

*Equipment Rental  
Fund*

**Policies**

November, 2004

# Table of Contents

1.	Overview .....	4
a.	Purpose: .....	4
b.	General Policy:.....	4
c.	Purpose: .....	4
d.	Services: .....	4
2.	Definition of Terms.....	5
a.	Accounting Life:.....	5
b.	Asset: .....	5
c.	ARA: Asset Replacement Account.....	5
d.	Capital Addition: .....	6
e.	ECS: .....	6
f.	EERF: .....	6
g.	ERF:.....	6
h.	ERF Owned:.....	6
i.	Fleet Operations: .....	6
j.	F & C Manager:.....	6
k.	Internal Resale: .....	6
l.	Leasing: .....	6
m.	Lease Purchase: .....	6
n.	MERF:.....	6
o.	Non-ERF Owned: .....	6
p.	Rate: .....	6
q.	Replacement Account: .....	6
r.	Special Reserve Account: .....	6
s.	System: .....	7
t.	TUB: True Up Bucket (Account):.....	7
3.	Replacement Reserve Management.....	7
a.	Donation of Equipment to ERF:.....	7
b.	Replacement Reserves for ERF-Owned Equipment:.....	7
c.	Replacement Reserves for other Agencies:.....	7
d.	Prohibited uses of Reserves.....	8
e.	Miscellaneous Reserve Uses:.....	8
f.	Asset Replacement Accounts (ARA) and True Up Bucket (TUB) Accounts:	8

g.	<b>New Purchase Accounts:</b> .....	9
4.	<b>Replacement Rules</b> .....	9
a.	<b>ERF-Owned Assets:</b> .....	9
b.	<b>Non-ERF Owned Assets:</b> .....	10
c.	<b>Accounting life:</b> .....	10
d.	<b>Capital Additions:</b> .....	10
e.	<b>Acquisition and Disposal of Assets:</b> .....	11
f.	<b>Internal Resale (buyback).</b> .....	11
g.	<b>Leasing:</b> .....	11
h.	<b>Systems:</b> .....	12
5.	<b>Maintenance &amp; Operations</b> .....	12
a.	<b>Maintenance Rates:</b> .....	12
b.	<b>Maintenance and Services</b> .....	13
c.	<b>Fuel System</b> .....	14
d.	<b>Motor Pool</b> .....	14
e.	<b>Out of Service Equipment</b> .....	14
6.	<b>Appendices</b> .....	14
a.	<b>Roles and Responsibilities:</b> .....	14
b.	<b>New Purchase Accounts process:</b> .....	17
c.	<b>Chronology of Significant Events:</b> .....	17
d.	<b>Mechanical Equipment Rental Fund (MERF) Rate Calculations summary:</b>	18
7.	<b>Index</b> .....	20

## 1. Overview

### a. Purpose:

The purpose of this document is to establish and specify the City of Bellevue (City) policies governing asset and fund management, including rental, replacement, and maintenance services for vehicles, motorized equipment, and electronic equipment (excluding technology related equipment, e.g.: telecom, computers, servers, etc.).

