

Agenda Summary Report (ASR)

Franklin County Board of Commissioners

DATE SUBMITTED: November 2, 2021	PREPARED BY: Lisa Eckhardt, FSA																														
Meeting Date Requested: November 9, 2021	PRESENTED BY: Matt Mahoney, Public Works Director																														
ITEM: (Select One) <input checked="" type="checkbox"/> Consent Agenda <input type="checkbox"/> Brought Before the Board Time needed:																															
SUBJECT: Approval of Equipment Rental and Revolving Fund Rental Rates for the 2022 calendar year (January 1, 2022 through December 31, 2022).																															
FISCAL IMPACT: The preliminary rental rates were provided to each participating department for inclusion in their preliminary budgets. The total annual cost of \$1,796,897.46 is distributed as follows: <table><tr><td>• Coroner</td><td>\$</td><td>15,908.40</td></tr><tr><td>• Corrections</td><td>\$</td><td>20,231.71</td></tr><tr><td>• County Agent</td><td>\$</td><td>15,908.40</td></tr><tr><td>• County Roads</td><td>\$</td><td>1,688,282.94</td></tr><tr><td>• Facilities</td><td>\$</td><td>4,035.85</td></tr><tr><td>• Planning and Building</td><td>\$</td><td>15,908.40</td></tr><tr><td>• Probation Work Crew</td><td>\$</td><td>12,584.21</td></tr><tr><td>• Prosecuting Attorney</td><td>\$</td><td>7,954.20</td></tr><tr><td>• HAPO Center</td><td>\$</td><td>16,083.35</td></tr><tr><td>TOTAL</td><td>\$</td><td>1,796,897.46</td></tr></table>		• Coroner	\$	15,908.40	• Corrections	\$	20,231.71	• County Agent	\$	15,908.40	• County Roads	\$	1,688,282.94	• Facilities	\$	4,035.85	• Planning and Building	\$	15,908.40	• Probation Work Crew	\$	12,584.21	• Prosecuting Attorney	\$	7,954.20	• HAPO Center	\$	16,083.35	TOTAL	\$	1,796,897.46
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TOTAL	\$	1,796,897.46																													
<p>BACKGROUND: Pursuant to RCW 36.33A.030, the County Engineer, or other appointee of the county legislative body, shall administer the Equipment Rental and Revolving Fund and shall be responsible for establishing the terms and charges for the sale of any material or supplies which have been purchased, maintained, or manufactured with monies from the fund. The terms and charges shall be set to cover all costs of purchasing, storing, and distributing the material or supplies, and may be amended as considered necessary.</p> <p>Pursuant to RCW 36.33A.040, rates for the rental of equipment owned by the fund shall be set to cover all costs of maintenance and repair, material and supplies consumed in operating or maintaining the equipment, and the future replacement thereof. The rates shall be determined by the County Engineer or other appointee of the county legislative body and shall be subject to annual review by the legislative body.</p> <p>The Board of Franklin County Commissioners appointed the Public Works Director as the administrator of the fund, and to determine the rates for the rental of equipment owned by the fund.</p> <p>The rental rates have been prepared as outlined in the Equipment Rent and Revolving Fund 2021 Summary Report utilizing current information available in the Public Works Department. The operational costs were evaluated based on reports spanning July 1, 2016 through June 30, 2021.</p> <p>The ER&R rate structure has been established to cover all costs associated with the operation of the fund. The rental rates are composed of five (5) components:</p>																															

BACKGROUND (Continued):

1. Expenses due to maintenance and operation (employee wages, building rental, equipment repair, supplies, etc.), and
2. Depreciation of equipment, and
3. A surcharge for equipment replacement, and
4. Adjustments for prior year charges, and
5. Fleet overhead rate for emergency reserve.

With the fleet concept, equipment is divided and assigned to a particular "class". The purpose of classification is to place vehicles of similar use and design together for the setting of rates. Clear understanding of equipment use is essential to classification and rate setting. That use can be broken into multiple sub elements, but ER&R rates are generally set at the first and second levels of use. A general division occurs typically between light and heavy equipment. Please see Equipment Rental & Revolving Fund 2022 Summary Report for further discussion.

RECOMMENDATION: Staff recommends that the Board approve the Municipal Vehicles and Public Works Equipment, Equipment Rental Services, 2022 ER&R Rental Rates (Attachment A), for the 2022 calendar year (January 1, 2022 through December 31, 2022).

SUGGESTED MOTION: I hereby move that the Board of Franklin County Commissioners approve the Municipal Vehicles and Public Works Equipment, Equipment Rental Services, 2022 ER&R Rental Rates (Attachment A), for the 2022 calendar year (January 1, 2022 through December 31, 2022).

COORDINATION: This package has been prepared by Lisa Eckhardt, Financial Systems Analyst and discussed, coordinated with, and/or reviewed by Matt Mahoney, Public Works Director, Laura Stark, Administrative Assistant, and Len Langston, Financial Specialist.

ATTACHMENTS: (Documents you are submitting to the Board)

1. Resolution with attached 2022 Rental Rates (ATTACHMENT A).
2. Equipment Rent and Revolving Fund 2022 Summary Report.

HANDLING / ROUTING: (Once document is fully executed it will be imported into Document Manager. Please list name(s) of parties that will need a pdf)

To the Clerk of the Board: 1 – Original Resolution

To the Public Works Department: 1 – Copy Resolution

I certify the above information is accurate and complete.



Matt Mahoney, Public Works Director

FRANKLIN COUNTY RESOLUTION _____

BEFORE THE BOARD OF COMMISSIONERS OF FRANKLIN COUNTY WASHINGTON

APPROVING EQUIPMENT RENTAL AND REVOLVING FUND RENTAL RATES FOR THE 2022 CALENDAR YEAR (JANUARY 1, 2022 THROUGH DECEMBER 31, 2022)

WHEREAS, pursuant to RCW 36.33A.030, the County Engineer, or other appointee of the county legislative body, shall administer the Equipment Rental and Revolving Fund and shall be responsible for establishing the terms and charges for the sale of any material or supplies which have been purchased, maintained, or manufactured with monies from the fund. The terms and charges shall be set to cover all costs of purchasing, storing, and distributing the material or supplies, and may be amended as considered necessary; and

WHEREAS, pursuant to RCW 36.33A.040, rates for the rental of equipment owned by the fund shall be set to cover all costs of maintenance and repair, material and supplies consumed in operating or maintaining the equipment, and the future replacement thereof. The rates shall be determined by the County Engineer or other appointee of the county legislative body and shall be subject to annual review by the legislative body; and

WHEREAS, the Franklin County Board of Commissioners appointed the Public Works Director as the administrator of the fund, and to determine the rates for the rental of equipment owned by the fund; and

WHEREAS, the rental rates have been prepared utilizing current information available in the Public Works Department; and

WHEREAS, the ER&R rate structure has been established to cover all costs associated with the operation of the fund which is composed of five (5) components: 1) expenses due to maintenance and operation - employee wages, building rental, equipment repair, supplies, etc.; 2) depreciation of equipment; 3) a surcharge for equipment replacement; 4) adjustments for prior year charges; 5) fleet overhead rate for emergency reserve; and

WHEREAS, the Board of Franklin County Commissioners constitutes the legislative authority of Franklin County and deems adoption of these proposed rates to be in the best interest of the County.

NOW, THEREFORE, BE IT RESOLVED, the Franklin County Board of Commissioners hereby approves the Municipal Vehicles and Public Works Equipment, Equipment Rental Services, 2022 ER&R Rental Rates (Attachment A), for the 2022 calendar year (January 1, 2022 through December 31, 2022).

APPROVED this ____ day of _____, 20____.

**BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY, WASHINGTON**

Chair

Chair Pro Tem

Attest: _____
Clerk of the Board

Member

Originals: Clerk of the Board

Copy: Public Works Department

ATTACHMENT A

MUNICIPAL VEHICLES AND PUBLIC WORKS EQUIPMENT EQUIPMENT RENTAL SERVICES 2022 RENTAL RATES

FRANKLIN COUNTY SUMMARY

Department	Class	AssetNO	Description	VIN/SerialNo	LicenseNo	TypeOfRate	Rental Rate	Total Annual Revenue
COUNTY ROADS	WE4	SE1323	GPS Base & Rover RTK/PPSW	R8-GNSS		Annually	\$ 2,896.04	\$ 2,896.04
COUNTY ROADS	WE5	SE1333	Digital Inventory Equipment	Camera:11415 & 11414 PC Monitor: 10965 Base: 11413		Annually	\$ 5,033.21	\$ 5,033.21
COUNTY ROADS	WE9	SE1503	500 Gal. Deicer Tank Snyder Industries			Annually	\$ 275.93	\$ 275.93
COUNTY ROADS	WE6	SE1543	Vermeer Wood Chipper 1230 Turbo	1VRK15158W1001655	52649C	Annually	\$ 3,664.30	\$ 3,664.30
COUNTY ROADS	TR1	TR1844	Gooseneck Trailer Model LD252	4P5LD2528G1254086	B4478C	Annually	\$ 996.40	\$ 996.40
COUNTY ROADS	WE9	WE1913	Anti-Icing Spray Tank	No Vin # on the equipment		Annually	\$ 275.93	\$ 275.93
COUNTY ROADS	WY1	WY2532	Orange Snow Plow by ED-KA Manufacturing			Annually	\$ 349.92	\$ 349.92
COUNTY ROADS	WY1	WY2582	TC-95 Black Snow Plow Tenco by Norstar Industries	5435		Annually	\$ 349.92	\$ 349.92
COUNTY ROADS	WY1	WY2602	Snow Plow by ED-KA Manufacturing			Annually	\$ 349.92	\$ 349.92
COUNTY ROADS	WY1	WY2692	Tenco Snow Plow			Annually	\$ 349.92	\$ 349.92
COUNTY ROADS	WY2	WY2802	Swenson Sand Spreader (Hyd.) Model: EV-100-14	Swenson Model EV-100-14		Annually	\$ 498.65	\$ 498.65
COUNTY ROADS	WY2	WY2842	Swenson Sand Spreader (Hyd.) Model: EV-100-14-54			Annually	\$ 498.65	\$ 498.65
COUNTY ROADS	WY2	WY2882	Swenson Polyhawk Ice Slicer/Spreader	10051295		Annually	\$ 498.65	\$ 498.65
COUNTY ROADS	WY1	WY2892	Snow Dogg Snow Plow by Buyer Model: 16011000	S/N: 1851 Model: 16011000		Annually	\$ 349.92	\$ 349.92
COUNTY ROADS	HT1	EH5000	Kenworth T800 Palfinger	1NKDLP0X2KR248763	C3898C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH5001	Kenworth T800 Palfinger	1NKDLP0X4KR248764	C3899C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH7010	Peterbuilt 367 Truck	1NPTLP0XGD357434	B4479C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH7110	Peterbuilt 367 Truck	1NPTLP0X1GD357435	B5065C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH7210	Peterbuilt 367 Truck	1NPTLP0X5HD417203	B6257C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9010	Peterbilt Water Truck	1XPALB0X6PD340291	25421C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9210	Peterbilt Truck Cab	1XPADBOX3PD340293	52654C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9310	Peterbilt Truck	1XPADBOX5PD340294	25424C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9410	Peterbilt Dump	Vin: 1XPALB0XXRD356500 S/N: C18385	32927C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9610	Mack 10 Yd Dump	1M2AG11C75M035676	74554C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9710	Mack 10 Yd Dump	1M2AG11C36M044148	78065C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	HT1	EH9810	Mack Water Truck	1M2AG11C16M044147	78064C	Hourly	\$ 86.85	\$ 38,408.93
COUNTY ROADS	GT1	HT6111	F-650 XL Super Duty Ford w/ Critzer Bed	3FDNF6525YMA10366	57009C	Hourly	\$ 19.13	\$ 11,587.81
COUNTY ROADS	SL1	LD1367	2015 Case Backhoe Model: 580N	JJGN580NJC701561 / NEC701561		Hourly	\$ 90.63	\$ 17,491.14
COUNTY ROADS	SL1	LD1387	Cat IT38G Loader Model: IT38G	CATIT38GH7B501155		Hourly	\$ 90.63	\$ 17,491.14
COUNTY ROADS	SL1	LD1687	John Deere Compact Track Loader	1T0323EMHEJ267796		Hourly	\$ 90.63	\$ 17,491.14
COUNTY ROADS	SL2	LD7000	Caterpillar 430F2 Backhoe Loader	HWG00566		Hourly	\$ 344.28	\$ 36,751.47
COUNTY ROADS	SL2	LD7001	John Deere 644K Loader	1DW644KZKFF700108		Hourly	\$ 344.28	\$ 36,751.47
COUNTY ROADS	ET1	LT1007	Ford F250 Pickup	1FT7X2A66HEE20370	C0150C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT1009	Ford F250 Pickup	1FT7X2A68HEE20368	C0152C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT1010	Ford F250 Pickup	1FT7X2A6XHEE20369	C0151C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT1912	Chevrolet Colorado	1GCCS199798153956	88297C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT3812	Ford F-150 1/2 Ton Pickup	1FTRF12288KE05078	84162C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	GT1	LT6911	Ford F-250 Quad w/Dump	1FTSW205X8EE31314	94317C	Hourly	\$ 19.13	\$ 11,587.81
COUNTY ROADS	ET1	LT7912	Chevrolet Colorado	1GCDT33E788215325	88202C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT8612	Ford F-250 Supercab	1FT7X2B67FEC89655	B1492C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT8712	Ford F-150 Extended Cab	1FTFX1EF3FKE43989	B1499C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT9012	Ford F-250 Supercab	1FT7X2A63GEA99788	B2302C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT9112	Ford F-250 Supercab	1FT7X2A61GEA99787	B2303C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT9312	Ford F-250 Supercab	1FT7X2A65GEA99789	B2304C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT9512	Ford F-250 Supercab	1FT7X2A61GEA99790	B2305C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	ET1	LT9612	Ford F-250 Pickup 4x4	1FT7X2B60GEC73136	B5073C	Hourly	\$ 12.98	\$ 13,183.58
COUNTY ROADS	MG1	MG1369	John Deere Motor Grader	1DW770GXEDE650700		Hourly	\$ 60.04	\$ 59,867.33
COUNTY ROADS	MG1	MG1409	Caterpillar 140M3 Motor Grader	N9M00491		Hourly	\$ 60.04	\$ 59,867.33
COUNTY ROADS	MG1	MG6012	Caterpillar 140M3 Motor Grader	N9D00893		Hourly	\$ 60.04	\$ 59,867.33
COUNTY ROADS	MG1	MG6013	Caterpillar 140M3 Motor Grader	N9D00938		Hourly	\$ 60.04	\$ 59,867.33

COUNTY ROADS	MG1	MG6014	CAT 140M3 Motor Grader	N9D01102		Hourly	\$	60.04	\$	59,867.33
COUNTY ROADS	MG1	MG6015	CAT 140M3 Motor Grader	CAT140MEN9D01648		Hourly	\$	60.04	\$	59,867.33
COUNTY ROADS	MG1	MG6016	CAT 150 Motor Grader	CAT00150LEB400318		Hourly	\$	60.04	\$	59,867.33
COUNTY ROADS	ET1	MT1005	Ford X3B F350 SC SRW	1FT8X3BT8HED71123	B9764C	Hourly	\$	12.98	\$	13,183.58
COUNTY ROADS	GT1	MT3000	Ford F-550 169 4x2 Bucket Truck	1FDUF5GT3JED02427	C5800C	Hourly	\$	19.13	\$	11,587.81
COUNTY ROADS	ET1	MT3001	Ford F-250 4x4 Subercab SRW	1FT8X2BT2MED52961		Hourly	\$	12.98	\$	13,183.58
COUNTY ROADS	GT1	MT5211	Chevrolet Silverado 3500	1GB3CYCG4GZ331461	B6243C	Hourly	\$	19.13	\$	11,587.81
COUNTY ROADS	GT1	MT6011	Chevrolet 3500 1 Ton	3GBKC34G31M111735	59533C	Hourly	\$	19.13	\$	11,587.81
COUNTY ROADS	GT1	MT6811	Ford F-350 4X4	1FTWF31539EA98283	908360C	Hourly	\$	19.13	\$	11,587.81
COUNTY ROADS	ET1	MT9712	Ford F350 2x4 Crew Cab Pickup	1FD8W3CT9GEC61757	B6245C	Hourly	\$	12.98	\$	13,183.58
COUNTY ROADS	ET1	MT9812	Ford F350 2x4 Crew Cab Pickup	1FD8W3CT7GEC61756	B6246C	Hourly	\$	12.98	\$	13,183.58
COUNTY ROADS	WE13	SE-0001	Trimble Robotic Survey Instrument R10 M60	5732470363 & 5745470658		Hourly	\$	9.57	\$	7,433.45
COUNTY ROADS	ET1	SU8112	Chevrolet Trailblazer	1GND5135382262357	88218C	Hourly	\$	12.98	\$	13,183.58
COUNTY ROADS	SV1	SV1415	Ingersoll Rand Steel Drum Roller Model: SD-70DA	S/N: 145726		Hourly	\$	241.63	\$	12,564.78
COUNTY ROADS	HT1	SV1435	GMC T8500 Striping Truck	1GDT7C4C0XJ500786	A8634C	Hourly	\$	86.85	\$	38,408.93
COUNTY ROADS	SV1	SV1445	Pneumatic Hyster Rubber Tire Roller	A91C3873H		Hourly	\$	241.63	\$	12,564.78
COUNTY ROADS	SV1	SV1455	Pneumatic Hyster Rubber Tire Roller Model: C530A	A091C4253R		Hourly	\$	241.63	\$	12,564.78
COUNTY ROADS	WE1	SV-1483	John Deere/Tiger Mower 6615	L06615B524899	83917C	Hourly	\$	168.26	\$	20,191.60
COUNTY ROADS	WE1	SV-1493	John Deere Tractor Mower	L06615B526212	83916C	Hourly	\$	168.26	\$	20,191.60
COUNTY ROADS	SV2	SV1555	Bean Cat Chip Spreader W/Hoppers Model: BC-ODH	V/N: 90N69197 S/N: 161292	01095C	Hourly	\$	308.14	\$	24,548.47
COUNTY ROADS	SV2	SV1575	Ford Distributor	1FDYR80U4JVA46652	01098C	Hourly	\$	308.14	\$	24,548.47
COUNTY ROADS	SV2	SV1595	Mack Oil Distributor	1M1K195Y5VM009656	86312C	Hourly	\$	308.14	\$	24,548.47
COUNTY ROADS	SV3	SV1615	Broce Broom Model: RJ-350	406470	88292C	Hourly	\$	60.18	\$	25,877.70
COUNTY ROADS	SV3	SV1625	Broce KR350 Self Propelled Sweeper	409497/CRT 350	B2307C	Hourly	\$	60.18	\$	25,877.70
COUNTY ROADS	SV3	SV8001	Superior DJ74J Broom/Sweeper	818872		Hourly	\$	60.18	\$	25,877.70
COUNTY ROADS	TR2	TR1634	Williamsen Pup Dump Truck	1W94E3127SX004312	51164C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1644	Williamsen Pup	1W94E30215S004529	73044C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1654	Williamsen Pup Dump Truck	1W94E30285S004530	73045C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1664	Tesco Williamson Pup Trailer	1W94E30206S004619	79019C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1674	Trailmax Full Tilt Trailer TRD-54-T	1G9KS3633VA065101	41448C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1684	Sturdyweld Pup Trailer	159CS5329ML189323	18004C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1694	Dump Trailer Sturdyweld Pup	159CS5328LL189233	15671C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1704	Dump Trailer Sturdyweld Pup	159CS532XLL189234	15670C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1714	Flat Bed Equip Trailer Rear Drop Deck Rental	1DA72C398FM008157	C65014	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1794	Load King Front Drop Deck	1B4T38228L2116697	15669C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1804	Ranco Belly Dump	1R9B5F509XL008519	51165C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	TR2	TR1854	Williamson-Goodwin Pup Trailer	1W94E312XFS558958	B6248C	Hourly	\$	40.81	\$	5,364.08
COUNTY ROADS	GT1	WE2083	Ford CF8000 Flat Bed	1FDYH81E7PVA29573	31218C	Hourly	\$	19.13	\$	11,587.81
COUNTY ROADS	ET2	SU8312	Ford Escape 4X4	1FMCU9C72AKC78544	92974C	Monthly	\$	662.85	\$	7,954.20
CORRECTIONS	GT2	HT4000	Ford F-550 Cab & Chassis	1FDUF5HT2JDA04682	C6107C	Monthly	\$	1,685.98	\$	20,231.71
CORONER	ET2	LT1013	Ford F-150 Supercab Pickup	1FTEX1E50KKD84316	C6131C	Monthly	\$	662.85	\$	7,954.20
CORONER	ET2	LT1015	Ford F-150 Supercab Pickup	1FTFX1E58MKD59994		Monthly	\$	662.85	\$	7,954.20
COUNTY AGENT	ET2	LT1011	Ford F-150 Pickup	1FTFW1E59JKE25547	C3201C	Monthly	\$	662.85	\$	7,954.20
COUNTY AGENT	ET2	SU8812	Ford Explorer	1FM5K7B87GGA78641	B1498C	Monthly	\$	662.85	\$	7,954.20
FACILITIES	WE18	WE2095	John Deere Riding Mower/ Plow Z930A	TC930AP011098		Monthly	\$	336.32	\$	4,035.85
HAPO	ET2	LT9912	Ford F-250 Pickup	1FT7X2B63HEC22392	B7277C	Monthly	\$	662.85	\$	7,954.20
HAPO	WE3	WE1763	John Deere 5710 Gator TX	1M04X2XDEGM114340		Monthly	\$	90.11	\$	1,081.32
HAPO	WE20	WE2098	John Deere 5065E Utility Tractor	PY5065E101484		Monthly	\$	587.32	\$	7,047.83
PLANNING & BUILDING	ET2	SU1	Ford Explorer	1FM5K8B87HGC79012	B8562	Monthly	\$	662.85	\$	7,954.20
PLANNING & BUILDING	ET2	SU10	Ford Explorer	1FM5K8B83HGE01574	C0156C	Monthly	\$	662.85	\$	7,954.20
PROBATION WORK CREW	GT1	SU6	Ford X22 Transit Van	1FBZ2Z2M5HKB18473	B9765C	Monthly	\$	965.65	\$	11,587.81
PROBATION WORK CREW	TR1	TR9001	Felling Dump Trailer	5FTBD1925J1006109	C2266C	Monthly	\$	83.03	\$	996.40
PROSECUTING ATTORNEY	ET2	SU2	Ford Explorer	1FM5K8B88HGC79018	BFH9008	Monthly	\$	662.85	\$	7,954.20
									\$	1,796,897.46

