

**VEHICLE ACQUISITION AND REPLACEMENT POLICY
TOWN OF NORWICH**

1. PURPOSE

1.1 The purpose of this policy is to establish policies and procedures for cost efficient and effective decisions on vehicle acquisitions and replacements of existing vehicles.

2. BACKGROUND

2.1 Considerations for expanding the fleet by purchasing an additional vehicle include:

2.1.1 Proposed use of the vehicle

2.1.2 Options other than purchase, e.g. existing vehicle, lease or contracted services

2.1.3 First cost and life cycle costs

2.1.4 Impact on other costs of fleet expansion

2.1.5 Efficiency gained to offset added costs

2.1.6 Future impact on Reserve Funds for vehicle replacements

2.2 Considerations determining the most cost-effective time to replace a vehicle include:

2.2.1 Economic life – Life cycle cost and equivalent annual cost

2.2.2 Reliability or impact of failure

2.2.3 Replacement parts availability

2.2.4 Technological and functional obsolescence

2.2.5 New technologies that may reduce fuel use and/or emissions or improve productivity

2.3 Considering economic life, the best time to replace a vehicle is when the combined cost of owning and operating the vehicle is near its minimum, as illustrated in Figure 1. Note that the decision to replace may be delayed after the minimum with a slowly increasing penalty.

2.4 The "Accumulated Cost" line in Figure 1 illustrates what the total cost might be for a light duty truck with an initial purchase cost of \$50,000. This example considers depreciation, maintenance, replacement cost increase, and downtime costs. In this example, the most cost-effective time to replace the vehicle is in the range of 10 to 11 years. If the purchase is going to be a lease-purchase, an additional interest cost curve would need to be added.

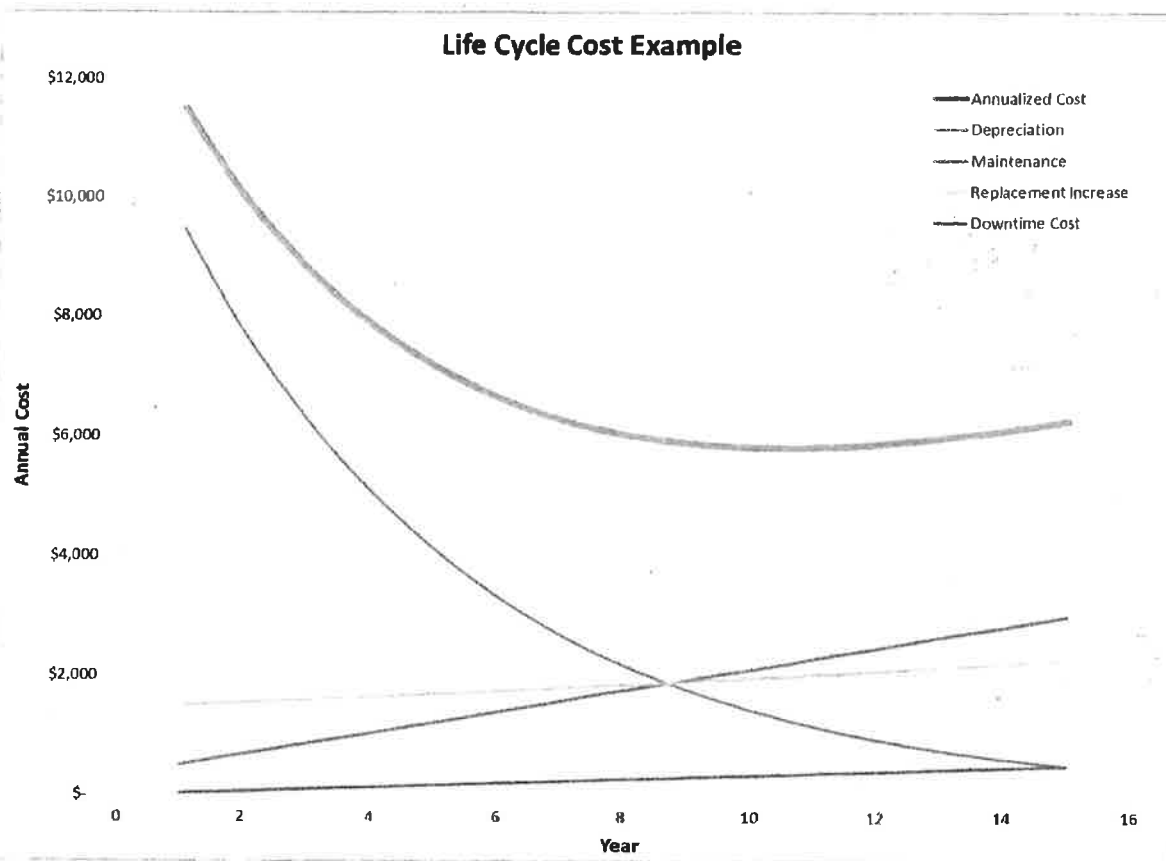


Figure 1: Sample graph of life-cycle costs.

3. POLICY

3.1 This policy outlines procedures for adding a vehicle to an existing fleet or replacing an existing vehicle. If the acquisition or replacement cost is less than \$25,000 Town Manager approval is required. If the purchase will involve Reserve Funds or the acquisition or replacement cost is \$25,000 or more Selectboard approval is required. In both cases a **two-step approval process** is required, as described below:

3.2 **Step 1** identifies the most cost-effective approach for vehicle acquisition or replacement to obtain permission to proceed from the Town Manager and/or the Selectboard, as applicable. Step one typically requires an analysis of the items detailed in Section 2.1 and 2.2 of this policy, supported with the attached Vehicle Equipment Evaluation Form and Vehicle/Equipment Acquisition Form, as appropriate, as follows:

3.2.1 Options for replacing the equipment or using other methods to achieve the same objective

3.2.2 Alternatives including refurbishing, leasing, lease-purchase and purchasing a replacement vehicle or acquiring a new vehicle

3.2.3 Lifecycle cost analysis for the existing vehicle and the proposed new vehicle to determine the most cost-effective and efficient times for replacement

Vehicle Acquisition and Replacement Policy

Page 3 of 3

3.2.4 Availability of funds for the proposed vehicle acquisition or replacement

3.2.5 A written recommendation, including the above analysis, that identifies the alternative or option to follow for the acquisition, together with a proposed bid document for each recommended option

3.3 **Step 2** follows Town Manager and/or the Selectboard approval to proceed and constitutes:

3.3.1 Solicitation of bids in accordance with the Financial Management Policy (Purchasing Policy)

3.3.2 A written analysis of the bids to determine the cost efficient, cost-effective and lifecycle cost

3.3.3 A written recommendation to the Town Manager which includes the analysis of Section 3.3.2

3.3.4 Final approval – If the purchase involves a lease-purchase, use of Reserve Funds or is \$25,000 or more the Town Manager will make a recommendation to the Selectboard for final approval including the documentation from section 3.3.3

3.3.5 Completion of the purchase

3.4 Vehicle acceptance requires the Department Head to compare the vehicle received with the specifications in the bid document to ensure that the specifications are met and that all systems are operational and to advise the Town Manager in writing that the vehicle has been accepted.

ADOPTED by the Norwich Selectboard on October 26, 2011.



Edwin Childs, Chair