

Finance-Budget

Vehicle Replacement Funding Policy

Approved by Council on: July 16, 2018

Report Number: F-23-18

Effective: September 1, 2018

Next Review: June 1, 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.
- 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 Conventional buses and on board Transit equipment as it relates to Conventional buses.**

Definitions:

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

Corporate Policy

Term	Definition
Corporate Fleet	Vehicles and Equipment operated and used by the City of Burlington inclusive of support vehicles and Handi-Vans 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	<p>An asset that:</p> <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. <p>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.</p>

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

F-23-18 Transit Funding Sustainability

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