FRANKLIN COUNTY RESOLUTION _____

**BEFORE THE BOARD OF COMMISSIONERS OF
FRANKLIN COUNTY WASHINGTON**

***APPROVING EQUIPMENT RENTAL AND REVOLVING FUND RENTAL RATES
FOR THE 2022 CALENDAR YEAR (JANUARY 1, 2022 THROUGH DECEMBER 31, 2022)***

WHEREAS, pursuant to RCW 36.33A.030, the County Engineer, or other appointee of the county legislative body, shall administer the Equipment Rental and Revolving Fund and shall be responsible for establishing the terms and charges for the sale of any material or supplies which have been purchased, maintained, or manufactured with monies from the fund. The terms and charges shall be set to cover all costs of purchasing, storing, and distributing the material or supplies, and may be amended as considered necessary; and

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WHEREAS, the Franklin County Board of Commissioners appointed the Public Works Director as the administrator of the fund, and to determine the rates for the rental of equipment owned by the fund; and

WHEREAS, the rental rates have been prepared utilizing current information available in the Public Works Department; and

WHEREAS, the ER&R rate structure has been established to cover all costs associated with the operation of the fund which is composed of five (5) components: 1) expenses due to maintenance and operation - employee wages, building rental, equipment repair, supplies, etc.; 2) depreciation of equipment; 3) a surcharge for equipment replacement; 4) adjustments for prior year charges; 5) fleet overhead rate for emergency reserve; and

WHEREAS, the Board of Franklin County Commissioners constitutes the legislative authority of Franklin County and deems adoption of these proposed rates to be in the best interest of the County.

NOW, THEREFORE, BE IT RESOLVED, the Franklin County Board of Commissioners hereby approves the Municipal Vehicles and Public Works Equipment, Equipment Rental Services, 2022 ER&R Rental Rates (Attachment A), for the 2022 calendar year (January 1, 2022 through December 31, 2022).

APPROVED this ____ day of _____, 20____.

**BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY, WASHINGTON**

Chair

Chair Pro Tem

Attest: _____
Clerk of the Board

Member

Originals: Clerk of the Board

Copy: Public Works Department

FRANKLIN COUNTY

EQUIPMENT RENTAL & REVOLVING FUND



2022 SUMMARY REPORT

Prepared By: Franklin County Public Works

This document is adapted from a report prepared by Al King, P.E., Intergovernmental Policy Manager, County Road Administration Board, on May 4, 2005

Equipment Rental & Revolving Fund

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Equipment Rental & Revolving Fund

Background

Why This Document

ER&R is a critical function of county road operations, and more and more, all county vehicles, this document is an opportunity to assist our county in understanding ER&R.

Supporting Documents

The legal requirement for ER&R is found in the Revised Code of Washington, Title 36 (Attachment A). The 18th Amendment to the Constitution of the State of Washington is also important to understanding some of the issues. In addition, a guidance document from the State Auditor's Office (Attachment B), RCW 43.09.210 (separation of accounts and funds) (Attachment C), and excerpts from the Budgeting Accounting and Reporting System Manual (Attachment D), are included.

Each of these supporting documents should be reviewed in order to understand the legal foundation for, and premises of, this document.

Historical Overview

The ER&R law, RCW 36.33A, was passed in 1977.

Fleet operations are a fact for County Road operations, and have been virtually since their inception. Millions of dollars were, and are, invested annually in those fleets, yet counties historically and consistently faced a lack of funding for equipment replacement. That was the driving force for the ER&R law. At the same time, it was common to have minimal supporting documentation of the real costs of operating that equipment.

Exacerbating the issue was the all too common practice of using Road Fund equipment, paid for with fuel tax dollars protected 'for highway use only' under the 18th Amendment to the Constitution of the State of Washington, for all kinds of non-road purposes. In addition, RCW 43.09.210, which essentially states that one fund may not benefit from another, was often violated.

As a result, criticism from citizens and legislators alike was all too common, and auditors were finding it very difficult to review and assure that agencies were in fact meeting both constitutional and statutory requirements. To address those issues, the Legislature looked to private and public models across the country.

Fleet operations typically look at both individual and collections of similar vehicles to decide reasonable average operating costs. They recognize that vehicles and equipment will wear and will reach a point where the cost of parts and maintenance outweigh the amortized cost of simple replacement. As manufacturing processes have changed and warranties increased in both time and scope, becoming standard in the industry, this curve has actually shortened.

Those operations further recognize variables will affect their fleet costs. For example, even with the best of manufacturing processes and quality control, some items will fail prematurely, the 'lemons'. At the same time, some will outlive all expectations, the 'peaches'. Both are unpredictable individually. In addition, operators can have a decided impact on the life. Those who care for equipment keep it clean and make sure that little things get fixed before they become big problems will assure a longer life and a better return on the investment.

Similarly, inclusion of pits & quarries materials in ER&R was logical in that those materials, representing millions more in tangible assets, were easy to mismanage through lack of tracking, and subject to theft. Some materials may be purchased directly for, immediate use on, and charged directly to a project. Much of the manufactured materials must be placed in stock for later use. That occurs for a variety of reasons, from somewhat unpredictable repair items that need to be available on very short notice, to maximizing contracting values. Those materials become the property of the County and must be managed for the noted reasons.

Those elements provided a foundation for methods to assure that costs were captured, managed, and the crossing point of the operations & maintenance cost curve on the replacement cost became known. Further, it can provide a means to justify and adjust fleet and material needs, and just as important, operations of the equipment, to assure that this huge taxpayer investment is best managed.