### b. General Policy:

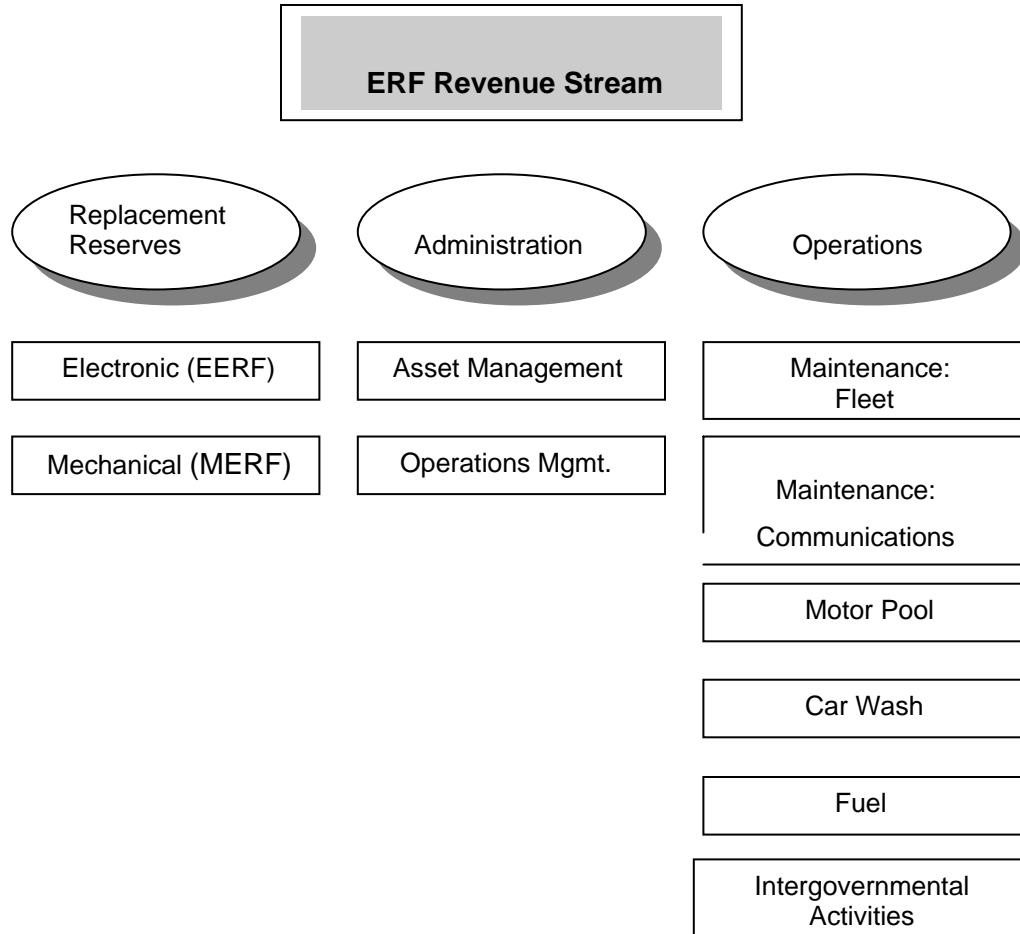
- i. It is the policy of the City to provide for centralized management of its vehicles, motorized equipment, and electronic communications equipment. Management activities include fund management and asset purchase, rental, maintenance and repair, replacement and disposal.
- ii. The City Manager has delegated responsibility for implementing the provisions of this policy to the Utilities Department. The Utilities Department in collaboration with the Finance Department shall be responsible for ensuring uniform application and interpretation of policy. Proposed exceptions to the policy will be considered for maximum benefit of the City.
- iii. The Utilities Department shall be responsible for planning, directing, managing, coordinating and supervising programs for the acquisition, assignment, maintenance and repair, rental, replacement and disposal of the vehicle fleet, motorized equipment, and electronic communications equipment of the City. To provide for administrative ease and operational flexibility this responsibility is further delegated to the Fleet & Communications Manager (F&C Manager).

### c. Purpose:

The purpose of the Equipment Rental Fund (ERF) is to manage maintenance and replacement funds to ensure sufficient monies are available when needed. This allows the City to focus on using maintenance and efficiency indicators when making asset equipment replacement decisions. Additionally, ERF is designed to rent ERF-owned equipment to other funds. ERF consists of two major sub-funds: the Mechanical Equipment Rental Fund (MERF), and the Electronic Equipment Rental Fund (EERF).

### d. Services:

The Equipment Rental Fund is designated as an Internal Service Fund with three major functions. The Replacement function supports the process to provide for replacement of assets. The Administration function supports asset and operations management. The Operations function supports maintenance, fuel, motor pool, and intergovernmental activities. Separate rates may be established for specific services. These services are grouped into the following areas, each of which has a separate revenue stream:



2. Definition of Terms

(please note: these are basic definitions only; for more information, see the policies).

a. Accounting Life:

Defined period of time that a replacement rate is collected. It does not affect retention or replacement decisions. In the past this has been called the Useful Life.

b. Asset:

A capital item that qualifies to be part of EERF or MERF. Generally, this is electronic equipment costing in excess of \$1,500 for EERF and mechanical equipment costing in excess of \$2,500 for MERF.

c. ARA: Asset Replacement Account.

One of two reserve accounts (see True Up Bucket) that together comprise the replacement formula. Each asset has its own individual replacement account, and each department contributes to it based on the original cost of the asset divided by its accounting life.

- d. Capital Addition:  
A new (as opposed to replacement) part or component added to an existing ERF asset used in operations that increases the useful life and service potential of the asset.
- e. ECS:  
Electronic Communication Services which provides maintenance services for EERF assets.
- f. EERF:  
The Electronic Equipment Rental Fund is a subfund that charges fees for replacement and maintenance operations for communication, electronic, and related systems.
- g. ERF:  
The Equipment Rental Fund is an Internal Service Fund incorporating two major sub-funds, EERF and MERF, under central management.
- h. ERF Owned:  
All assets purchased with replacement funds or acquired through contributions from other funds or agencies and donated to ERF.
- i. Fleet Operations:  
Provides maintenance, fuel, and related services for MERF assets.
- j. F & C Manager:  
Fleet and Communications Manager
- k. Internal Resale:  
Buy back internal equipment (used) that is due to be salvaged rather than purchase new.
- l. Leasing:  
Process by which a department contracts for use of equipment without acquiring ownership. Replacement reserves do not fund leases.
- m. Lease Purchase:  
Process by which a department initially contracts for use of equipment, and acquires ownership at the end of the lease term.
- n. MERF:  
The Mechanical Equipment Rental Fund is a sub-fund that charges for replacement and maintenance operations for vehicles, equipment, and related systems.
- o. Non-ERF Owned:  
Assets either owned by another fund or not owned by the City. These assets may be maintained and/or have a replacement account in ERF.
- p. Rate:  
Fee basis for maintenance, services and replacement.
- q. Replacement Account:  
A reserve account for each asset to accumulate replacement monies (see Asset Replacement Account).
- r. Special Reserve Account:  
Money accumulated in a short-term account for special purposes.

