I. PURPOSE
The purpose of the Equipment Acquisition and Replacement Policy is to present the City of Sequim’s approach to managing large equipment purchases and replacement. Adherence to the policy will ensure that the City has sufficient funds on hand to acquire equipment essential to delivering City services and to replace essential equipment when it reaches the end of its useful life.

II. POLICY
A. Policy Scope
   1. Equipment. The Equipment Acquisition and Replacement Policy applies to:
      i) Computers and related information technology equipment.
      ii) Vehicles and other rolling stock.
      iii) Other equipment with a value over $7,500, either individually or cumulatively for equipment purchased in bulk, and a useful life of three to ten years.
   2. Participating Funds. This policy will cover equipment used by departments in all of the City’s Funds

B. New Equipment Purchases
   1. The City Manager will determine “new” equipment purchases that will be part of the City Budget and Equipment Replacement Plan.
   2. The Department Directors will develop and prioritize a list of “new” equipment purchases for a six-year timeline. This list will be updated annually as part of the City’s budget process.
   3. The designated equipment manager within each City function shall compile an Equipment Plan for the equipment under their responsibility. New equipment included in the Plan shall include the following information for each item purchased:
      i) Fund and Department
      ii) Equipment Type/Class
      iii) Equipment Description
      iv) Attached or peripheral equipment
      v) Justification
      vi) Estimated Purchase Date
      vii) Estimated Cost
      viii) Estimated Useful Life
Financial Policies
Equipment Acquisition and Replacement Policy

ix) Inflation Factor for Replacement
x) Salvage Value

C. Equipment Replacement Purchases

1. The City Manager will determine replacement equipment purchases that will be part of the city-wide Equipment Plan.

2. The Department Directors will develop and prioritize a list of "replacement" equipment purchases for a six-year timeline. This list will be updated annually as part of the City’s budget process.

3. The designated equipment manager within each City function shall compile a city-wide Equipment Plan for each City fund and department included in this policy. Replacement equipment included on the Equipment Plan shall include the following information for each participating piece of equipment.
   i) Fund and Department
   ii) Equipment Type/Class
   iii) Equipment Description
   iv) Attached or peripheral equipment
   v) Equipment Identification Number
   vi) Purchase Date
   vii) Original Cost
   viii) Estimated Useful Life
   ix) Inflation Factor or Replacement Cost
   x) Salvage Value

D. Equipment Funds

1. The City shall maintain an Equipment Replacement Fund for the Governmental Operations and for the Water and Sewer Utilities

2. All revenue and transfers from participating funds for equipment purchases or replacement covered under this policy shall be deposited into these funds

3. All expenditures for the acquisition and replacement of equipment covered under this policy shall be made from the these funds.

4. The Administrative Services Director shall account for Equipment Funds revenues, expenses and reserve balances at the participating fund level.

5. The Equipment Funds may be used to pay for equipment lease payments in compliance with the City’s Debt Management Policy, which requires City Council approval of all debt.

E. Equipment Acquisition and Replacement Budget

1. The City Manager or designee shall use the Equipment Plan to determine the annual equipment funding requirement for each Fund. The Equipment Plan is intended to facilitate forecasting expenditures on a department basis. Each department’s expenses will reflect the contribution to the Equipment Funds.
Appropriate administrative costs may be added to the projected funding needs.

2. The City Manager or designee shall determine the annual amount of funding needed from participating City funds to pay for planned equipment purchases.

F. Equipment Replacement Fund Interest Earnings
   1. Interest on Equipment Fund balances shall be credited to each participating fund based on their average cash balance. Interest earnings shall be included in the amounts available to pay for planned equipment purchases.

G. Equipment Fund Management
   1. It is the goal of the City to fund the Equipment Funds at a minimum of 2.5 years of anticipated expenditures and a maximum of 6 of anticipated expenditures.
   2. Per the Fund Balance and Reserve Policy, if the fund balance falls below or above its target reserve levels a plan will be developed to bring the fund balance within the range.

H. Financial Planning
   1. During the City's annual budget process the Administrative Services Director shall use the Equipment Plan to project the Equipment Funds revenue, expense and cash balance for the next six years based on the prioritized lists. The annual equipment charges shall be adjusted to reflect any projected surplus or deficit in the fund balance compared to the targeted amount.

III. PROCEDURE
A. City Council
   1. Approve Equipment Acquisition and Replacement policy.
   2. Approve the Equipment Funds budget.

B. City Manager
   1. Propose revisions to the Equipment Acquisition and Replacement policy.
   2. Ensure the City is in compliance with the Equipment Acquisition and Replacement policy.
   3. Recommend revenues and expenditures for the Equipment Fund in the City's annual budget.

C. The Department Directors will develop and prioritize a list of "replacement" equipment purchases for a six-year timeline. This list will be updated annually as part of the City's budget process.

D. Designated equipment manager within each City function
   1. Prepare a prioritized list of equipment needs to be paid by the Equipment Fund based on cooperation with other departments for a six-year timeline.
2. Prepare the Equipment Plan based on cooperation with other departments.

E. Administrative Services Director or designee.
   1. Develop the Equipment Fund budget based on the Equipment Plan.
   2. Manage the Equipment Fund.

IV. REFERENCES
   A. Sequim Financial Policies
      1. Budget Development Policy
      2. Debt Management Policy
   B. Sequim Municipal Code
      1. Section 3.14 - Purchasing
   C. Revised Code of Washington
      1. RCW 43.09.210 Local government accounting -- Separate accounts for each fund or activity
      1. Volume 1, Part 2, Budgeting Chapter 1 – 3
      2. Volume 1, part 3, Chapter 4, Sections A & B.
   E. Washington State Auditor's Office Small City Handbook
      1. Section E – Budgeting