

Department of Vehicle Services

LOB #298:

VEHICLE / EQUIPMENT REPLACEMENT FUNDS

Purpose

The Vehicle Equipment Replacement Program ensures the systematic replacement of vehicles and equipment that have completed their cost effective life cycles based on replacement criteria established by the Board of Supervisors. DVS manages funds for Helicopter, Boat, and Police Specialty Vehicle Replacement for the Police Department; an Ambulance and a Large Apparatus Replacement Fund for the Fire and Rescue Department; and a FASTRAN Bus Replacement Fund for the Department of Neighborhood and Community Services. All three departments make fixed annual payments into their specialty vehicle fund to ensure future funding is available to replace vehicles and equipment. Vehicles must meet both the age and mileage criteria for the vehicle type or complete a condition survey showing the vehicle is uneconomical to repair before they are replaced. When vehicles are replaced, the old vehicle is sold in accordance with procurement guidelines.

Description

Three discrete programs are strategically bundled within LOB #298, Vehicle/Equipment Replacement Funds to ensure funds are administered properly, fleet additions are cost-effective, and disposition of vehicles meet procurement guidelines.

Replacement Fund for General Fund Agencies

The replacement fund is intended primarily for General Fund agencies. As of July 1, 2015, approximately 2,300 vehicles in 33 agencies participate in the fund. Of the 2,300 vehicles, 60 percent are public safety vehicles. Heavy trucks and specialty vehicles that have specific applications and/or unpredictable replacement costs are excluded from the fund.

Vehicles must meet both age and mileage criteria established by the BOS and are replaced with a like type vehicle. During 2008-2009, the BOS approved a two year extension to the age criteria, which generated a one-time savings of \$9 million. The tables below reflect past and current replacement criteria for the vehicle replacement reserve.

Example Replacement Criteria, Vehicle Replacement Reserve

Description	Old Yrs	New Yrs	Miles
Mid Size Sedans	6	8	85,000
Police Package Sedans	4	6	80,000
Mini Pickups/Vans	6	8	90,000
1/2-1 Ton Pickup/Van/4x4	8	10	110,000

Example Other Replacement Criteria

Description	Yrs	Miles
Ambulance	10	NA
Heavy Duty Dump Truck	9	135,000
Transfer Tractor	10	300,000
Pumpers/Ladder Trucks/Air & Light	12	NA
Trailer	12	NA
School Buses	12	NA

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A Vehicle Specifications Analyst is assigned to this LOB and provides technical oversight to all agencies procuring vehicles. Customers are notified by DVS when vehicles meet replacement criteria. Vehicles are typically purchased using state contracts; however, some specialized vehicles are procured using a bid. Agencies can request a vehicle upgrade if strongly supported and justified by mission requirements and the agency has sufficient funding to pay the difference between the like type vehicle and upgraded vehicle.

Vehicle Replacement Reserve funds are generated through monthly billings to the agency that owns vehicles participating in the fund. The monthly rate is based on purchase price, inflation, projected future cost of replacing the vehicle, and expected service life of the vehicle.

Other Replacement Funds

In addition to the replacement fund for general services agencies, DVS manages six specialty vehicle replacement funds and one maintenance fund shown below:

Fund	Agency	Established
Helicopter Replacement	FCPD	FY 1996
Boat Replacement	FCPD	FY 2002
Police Specialty Vehicle Replacement	FCPD	FY 2002
Helicopter Maintenance	FCPD	FY 2015
Ambulance Replacement	FRD	FY 1997
Large Apparatus Replacement	FRD	FY 1998
FASTRAN Bus Replacement	NCS	FY 1999

FCPD and FRD make regular payments into these funds to ensure that funding is available when the equipment requires replacement. For all seven of these funds, the departments are responsible for determining the annual payments required, and requesting funding in their annual budgets. The payments are reflected as revenue in DVS. DVS coordinates with the three departments to ensure the DVS budget submission also includes an accurate appropriation to purchase any needed replacement vehicles in a given year.