The ER&R law as written, and virtually unchanged in the nearly thirty-five years since, provides accountability and a management mechanism that has proven its worth. Within that structure, it also provides an equitable distribution mechanism for costs among the various users and cost centers, an invaluable tool in the context of the 18th Amendment and RCW 43.09.210. This primary issue is commonly misunderstood. It is often characterized as, "After all, it's all the taxpayers' money!" The fact is our system of law dictates more separation of funds and their management than we commonly might think.

At the same time, as the value of ER&R is recognized, most counties have taken advantage of its allowance for equipment and materials other than traditional roads items. As a reminder, in the typical ER&R fund fleet Road Fund operations is still the predominate user. Recognizing that the Road Fund is one of the few constitutionally and statutorily protected funds, separating costs and assuring rates reflect the unique nature of heavy and specialized equipment as differing from autos and other light vehicles remains a critical management requirement.

Further, with tightening budgets, the issue of equitable cost distribution continues to be a greater and greater perceived impact to the various user Department Heads and fund and program managers.

Key Elements

The key elements for a successful ER&R Fund are as follows:

- The understanding of the legal and management foundation and requirements of the ER&R Fund.
- Communication between the ER&R manager, the Board, and all Elected Officials / Department Heads.
- The understanding of fleet composition and determinations.
- The understanding of how rates are set, and how that may or may not result in equity among the various users.

The Foundation

The introduction discusses the legal and management foundation of an ER&R fund.

Communication

There are three basic options for communications: formal written communications, formal regular meetings, and informal one-on-one meetings. Publication, distribution and regular updating of ER&R will provide a solid foundation for understanding as well as management of the fund. The result of those discussions should be regularly and formally communicated, preferably well in advance of their implementation. It is appropriate to hold regular formal meetings with Department Heads to assure that their concerns about any uniqueness of how their equipment is used are heard and appropriately addressed. These are also great opportunities to discuss broader issues and provide information on rates, rate setting processes, budgetary impacts, and general equipment operations procedures. In addition, if a Department Head feels a need for more information about a particular aspect of the ER&R operations, they should be comfortable in asking for it.

Fleet Composition

One of the core issues that set the stage for setting equipment rates is the fleet composition. While this is not the general responsibility of the ER&R Manager (except those fleet elements for which that person may have operational responsibility), rate setting discussions would be incomplete and more difficult to understand without a clear expectation and understanding of how we determine the extent and purpose of the managed fleet.

Responsibilities

Department Heads and the Board must make decisions about equipment needs appropriate for each department to carry out their missions, and in some cases, their mandates. That said, there might be times when the resources are limited to the point that the Board may determine that the cost exceeds the capability of the county, and the risk of not doing so is less costly. Once the fleet makeup is determined, the ER&R manager is then responsible to assure that the equipment is maintained to obtain

maximum realistic life and value from it. As a part of maximizing value, it must be replaced when its condition is such that the cost of continuing repairs, parts and labor, begins to be greater than the amortized cost of replacement. We all want the best equipment available for all our needs as we see them. The reality is funds are seldom available to that desired end. Decisions on what is truly necessary, cost effective and good management of the various needs often drive the cost of public agency fleets. All should recognize that government often carries out tasks that are not cost effective for individuals and businesses to do on their own, as well as mandated services necessary for government to operate. That reality may well cause some high rates. While that may seem to fly in the face of the logic that if it can be achieved cheaper with privatization of fleets or at least some fleet elements, there are many elements that drive the appropriate fleet makeup for government agencies. Private enterprise may best supply some equipment items, and decision makers should keep that option in mind. At the same time, the public fleet may best serve safety issues and necessary service levels.

Fleet Determinations

Equipment is 'needed' in a number of ways. Departments most often need equipment to carry out daily basic functions. Nearly everyone needs some kind of passenger vehicle to get to the various field areas they serve. Road Superintendents need pickups to check the roads in their area, and to ferry various and sundry pieces to the work site, sometimes along with personnel. Road crews need trucks and graders to accomplish their daily work.

Regular Use Equipment

Day-to-day use equipment items are easiest to deal with. Department Heads should be able to lay out their needs and the service levels those equipment items provide with little difficulty. One element to consider, too often glossed over, is the need to determine the right equipment for the task. Too big or too small of a dump truck costs more than right sized. Using a D-8 crawler tractor, when a D-6 will perform the task physically and economically, will increase the project cost. Using a D-4 for that same task will also increase cost due to the extra burden it will carry but not for which it is designed. Carrying 5 passengers in a 15 passenger bus costs more than using a 9 passenger van. Of course, part of the consideration is the occasional need that may be critical. If getting there is critical to life and property and road conditions unpredictable, then the added cost of a 4 passenger four-wheel drive SUV may be appropriate over the sedan that will carry the same number of people. While a formal method to determine regular equipment needs might in some cases be desirable, an occasional documented review and discussion with the Board is likely adequate to make decisions on daily operations. The exception as noted is the life and property decisions, and Department Heads should expect to provide reasonable justification for that added cost. Otherwise, ongoing discussions with the Board are certainly part of Department Heads accountability.

Limited or Special Use Equipment

More difficult to reconcile is need for part time or sporadic use equipment. It can be justified by a response need, a life safety issue, or by unique characteristics of the equipment not easily met other than owning it. Also, limited use equipment is typically justified on efficiency of the overall operation, basic irregular service needs, or special infrequent and less predictable operations. Compared to daily use equipment, rental rates for such equipment tend to be relatively high. For example, insurance costs for any vehicle in the fleet are often independent of their daily use. When considering limited use equipment, it may be even more important to place it in ER&R to assure appropriate consideration is given not only to its acquisition costs, but also to its life cycle cost. Removing them from the fleet gives a false cost for inclusion and replacement considerations. At the same time, recognize that government mandates are not necessarily predicated on cost efficiency, and recognition of need and priority will dictate that some equipment is essential to the fleet even though its cost is relatively high. Limited use equipment is an area of concern among Department Heads and should be discussed in more detail. Department Heads and the Board must carefully consider and justify use of such equipment as it can have a disproportionate impact to budgets. A good example of such equipment is the snowplow. First, when winter snow is here, plowing is usually necessary to use the roads. A mild winter might suggest that snowplows could easily be reduced or maybe even eliminated. However, such a decision would lead to certain and significant life safety issues. Without snowplows, there would be many times in most winters when residents could not get out, and necessary services, groceries to emergency medical, couldn't get in. As a result, every ER&R fleet should have enough snowplows to assure such a circumstance is relatively short and a rare event. In many counties, snow plowing is one of the largest annual expenses. Similarly, vehicles commonly considered emergency use, such as some Sheriff's vehicles, may have limited or sporadic use, or may be considered appropriate in that even with lower daily use, availability is critical.

Equipment Outside ER&R

There is sometimes a temptation to 'make the most' of vehicles that are considered too tired for general use, and place them in some limited use rather than surplus and dispose of them. Part of the 'solution' is to bill for these vehicles only for direct parts and labor costs.

This practice creates at least a couple of questions.

➤ *Has the equipment really reached the end of its economic life?*

This question commonly comes up with the explanation 'if it were mine, I could keep it running for less money'. That viewpoint typically discounts or ignores labor costs, which are significant.

If in fact the equipment has reached the point where you can replace it cheaper than the cost of paying labor and buying parts, then it should be removed from the fleet entirely. Otherwise, it is an economic sham, the County is paying a hidden premium to keep it operating, and shop rates will incrementally reflect that cost.

If on the other hand, the equipment still has remaining economic life, then it should remain a viable part of the fleet, and continue to accrue replacement costs.

That is not to say that vehicles with limited life remaining should not be operated to the end of that life, and perhaps placed in less stressful uses. That would be good management of the resource. Finding that balance is sometimes difficult, but to do otherwise begins to defeat the purpose of fleets and their management.

- *Do the vehicle charges cover the true overhead costs of maintaining the fleet and that vehicle?*

Since equitable distribution of overhead costs is most easily covered by a percentage rate on billings, by removing replacement rates from these vehicles and the overhead percentage that part of the rental rate would otherwise generate, the balance of the fleet is effectively subsidizing the vehicles.

- *Are any inflationary costs covered if they are replaced?*

If these vehicles are replaced directly from ER&R replacement funds, then that would not be the case. Again, others would effectively subsidize that replacement and the receiving fund.

If however, the receiving department pays any difference from that amount that was left in reserve for those vehicles after they have reached their replacement life, there is no subsidy and inflationary costs are properly covered.

- *Eliminate the class.*

There may be occasional situations where vehicles simply do not belong in ER&R, but there are other ways to address them. Any vehicle that continues to operate within the county fleet should do so in ER&R. That assures equity throughout, maximum benefit for all users, and appropriate consideration of the true economic viability of vehicles, as well as the overall fleet operation itself, for continued operation.

If 'hand-me-down' vehicle use is appropriate, that should be done while they are still economically viable. That can be accomplished across the fleet by direction of the Board, or within a department by the Department Head.

➤ *Place Limited Use Vehicles on a Monthly or Annual Rate*

This solves the problem of trying to bill hourly or by mileage when those measures are impractical, yet allows responsible fiscal management of the asset, and a realistic assessment of its economic viability, or special use as appropriate. It also effectively recognizes replacement need for equipment that the Board has agreed is necessary to meet the county's responsibilities.

➤ *Place any vehicles operating under grant restrictions that disallow replacement costs from the grant funds under a rate tailored to specific grant requirements as necessary. For example:*

Federal restrictions are common, and typically paid by the grant receiving agency. Case in point is the similar restriction on federal Emergency Relief funds often received by Road Departments for emergency repairs following a disaster. In that case, the department simply absorbs that rental cost difference, appropriately paying it from County Road funds.

