

# Village Of Cache Creek

## Policy No. B-13

### Capital Equipment Replacement

**Date Approved by Council:**

June 8, 2009

**Effective:**

June 8, 2009

**Date Amended by Council:**

**Effective:**

**Policy Statement:**

The purchase of capital equipment by the Village of Cache Creek creates a contingent liability for the replacement of that equipment at the end of its useful life and this liability grows with the age of the equipment.

In order to recognize this liability, the Village shall, in a planned manner, annually transfer to the appropriate capital equipment replacement reserve those funds necessary to build up reserves for replacement when justified and approved by council.

All revenues from the sale of all capital equipment shall be deposited to the appropriate capital equipment replacement reserve to be used for equipment replacement.

Procedures for the proper and orderly replacement of existing capital equipment are detailed in the Capital Equipment Replacement Plan, which is approved by Council.

**Purpose:**

To provide for a process to be followed by all departments within the Village of Cache Creek to allow for the replacement of capital equipment and vehicles on a regularly scheduled basis, and the procurement of new equipment and vehicles as approved by Council.

**Exhibit(s):**

1. Village of Cache Creek Capital Equipment Replacement Plan

This document contains information on all mobile capital equipment and vehicles purchased and maintained by the Village of Cache Creek.

The purpose of this document is to provide administration and Council with the information necessary to plan for the proper and orderly replacement of existing vehicles and equipment through the use of annual transfers to equipment replacement reserves.

The purpose of this reserve is not for funding additional equipment purchases.

It is recognized that it is economically expedient to replace and/or discard equipment and vehicles before extensive breakdowns and downtime result, also to replace old or worn out equipment and vehicles before it becomes financially unsound for the continued use due to extensive repairs. It is also recognized that a liability is created upon the purchase of equipment for the future replacement of that equipment.

The dollars spent on the replacement of capital equipment fluctuates annually with need. The "cash basis" method of funding may cause changes in the tax rate from one year to the next or result in the Village leasing equipment, to prevent tax rate increases.

Accordingly, the purpose of this plan is to reduce or eliminate these potential tax rate swings, leasing options with high finance charges, and large fluctuations in annual budgets by providing funding for the proper and orderly replacement of equipment through the use of annual planned transfers to an equipment replacement reserve.

**Procedures:**

PROCEDURES FOR EQUIPMENT REPLACEMENT

1. The original purchase cost and expected useful life, as outlined in section 2, shall be used as the basis in determining the annual reserve transfer. The information will be set up on each unit for which a replacement reserve is required at the time of purchase. Actual transfers shall be based on budgeted amounts.
2. Major equipment and vehicles will be classified into the following categories, which will identify the estimated useful life. Other major miscellaneous equipment will have life cycles assigned at the time of purchase and be added to the capital asset register.

Category

Estimated Useful Life

Fire Pumpers - rated trucks	replace at 25 yrs
1/2 to 1 Ton Pickup Trucks	replace at 200,000 kms or 10 yrs
Foreman's Pickup Trucks	replace at 200,000 kms or 8 yrs
Dump Trucks	replace at 10,000 hrs or 12 yrs
Rubber tired tractors	replace at 10,000 hrs or 12 yrs
Loaders & Backhoes	replace at 10,000 hrs or 12 yrs
Mower Tractor Unit	Replace at 6,000 hrs or 8 yrs
Sewer Flusher	Replace at 20 yrs

3. If feasible, equipment and vehicles may be transferred to another department, where lesser usage is required until the useful life span is reached. In some circumstances, as determined by the Public Works foreman and Chief Administrative Officer a unit may be used longer than the above established limits or retired prior to its estimated useful life.
4. Equipment reserve funds are funded annually based on the financial plan. Any recovery on sale of equipment shall be added to the appropriate reserve.

5. The Public Works foreman in conjunction with the Chief Administrative Officer will annually review the equipment and vehicles due for replacement. Once a decision is made as to which items will be disposed of and/or replaced these items will be communicated to the Chief Financial Officer who will include them in the Financial plan.
6. At a budget meeting Council will review the Capital program and make the final decision as to what items are replaced. The cost of purchase of the items to be replaced shall be included in the capital plan. Any disposal proceeds projected shall be used to offset the cost of replacement. Reserve funds shall be used to the extent available, considering long term replacement required. The reserve fund represents depreciated value and is not meant to offset the cost of replacing a unit with a larger or different equipment model. Any such upgrading shall be funded from operations.

#### LONG RANGE CAPITAL PLAN

1. The Chief Financial Officer in conjunction with the Public Works Foreman will formulate and update a 5 year capital plan to include future anticipated equipment and vehicle replacement requirements. This plan will be updated annually as part of the financial plan.
2. The long-range plan will include identification of units to be replaced, the estimated year of replacement, original cost, and anticipated reserve fund transfers. Any shortfall shall be funded from operations (tax revenue).
3. To pay for new acquisitions (not replacement), the Municipality will utilize current tax dollars, reserve funds excluding equipment replacement reserve funds, or other revenues.
4. No acquisitions shall be made until approved by Council as part of a financial plan.