

 <p style="text-align: center;"><b>STATE OF ALASKA</b> <b>DEPARTMENT OF TRANSPORTATION</b> <b>AND PUBLIC FACILITIES</b></p> <p style="text-align: center;"><b>Policy and Procedure</b></p>	POLICY AND PROCEDURE NUMBER <b>11.05.020</b>	PAGE  1 of 5
	EFFECTIVE DATE January 28, 2016	
SUBJECT <b>Equipment Replacement</b>	SUPERSEDES 11.05.020	DATED May 18, 2015
TITLE <b>State Equipment Fleet</b>	CHAPTER <b>Equipment Assignment, Replacement, and Disposal</b>	APPROVED BY  <b>Signature on File</b>

## PURPOSE

This formalizes the policy and procedure (P&P) of the department to provide guidelines for determining when Highway Equipment Working Capital Fund (HEWCF) vehicles and equipment are eligible for replacement, and to describe the process of accomplishing replacement.

## POLICY

It is the policy of the Department of Transportation and Public Facilities (DOT&PF) that State Equipment Fleet (SEF) is responsible for replacing vehicles and equipment when they are at the end of their economic life. SEF replaces vehicles and equipment on an annual basis with approved funds from the HEWCF. Additional equipment procurement and/or replacements are done by SEF for other agencies who furnish their own funds and have separate eligibility guidelines.

Per AS 36.30.005, DOT&PF (through SEF) provides vehicle and equipment procurement services to all state agencies with the exception of Alaska Housing Authority, Alaska Energy Authority, Alaska Railroad, and University of Alaska. These agencies have statutory authority to purchase for themselves, but they can elect to have SEF provide this service.

## Definitions

*Additional Equipment:* Equipment or vehicles purchased for agencies using appropriations other than the HEWCF appropriated to DOT&PF. Original purchase of these units do not fall under the replacement eligibility guidelines. An addition to the fleet requires approval from the department's commissioner or designee (see Attachment A).

*Economic Life:* The point where the cost to continue maintaining a unit in service exceeds the incremental cost of replacement.

*HEWCF Equipment:* Equipment that is purchased with funds from the HEWCF. It also includes equipment originally purchased with non HEWCF funds and transferred into the HEWCF after purchase.

*Net Replacement Fees:* Fees paid into the HEWCF by using agencies for the purpose of replacing equipment, also called credits. Includes expected salvage value and deductions for capitalized costs and loans. Net Replacement Fees may be reduced if vehicles are damaged or in poor condition due to negligence.

*Replacement Eligibility:* HEWCF equipment and vehicles are eligible for consideration for replacement when they have reached or exceeded their established life and/or class usage criteria (hours, miles, etc.) and are no longer economically suitable for retention in the fleet because of overall condition.

*"Z" Status:* When vehicles and equipment are fully amortized, have lower actual usage (miles or hours) than required by replacement criteria, and are still in good condition, their life may be extended. Such vehicles or equipment are designated as being in "Z" status.

*"X" Status:* Vehicles that have been kept after being replaced. An X status asset has reached the end of its originally planned useful life, been replaced but kept by the user as an additional asset. X status assets are charged a rental fee which does not generate any replacement credits. This fee is designed to offset the loss in salvage value from keeping an asset longer than was originally intended. All maintenance on X status assets is directly billed to the user. Retention of X status assets requires the approval from the department's commissioner or designee as required (see Attachment A).

*Condition Report:* A mechanic's assessment of the overall condition of an asset including remaining useful life and future costs to maintain the asset if kept in service.

## PROCEDURE

### A. Replacement Eligibility Criteria

1. Depending on the availability of replacement funds and legislative authority to spend those funds, vehicles and equipment will be replaced when they are:
  - at the end of their economic life
  - no longer safe to operate
  - not reliable enough to perform their intended function
  - a demonstrated cost saving to the State of Alaska

2. Although other factors may be considered in the final decision to replace or not replace a unit, the primary criteria used to initiate the review for replacement eligibility are:

- age in years also known as life
- usage in hours or miles
- cost of maintenance compared to original cost
- overall condition: mechanical, operating, safety, or appearance

B. Base replacement criteria are shown below. Actual life of individual equipment may be shorter or longer based on factors such as expected usage and additional costs for upfit and freight to remote locations. Adjustments to equipment life must be approved by the fleet manager.