Split the rates to reflect the federal prohibition, with the balance paid with county funds. For example, if the operating grant is \$50,000, with a 50% local match requirement, the county must contribute \$25,000. This is commonly done with state grant funds or local revenues. If the replacement cost over the life of the grant is \$5,000 (10% of the total grant), giving a total rental cost of \$55,000, the county would budget \$5,000 from county funds. The rental rate would reflect that calculation so it is clear that portion of the rental rate is paid with local dollars separate from the federal grant.

Then, to cover the overhead difference between that applied to only the operating costs and that applied to the total rental that includes the replacement, apply an equity adjusted overhead rate to the base allowable rate. Then, require any vehicles in this class at end of their economic life be declared surplus and removed from service. Finally, full replacement costs must be borne by the receiving agency as they are now.

As an alternative for all such vehicles, to assure equity to the greatest extent possible for the rest of the ER&R fleet users, they should be treated as a minimum as external vehicles and all charges should reflect full shop rates with an equity overhead rate applied. That however removes the potential benefit of full management, recognition of their actual costs and value, and the potential policy and decision-making benefits of tracking them under an ER&R accounting system.

Rate Setting

ER&R rate setting is without doubt the most contentious issue among users in that budgets are virtually always tighter than they would desire, and the cost of equipment seems like an easy way to reduce their budget impacts. Part of the responsibility of both the ER&R manager and the Department Head is to assure that equipment costs are not only the lowest possible, but also assure that the equipment is operating efficiently at lowest life cycle costing.

A number of general items must be considered as a part of the fleet rate setting process.

General Fleet Rates

Once an item is determined to be appropriate to the fleet, and rates set for the expected use of that item, the ER&R manager's responsibility is to assure that each user pays their fair and appropriate share, and that one fund does not benefit from another. In addition, he or she must manage the fleet to replace it in the most cost effective manner, and provide Department Heads the information needed to assure optimum operations. That information is primarily the repair and maintenance costs and any unusual maintenance issues on an ongoing basis, perhaps quarterly, to determine that equipment under their oversight is operated and maintained properly.

Under the fleet management concept, it is critical for management and users alike to understand the rates and associated costs. While equity between funds is important, one of the most significant elements of a fleet operation is that similar equipment items, operated in similar circumstances, will almost never require exactly the same maintenance or have exactly the same life. However in the interest of assuring reasonable equity for the recipient of the 'lemon' as well as the 'peach', all normal costs for maintenance, operations and replacement are distributed equally within that similar group of items, thus standard rates are set within specific equipment classes, regardless of 'ownership'.

Life Cycle Costing

Life Cycle Costing (LCC) is one of the most important elements of ER&R, and an understanding of it critical to acceptance of assigned rates. LCC is the ER&R manager's implementation tool to assure that fleet use returns best value.

LCC is a simple concept, but one that takes a fair amount of information to have confidence in. Once equipment use is determined, then the challenge is to determine all of the costs of purchasing and operating the equipment. All costs include obviously the initial purchase price converted to replacement cost, fuel and lubricants, parts and labor for ongoing repairs, and necessary overhead for management and administration. Those costs must be captured over the life of the item.

Those costs are broken into two areas to determine the LCC. The purchase price must be considered, and amortized over the estimated life of the item. This assures that an appropriate replacement reserve is available at the end of its life. Equipment life typically is estimated based on how such equipment has performed in the past. It is then tracked and refined over time as the fleet ages. Operation, maintenance and overhead are relatively simple to accumulate costs on over time.

Once these costs are captured, it becomes apparent that at some point in time, as the equipment ages and wears, fuel consumption goes up, parts become more expensive and maybe even difficult to obtain, and the labor to make repairs go up at an increasing rate. The curve that is created from tracking these costs can then be compared with the curve for amortized costs of replacement over time. Replacement must also normally be inflated to account for the changing (virtually always increasing) cost of inflation. When the operation and maintenance curve goes higher than the replacement cost curve, it is then more economical to replace it rather than to keep it operating.

Fleet operations help define and refine those curves by averaging anomalies that always occur with any given piece of equipment. LCC then provides the information to determine the most cost effective replacement time.

Finally, it is important to note that practical life of equipment in a fleet operation does not necessarily mean that the equipment cannot be kept operating. It simply means it is no longer economically efficient to do so.

Fund Reserves

The ER&R fund is an internal service fund for accounting purposes, and set up as required to be self-sustaining. Management's goal is to assure that rates continue that practice, but at the lowest reasonable costs allowed. Rates then must allow for fluctuations of any number of elements in a given year.

For the fund to be self-sustaining, part of the manager's responsibility is to assure that it also has adequate cash on hand to deal with potential catastrophic failures that could cause premature replacements, as well as normal annual equipment replacement needs. The State Auditor's Office publishes no guidance for setting ER&R reserves. When the ER&R law went into effect in 1977, a reserve was a topic of considerable discussion and concern. Some argued that it should be set at 100% of the current replacement value. It was generally settled that a minimum reasonable amount would assure that average annual replacement needs could be covered through the reserve.

While the discussion could continue in any number of directions and levels of detail, We recommend the reserve be set to assure annual replacement, with a possible added amount to cover a general risk assessment of how much equipment might need replacement in the event of a catastrophic event. If the annual replacement amount is considered sufficient following that assessment, then that would be the reserve amount to manage. An ER&R reserve is not only a fiscally sound management practice, once it is set in place, it has little impact on rates other than helping to mitigate economic fluctuations.

Equipment Classes

With the fleet concept, equipment is divided and assigned to a particular “class”. The purpose of classification is to place vehicles of similar use and design together for setting of rates. Equipment assigned to and managed within ER&R is divided into a variety of classes.

Clear understanding of equipment use is essential to classification and rate setting. That use can be broken into multiple sub elements, but ER&R rates are generally set at the first and second levels of use. A general division occurs typically between light and heavy equipment.

Autos, pickups, vans and similar vehicles are all considered light duty vehicles. Dump trucks, road graders, crawler tractors and similar vehicles are considered heavy-duty vehicles. Heavy-duty equipment has far greater demands placed on its function and ability to withstand heavy loads than light duty equipment. This division is usually easy to make. Further subdivisions are appropriate, provided the fleet concept is kept in mind.

For example, passenger automobiles all have quite similar functional design and virtually all are used for the central and almost exclusive purpose of transporting persons. However, similar use becomes more judgmental.

Among passenger automobiles, few would argue that police vehicles are operated in any similar fashion to those outside that area. Police vehicles often operate with long periods of idling. They are sometimes subjected to hard acceleration and deceleration, much beyond that seen in normal driving conditions. They are at times even used as barriers or shields, subjecting them to damage that would never occur purposely in normal driving conditions. With these operational use differences, it is common to have them separated into a class separate from the rest of the fleet passenger autos.

The ER&R manager must look at these subdivisions carefully to assure that the breakout is appropriate, and that the uses are in fact similar. Further breakouts should be discouraged unless the use is so dissimilar as to create a truly different class. The ultimate test is if the cost of operation and maintenance for the same type of vehicles is significantly different due to their use.

➤ **Classification Subdivisions**

Some would argue that further subdivisions are necessary, usually to assure equity between departments. As an example, some four wheel drive pickups may be used exclusively for moving crews around, while others are predominately used for snow plowing. Wear and tear on the latter may be higher than the former.

This subdivision is a judgment call. If in fact the wear and tear due to use is significantly different in this example, then the cost of repairs and operation will be higher in the four wheel drive pickups used for plowing, and further subdivision is appropriate. These breakouts should occur only if cost data shows such a difference. Even though the types of use might suggest otherwise, if the costs are similar, then the vehicles are appropriately placed in only one class.

One specific breakout sometimes used that is questionable is that between departments. As an example, a light duty vehicle used for essentially the same purpose in two different departments should have the same operational costs. The only difference should be operator differences or manufacturing defects, neither of which is under the purview of the ER&R manager. In fact, fleet operations and class comparisons help determine those things. That gives department managers an ability to deal with them.

Proper consideration of the classifications will assure equity among departments and no further subdivision should be necessary.

➤ **Classification Exclusions**

In discussion of equipment classes, one occasionally expressed concern is if one office's vehicles were excluded from the fleet, other ER&R rates would increase. For example, Sheriff's vehicles are often included in the fleet, and typically the second largest group of vehicles used in the Departments. As has been stated, "The County Sheriff is paying for the richest fund in the county through excessive rates."

First, let's dispense with the terminology of 'richest fund'. Yes, ER&R is typically one of the largest funds in any county, but such terminology is neither accurate nor productive. It is inaccurate in that a properly functioning ER&R fund makes no profit and is responsive only to the needs of the County.

Then, Sheriff's vehicles are a particularly good example of why proper classification resolves equity issues. Higher cost to operate police vehicles are normally in a separate class. As a result they pay a higher rate on sedans than one used in the Assessor's office. That is not a subsidy issue in that the purpose is to assure that different class rates cover the costs within that class.

The only change that might be expected within ER&R is a slightly higher potential overhead rate if there were no relative reduction in personnel or facilities. That would appear to be an unlikely event. However, if total fleet requirements still dictate that level of support, a total fleet fixed costs issue becomes a matter of judgment. Therefore, while one might argue that such a result could occur, ultimately it would be independent of that decision. By the same argument, it is intuitive that the larger the fleet, regardless of makeup, the better potential there is for economies of scale.