Oversight of the various replacement programs is provided by DVS administrative employees. The DVS administrative offices are located at the Fairfax County Government Center and are open Monday through Friday from 7:00 a.m. to 4:30 p.m.

Fleet Utilization Management Committee

The County Executive established the Fleet Utilization Management Committee (FUMC) in 2004 to ensure a well-coordinated review of the fleet between DVS and the Department of Management and Budget. The FUMC leads the annual low-utilization review of the fleet and recommends appropriate fleet reductions to ensure the County fleet is not over-sized in relation to County needs. In addition, the FUMC reviews agency requests for fleet additions ensuring that the assignment of a vehicle is the most cost-effective means of accomplishing the mission. From 2004 through 2014, 199 vehicles have been identified for reassignment or elimination through this review.

The purpose and responsibilities of the FUMC are outlined in Procedural Memorandum 10-06 Amendment 1. Exempted from the policy are all vehicles owned by the Fairfax County School Board, Fairfax County Volunteer Fire and Rescue vehicles, all off road equipment, and certain specialty vehicles.

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Disposition of Vehicles

At the end of the vehicle or equipment's useful life, all decals are removed and DVS works with the DPSM to properly dispose of the vehicle. If the vehicle meets the requirements for sale to the public, DVS lists the vehicle on an online vehicle auction site where the public can bid on and purchase County vehicles. The site is used to sell vehicles commonly used by the public such as sedans, vans and trucks. If the vehicle meets the requirements for sale to other municipalities, DVS coordinates with DPSM to list it on Public Surplus, which is only available to and for public agencies. DVS sells specialty vehicles used by public safety, Department of Public Works and Environmental Services, and others on Public Surplus. Revenue for replacement fund vehicles goes to the revenue fund for the vehicle. For example, if a fire apparatus were sold on Public Surplus, the revenue would be deposited in the Large Apparatus Replacement Fund.

Benefits

LOB #298, Vehicle/Equipment Replacement ensures the systematic replacement of vehicles that have completed their cost effective life cycle and prevents the higher maintenance costs associated with older vehicles. Proper management and oversight of vehicle replacement reduces the overall cost of operating the County fleet. As vehicles age, they experience more breakdowns, are less reliable, require more servicing, and parts are difficult to obtain. By ensuring the replacement of aging vehicles that have reached the end of their optimum operating efficiency, departments can focus on their mission without interruption.

Additionally, this LOB ensures that the County does not experience significant variability in annual expenditures by planning long-range. Large fluctuations from year to year are not ideal when budgeting and/or making business decisions.

Without the Vehicle Replacement Program, individual agencies would have to include funds for vehicle replacements within their annual operating budget to coincide with their need for vehicle replacements. Projecting vehicle replacement with accuracy is dependent upon many factors to include operator care, annual operating miles, maintenance history, accident, economic conditions, and policy and legal requirements. Some agencies would have adequate funding to meet their vehicle replacement needs without interrupting their operational use of those vehicles; other agencies would not have sufficient funds to meet their vehicle replacement needs. Those agencies without sufficient funds would either have to:

- use vehicle(s) that have exceeded its economic useful life;
- rent vehicle(s); or,
- reallocate their workload to other vehicles.

In addition, agencies would lose the expert specification assistance provided by DVS. Without this assistance, vehicle specifications could include more or fewer items than are required which could ultimately be cost-inefficient for the County.

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Mandates

Administering a Vehicle Equipment Reserve Fund is not mandated; however, the County has chosen to establish several reserve funds, which must comply with the mandates below.