- s. System:  
A system is defined as a group of components with interrelated functions that collectively form an asset.
- t. TUB: True Up Bucket (Account):  
One of two reserve accounts (see Asset Replacement Account) that together comprise the money available for replacement. There is one TUB for each Fund that participates in replacement. Interest, salvage, and excess replacement reserves are posted to the TUBs.

### 3. Replacement Reserve Management

- a. Donation of Equipment to ERF:  
Departments that participate in replacement will donate all eligible assets to Equipment Rental, where they will be considered ERF-owned Assets.
- b. Replacement Reserves for ERF-Owned Equipment:  
During the budget process, the F&C Manager will establish reserves through the use of rates for the replacement of assets.
  - i. Replacement charges are generally collected based on each individual asset's original cost divided by its accounting life. Replacement rates are sometimes adjusted for special purposes. Those charges will be accumulated in an individual Asset Replacement Account (ARA). Interest earned on an asset's reserves and any salvage values from the asset will be deposited in the fund's TUB.
  - ii. Capital additions will be captured in the total cost of the asset, and the replacement calculation will be recomputed over the remaining life of the original equipment.
  - iii. Replacement rates may be adjusted when the accounting life of an asset is changed or the cost of new assets within a class are significantly higher or lower than the norm. The F&C Manager will submit a cost/benefit analysis to the Budget Office during the budget process to account for these types of changes.
  - iv. Assets acquired for service by means other than purchase will have a replacement rate established similar to a purchased asset, and will require Finance approval for replacement at the time of acquisition.
- c. Replacement Reserves for other Agencies:
  - i. Direct: ERF may maintain replacement reserves directly for outside agencies. These assets will be non-ERF owned. If an outside agency contributes to replacement reserves and the agreement is terminated, any remaining reserves contributed by the agency (and the associated accrued interest) will be refunded.
  - ii. Indirect: ERF may maintain replacement reserves indirectly for outside agencies through an agreement with the City. The assets may or may not be ERF-owned. If an outside agency contributes to replacement reserves and the agreement is terminated, any remaining reserves contributed by the agency (and the associated accrued interest) will be refunded.

- iii. In both cases above, ERF and Finance will work together to review the replacement account balance (including interest) and refund the money to the outside agency.
- d. Prohibited uses of Reserves
  - i. ERF replacement reserves will not be used to fund construction projects, purchase non-capital equipment (unless part of a system), or purchase capital items that are not authorized to have a replacement schedule.
  - ii. ERF replacement reserves will not be permanently transferred to other funds unless directed by Council.
- e. Miscellaneous Reserve Uses:
  - i. When the cost of a replacement item is less than the established ERF threshold, replacement funds will purchase the new replacement item and then that item will be discontinued as an ERF-owned asset.
  - ii. Non scheduled (non-budgeted) expenditure of replacement reserves require an approved EERF/MERF capital sheet.
- f. Asset Replacement Accounts (ARA) and True Up Bucket (TUB) Accounts:
 

The following policies have been established to provide boundaries and guidance for replacement decisions, ensuring that the customers meet their business needs while at the same time protecting replacement monies for future considerations. These are not intended to circumvent the established City policies for new investments. All justifications for exceptions should be developed by the user department. Exceptions must be reviewed and approved by the F&C Manager and the Finance Department.

  - i. An Asset Replacement Account, together with the True Up Bucket , is designed to ensure we can replace a “like” item. The ARA exists to collect monies based on the original cost of the asset. The rate each department pays into these accounts is the original cost of the asset divided by the accounting life. When the original amount is collected, the replacement charges are usually discontinued. If the cost of an asset increases well above normal inflationary patterns, the F&C Manager and Departments may propose a change to the amount of replacement collected.
  - ii. TUB Account: The TUB Account exists to finance normal inflationary increases on that item. There is one TUB for each fund that participates in replacement. Interest revenue, salvage revenue, monies from surplused assets, and excess replacement reserves (from asset purchases) are posted to each TUB.
  - iii. True-up process: During the biennial budget process, the reserve need will be re-estimated, compared with actual reserve balances, and any excess/deficit will be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual reserve balance, then no action is required.
  - iv. TUB Shortages: If there is not enough money in a TUB to cover like for like replacements during the two-year budget cycle, it is the responsibility of the requesting department to fund the shortage.



