aircraft transporting devices. This document does not include emergency aircrafts.
- 1.2. **Amortization** is the process of incrementally charging the cost of an asset to expense over its expected period of use, which shifts the asset from the balance sheet to the income statement. It reflects the consumption of an asset over its useful life. Amortization is most commonly used to gradually write down the cost of assets with a specific useful life.
- 1.3. **Assets** are economic resources controlled by the municipality due to past transactions or events and from which future economic benefits are expected to be obtained. Assets have three essential characteristics:
 - A) They embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows or to provide goods and services;
 - B) The municipality can control access to the benefit; and,
 - C) The transaction or event giving rise to the municipality's control of the benefit has already occurred.
- 1.4. **Asset Disposal** refers to removing an asset(s) from service as a result of sale, destruction, loss, or abandonment.
- 1.5. **Capital Leases** are non-financial assets leased by Greenview for use in the delivery of goods and services. All the benefits and risks of ownership are transferred to the municipality without requiring the transfer of legal ownership. This results in the recordation of the asset as Greenview's property in its general ledger as an asset.

- 1.6. **Estimated Useful Life** is the estimate of either the period over which an asset is expected to be used or the number of units of production that can be obtained from the asset. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial, or legal life. This can also be referred to as useful life.
- 1.7. **Extended Warranty**, also referred to as after sales service or simply service type warranty. It is an extra cost to the buyer on top of the purchase price. In such cases, it is not capitalized and is deferred and reduced over the warranty term.
- 1.8. **Fleet** means all vehicles, operating equipment, and heavy equipment of Greenview.
- 1.9. **Fleet Management** refers to the overall actions that take place to keep a fleet running efficiently, on time, and within budget.
- 1.10. **Fleet and Equipment Replacement Reserve** This reserve ensures funds for replacing fleet and equipment per this policy.
- 1.11. **Greenview** means the Municipal District of Greenview No. 16.
- 1.12. **Heavy Mobile Equipment** means power and construction equipment such as graders, tractors, 3-point hitch mowers or bigger, mobile hot water/steam washers, gravel reclaimers, backhoes, rippers, mulchers, loaders, trenchers, dozers, crawlers, agriculture equipment, all heavy equipment attachments, and Zambonis.
- 1.13. **Life Cycle** means the useful life of a vehicle or piece of equipment based on the average years, kilometres (km), or engine hours a vehicle or piece of equipment operates before maintenance becomes cost prohibitive.
- 1.14. **Manager** means the manager who is ultimately responsible for the department's budget. The individual who creates and presents the department's proposed budget to Council.
- 1.15. **Operating Equipment** means equipment specific to maintenance, shop, recreation, and appliances such as forklifts, welding machines, utility trailers, security systems, snowplows, refrigerators, stoves, freezers, mowers, lawn maintenance equipment, recreational equipment, generators, emergency operations equipment, and safety equipment and ice resurfacers.
- 1.16. **Repair and Maintenance** are ongoing activities to maintain a capital asset in operating condition. They are required to obtain the expected service potential of a capital asset over the estimated useful life. Costs for repairs and maintenance are expensed.
- 1.17. **SLT** means Senior Leadership Team comprised of Directors and the Chief Administrative Officer.
- 1.18. **TCA** means Tangible Capital Assets.
- 1.19. **Vehicles** means automobiles, pick-up trucks under one ton, sport utility vehicles (SUV), all-terrain vehicles (ATV), snowmobiles and utility terrain vehicles (UTV) used primarily for transportation purposes. Vehicles in this policy do not include emergency vehicles.

- 1.20. **Vehicles Over 1 Ton** means equipment specific to maintenance and construction that can be used on municipal or provincial roads. These include but not limited to gravel trucks, various heavy equipment trailers, end dumps, pups, 3-ton trucks, 5-ton trucks, water trucks, garbage trucks, 1-ton trucks and vehicle maintenance trucks.
- 1.21. **Watercraft** means primarily for transportation purposes such as small boats, large boats, personal watercraft, remote control watercraft and other water transporting devices. Excludes emergency watercrafts.

2. POLICY STATEMENT

- 2.1. An effective fleet replacement program is essential for controlling fleet performance (i.e., vehicle and equipment suitability, availability, reliability, safety, and environmental impacts) and total cost of ownership.
- 2.2. Fleet management requires a funding process that enables the budgeting for the amount of funds needed each year to execute the replacement plan based on the selected financing approach. The budgets for operation and maintenance come from the allocation of the overall operational budget, and capital replacement is secured through the Fleet and Equipment Replacement Reserve.
- 2.3. Long-term fleet management replacement plans pinpoint anticipated replacement dates and costs of individual assets based on the application of recommended replacement cycles and assess year-to-year, fleet-wide replacement costs and future variations therein.

The Fleet Specialist, the Asset Management Officer, and the Managers will recommend through a needs assessment the type of equipment and vehicles that will be required to be replaced based on the asset's life cycle. In addition, Administration will provide Council with a historical value and future demand for the vehicle or equipment being replaced. Maintaining Greenview's fleet and equipment ensures that assets remain modern, dependable, and reliable.