Governmental Accounting Standards Board Standard 34 (GASB 34)

GASB 34 sets standards for capital asset reporting and requires governmental entities to account for the depreciation of governmental fund fixed assets. By implication, government entities need to show how well they are budgeting, tracking and managing assets, to include motor vehicles. In view of this, DVS employs sound vehicle asset replacement planning and financing practices. A best practice fleet program entails having a vehicle replacement planning and decision making process that determines when each vehicle and piece of equipment should be replaced; and a financing and funding process that ensures that funds are available to purchase a replacement asset when the desired replacement date is reached. As such, DVS has mechanisms in place to fund fleet replacements on an annual basis through its budgetary and financial processes. Through use of a sinking fund model, replacement reserves are used to set aside funds to meet future vehicle replacement requirements which minimizes fluctuations in year to year funding needs and allows for repaying vehicle capital costs over several years. On an annual basis, DVS forecasts vehicles due for replacement in the upcoming budget year and ensures budget for those vehicles is appropriated.

Fairfax County Department of Finance - ATB 50010: Capital Assets

DVS accounts for capital assets in accordance with GASB 34 standard principles and Fairfax County ATB 50010 in the department's replacement vehicle purchasing, capital asset recording, and vehicle disposal processes. In addition, DVS performs monthly asset reconciliation to include ensuring that vehicles are properly classified and recorded as capital assets and that assets are capitalized and recorded in the General Ledger.

Trends and Challenges

Trends

In response to the County's desire for cleaner and more energy-efficient vehicles, DVS has included hybrid-electric vehicles in its vehicle replacement program, where appropriate. As a result, a conventional gasoline fueled county fleet vehicle at the end of its service life may be replaced with a hybrid vehicle, if acceptable to the using agency and conditions warrant.

The County's current fleet includes 117 hybrid-electric and plug-in hybrid-electric vehicles. The County saves more than 16,000 gallons of gas on average each year from its use of hybrid vehicles. DVS anticipates installing charging stations will be necessary to support the electric vehicles.

Using federal stimulus funding, in the 2011-2012 period DVS added 16 Ford Fusion Hybrids, five Chevrolet Volts and one plug-in hybrid-electric school bus to the county fleet. In December 2014, DVS purchased an all-electric Nissan LEAF. In FY 2016, DVS plans to purchase additional all-electric vehicles and increase the fleet of hybrid-electric to 135.

Challenges

The criteria to replace a vehicle was extended by 2 years during 2008-2009. The vehicle maintenance facilities have seen an increase in the number of repairs and costs for repairs. On numerous occasions the vehicle's repair cost has outpaced the value of the vehicle. This creates a situation where the owners of the vehicles are forced to spend more on repair costs than what the vehicle is worth to keep the vehicle on the road.

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Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #298: Vehicle / Equipment Replacement Funds			
FUNDING			
<u>Expenditures:</u>			
Operating Expenses	\$0	\$2,017,989	\$0
Capital Equipment	17,557,937	14,305,059	14,776,215
Total Expenditures	\$17,557,937	\$16,323,048	\$14,776,215
Total Revenue	\$11,663,438	\$13,663,634	\$10,794,545
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	1 / 1	1 / 1	1 / 1
Total Positions	1 / 1	1 / 1	1 / 1

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Vehicles in the replacement reserve	2,270	2,283	2,313	2,326	2,341
Technical reviews completed	265	337	258	222	210
Vehicles that meet VRR criteria	225	286	230	172	168
Vehicles ordered / replaced	265	337	258	222	210
VRR administrative cost per vehicle	\$31.70	\$38.57	\$42.82	\$43.33	\$44.12
Percent of vehicles that meeting replacement criteria and are replaced	100%	100%	100%	100%	100%
Percent of customers satisfied	95%	95%	95%	95%	95%

The Vehicle Equipment Replacement program is an objective tool used to determine the appropriate time to replace a vehicle. Fairfax County uses age and mileage criteria as indicators of the optimal economic life of a vehicle because maintenance costs increase significantly for older vehicles.

As County departments and agencies add vehicles to their fleet, the vehicles are also added to the replacement reserve. Therefore, the output for vehicles in the reserve is increasing over time and in tandem with the expansion of the fleet. Of additional importance is that 100 percent of vehicles that meet replacement criteria are replaced. This is a positive trend as it works to minimize the maintenance and, potentially, fuel costs.