Bottom line is that inclusion or exclusion of any class of equipment is not an equity issue, only a larger fleet management issue.

Rate Calculations

Rates are calculated based on several items, most of which have been discussed above. This is a brief overview of a standard rate calculation process. Some areas are discussed in more detail than others are as they typically generate more questions.

Basic items in the rate calculations include:

- Operational Costs
- Replacement Costs
- Overhead Costs

➤ **Operational Costs**

Operational costs include all the direct cost items attributable to day-to-day use of a piece of equipment. They include fuel and lubricants consumed, parts used for repairs, and direct labor for repairs and maintenance performed.

○ *Fuel & Lubricants*

Fuel and lubricants, at this time, are included in the operational costs. Fuel and lubricants typically generate a significant cost, particularly as the price of crude increases. To better estimate the costs of fuel, we utilized data published by the U.S. Energy Information Administration, "Short-Term Energy Outlook", dated July 2021, specifically Table 4c. Projections for future use were calculated by the ratio of annual average projected fuel costs for the US in 2022 against the same fuel costs in 2021. The five-year average cost incurred by the County for fuel, corrected for inflation, was then multiplied by this ratio to determine the 2022 projections.

Fuel usage, coupled with the mileage, is also a key to knowing the operator habits and mechanical status of the equipment. Tracking typically occurs at the pump, which can be a problem as mileage is normally a manual input.

Department Heads need to advise their employees so that they understand that it is key information that affects their use and budgets. Ongoing emphasis and communication is needed in this type of manual data collection effort.

- *Parts*

Parts costs normally reflect the type of equipment. Heavy equipment and/or specialized equipment parts are often significantly more expensive than for ordinary light vehicles. In addition, they are also an indicator of use and wear. A higher than average replacement rate on a particular vehicle may suggest that there is an operator issue, or that the vehicle is beginning to reach its economic life span. Certainly there may be other conclusions, however having that information for both the particular item as well as the fleet is important to setting appropriate rates and life expectancies.

If rates are set properly according to equipment class, when labor and parts for high cost repairs are removed from the overhead calculation, the proportion of overhead attributable to them goes down, and all others pay a larger share. In other words, with proper rates, overhead is shared directly proportional to the impact of the use of any given equipment item, thus equitably. If that distribution does not occur, then light equipment ends up subsidizing the operation of heavy equipment, subverting the rate setting process.

The portion of the operational costs attributable for parts was determined by taking the five-year average spent on a parts for each piece of equipment, adjusted for inflation, and multiplying it by the consumer price index (CPI), which in this case is used as a metric of future inflation. The CPI used was based on the monthly CPI reports issued by the US Bureau of Labor and Statistics for the year prior to the date of the report.

- *Labor*

Labor costs should be billed to the greatest extent possible, directly to the equipment item receiving work. There is an unavoidable added labor cost sometimes forgotten, the real cost of benefits. Benefits include lost time due to leave, medical and labor insurance, and other items that are directly attributable to each employee. Labor rates must include these 'hidden' but very real costs.

Any time an ER&R person is working on a specific equipment item, for more than a few minutes, their labor must be charged to the item. By doing so, both direct costs associated with keeping and operating that equipment and the relative overhead costs are properly attributed. Obviously, there are some realistic limits. For example if a light bulb is changed in three minutes, it isn't cost effective to charge that time out. That 'lost time' becomes part of the non-productive time covered in overhead.

Labor costs are calculated by computing a five year average for time spent on each piece of equipment.* These averages were then multiplied by the ratio of the coming year's anticipated maintenance hourly rate and the current year's maintenance hourly rate. This ratio accounted for changes in compensation and work practices, and functioned as a metric of increased costs for labor in the coming year.

(*While the formula used are designed for a five-year average, only four (4) years of reliable data exists. As more data becomes available, the five-year average will prevail.)

➤ **Replacement Costs**

Replacement costs are more than simply an equipment item purchase price. Not only is there the cost of money or inflation over time, different equipment types may inflate at different rates. Historic inflation rates, adjusted annually for actual experience (both internal to the fund as well as consideration of outside information sources) become part of the rate in order to assure there is adequate replacement reserves.

The outside information source utilized for the determination of historic inflation rates is the "Consumer Price Index" (CPI-W & CPI-U) as published by the Municipal Research and Services Center of Washington (MRSC).

Again, with appropriate replacement costs considered within equipment rates, when overhead is applied to the rates, a direct proportion of the fixed and non-attributable costs are applied to the relative value and impact of that fleet item.

Similar to equipment, material replacement costs are more than the initial acquisition costs. Handling of any materials will result in some degree of loss, and rock materials are subject to a measurable loss. The most common is the 'floor loss', the material that is mixed into the ground it is stored on, becoming unusable. In addition, unless every load is weighed or carefully calculated, not always economically feasible, use rates will reflect some inaccuracy and 'loss'.

Theft is unfortunately a common loss issue for materials, particularly materials stored at remote locations. While tracking and security such as fencing and gates (an added cost) will minimize these losses, they must be considered. Typically, these added costs are captured in overhead rates, as they are seldom directly attributable to one particular material or use.

Virtually all other costs associated with materials, such as the labor of handling them again, should be charged out to the project or activity they are used on.

It should be noted that additions to ER&R, and upgrades or similar changes to planned replacements determined during the annual review process with Department Heads and approved by the Board, must be paid for independent from ER&R reserves. After placement in ER&R, they will then accumulate reserves for their ultimate replacement.

Replacement costs should be amortized over the life of the class of equipment, at a rate that provides assurance that an adequate reserve is in place at the end of its economic life. The last element to include is a reasonable salvage or disposal sale value.

➤ **Overhead Costs**

One of the primary criticisms typically leveled at ER&R fund managers is that overhead rates are excessive. This area certainly deserves scrutiny, and an understanding of what and why the rates are what they are is critical.

While it is always an area to watch, there are overhead costs in any organization. Not only is there coordination and paperwork to do, in an asset heavy organization such as ER&R, there are all kinds of fixed and small costs that are not particularly assignable to an individual work order. From the shop building itself to small tools, whether there is one vehicle regularly maintained or one hundred, those costs are unavoidable but necessary. Managements challenge is to scale those costs to the extent possible to the fleet needs. Fortunately, when properly accounted, these fixed and non-attributable costs directly reflect again a relative and equitable value of the equipment or material to the entire operation.

The simple and least expensive (helps keep overhead down) way to distribute those costs is by a percentage onto billable items. Regardless of the equipment origin or 'ownership', all bills should carry that rate to assure that any who benefit from using ER&R for their equipment needs share equitably in those fixed costs.

○ *Overhead Elements*

Elements of an appropriate overhead rate include all items that are not practically or efficiently billed through directly attributable expenditures. It will help clarify for users to characterize the shop rates by breaking out average mechanics wages, add benefits, and then add the overhead costs so that users can easily see not only how they are derived but also the percentage.

- **Administrative Costs**

Typically there will be a number of people who do parts of the day to day administration. Those costs are normally proportioned between personnel involved in some aspect of management of the fund.

Also included in administrative costs are such items as insurance, office supplies, and any external administrative services. These are all typically accounted for and added into the overhead total.

- **Shop Supplies & Small Tools**

Shop supplies and small tools are included in a proportional amount as a part of the ER&R overhead rate. This is also an appropriate methodology to account for these necessary costs. Often these are not directly related to a specific item of work, or are of such a minor nature as to not be economically practical to account individually, but are necessary to the operation of an equipment shop. Examples include disposal of hazardous materials such as used antifreeze or motor oil, and shop rags and specialty tools.

- **Buildings and Facilities**

Some may argue that facilities should not be included in overhead. However, when the primary purpose of a facility is to support ER&R, and is considered necessary to the operation, it becomes one of those fixed and unavoidable costs. Charging for its operation and maintenance through the overhead rates is the most equitable way to cover those costs.

All overhead elements are analyzed annually and adjusted, as necessary, to reflect all actual and anticipated costs within a budget cycle.

➤ **Calculations**

Once each of the above items is determined, the calculation of a specific standard class rate is straightforward.

Example Motor Grader – 12 Year Life		
Direct Annual Operational Cost	\$27,652/Year x 12	331,824
Purchase Price		160,518
Projected Inflation	3% Straight Line	57,786
Projected Salvage Sale Price	Auction	10,000
Overage/Underage		5,000
Subtotal	(Less Salvage)	545,128
Projected Hourly @ 750 Hours/Year Use	Sub ÷ 750 ÷ 12	60.57
Fleet Overhead Rate	+9.4%	66.26
Adjusted Hourly Rental Rate		\$66.30

(Note: these entries are purely fictional, for example calculation purposes only. The overhead in this calculation is applied on the rental rate rather than only the shop rate as is currently practiced.)

The elements of this equation are:

1. Direct Annual Operational Cost – the combined average costs of labor, parts, and fuel, as adjusted for inflation, for the economic life of the piece of (or class of) equipment.
2. Purchase Price (with Projected Inflation) – the adjusted replacement cost of acquiring a new, like piece of equipment once the extant piece has reached the end of its expected economic life.
3. Project Salvage Sale Price – the amount of money that can reasonably be anticipated to be recouped upon sale of the equipment at the end of its economic life.
4. Overage/Underage – the difference in the anticipated and actual costs for operating the equipment in the past year. Positive numbers are values to be recouped this year, while negative numbers are values to be deducted from this year.
5. Fleet Overhead Rate – please see the description above.

Each class of equipment will have a similar calculation. These calculations are typically done in a spreadsheet format to ease the large number of calculations.

