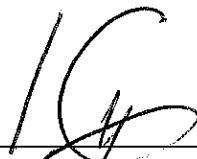
 <p style="text-align: center;">City of Santa Ana Administrative Policies and Procedures</p>		
<p>Subject</p> <p style="text-align: center;">EQUIPMENT REPLACEMENT POLICY</p>		<p>Date</p> <p style="text-align: center;">July 17, 2013</p>

PURPOSE

The purpose of this document is to articulate the decision-making process for replacing City equipment that can no longer be economically operated and maintained. Specifically, this document defines the various stages of the review process and describes the interaction between Fleet Management Division and City departments in the implementation of an Equipment Replacement Program.

DISCUSSION

Given the fiscal magnitude and operational importance of City equipment, the decision to timely replace such assets will be duly reviewed in three (3) stages as follows:

1. Fleet Management Division will prepare an annual preliminary equipment replacement list that contains assets that have reached thresholds suggested in Attachment A: "Equipment Lifecycle Guidelines." Since this list is preliminary, the assets listed are not automatically replaced but are subjected to further review.
2. Fleet Management Division will then evaluate each listed asset for condition, cost, usage, safety history, and operating performance. The evaluation will be based on fleet data from mechanical appraisals, utilization, and Life-Cycle Costing (LCC) as these factors are considered fleet industry key components for assessing safety and the cost of repair and maintenance. (Note: LCC is a replacement analysis model which considers the total cost of owning and operating an asset by integrating economic factors such as depreciation and resale value with standard factors such as age and mileage.) LCC analysis can be used to identify and retain assets that are cost-effective to operate beyond the thresholds suggested in Attachment A. LCC values can be calculated using Attachment B: "Life-Cycle Costing Worksheet."
3. In this review stage, Fleet Management Division will collaborate with City departments to further refine the replacement list by considering factors other than lifecycle. Some assets that have not reached their lifecycle threshold may be replaced earlier than scheduled due to safety concerns, unusual wear and tear, or recurring mechanical problems. Conversely, some assets that have exceeded their lifecycle threshold may be retained if they are classified as mission-critical and no replacement unit will be available. These qualitative and other such factors can be captured and evaluated using a points system, an approach several jurisdictions have adopted, as exemplified in Attachment C: "Equipment Replacement Points System."

City staff is encouraged to develop appropriate point values, priority rankings, and equipment cost data in a collaborative effort to produce a rational equipment replacement list. The expected output of this entire review process is the “Annual Equipment Replacement Schedule” that will be incorporated in the annual City budget.

GUIDELINES

1. Vehicles and other equipment are assumed to be in good condition during their recommended lifecycle as indicated in Attachment A: “Equipment Lifecycle Guidelines.”
2. The recommended lifecycle of standard service vehicles is 8 years or 75,000 mile.
3. For large and heavy equipment, the recommended lifecycle is 10 years or 60,000 miles.
4. Incorporate utilization requirements in replacement decisions to ensure that underutilized assets are not replaced.
5. Emergency units may receive priority replacement over non-Emergency units to minimize the incidence of out-of-service emergency units.
6. Emergency units that have been replaced or removed from service may be transferred to non-emergency operations, where appropriate.
7. Assets will be replaced or retrofitted to comply with federal, state, local, special district, or other clean air laws and regulations, where feasible.
8. Assets that continuously incur excessive costs for repair or maintenance during its recommended lifecycle may be replaced ahead of schedule.
9. Assets due for replacement based on the recommended lifecycle may be retained if the expected cost of maintenance is minimal (below original equipment rental rate) and mileage is low (under 50,000 miles).
10. All requests for new or replacement units shall be coursed through Fleet Management Division to ensure standardization of City vehicles and other equipment.

The guidelines and recommendations contained in this document shall be timely updated as technology advances and best practice evolves. Starting with this original version, the date of issuance for each update shall be recorded and maintained on this document.



Attachment A
EQUIPMENT LIFECYCLE GUIDELINES *

Fire Engines/Trucks	15 years Frontline, 5 years Reserve, 20 years Total
Heavy Equipment	15 years or 7000 hours
Heavy Trucks (1 Ton and larger)	100,000 miles or 10 years
Loaders and Construction Equip	15 years or 7000 hours
Medic Vans	10 years
Paint Stripers	15 years or 7000 hours
Paratransit Bus	80,000 miles or 10 years
Pickup Trucks (1/4 to 3/4 Ton)	85,000 miles or 10 years
Police Motorcycles	60,000 miles or 3 years
Police Patrol	80,000 miles or 4 years
Refuse Transfer Trailers	6 years
Refuse Trucks	120,000 miles or 8 years
Sedans	80,000 miles or 8 years
Street Sweepers	7 years
Stump Grinders and Chippers	10 years or 7000 hours
Trailers	15 years
Vactors/Sewer Rodders	15 years
Vans	80,000 miles or 10 years
Welders, Saws, Pumps	10 years

* Based on research data from the American Public Works Association (APWA), National Association of Fleet Administrators (NAFA), and Municipal Equipment Maintenance Association (MEMA).



Attachment B
LIFECYCLE COSTING WORKSHEET

UNIT:
DATE:

COST FACTORS	YEAR									
	1	2	3	4	5	6	7	8	9	10
Purchase Price-original price plus annual adjustment for inflation										
Inflation Factor-adjusted purchase price minus original purchase										
Resale Value-estimated value of vehicle at time of sale										
Depreciation-original purchase price minus resale value										
Maintenance-annual repair costs										
Operations-annual cost to use the vehicle										
Use Cost-sum of maintenance and operations cost										
Cumulative Use Cost-sum of annual use cost										
Total Cost-life sum of cumulative use cost and depreciation										
Annualized Total Cost-Total Cost Life divided by age										

Attachment C
EQUIPMENT REPLACEMENT POINTS SYSTEM



UNIT:

DATE:

FACTORS	POINTS
Age	Assign one (1) point for each year of chronological age, based on in-service date.
Miles/Hours	Assign, one (1) point for each 10,000 miles of use.
Condition	Assign 1 to 5 points with 5 being worst based on body condition, interior condition, rust, accident history, anticipated repairs, etc.
Type of Service	Assign 1, 3, or 5 points based on the type of service that vehicle receives. For instance, a police patrol car would be given a 5 because it is in severe duty service. In contrast, an administrative sedan would be given a 1.
Reliability	Assign 1, 3, or 5 points depending on the frequency that a vehicle is in the shop for repair. A 5 would be assigned to a vehicle that is in the shop two or more times per month on average, while a 1 is assigned to a vehicle in the shop an average of once every three months or less.
Maintenance & Repair (M&R) Costs	Assign 1 to 5 points based on total life M&R costs (excluding repair of accident damage). A 5 is assigned to a vehicle with life M&R costs equal to or greater than the vehicle's original purchase price, while a 1 is given to a vehicle with life M&R costs equal to 20% or less of its original purchase cost.
INTERPRETING POINT SCORES Below 15 points means Unit is in Excellent Condition . 16 to 20 points means Unit is in Good Condition . 21 to 25 points means Unit qualifies for replacement . 26 points and above means Unit needs immediate consideration . Backlog is gauged by the number of units with scores of 26 or above retained by the City.	