- v. Like-for-Like Baseline: When computing funds available for replacement, the F&C Manager determines the estimate by comparing the equipment being replaced to an identical piece of equipment in today's marketplace.
  - vi. Equipment Improvements: If there are changes in equipment technology that either make the old asset obsolete, antiquated or not match generally accepted industry trends, this will be considered a like-for-like replacement.
  - vii. Upgrades: New equipment technology that is not an Equipment Improvement will be considered an upgrade. Upgrades are acceptable if there is enough money available using the like-for-like formula. If there is a need for additional funds, the department must submit a budget request
  - viii. Rebuilds: there is an option to use the ARA monies to rebuild equipment if it extends the accounting life and it is more cost-effective than the replacement option.
  - ix. Legal and Safety Requirements: If a mandated legal or safety requirement occurs and there is a cost increase, the Department must submit a budget request. The equipment specialist (Fleet Services, ECS, and/or the Department) is responsible for anticipating these (when possible) during the budget process.
  - x. Early Replacement: If it is determined by the F&C Manager that an asset has failed before the end of its accounting life, the ARA and the TUB will pay for this. To collect the shortfall, an increased rate of replacement, which will include the funds still to be collected on the original asset, shall be charged on the newly replaced asset.
  - xi. Combining Assets or Obtaining Multiple Assets: It is permissible to combine assets to obtain a single asset or to obtain more than one asset when replacing a single asset. In both cases, if there is a shortage of funds (based on the like-for-like formula), the department must submit a budget request and present a business case for these additional funds.
- g. New Purchase Accounts:  
See appendices for the process.

#### 4. Replacement Rules

- a. ERF-Owned Assets:  
All assets placed in the ERF fund must have the following basic criteria as determined by the F&C Manager. The F&C Manager can change the minimum criteria to match COB standards and approve exceptions on a case-by-case basis. These criteria must be met to have a replacement schedule created:
  - i. Accounting life must be two years or longer.
  - ii. Minimum individual value is \$1,500 for EERF assets and \$2,500 for MERF assets, unless they exist as a part of an Asset System. Please note that this value may change from time to time to account for inflation.
  - iii. Exceptions to the above criteria:
    - (1) Any non-ERF owned asset where the department or agency specifically requests replacement.

- (2) Any asset so directed by the City Manager.
- iv. New item categories and “systems” must be nominated by the operating departments to the F&C Manager, and approved by the Finance Department.
- b. Non-ERF Owned Assets:  
Equipment items that do not participate in replacement will be asseted when:
  - i. They use fuel and/or maintenance services provided by ERF, or
  - ii. Any confiscated asset (Non-ERF owned), or
  - iii. They have a Washington State issued title, or
  - iv. Directed by the City Manager.
- c. Accounting life:  
The accounting life is established based on industry standards and the normal life expectancy of similar assets. Asset classes generally affect large groups of similar assets; however, special applications and unique items may have separate lives. Normally the accounting life is changed when actual average disposal age deviates by more than one year at replacement. Accounting life can also be changed as a result of valid customer requests, and technological changes in the equipment.
- d. Capital Additions:

Generally, there are two reasons for the creating capital additions (CA). First, to accurately reflect the value of the City's assets. Second, to capture the full cost and have replacement funds available at the time of replacement. Since it is not practical to capture every dollar associated with additions to ERF assets, and because City accounting practices determine what we can and cannot do, the following definition and criteria have been developed.

When a CA is accepted, the cost is added to the original value of the asset and, during the next budget cycle, replacement is re-calculated. This re-calculation includes the extended useful life.

- i) Definition: A new (as opposed to replacement) part or component added to an existing ERF asset used in operations that increases the useful life and service potential of the asset.
- ii) Criteria: To be accepted as a CA, the following criteria must be met:
  - (1) The new part or component must have a minimum individual cost (including tax) of at least 75% of the asset criteria cost threshold. For EERF assets, that is \$1125 (75% of \$1500). For MERF assets, that is \$1875 (75% of \$2500). These thresholds have been created to minimize unnecessary accounting transactions.
  - (2) The CA must be permanently associated with the parent asset.
  - (3) Must increase the useful life and the service potential of the asset by at least two years.
  - (4) Must be approved by the Fleet & Communications Manager.
  - (5) If ERF funds are used, Finance Department approval is required. This is done either through the bi-yearly budget process or, if off-cycle, through the use of the EERF/MERF Capital Sheet process.