- *Rates for Limited Use Equipment*

Rates for limited use equipment are often set differently in that hourly or mileage measures fail to capture their use. All calculations up to that point are similar. Rather than break them out by direct usage since it may vary so greatly, they are typically calculated only on a monthly or annual rate. This provides a simplified method of assuring that this type of equipment is properly accounted for its own use and replacement, and the variability within rates resolved.

Setting rates periodically also assumes that it is limited use, appropriately justified on a rational documented basis.

- *User Input to Rates*

Without user input some rates may fail to reflect real world practices. For example, absent an understanding of how the equipment is being used, an engine replacement might be treated as ordinary parts. If that engine change provided additional life to the vehicle, the life and rates should be adjusted to re-amortize the replacement.

Again, this points out the continuing need for direct user input to assure that operational considerations are given to rates, particularly for such elements as major repairs and life cycles. Department Heads must recognize however, that the ER&R manager, even with full understanding of the concerns, may face a choice that does not always meet their desire.

Accounting & Billing

Accounting and billing practices are key to both good management and an ability to explain equipment costs and rental rates to users.

➤ **Historical Costs**

Historically derived numbers provide the foundation for rate setting. A three to five year history tends to average out anomalies for individual equipment items so that class rates are appropriately balanced. Those historical averages must be updated annually to reflect any changes in equipment and use, as well as determining trends.

➤ **Single ER&R Billing**

One question occasionally asked is, why not simplify the billing process with a single bill for all ER&R usage for the Board to approve? Individual department billing addresses two issues.

The first is the legal issue of assuring that each fund stands on its own, without benefit to or from another. This is in direct response to the 18th Amendment and RCW 43.09.210, and is critical to Legislative requirements for how government operates.

The second is that individual billings provide important information for Department Heads management of their particular fleet elements. If a particular vehicle under their management is used inefficiently, or abused in some manner, Department Heads, particularly elected ones, rather than the Board are responsible for correction of the problem.

Simplification is always desirable to the extent that it meets the letter and intent of law, and represents good management. The separate billings are an excellent example of how they may not be the most efficient means, but preserve the very high level of accountability expected from using your neighbor's funds.

➤ **Accounting & Billing System**

Various manual accounting and billing systems are used to track equipment use and costs. The County's implementation of a new accounting system that has modules specifically designed for fleet management, will bring data management into a sound basis. In one year, it should provide significantly improved ability to measure equipment use and costs. Within two to three years, it should provide a high confidence level on equipment costs and appropriate rental rates. At least five years of rolling and annually adjusted cost data would be most desirable for that purpose.

Radio Systems

Radio systems are not included in ER&R. Therefore, the costs (including the purchase, maintenance, and repair) of radio systems are the responsibility of each individual department. The radios within each vehicle/equipment are included in the Direct Annual Operating Cost for each vehicle/equipment and/or class thereof.

ER&R Fund Resolution

Most, if not all, counties implemented their ER&R program with a Commissioner's Resolution in 1977 and a reference to Chapter 67 (Engrossed SB 2024) of the Forty-Fifth Legislature, Regular Session (codified in RCW 36.33A). That resolution commonly transfers funds and equipment to ER&R.

The Board of County Commissioners, created the Equipment Rental & Revolving Fund on the 19th of December, 1977 through the approval of Resolution 77-114.

With the many changes over the last 44 years, it may be necessary from time to time to update the implementing resolution to reflect current operations; the various departments, funds, and others who utilize the fund; the intent to assure that charges are equitable and in accordance with RCW 43.09.210; to clarify statutory responsibilities; and name the appointed ER&R manager by position.

Chapter 36 RCW EQUIPMENT RENTAL AND REVOLVING FUND

RCW Sections

36.33A.010 Equipment rental and revolving fund -- Establishment -- Purposes.

36.33A.020 Use of fund by other offices, departments or agencies.

36.33A.030 Administration of fund.

36.33A.040 Rates for equipment rental.

36.33A.050 Deposits in fund.

36.33A.060 Accumulated moneys.

36.75.280 Centralized repair and storage of machinery, equipment, supplies, etc

36.33A.010

Equipment rental and revolving fund — Establishment — Purposes.

Every county shall establish, by resolution, an "equipment rental and revolving fund", hereinafter referred to as "the fund", in the county treasury to be used as a revolving fund for the purchase, maintenance, and repair of county road department equipment; for the purchase of equipment, materials, supplies, and services required in the administration and operation of the fund; and for the purchase or manufacture of materials and supplies needed by the county road department.

[1977 c 67 § 1.]

36.33A.020

Use of fund by other offices, departments or agencies.

The legislative body of any county may authorize, by resolution, the use of the fund by any other office or department of the county government or any other governmental agency for similar purposes.

[1977 c 67 § 2.]

36.33A.030

Administration of fund.

With the approval of the county legislative body, the county engineer, or other appointee of the county legislative body, shall administer the fund and shall be responsible for establishing the terms and charges for the sale of any material or supplies which have been purchased, maintained, or manufactured with moneys from the fund. The terms and charges shall be set to cover all costs of purchasing, storing, and distributing the material or supplies, and may be amended as considered necessary.

[1977 c 67 § 3.]

36.33A.040

Rates for equipment rental.

Rates for the rental of equipment owned by the fund shall be set to cover all costs of maintenance and repair, material and supplies consumed in operating or maintaining the equipment, and the future replacement thereof. The rates shall be determined by the county engineer or other appointee of the county legislative body and shall be subject to annual review by the legislative body. This section does not restrict the ability of the county road administration board to directly inquire into the process of setting rental rates while performing its statutory oversight responsibility.

[2007 c 195 § 1; 1977 c 67 § 4.]

36.33A.050

Deposits in fund.

The legislative authority of the county may, from time to time, place moneys in the fund from any source lawfully available to it and may transfer equipment, materials, and supplies of any office or department to the equipment rental and revolving fund with or without charge consistent with RCW 43.09.210. Charges for the rental of equipment and for providing materials, supplies, and services to any county office or department shall be paid monthly into the fund. Proceeds received from other governmental agencies for similar charges and from the sale of equipment or other personal property owned by the equipment rental and revolving fund, which is no longer of any value to or needed by the county, shall be placed in the fund as received.

[1977 c 67 § 5.]

36.33A.060

Accumulated moneys.

Moneys accumulated in the equipment rental and revolving fund shall be retained therein from year to year; shall be used only for the purposes stated in this chapter; and shall be subject to the budgetary regulations in chapter 36.40 RCW.

[1977 c 67 § 6.]

RCW 36.75.280

Centralized repair and storage of machinery, equipment, supplies, etc.

All county road machinery, equipment, stores, and supplies, excepting stockpiles and other road building material, shall while not in use be stored and repaired at one centralized point in each county: PROVIDED, That if the geography, topography, distance, or other valid economic considerations require more than one place for storage or repairs, the county commissioners may, by unanimous vote, authorize the same.

[1963 c 4 § 36.75.280. Prior: 1949 c 156 § 4; Rem. Supp. 1949 § 6450-8d.]

An Overview of Equipment Rental and Revolving Fund

A reference document prepared by
Washington State Auditor's Office
Local Government Support Team
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Introduction:

This guide is designed to provide information on the formation and basic operations of Equipment and Rental & Revolving (ER&R) funds. The guide contains answers to common questions and discusses issues that have been encountered during audits of ER&R funds. Areas covered are:

- Overview
- Who's required to have an ER&R fund and how are they formed?
- Operation of the fund:
 - Rate setting
 - Revenue assets
 - Investments
- Accounting requirements – financial reporting
- Common questions
- Common audit issues

Overview:

Equipment Rental and Revolving funds, also known as ER&R funds, are established to provide equipment rental services within a local government. They increase government efficiency by giving the entity a way to allow expensive equipment and supplies to, in essence, be rented to the entity's other departments. These departments are internal service funds and should operate at zero profit. Their rental equipment ranges from computers to police and fire vehicles to heavy road equipment to specialized high voltage trucks.

Who's required to have an ER&R fund and how are they formed?

All counties and cities with populations over 8,000 are legally required to have an ER&R fund for operating county road and street departments. ER&R funds may be expanded to provide services to other departments including public works, utilities, fire and police. Legal references: RCW 35.21.088, cities and RCW 36.33A.010, counties.

ER&R funds are created by city councils or county commissions. Counties pass a resolution and cities an ordinance defining the origin of the resources, purpose, and specific duties of the fund. Start-up resources usually come from an interfund transfer of cash and/or equipment. The transfer may be as a loan or a permanent transfer. Further discussion of interfund transactions and ER&R funds can be found in the Budgeting, Accounting and Reporting System Manual volume 1, part 3, Chapter 4, sections A&B.

Operation of the fund

The management of the ER&R fund is responsible for assuring that the fund's operation complies with what is set out in the ordinance or resolution. These goals include rates that cover the costs of operation and equipment replacement; charges to departments are equitably allocated; tracking of equipment; and investment of excess funds. Management has the further responsibility to ensure that all revenues and expenses are properly coded, summarized and reported in the formats prescribed both internally and externally.

➤ *Rate setting*

ER&R rate structures need to cover all costs associated with the operation of the fund. In counties, the rate structures are determined by the county engineer and reviewed by the legislative body, RCW 36.33A.040. Rental rates are typically composed of four components:

1. Expenses due to maintenance and operation (employee wages, building rental, equipment repair, supplies, etc.)
2. Depreciation of equipment.
3. A surcharge for equipment replacement.
4. Corrections for prior year charges.

