

Office of the City Manager

City of Richland Hills, Texas

# Memorandum

To: Honorable Mayor Edward Lopez and members of the Richland Hills City Council

From: Eric Strong, City Manager

Date: December 9, 2019

Subject: Vehicle Replacement Policy

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## Council Action Requested:

Consideration of Resolution regarding Vehicle Replacement

## Background Information:

The City Council has been discussing the viability of putting some of our fleet on a more consistent replacement schedule than we currently have. Previous discussions with the City Council have centered on putting our Patrol vehicles and Public Works service trucks on a shorter replacement schedule. Staff has evaluated putting both on a five year replacement plan, with the final year for the patrol vehicle being a reserve year (the vehicle is only used when others are out of service).

The City Council has also discussed leasing these vehicles instead of purchasing. There are advantages to this – the primary one being a slightly lower cost as we would lease the vehicle down to a residual value in lieu of paying for the whole thing up front. Then, once we sell the vehicle, anything that is brought in above the residual value can be put back into a fund to purchase new vehicles.

The one caution to be aware of with this model is that you are making a commitment. When purchasing with cash up front, we can always decide not to purchase a vehicle in a given year and have no vehicle acquisition expense in that year if necessary. However, once we start leasing, we obviously have to commit to paying the lease payments every year. This is not to tell you not to proceed – however it is to remind you that each year when creating the budget, vehicle costs become a mandated priority to fund.

The estimated costs per year are shown below. Once we are fully involved in the leasing program, the final year of the chart shows what the regular, ongoing costs are anticipated to be.

Five Year Plan - Patrol					
Year	2020	2021	2022	2023	2024
Vehicles Replaced	2	2	2	2	2
Cost Per Year	\$22,355.61	\$44,711.23	\$67,066.84	\$89,422.46	<b>\$111,778.07</b>

Five Year Plan - PW					
Year	2020	2021	2022	2023	2024
Vehicles Replaced	2	2	2	2	1
Cost Per Year	\$10,432.62	\$20,865.24	\$31,297.86	\$41,730.48	<b>\$46,946.79</b>

**Board/Citizen Input:** N/A

**Financial Impact:** Estimated \$158,724.86 per year, split amongst various funds.

**Staff Contacts**

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**Attachments:** Resolution and Policy

**RESOLUTION 515-19**

**A RESOLUTION OF THE RICHLAND HILLS CITY  
COUNCIL FOR THE PURPOSE ADOPTING VEHICLE  
REPLACEMENT GUIDELINES FOR PUBLIC SAFETY  
PATROL AND PUBLIC WORKS VEHICLES**

**WHEREAS**, The City Council of Richland Hills desires to establish guidelines for replacement for Police Patrol Vehicles and Public Works Vehicles; and

**WHEREAS**, The City Council finds that regular and planned replacement lowers the overall cost of ownership of the vehicles; and

**WHEREAS**, these guidelines should be reviewed annually during the budget process;

**NOW, THEREFORE**, BE IT RESOLVED BY THE CITY OF RICHLAND HILLS MAYOR AND CITY COUNCIL that the City Council formally adopts the attached guidelines for vehicle replacement, as shown in Exhibit A, which is incorporated as part of this resolution.

Passed and approved this 9<sup>th</sup> day December, 2019

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Mayor Edward Lopez

ATTEST:

\_\_\_\_\_  
Cathy Bourg, City Secretary

Approved as to Form:

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Betsy Elam, City Attorney

## EXHIBIT A

### VEHICLE REPLACEMENT GUIDELINES

#### **Purpose**

The purpose of this policy is to establish guidelines on funding and maintaining Public Safety Patrol Vehicle and Equipment Replacement Fund (PS VEF) and Public Works Vehicle and Equipment Replacement Fund (PW VEF). This will ensure that vehicles and equipment are funded and replaced according to their anticipated lifecycle, reduce maintenance costs and eliminate reliance on the operating budget and large outlays for vehicle and equipment purchases.

#### **Objective**

The objectives of this policy are as follows:

1. Provide a mechanism in which funding for vehicle and equipment replacements is available, in advance of the need, through the establishment of the PS VEF and PW VEF
2. Provide for the timely acquisition and disposal of vehicles, therefore maximizing the dollar resources available for meeting the fleet needs.

#### **General Procedures**

1. A vehicle replacement schedule will be established with anticipated replacement schedule and cost for each of the next five years.
2. Proceeds received from the resale of any vehicle removed from the fleet will be deposited back into the appropriate VEF to help offset future costs of acquisition.
3. The funds will be used to replace existing fleet. It will not be used to add additional fleet above and beyond the existing number of vehicles already in the fleet at the time the fund is established. However, once a new vehicle is added to the fleet, the fund will then expand to support the additional fleet.
4. Beginning in FY 2020-2021 budget year, vehicles will be purchased utilizing a lease purchase. Vehicles and equipment will be financed and leased down to a residual value, which will be determined based on the expected resale value of the vehicle.

#### **Replacement Plan Funding**

The primary funding for all PS VEF and PW VEF vehicles shall be out of the Crime Control Prevention District and the appropriate Utility Funds. Annual transfers to cover the amortization of all vehicles to be replaced will be allocated through the annual budget process from the appropriate funds.

#### **Vehicle Replacement Criteria**

Vehicle replacement criteria are determined by anticipated useful service life and/or mileage. The City recognizes that age or mileage does not always determine reliability

or condition of a vehicle, the following guidelines should be followed based on the type of vehicle to be replaced:

1. Patrol Units: Five years or 90,000 miles
2. Public Works Fleet: Five years or 100,000 miles (excluding heavy duty equipment).

The City may decide to retain a vehicle beyond the stated criteria after evaluation of anticipated usage, repairs and operating costs.

The consideration of early replacement of a vehicle often arises when major expenditures are necessary to restore it to a safe operating condition (e.g. major component failure or incident damage). However, replacement prior to the normal criteria for vehicles will result in an acceleration of the future replacement cost amortization in order to cover the unfunded portion of the cost of replacement. Major vehicle repairs should always be made, with two exceptions:

1. Major expenditures for repair should not be made when the cost of the repair plus the vehicle salvage in unrepaired condition exceeds its wholesale value in repaired condition.
2. Major deferrable expenditures should not be made when a vehicle is in its final year of its retention cycle. During this period, the accelerated cost for early replacement is small, and therefore the vehicle should be replaced rather than repaired.

### **Policy Review**

The City Manager and the Finance Director will review this policy in connection with the annual budget process to ensure the City is adhering to the framework of these guidelines and will make recommendations to revise the policy as needed.