1. Light Duty - 10 Years; 150,000 miles
2. Light Duty Severe Service - 7 Years; 125,000 miles
3. Light Duty Police - 4-7 Years; 100,000 miles
4. Heavy Duty - 12-15 Years; 12,000 hours

C. Replacement and Review Process

1. The fleet will be reviewed annually by the SEF manager, contracting officer and SEF district managers to determine assets eligible for the replacement program funding allocations and bid priorities using the minimum criteria as noted in paragraph A and B.

- Each using agency will identify an SEF agency coordinator who will be responsible for evaluating their department's fleet as a whole and be the point of contact for all fleet transactions. SEF will provide each agency coordinator the following:
  - a) a list of vehicles that are eligible to be replaced in the current fiscal year (based on replacement criteria and funding allocations)
  - b) estimated replacement costs
  - c) net credits available by specific piece of equipment

Agency coordinators will provide the contracting officer the equipment replacement priorities for their department and a completed replacement purchase request form for each unit.

2. Condition reports may be requested by either the SEF manager or agency coordinator to determine the following:

- The overall fitness of the unit for possible retention. Vehicles and equipment cannot be retained after replacement without a condition report.
  - A request for priority replacement if the unit needs to be replaced outside of the existing procurement schedule.
3. Requests to retain the replaced asset ("X" Requests, Attachment A) will require a condition report showing the feasibility of retention in a non-primary application and the approval of the user department's commissioner or designee. Prior to denying a request to retain an asset, the SEF manager will determine that retention does not make economic sense and will discuss with the coordinator.
  4. Funding Review - User agencies must have accumulated sufficient net replacement fees to cover the entire amount of unit replacement cost. If the net replacement fees are not sufficient to cover the cost of the replacement unit, the user agency will be required to provide supplemental funding such as earned replacement credits or alternative capital budget. Net rental fees in excess of the amount needed to pay for the replacement will be issued as credits to the user agencies. The SEF manager will determine funding priorities. The use of earned replacement credits is subject to the same authority as annually approved through the legislative budget process.

## D. Standardization

Departments are required to use the standardization requirements put forth in this policy or provide an agency standardization program to the SEF manager prior to July 1 of each fiscal year. The standardization policy is for non-specialized equipment purchasing only.

Purchases will be based on the following criteria:

1. Sedan/Sport Utility Vehicle: All-wheel drive or four-wheel drive sedan or small sport utility vehicle, seating for 5, 4-cylinder.
2. Truck: 4X2 or 4X4, 6.5 foot bed. Regular cab, 6-cylinder.
3. All light duty orders will be white unless a special need exists and is identified by the department.
4. All new vehicles will be marked with an agency identifier and/or the standard state marking. Only those vehicles identified by an agency commissioner as officially undercover will not be marked.
5. All auxiliary lighting will be limited to a standard LED light bar and standard LED moose lights for vehicles that travel outside of urban areas.

6. Vehicles in northern Alaska will be up-fitted with a weatherization package.
7. All other auxiliary equipment, such as bed-lines, tool boxes and canopies must be approved by the using agency.

## E. Procurement

SEF agency coordinators will submit requests to their SEF procurement person with a completed replacement questionnaire and approvals to begin the process of replacement. This will include:

- permissions to add to the fleet
- permissions to keep a replaced vehicle in a non-primary application
- approvals to upgrade based on the mission need such as increased towing capacity, seating, or cargo
- or early replacement justifications

If General Fund (GF) is being used, a purchase requisition or similar document from the user agency will be required with the funding source and encumbrance verification.

Final specifications and bid packages will be prepared under the direction of SEF contracting officer.

## ATTACHMENTS

Attachment A: Request for Additional or "X" Class Equipment  
Attachment B: Equipment Purchase Request Form

## AUTHORITY

AS 36.30.005

## IMPLEMENTATION RESPONSIBILITY

SEF manager, SEF district and office managers, SEF contracting officer and SEF user agencies

## DISTRIBUTION

All department employees via the DOT&PF website