

Finance-Budget

Vehicle Replacement Funding Policy

Approved by Council on: April 29, 2013

Report Number: F-37-17

Effective: November 13, 2017

Next Review: November 13, 2022

To provide direction regarding fleet asset management principles and the appropriate use of the various Vehicle Depreciation Reserve Funds (VDRF).

Policy Statement:

- 1) Vehicle Depreciation Reserve Funds (VDRF) are to be used exclusively for funding the replacement of vehicles and equipment that are currently owned and maintained by the Corporation.
- 2) All assets eligible for VDRF funding must be identified as an individual asset within the Fleet System and have a unique identifier. Asset identifier shall include the manufactured year and asset number.
- 3) Accessories or components that becomes part of the vehicle or equipment during initial fit-up are considered part of the asset, unless the life cycle differs. Exceptions to this rule may apply, for example; technology items that may fall under a different asset type and therefore funded differently.
- 4) Condition assessments must be conducted regularly on vehicles and equipment to determine if lifecycle should be adjusted from the recommended life expectancy or industry best practice.
- 5) Replacement of assets may differ from the existing assets based on changes to legislated standards, standards driven by industry and/ or corporate in nature standards. These changes must be reviewed by the Fleet Asset Category Team, prior to being included in the Capital Budget and Forecast.

Corporate Policy

- 6) The target balance of the reserve fund will be related to the average annual replacement requirement based on lifecycle costing information as recommended by the asset management plan.
- 7) The acquisition of new vehicles and equipment or enhancements to existing assets (refer policy) must be presented separately through the capital budget process and funded from a source other than a VDRF.
- 8) The Tyandaga VDRF may be used to purchase new assets as required by the service providing there is adequate funding to sufficiently meet their on-going replacement needs.
- 9) The city shall maintain separate VDRFs as outlined below:
 - a. Corporate VDRF;
 - b. Fire VDRF;
 - c. Tyandaga VDRF
- 10) Annual contributions to the VDRF(s) will be increased by 4% compounded annually. This contribution will be reviewed annually as part of the capital budget review process to ensure financial sustainability of the reserve fund.
- 11) Replacement items funded through the VDRF must be included in the Asset Category 10 Year Capital Budget. Capital budget is to be reflected in current dollars for the 10-year cycle. In the event that currency exchange impacts the purchase costs of a vehicle or equipment, the service owner and the designate finance representative may allow for cost variances between the approved budget and cost of the asset provided that appropriate funds are available through the VDRF and that the procurement by-law is adhered to.
- 12) Revenues from sale of assets must be deposited to the respective VDRF accounts. Should the City decide to cease offering a service, any associate assets shall be sold and monies deposited to the respective VDRF accounts.

Scope:

This policy applies to all vehicles and equipment owned by the City of Burlington, excluding Transit buses and on board Transit equipment.

Corporate Policy

Definitions:

For the purpose of this policy, unless otherwise stated, the following definitions shall apply:

Term	Definition
Corporate Fleet	Vehicles and Equipment operated and used by the City of Burlington inclusive of support vehicles in Transit.
Tyandaga Fleet	Vehicles and Equipment operated at the Tyandaga Golf Course.
Fire Fleet	Emergency Response and support Vehicles and Equipment operated by the Burlington Fire Department.
Vehicle	A motor vehicle licensed with the Ministry of Transportation of Ontario.
Equipment	An asset that: <ul style="list-style-type: none">• has a predictable service life greater than one year;• requires regular maintenance or repair; and• is used exclusively for field use, as part of the city fleet. Note: Replacement of protective clothing, consumable items, hand tools, shop tools, facility assets, fleet repair equipment and hoists as well as certain technical hardware are not funded through the VDRFs.

References:

RPM-02-13 –Review of Fleet Asset Management and Vehicle Depreciation Reserve Funds

F-37-17 - Report Providing a Financial Overview of the 2018 Proposed Capital Budget and Forecast

Roles:

Accountable:

Director of Finance

Responsible:

Manager of Fleet Services, Roads and Parks Maintenance Department

Manager of Business Services, Transit

Manager of Fire Administration & Communications, Fire