

# Capital Equipment Replacement Fund

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**Policy Number:** 01-03

**Date:** January 9, 2017

**Purpose:** The City of DeKalb has established the Capital Equipment Replacement Fund (CERF) to encourage departments to set aside funds each year for the eventual replacement of existing equipment and to avoid significant fluctuations in the operating budget from one year to the next. In order to build and maintain sufficient funds on hand to replace items at the end of their useful life, water tower rental income, revenue received from the E911 Board for OSSI payments will be dedicated annually as well as, transfers by each department from the General Fund determined annually through the budget process. The remainder of this policy is intended to provide guidance as to how the CERF will operate.

The Capital Equipment Replacement Fund shall be used only to replace existing equipment owned by the City. The fund shall not be used to purchase equipment not currently owned by the City or as a means to circumvent the process for having new equipment approved by the City Council. Requests for new equipment shall be made as part of the annual operating budget and must be approved by the City Council before acquisition;

Only those items which individually have a replacement cost of more than \$10,000 or groups of similar equipment (e.g. personal computers, bullet proof vests, etc.) which, in the aggregate, exceed \$10,000 with a useful life of more than one year shall be included in the CERF. Departments shall include individual items or groups of items with a value of less than \$10,000 in their annual operating budget.

The cost of items associated with new vehicles such as vehicle markings, light bars, radios and similar equipment shall be included in the replacement cost of the vehicle.

The replacement cost and useful life for each vehicle or technology related equipment will be re-evaluated by the individual departments on an annual basis. This re-evaluation may change the annual amounts that programs contribute for the replacement of each item. The Department Head, in consultation with the City Manager and the Finance Director shall determine when a vehicle or equipment is due for replacement. Final capital asset replacement decisions using CERF monies will be discussed and approved by the City Council as part of the annual budget process.

When CERF equipment is sold, the proceeds of the sale shall be credited to the CERF Fund.

From time to time, departments may be assigned previously used technology related equipment from within their department or another department in the City. The Director of Information Technology, in consultation with the Department Head, shall recommend that such equipment be assigned to a department when it meets the department's needs and when doing so will help avoid the expense of purchasing new equipment. Consideration shall be given to the annual operating cost of maintaining the used equipment when deciding whether or not to continue using it. The City Manager shall have the final say in determining whether or not previously used technology is assigned to a department.