- (6) If Department funds are used, the Department will follow the current city guidelines for the use of their budget.
  - (7) The addition of the part or component occurs a minimum of one year after the original in-service date.
- e. Acquisition and Disposal of Assets:
- Approval for acquisition and disposal of assets is decided during the Budget process, which starts when the F&C Manager reviews all assets to determine those that should be replaced and those that should be retained. The F&C Manager meets with the operating departments to agree on the selection of items to be replaced and to discuss new acquisitions. The formal budget approval for acquisition and disposal of assets occurs when Council approves the budget.
- i. All ERF assets will be returned to ERF for disposal when the asset is replaced or declared surplus. Assets may not be retained in the user department unless approved by the Budget Office (internal resale) or approved by the F&C Manager for temporary rental.
  - ii. Assets being replaced must be physically returned to ERF as soon as the new asset is issued and fully operational.
  - iii. Transfer of ERF-owned assets without receiving compensation:
    - (1) Assets may be transferred to other governments without compensation upon direction/approval of the City Manager.
    - (2) Assets may be transferred to private entities under contract to the City to provide services in lieu of direct cash payments. The department responsible for the contract will be charged the salvage value of the asset being transferred.
- f. Internal Resale (buyback).
- At times it may be advantageous to buy back internal equipment (used) rather than purchase new. This type of purchase is considered a new investment and must be approved by the Finance Department. The price of City-owned ERF assets will be equal to the "Trade-in" listed in industry price guides or 75 percent of historical sales price of like items sold at auction. Sales tax does not apply. The following options may exist:
- i. No Replacement: A piece of equipment is purchased and will not be replaced. Budget approvals include the cost of the equipment, asset management fee, fuel and maintenance charges.
  - ii. Replacement: A piece of equipment is purchased and will be replaced. Budget approvals include the cost of the equipment, asset management fee, replacement, fuel and maintenance charges.
    - (1) The investment request must note the replacement intent: either replace with another "used" piece of equipment or replace with new equipment. The replacement will be calculated accordingly.
- g. Leasing:
- i. Replacement reserves on leased equipment: ERF will only collect replacement on leases that qualify as lease purchases, after being approved by Finance.
  - ii. Lease contracts: The F&C Manager will assist a Department in the review of all equipment that is leased for:

- (1) greater than a six-month consecutive period of time;
- (2) non-consecutive periods of time that total six months during a budget year;
- (3) successive leases in multiple budget years.

Total costs will be analyzed to determine if ownership is more cost effective than leasing. If ownership is more cost effective, the department must budget to purchase the item being leased. The department may not lease items in order to avoid the capital purchase screening process.

h. Systems:

i. A system is defined as a group of components with interrelated functions that collectively form an asset. The goal of a system is to coordinate replacement needs on these components as a total "group" so that all components can be replaced at the same time. Note: systems within ERF are considered rare and should be used only when they meet all criteria. The F & C Manager will meet with the Department requesting the system and create a memorandum of understanding noting the following requirements and rules:

- (1) All components within the system must be specifically identified. Components may include items normally considered to be non-capital, but these must have an inter-related function and not be an M&O item. Travel and training are a component only when they are related to system setup. This does not include maintenance contracts.
- (2) The functionality of the system and the relationship(s) of the components to the system must be identified. This inter-connectivity must be demonstrable.
- (3) The components subject to replacement and the components subject to M&O will be defined.
- (4) Replacement value and accounting life will be defined.
- (5) Any special conditions will be defined, including special needs for access to replacement funds.

ii. The system owner will be responsible for M&O on the system. Reserves are intended for replacement only.

iii. If a system needs to expand due to increased functionality (technological changes, etc), this expansion and budget must be approved during the budget process. Once it is a system, it cannot be downgraded into a series of individual assets unless approved by Finance.

iv. If a system's components fail or there is a need to replace them before the end of the accounting life, the system's current replacement schedule will continue. During the budget process, each system will be reviewed and adjustments to rates and accounting life will be made.

## 5. Maintenance & Operations

a. Maintenance Rates:

The F&C Manager will establish rates for various operational costs and services provided by the Electronic Communications Services and the Fleet Services

operations. Separate accounting will be maintained for replacement and operations.

- i. ERF Maintenance rates will be established to recover actual direct and indirect costs, as well as provide sufficient resources to fund inventory growth, salary increases, inflation, and special programs. Rates will be adjusted during the budget process based on the fund balance if revenue exceeds or is below needs.
  - ii. Operating Reserves: Included in the establishment of these rates will be operating reserves. These operating reserves protect the fund against adverse financial performance due to variations in revenue or expenses. Additionally, resources not used for M&O remain in ERF and become operating reserves.
    - (1) Collection amount: Each sub-fund (MERF and EERF) will maintain 5% of its M&O budget to serve as operating reserves.
    - (2) Special purposes: When necessary and approved by Utilities and Finance, the operating reserve component will be increased to collect for special purposes (e.g., MMIS). When possible, this will be done over time and in a manner that will not greatly impact the existing rates.
    - (3) Approval for use: The use of these funds must be approved by the Utilities and Finance Directors.
    - (4) Excess reserves: During the budget process, excess reserves will be analyzed to see if there are any special purposes needs. If there are none, excess operating reserves will be returned to the contributing customer's funds and will not be used to reduce future customer rates. This methodology will be used to preserve the integrity of the ERF operations and to permit the F&C Manager to analyze and explain rate changes based on operational reasons.
  - iii. All MERF asseted items will be assigned either a maintenance contract charge or a time and materials charge. The amount charged will include all direct costs and a markup to recover indirect costs. The maintenance contract charges will be formalized during the budget process and will not be adjusted during a budget period. Time and material charges are budgeted based on estimates and billed on actual costs, plus associated overhead.
  - iv. Miscellaneous Charges: When work needs to be done that is either not covered by an asset's maintenance contract or cannot be directly charged to an asset, ERF will charge departmental miscellaneous accounts. The budget for these accounts is based on estimates and billed on actual costs, plus associated overhead.
  - v. All EERF maintenance rates are budgeted based on departmental historical use of ECS services in the previous budget cycle and adjusted for inflation.
- b. Maintenance and Services
- i. Fleet and Communications will maintain all ERF assets except specialty equipment that has specifically been delegated to other departments.
  - ii. Fleet and Communications may perform maintenance and provide services on equipment not assigned to ERF.

