



# CITY POLICY

**POLICY NUMBER: C617**

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**REFERENCE:**

**ADOPTED BY:**  
City Council May 14, 2019

**SUPERSEDES:**

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**PREPARED BY:** City Operations

**DATE:** May 6, 2019

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**TITLE: Fleet Replacement Reserve**

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Page: 1 of 5

**Policy Statement:**

1. In compliance with this policy, the Reserve and Equity Accounts Policy C217D, and the *Municipal Government Act*, the establishment of all Reserve accounts and the transfers to and from these accounts require City Council approval through the budget.
2. The Fleet Replacement Reserve was established to fund Fleet Asset replacement on a continuous basis. The reserve will allow for the collection of funds associated with Like-for-Like Replacement by charging a Fleet Replacement Fee to City branches from the date of asset acquisition to the Deemed Date of Retirement, as well as other funding sources in accordance with this Policy. The reserve will fund the purchase of the Like-for-Like Replacement of an asset for which the monthly Fleet Replacement Fee has been paid when the asset has reached its Useful Life.
3. The reserve account balance will be reviewed every three years as a part of the City of Edmonton's reserve review process as required through the City's Reserve and Equity Accounts Policy C217D, with recommendations made to City Council, if necessary.
4. The reserve will be used to best serve corporate interests and priorities through the budget process and with recommendations to City Council.
5. Purchase and replacement of Edmonton Police Service (EPS) units, Waste Services mobile equipment, Edmonton Transit Service (ETS) and Disabled Adult Transit Service (DATS) buses are not accommodated through this reserve.



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---

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---

Page: 2 of 5

## 1. DEFINITIONS

- 1.1. “Attachment” means a mounted piece of equipment to a main host unit. Examples include but not limited to: snow plows, dump boxes, mower cabs, loader buckets, implement attachments for backhoes.
- 1.2. “Fleet Asset” means all mobile equipment assets and their Attachments, excluding Edmonton Transit Services buses, Disabled Adult Transit Service buses, Waste Services mobile equipment and Edmonton Police Services units, but including but not limited to: golf carts, mowers, pickup trucks, fire apparatus, pavers, long haul trailers, trailers, tractors, skid steers, stump grinders, etc.
- 1.3. “Fleet Replacement Fee” means the monthly fee charged to the City branches for the funding of the replacement of a current unit based upon the asset’s Useful life escalated by an annual inflation rate.
- 1.4. “Deemed Date of Retirement” means the date in which the unit should be replaced based upon the Useful Life.
- 1.5. “Like-for-Like Replacement” means replacing an existing unit with a unit of the same asset category, size and basic configuration.
- 1.6. “Retained Unit” means a Fleet Asset that has been kept in service after it has been replaced with a new asset.
- 1.7. “Useful Life” means the estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to City operations.
- 1.8. “Write-off” occurs when a Fleet Asset is in a collision or incident that renders it irreparable, or when it becomes obsolete.



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---

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---

Page: 3 of 5

## 2. PROCEDURES

### 2.1. City Manager to

2.1.1. Recommend to the Executive Committee of City Council approval of this Policy and amendments thereto.

2.1.2. Recommend to City Council transfers to or from the reserve through the budget.

2.2. The Chief Financial Officer will undertake a detailed review of the Fleet Replacement Reserve requirements every three years as a part of the City of Edmonton's reserve review process, as required through the City's Reserve and Equity Policy C217D.

### 2.3. Deputy City Manager of City Operations is responsible to:

2.3.1. a) Oversee the policy and the Fleet Replacement Reserve to ensure it operates as intended and drives towards policy outcomes.

2.3.2. b) Ensure that Departments are aware of this policy, its intent and guidelines.

2.3.3. c) Request the necessary resources and provide the direction that may be required to meet the obligations of this policy. Develop and recommend an appropriate budget for the administration and implementation of the policy.

### 2.4. Branch Manager of Fleet and Facility Services is responsible to:

2.4.1. Manage the replacement of units for all City branches, excluding Edmonton Transit, Disabled Adult Transit Service, Waste Services mobile equipment and Edmonton Police Service units.

2.4.2. Ensure that the funds accumulated within this reserve are being used in accordance with budget and the intended purpose of the reserve.



# CITY PROCEDURE

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---

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---

**TITLE:** Fleet Replacement Reserve

---

Page: 4 of 5

- 2.4.3. Prepare and authorize such instruction or action necessary to properly implement the requirements of this Policy.
- 2.4.4. Calculate the Fleet Replacement Fee for units entering into service based upon expected inflation and replacement costs.
- 2.4.5. Set and manage the expected Useful Life of the asset.
- 2.4.6. Collect additional funding from the City branches, as required, for units that are not Like-for-Like Replacements.
- 2.4.7. Ensure sound financial management of the Fleet Replacement Reserve, including annual review the Fleet Replacement Reserve fund balance for the purposes of determining Fleet Replacement Fees and ensure the sustainability of the reserve. Should projections indicate that reserve funds are insufficient to meet planned expenditures, the Branch Manager Fleet and Facility Services will review both contribution levels and planned expenditures, and adjust as required to ensure expenditures do not exceed the available funding from the reserve.
- 2.5. Transfers to and from the Fleet Replacement Reserve will be reported to City Council as a part of the budget approval process.
- 2.6. Funding for the reserve
  - 2.6.1. Fleet Replacement Fee charged to branches on a monthly basis for each unit in service
  - 2.6.2. Proceeds from Fleet Asset disposal
  - 2.6.3. Insurance proceeds from Write-offs
  - 2.6.4. Additional funding from City branches for any scope changes between asset categories where assets are not replaced for a Like-for-Like basis
  - 2.6.5. Amounts recovered under purchasing contracts, including but not limited to penalties as a result of late delivery and contract default.



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---

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---

Page: 5 of 5

- 2.7. Eligible expenditures to be funded from the reserve include costs for Fleet Asset replacement, including:
  - 2.7.1. The invoice cost of the Fleet Asset, including, but not limited to, any freight, delivery, and foreign exchange costs
  - 2.7.2. Administrative costs of procurement dedicated to fleet procurement
  - 2.7.3. The cost of pre-delivery inspection (PDI)
  - 2.7.4. Engineering, installation, and parts costs for any capital modifications that may be required to bring a unit into service
- 2.8. Should a scope change between asset categories be required upon replacement, any costs incurred beyond the Like-for-Like Replacement value would not be covered by this reserve and an alternative funding source(s) from the branch would be required. This reserve will not provide any funding for Retained Units. Should an asset be prematurely retired (for example due to Write-off), the Fleet Replacement Fee of the asset will no longer be charged. Should a Fleet Assets become impaired requiring a decrease in the assets book value, the applicable Fleet Replacement Fee will be adjusted accordingly. Should an asset's replacement be deferred beyond its Deemed Date of Retirement, the applicable Fleet Replacement Fee will be reduced to reflect only the additional impacts of escalation associated with the asset's new retirement date.
- 2.9. The reserve shall not be permitted to fall into a deficit position. As indicated in section 2.4.7, should projections indicate that reserve funds are insufficient to meet planned expenditures, the Branch Manager Fleet and Facility Services will review both contribution levels and planned expenditures, and adjust the Fleet Replacement Fee as required to ensure expenditures do not exceed the available funding from the reserve.