It is extremely important to have a system in place that separates charges for replacing equipment from the other components. Most federal grants allow only actual costs to be submitted for reimbursement. Surcharges for equipment replacement are an estimate and not allowable under A-87 cost principals. Inclusion of surcharges of equipment replacement in federal reimbursement requests could lead to questioned costs.

Deficiencies in revenues should be made up from transfers from the general fund or funds of other departments using the services. Excess revenue should be allocated back to departments that are over charged. Under the prescription of RCW 43.09.210 "it is not legal for one fund to benefit from another".

Rates can be developed for individual assets or similar groups of assets. They can also be billed as a single rate or separately. Composite rates (single rates that apply to dissimilar assets), should be avoided. They tend to lead to overcharges or undercharges.

➤ *Revenue Assets (rental equipment)*

Records must be maintained that identify revenues, costs, and depreciation associated with rental equipment (revenue assets). Rental equipment needs to be monitored by a tracking system and physically inventoried. Tracking is essential to ensure the items are not lost or misappropriated and are properly depreciated. Equipment should be valued at purchase price or the fair market value when it is transferred to the fund. In addition to internal policies, criteria for asset accounting and monitoring are prescribed by external sources. They are:

- Category 1 Counties and Cities: RCW 36.32.210 (counties only); 2002 BARS Manual, volume 1, part 3, chapter 7.
- Category 2 Counties and Cities: RCW 36.32.210 (counties only); 2002 BARS Manual, volume 1, part 3, chapter 1, section B.
- Entities purchasing assets with Federal grants: Common Rule, Section 32(d)(2).

Information that should be maintained for assets includes:

1. Historical cost, type of asset and a cross-reference to the capital asset record (finance record), identification of the primary user or whether it is a pool asset.
2. A periodic summary (at least annually) of all operating expenses, including any special operator costs.
3. A periodic summary of depreciation expense and indirect expenses
4. A periodic summary of rental income, service charges, or user fees.
5. Periodic calculation of net income or loss.
6. Annual summary of 2-5 above.
7. Cumulative net income or loss.

While separate records are recommended, group asset records are acceptable.

➤ *Investments*

Revenue collected for replacement equipment is the property of the ER&R fund and is not to be transferred to other funds. They should be invested only in allowable investments. These funds should also be reviewed during budgetary review. Investment levels in the ER&R fund should reflect the projected amount needed to replace equipment. Rental rates and or fees should be adjusted if investment levels are above or below the targeted amount.

Accounting Requirements – Financial Reporting

Accounting and financial reporting are prescribed by the Washington State Auditor's Office. Reporting requirements are based upon the size of the municipal corporation. Category 1 and those category 2 choosing to prepare GAAP financial statements should refer to the Category 1 Budgeting Accounting and Reporting System (BARS) manual, volume 1, part 3, chapter 7, section G. In pre GASB 34 reporting the ER&R fund is reported as a proprietary fund using full accrual accounting. The required basic financial statements are a balance sheet, operating statement and statement of cash flows.

Category 2 entities should review the Category 2 Budgetary Accounting and Reporting System (BARS) manual, volume 1, part 4, chapter 4. Category 2 entities are required to complete 04 and 05 schedules for internal service funds.

Common Questions

How big should the fund balance of the ER&R fund be?

One of the primary goals of an internal service fund is to break even. Therefore, the fund balance should reflect a level that is anticipated to assure continued operation of the fund. It should not contain an excess or deficit to that projected amount. When the fund balance is not in line with the project amount, rates need to be adjusted to bring the fund balance to that level.

What should be included in the cost of equipment purchases/leases?

All actual costs associated with the operation of the ER&R fund should be included when determining the rate structure for equipment. Allocation of the costs should be made on an equitable basis such as asset life. Costs should be allocated for salaries and benefits, general cost of operations, attorney fees, insurance, etc. The four components of rate-setting are further discussed in the rate setting section above.

How is replacement cost defined?

Replacement cost is that amount that is anticipated to replace the existing asset above the cost being recovered through depreciation. This portion of a rental charge should be tracked separately. Replacement costs are estimates and are not allowable for federal reimbursement.

How do we handle assets that are depleting, such as quarry sites or pit areas?

These assets should be handled as other assets. Their use charge should be based on operation costs, historical cost depreciation/depletion rate, and replacement inflation factor. The goal is continued break-even operation of the ER&R fund, which includes future replacement of the depletable asset.

How do we decide on an appropriate inflation factor for equipment that has a 10-year lifetime?

Rates for assets should be re-evaluated on a yearly basis. This would include review of the inflation factor as well as operational costs. If the amount invested for purchase of a replacement vehicle is not on target, an adjustment should be made. Care must be made when signing contracts with other departments so that rates are not locked in for an entire 10-year period.

Common Audit Issues

1. Failure to maintain a current list of assets and lack of the performance of physical inventories. (This was the most common condition observed.)
2. Failure to retain adequate records for support of expenditures.
3. Failure of the ER&R fund to bill departments for use of equipment and supplies.
4. Submitting replacement cost estimates for reimbursement with grant money.

REFERENCES

RCW 35.21.088 Equipment Rental Fund

RCW 36.32.210 Inventory of county capitalized assets -- County commission inventory statement -- Contents

RCW 36.33A.010 Equipment Rental and Revolving Fund – Establishment – Purpose

RCW 36.33A.020 Use of fund by other offices, departments or agencies.

RCW 36.33A.030 Administration of fund

RCW 36.33A.040 Rates for equipment rental

RCW 36.33A.050 Deposits in fund

RCW 36.33A.060 Accumulated moneys

RCW 43.09.210 Local government accounting -- Separate accounts for each fund or activity

RCW 43.09.210

Local government accounting — Separate accounts for each fund or activity — Exemption for agency surplus personal property.

Separate accounts shall be kept for every appropriation or fund of a taxing or legislative body showing date and manner of each payment made therefrom, the name, address, and vocation of each person, organization, corporation, or association to whom paid, and for what purpose paid.

Separate accounts shall be kept for each department, public improvement, undertaking, institution, and public service industry under the jurisdiction of every taxing body.

All service rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value by the department, public improvement, undertaking, institution, or public service industry receiving the same, and no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

All unexpended balances of appropriations shall be transferred to the fund from which appropriated, whenever the account with an appropriation is closed.

This section does not apply to agency surplus personal property handled under RCW 43.19.1919(5).

[2000 c 183 § 2; 1965 c 8 § 43.09.210. Prior: 1909 c 76 § 3; RRS § 9953.]

Chapter 4. Interfund Transactions and Balances

Section A. Interfund Loans

This section does not attempt to determine which moneys of a municipality may or may not be available for interfund lending, since the special character of some moneys involves commitments and restrictions which would require individual consideration. As a rule of thumb, however, it may be considered permissible to make interfund loans of those municipal moneys which are clearly inactive or in excess of anticipated cash needs throughout the duration of the loan **and** legally available for investment.

The minimum acceptable procedures for making and accounting for interfund loans are as follows:

1. The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, indicating the lending and borrowing funds, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the municipality) to be paid to the lending fund. The planned schedule of repayment should specify the due date(s) of payment(s) needed to repay the principal and interest on the loan.
2. Interest should be charged in all cases, unless:
 - a. The borrowing fund has no other source of revenue other than the lending fund; or
 - b. The borrowing fund is normally funded by the lending fund.
3. The borrowing fund must anticipate sufficient revenues to be able over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance or resolution.
4. The loan status should be reviewed annually by the legislative body at any open public meeting.
5. The term of the loan may continue over a period of more than one year, but must be "temporary" in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. A loan that continues longer than three years will be scrutinized for a permanent diversion of moneys. (Note: these restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)
6. Appropriate accounting records should be maintained to reflect the balances of loans in every fund affected by such transactions.

Chapter 4. Interfund Transactions and Balances

Section B. Transfers of Property between Funds

RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its full value by the fund which receives it. This requirement applies only if the capital assets were acquired with restricted resources. The following rules are intended to clarify the application of this statute and provide other guidance related to the property transfers:

1. When a municipality wishes to acquire capital assets for an internal service fund, such as the Equipment Rental and Revolving Fund, the budgets of the contributing funds should specifically identify the item(s) of equipment to be purchased. Documentation of the equipment purchase must be adequate to show that the funds originally budgeted for a specific piece of equipment were actually used for the purchase of that item.

If the asset is purchased from the contributing fund resources, the transaction in the internal service fund should be accounted for as a capital contribution (DR Capital Asset/CR Capital Contributions (365.60)).

When nonmonetary assets are contributed or transferred within the government, the assets must be recorded at book value. If governments transfer assets acquired with restricted resources, they must track their usage and disposal to assure that one fund is not benefitting from another.

The transfer of assets between the governmental fund and an internal service fund must be approved by the local government's legislative body.

2. The transfer of general capital assets (originally purchased with unrestricted resources) between two governmental funds of the same government should be accounted for merely as a change in location and/or custodian because the assets are not owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus to the needs of the relinquishing fund and the transfer approved by the local government's legislative body. The GASBS 48 enunciates the principle that the reported value of an asset can neither decrease or increase simply as the result of movement within the financial reporting entity. If the resources involved with the original purchase were restricted, the capital assets must be paid for by the receiving fund.

3. The transfer of assets between the governmental fund and an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general (current expense) fund at the discretion of the legislative body unless a particular statute requires another treatment. The capital asset should be reported in the recipient fund at the same net book value previously reported (i.e., historical cost less accumulated depreciation) in the government-wide statement of net position or proprietary funds.