- iii. Maintenance and services provided to other government agencies will be billed as authorized by interlocal agreements (e.g., contracts, verbal agreements, and memoranda of understanding).
  - c. Fuel System
    - i. Fleet Operations will manage the automated fuel system to be cost effective, meet customer needs, and comply with regulations.
    - ii. Fleet Operations will provide portable fuel systems to use in fueling fixed site locations, generators, etc.
    - iii. Fuel charges will be billed on actual usage plus overhead. Budgets are based on estimates.
  - d. Motor Pool
    - i. Motor pool is intended to provide staff cars, vans, and equipment for short-term use by departments that cannot justify a dedicated vehicle.
    - ii. Motor Pool charges will be billed on actual usage by the department based on pre-established rates.
  - e. Out of Service Equipment
    - i. Assets returned to the ERF fund may be available for short-term rental only. Vehicles and equipment will be rented on a time and charge basis until sold or salvaged. The following will apply to all such rentals:
      - (1) There will be an administrative fee charged to the users budget for each month of rental.
      - (2) The user will be responsible for all fuel costs related to operating the vehicle.
      - (3) The user will be responsible to keep the vehicle properly maintained during the rental period.
      - (4) The user will be responsible for costs to repair any damage to the vehicle during the rental period.
      - (5) All costs related to the maintenance, repair and damage will be charged to the users on a time and charge basis as there is no longer a maintenance agreement associated with the vehicle.
      - (6) The vehicle will be returned clean and with all of the user's equipment removed. If not cleaned, the user will be charged for the cleaning of the vehicle.
    - ii. Replaced and/or surplus assets may be retained and rented beyond their expected disposal date only when approved replacement equipment has not been delivered.

## 6. Appendices

- a. Roles and Responsibilities:
  - i. Operating Departments

- (1) Working with the F&C Manager, identifies costs, system components, replacement life, and all other pertinent information for any asset owned and/or maintained by the Equipment Rental Fund. This is particularly important for specialty equipment.
  - (2) Assist in identifying cost increases in existing equipment that exceeds inflation. Working with F&C Manager, develops budgetary proposals (e.g.: CBL exceptions) to ensure proper funds are available in the specific asset replacement account.
  - (3) Working with F&C Manager during the budget process, identifies assets needing to be replaced and/or new assets (including buybacks) to be purchased.
  - (4) Provides prudent use, care, and stewardship of ERF-owned assets.
  - (5) Manages specialty equipment not maintained by ERF (e.g., medical, restaurant, traffic signal, and survey).
  - (6) Initiates the request to start replacement collections on assets in new ERF categories by contacting the F&C Manager and presenting a business case.
  - (7) Provides feedback on asset management policies.
- ii. Utilities Department: Fleet & Communications Section
- (1) Establishes and administers fund policies in collaboration with the Finance Department. Manages all ERF assets in accordance with these policies.
  - (2) Manages budget and financial operations of ERF in accordance with all existing laws, policies, and generally accepted accounting practices.
  - (3) Determines equipment that will be maintained by ERF.
  - (4) Establishes the accounting life, replacement schedules and rates for all asset classes by recognizing the average life of groups of assets. The F&C Manager makes changes to the accounting life based on actual experience.
  - (5) Maintains all titles for City-owned licensed vehicles and equipment.
  - (6) During the budget process, develops Equipment Rental Fund financial plan for the budget period:
    - (a) Prepares the asset replacement plan and recommends new purchases.
    - (b) Works with Operating Departments to identify adjustments to replacement rates that exceed inflation.
    - (c) Works with Finance Department's Budget Office to establish new asset categories.
    - (d) Presents rate setting methodologies to the Overhead Committee and establishes service level agreements.
    - (e) Sets maintenance, replacement, estimated fuel and motor pool charges to user departments.

