

State Equipment Fleet Replacement

FY2020 Request: \$15,000,000

Reference No: 30628

AP/AL: Appropriation

Project Type: Equipment / Commodities

Category: Transportation

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Tammy Kramer

Estimated Project Dates: 07/01/2019 - 06/30/2024

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Brief Summary and Statement of Need:

This project is for replacement and/or refurbishment of equipment and vehicles which have reached the end of their useful life cycles, and continued conversion of vehicles to alternate fuel and related alternate fuel program expenses. Replacing assets with high operational costs or safety concerns with new assets maintains the overall health of the fleet and keeps rental rates that are charged to agencies low.

Funding:	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Total
1026 Hwy Capitl	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$90,000,000
Total:	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$90,000,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input checked="" type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

- Sec1 Ch19 SLA2018 P10 L16 SB142 \$15,000,000
- Sec1 Ch1 SLA2017 P8 L14 SB23 \$12,500,000
- Sec1 Ch2 SLA2016 P7 L29 SB138 \$20,000,000
- Sec1 Ch38 SLA2015 P7 L10 SB26 \$15,000,000
- Sec1 Ch18 SLA2014 P64 L3 SB119 \$15,000,000
- Sec1 Ch16 SLA2013 P79 L15 SB18 \$15,000,000
- Sec1 Ch17 SLA2012 P136 L28 SB160 \$15,000,000

Project Description/Justification:

The State Equipment Fleet is a shared service. Its mission is to supply state agencies with a safe and effective fleet of vehicles and equipment in a manner that is economically defensible. In general, older equipment is more expensive to maintain than newer equipment. As parts and components wear out or are damaged through normal use, the annual maintenance cost of certain equipment can exceed what it costs to replace. The State Equipment Fleet tracks and monitors equipment costs closely and identifies high cost equipment to use the annual capital appropriation for replacement when it makes economic sense.

The economic life of equipment is constantly monitored to obtain the lowest life-cycle cost possible. Indefinite delay in the established replacement program can result in higher operating costs including increased risk of equipment failure and expensive repairs that are not recoverable in the remaining equipment life. The replacement program also contributes to the safety of the operators in providing the latest technological advances in the industry.

The total backlog of all replacement-eligible equipment is \$49.0 million, representing over 1,000 pieces of equipment. This project of \$15.0 million will be used to replace the most aged, deteriorated and costly equipment, some of which was originally brought into service in the 1980s and 1990s. Approximately 178 pieces of equipment will be replaced. Throughout the state, replacement timelines have been extended significantly and only the most urgent replacements will be made. By every metric (age, hours of operation, and mileage), equipment is being operated longer before replacement is considered. Statewide, the planned replacement of over 500 assets has been extended and the Department of Transportation and Public Facilities' maintenance and operations components have recently extended their replacement timelines by 44 percent, generating \$3.6 million in operating budget savings.

\$15million SEF FY2020 Replacement allows us to:

Replace 155 Assets that have exceeded their original amortization period, and have excessive maintenance costs.

Annual Operating Rate Savings:

DOT: \$721K
Other Depts: \$149K
Fleet Total : \$879K

Replace an additional 23 assets that have exceeded their original amortization period and have one or more of the following justifications:

- High Miles/Hours- replacement now will allow us to avoid common repair costs of high mile/hour equipment. Example: repairs to brakes, suspension parts, bushings, springs, etc as equipment ages.
- Decreasing parts/service availability due to age. Example: Steamboiler parts, some small tractor parts, mower parts no longer stocked and difficult to find.
- Replacement to avoid major component repair costs. Example: Grader transmission rebuild = \$40k, can avoid if grader is replaced and surplusd prior to transmission failure.
- Replacement with updated technology/configurations Example: Safer steamboilers with electronic ignition; Plow truck/slide-in sanders that require less seasonal labor to changeover, and allow trucks to be used for brine distribution or combination brine/sand units.

SEF Capital Replacement Program:

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- Helps maintain the age and cost of the current fleet
- Keeps equipment uptime at highest levels which allows all SOA agencies to accomplish their mission.
- Keeps operating cost increases from compounding
 - Assets not replaced will incur increased operating costs. Savings noted reflect an offset to actual increases in maintenance cost if equipment is not replaced.
 - Savings/ offset compounds each year replacement is delayed. If equipment is not replaced, the costs of maintaining old equipment continue to go up, and will still need replacement. Declining to spend \$25 million this year will result in a \$26 or \$27 million cost next year when additional operating expense of old equipment is factored in.
- Is for replacement only, no additions or expansions to the current fleet
- Removes older, more expensive equipment from service
- Removes less efficient, high emission engines from the fleet and replaces them with cleaner, more efficient, low emission engines
- Authorizes use of HEWCF funds to reduce GF costs

While the State Equipment Fleet's replacement program is a much leaner program than a number of years ago, its mission remains important in tight economic times. Maintaining a healthy fleet, and replacing equipment when prudent, will drive down costs in the long run by preventing increasing maintenance costs. These savings are reflected in the rates that each agency pays to the fleet.