- 2.4. The Fleet Asset Management Plan will have the information derived from the replacement plan, historical data, and useful life per fleet asset. It will include future demand on the fleet and equipment assets.
- 2.5. Managers and SLT, will endeavour to purchase the most economical and fuel-efficient vehicles and pieces of equipment available. The Fleet Specialist and Asset Management Officer will provide historical information, maintenance review and future demand of the asset for the asset needs for the department.
- 2.6. Used vehicles and equipment may be considered for purchase. These will be evaluated based on the historical information of the asset, maintenance, and current demand of the asset.
- 2.7. Leasing or rental of vehicles and equipment may be considered when economically feasible. If the arrangement is a capital lease or rental, Greenview should apply the appropriate capital or rental asset category thresholds.
- 2.8. All fleet acquisition and disposal will be conducted through Greenview's procurement and purchasing processes.

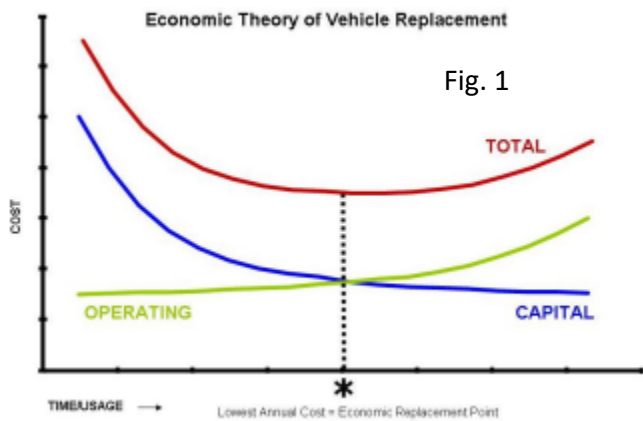
VEHICLE/EQUIPMENT TYPE (According to the TCA Policy)	BASELINE TIME IN SERVICE (Years/ km/engine hours)
Vehicles	5 years / 200,000 km
Vehicles over 1 Ton	10 years / 300,000 km
Heavy Mobile Equipment	20 years / 10,000 hours
Operating Equipment	10 years
Aircraft	20 years
Watercraft	20 years

- 2.9. If a vehicle or piece of equipment has continually performed at a high level, with a satisfactory maintenance record, that vehicle or piece of equipment may be considered for a life cycle extension. This extension has no amortization to be assessed and could be considered a betterment of the asset. To be evaluated on a case-by-case basis.
- A) Extended warranty will apply to the asset for which it is purchased and will be deferred and recognized as an expense over the period offered, as a straight-line basis.

3. PROCEDURE

- 3.1. Vehicles and equipment will be evaluated for replacement based on the following:
- A) Life cycle criteria.
 - B) The condition of vehicle performance based on Standards-Condition assessment of the Assets; and
 - C) Maintenance records and costing.
- 3.2. Greenview will always consider longer service dates if equipment continues to perform well, meets minimum conditions of fair standards, and is well maintained.
- A) Vehicle and equipment replacement guidelines should be based on the economic theory of optimal vehicle and equipment replacement, which is illustrated graphically in Fig. 1. As a vehicle and equipment age, its capital cost diminishes and its operating costs (e.g., maintenance, repair, and fuel) increase.

The combination of these two costs produces a U-shaped total cost curve that reflects the total cost of ownership of the asset. Ideally, a vehicle or piece of equipment should be replaced around the time the rise in annual operating costs begins to outweigh the decline in annual capital costs – that is, when the two cost curves intersect, and the total cost of ownership begins to increase.



The total cost curve is different for every type of vehicle and, indeed, for every individual vehicle of a given type. This variability is caused by differences in the design and engineering

of different types of vehicles/equipment, operating environments, quality-of-care the vehicles or equipment receives, and a variety of other factors.

- 3.3. Ensure all vehicles or equipment follow the fleet management preventative maintenance program.
- 3.4. Directors must approve new type vehicle replacement requests.
- 3.5. In circumstances where a vehicle or piece of equipment becomes cost prohibitive to maintain or operate, it may be considered for early replacement/disposal before the end of its established life cycle.
- 3.6. Fleet replacement due to obsolescence or end-of-life cycle will be financed through the Fleet and Equipment Replacement Reserve.
- 3.7. Fleet replacement due to physical damage will be financed through appropriate insurance procedures, with the balance for replacement coming from the Fleet & Equipment Replacement Reserve. The vehicle or equipment will be disposed of in accordance with Greenview policies.

4. COUNCIL RESPONSIBILITIES

- 4.1. Council is responsible for setting the capital budget regarding the purchase of fleet and equipment assets.
 - A) Each fleet and equipment asset must be listed for replacement as described in this policy.
 - B) Any unallocated capital Fleet and Equipment purchase funds will be uncommitted for future use within the Fleet and Equipment Replacement Reserve.

5. ADMINISTRATION RESPONSIBILITIES

- 5.1. Managers are responsible for recommending the replacement of vehicles and equipment through the needs assessment in accordance with this policy.
- 5.2. SLT must sign off on department requests for fleet vehicles and equipment for special cases or change in use.
- 5.3. All safety equipment must be installed in the fleet asset before the asset is deemed ready for service.
- 5.4. All registration, licensing and insurance checks are needed per vehicle and equipment before the fleet asset is deemed ready for service.
- 5.5. All fleet asset disposals must have safety equipment removed before being placed on the annual surplus/disposal list.
- 5.6. All fleet assets listed as surplus or disposal must have safety, specialized or associated equipment removed before being placed on the surplus/disposal annual list.
- 5.7. Asset disposal lists for fleet are to be finalized annually in June of the year of the surplus/disposal.