- (f) Works with the Finance Department to estimate reserve needs, compare them with actual reserve balances, and determines if there is any excess/deficit to be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual reserve balance, then no action is required.
  - (7) Manages all ERF operations including vehicle and radio maintenance, motor pool, and the automated fuel system.
  - (8) Determines when surplus assets are retained and rented beyond their expected disposal date.
  - (9) Receives new purchase monies (Operating Funds or CIP) for all ERF-owned assets and prepares purchase requisitions.
- iii. Utilities Department: Finance Section
- (1) Provides financial services to Fleet & Communications including assistance in the development and review of financial policies, budgets and rates.
  - (2) Represents F&C with the Budget Office on operating budget and financial issues.
  - (3) Assists the F&C manager in budget monitoring.
- iv. Finance Department
- (1) Working with F&C Manager, establishes and administers fund policies.
  - (2) During the budget process:
    - (a) Analyzes and makes recommendations to the Overhead Committee and Leadership Team on ERF financial plan for the budget period, including:
      - (i) asset replacement plan
      - (ii) proposed new asset purchases
      - (iii) total rates as they change (e.g., maintenance, fuel, and replacement).
    - (b) Works with the F & C Manager to analyze reserve needs, compares them with actual reserve balances, and determines if there is any excess/deficit to be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual reserve balance, then no action is required.
  - (3) Approves unbudgeted ERF asset purchases and appropriation adjustments to accommodate the asset purchases, including internal re-sales.
  - (4) Works with F & C Manager, presents to the Overhead Committee and Leadership Team all requests for changes in replacement rates, including collecting replacement reserves for new categories of ERF assets and adjustments to existing categories.
  - (5) Processes ERF billing to customers and merges budget data with billing system.



- (6) Prepares ERF financial statements and recommends potential improvements (including fixed assets and accumulated depreciation reconciliation).
  - (7) Ensures City property and equipment is disposed of in accordance with State and City regulations.
  - (8) Invests fund money and accounts for interest.
- v. Leadership Team
- (1) During the budget process, approves the ERF financial plan for the budget period.
  - (2) Approves exceptions to established policies on a case-by-case basis.
- vi. City Council
- (1) Adopts the appropriation and operating budget for ERF during the budget process.
  - (2) Authorizes transfer or loan of ERF replacement reserves to other funds.
  - (3) Authorizes the CMO to enter into interlocal agreements to provide services to other agencies.
- b. New Purchase Accounts process:  
At the beginning of each calendar year, all monies for the purchase of new ERF-owned equipment will be moved from each Department's operating budget to a *new purchase account* in ERF. ERF will then work with the Department to specify and order this equipment, including the creation of a purchase requisition. If there is more money than is needed for the budgeted equipment, the excess will stay in the new purchase account for the remainder of the calendar year to assist with any other budgeted new purchases that may have a shortfall. If there is a funding shortfall, the department will make up the difference. At the end of that year, any remaining monies will be moved to the appropriate fund's TUB.
- c. Chronology of Significant Events:
- i. The Mechanical Equipment Rental Fund (MERF) was created December 2, 1964 by Ordinance No. 699.
  - ii. The Electronic Equipment Shop/Reserve Fund (EERF) was created on February 10, 1973 by Ordinance No. 3235.
  - iii. In 1984 a City motor pool was created to provide a pool of vehicles and common use equipment for short-term use by all City departments.
  - iv. Special Purpose Reserve Accounts have been created at the direction of the Finance Department with the approval of the City Manager. These funds have been used to purchase new assets when no existing asset is being replaced. They include:
    - (1) "Computer Reserve" established March, 1990 by the Information Services Executive Committee (SEC) at the direction of the City Manager (please note that the Computer Reserve no longer resides in ERF. It was moved to another fund managed by the Information Services Department).
    - (2) "Annexation Signal Reserve" established May 1993.

(3) "800 MHz Reserve" established January 1994.

- v. Prior to 1991 the EERF and MERF funds were part of the Operating Budget. During the 1991 Council Budget Retreat held in July 1990, the Council approved including both funds in the non-operating budget. Council approved a two-year appropriation.
- vi. On January 1, 1997 the Equipment Rental Fund (ERF) was created as a result of Council approving Ordinance 4907. The effect of this ordinance was the joining of the ERF and MERF funds into one fund. This improved central management and reduced duplicate financial reporting requirements.

d. Mechanical Equipment Rental Fund (MERF) Rate Calculations summary:

Rate	Methodology
<b><i>Asset Management</i></b>	
Replacement (MERF / EERF):	<ul style="list-style-type: none"> <li>• Monthly replacement charge is calculated by taking the asset's total cost and dividing it by its accounting life in months. This is sometimes adjusted for special circumstances.</li> <li>• The monthly replacement is collected in the individual ARAs.</li> <li>• Interest and salvage is collected in the fund's TUB.</li> <li>• Billed monthly.</li> </ul>
Asset Management (MERF / EERF):	<ul style="list-style-type: none"> <li>• Asset management costs (e.g., management, administration, interfund charges, specifications, purchasing and disposal) are defined and collected by sub-fund (EERF &amp; MERF).</li> <li>• These costs are divided by the number of assets in each fund to establish a flat rate per asset.</li> <li>• Departments are charged based on the number of assets they use.</li> <li>• Billed one time per year.</li> </ul>
<b><i>Fleet Operations</i></b>	
Maintenance Rates for Fleet Operations (Contract Rate and Time & Materials)	<ul style="list-style-type: none"> <li>• Operational costs (e.g., labor, parts, outside services, oils, lubricants, training, interfunds, equipment, fuel, and other overhead charges) are defined for maintenance services. This includes operating reserves and approved operational investments.</li> <li>• Off-setting revenue is collected per asset either by an established monthly contract rate or on a time and materials basis (shop rate for labor, parts, outside services, taxes, and overhead). <ul style="list-style-type: none"> <li>• Monthly contract rate includes regular and preventive maintenance, emissions testing, road calls, and field repairs.</li> <li>• Time and materials include: modifications; repairs for accidents abuse, or negligence; special equipment that is not cost-effective to charge a monthly contract rate; unanticipated special needs or services.</li> </ul> </li> <li>• Revenue budgets are estimated based on historical actuals. Maintenance contracts are fixed for the budget cycle. Time and charges are billed on actuals plus overhead.</li> <li>• Unanticipated needs or abuse are billed on a time and charge basis.</li> <li>• Billed monthly.</li> </ul>

Rate	Methodology
Fuel	<ul style="list-style-type: none"> <li>• Fuel is budgeted based on historical estimates, planned changes in usage, additions to the fleet, and industry trends.</li> <li>• Fuel is billed based on actual cost plus overhead.</li> <li>• Billed monthly.</li> </ul>
Motor Pool	<ul style="list-style-type: none"> <li>• Departments set their own budgets based on historical estimates and forecasted needs.</li> <li>• Hourly rates are based on actual costs and vehicle use.</li> <li>• Motor pool is billed based on actual use.</li> <li>• Billed monthly.</li> </ul>
<b><i>ECS Operations</i></b>	
ECS Operations	<ul style="list-style-type: none"> <li>• Operational costs (e.g., labor, parts, outside services, training, inter-funds, equipment, etc.) are defined for maintenance services. This includes operating reserves and approved operational investments.</li> <li>• Budgets are apportioned by historical share of service usage plus forecasted special needs.</li> <li>• Billed monthly.</li> </ul>

## 7. Index

Accounting Life .....	6	Purpose .....	4
Acquisition and Disposal of Assets.....	11	Rate .....	7
Appendices .....	15	Rate Calculations summary.....	19
Asset .....	6	Replacement Account .....	7
Asset Replacement Account .....	6	Replacement Reserve Management.....	7
Chronology of Significant Events.....	19	Asset Replacement Accounts (ARA).....	9
Definition of Terms .....	5	Donation of Equipment to ERF .....	7
ECS.....	6	Miscellaneous Reserve Uses.....	8
EERF .....	6	Prohibited uses of Reserves .....	8
ERF.....	6	Replacement Reserves for ERF-Owned Equipment .....	7
ERF Owned .....	6	Replacement Reserves for other Agencies.....	8
F & C Manager .....	6	True Up Bucket (TUB).....	9
Fleet Operations.....	6	Replacement Rules.....	10
Fuel System .....	15	Acquisition and Disposal of Assets.....	11
Function .....	4	ERF-Owned Assets.....	10
General Policy .....	4	Internal resale (buyback).....	11
Internal resale.....	6, 11	Leasing.....	12
Leasing.....	6, 12	Non-ERF Owned Assets .....	10
Maintenance & Operations .....	13	Systems.....	13
Fuel System .....	15	Useful life .....	10
Maintenance and Services .....	14	Responsibilities .....	15
Maintenance Rates.....	13	City Council.....	18
Motor Pool.....	15	Finance Department.....	17
Out of Service Equipment .....	15	Fleet & Communications .....	16
Maintenance and Services.....	14	Leadership Team .....	18
Maintenance Rates.....	13	Operating Departments .....	15
MERF .....	6	Services .....	4
Motor Pool.....	15	Special Purpose Reserve Accounts .....	19
New Purchase Accounts .....	10	Special Reserve Account.....	7
Non-ERF Owned .....	7	System.....	7
Ordinance 4907.....	19	Systems .....	13
Ordinance No. 3235 .....	19	True Up Bucket .....	9
Ordinance No. 699.....	19	True Up Bucket (TUB) Account .....	7
Out of Service Equipment.....	15	Useful life.....	10
Overview .....	4		