

EQUIPMENT (EQ) FUND & EQ REPLACEMENT SCHEDULE (RS)

The Equipment Fund has two main functions: to maintain Town equipment and manage the timely replacement of this equipment.

The budgets for Highway, Recreation, Fire, Police, Water, and Wastewater all have line items for maintenance.

The budgets for Highway, Recreation, Police, Water, and Wastewater have line items for equipment replacement. The Water and Wastewater Departments reserve funds for replacement of their own equipment **and** for a percentage of highway equipment replacement that is used for their system repairs (this is transferred to the EQ Fund.)

The Fire Dept has its own revenue stream; the one-cent on the tax rate.

Equipment Replacement Funding

The intent of the EQ Fund was to be funded adequately so when EQ needed replacement, the funds would be there. (As noted above, the Water and Wastewater Depts have their own funds to replace their EQ.)

However, the Fund has never been supported adequately so the Town borrows money to purchase EQ. The loan term varies between 3 & 5 years. The rates have been ~ 2.5% the past few years. At Town Meeting each year, the voters must approve the borrowing of funds for the specified EQ. Any trade-in allowance is considered at the time of bid and we only borrow what is needed for each piece of equipment.

Replacement Schedule

The Replacement Schedule (RS) included in your packet has a list of EQ for each department.

For each piece of EQ there is a description, year purchased, initial cost, loan info, debt service if any, length of service, anticipated replacement year, estimated replacement cost (today), cost per year, current liability, and finally the fiscal year the piece of EQ will be replaced.

The Estimated Replacement Cost at the time of future purchase is entered under the corresponding fiscal year. Future EQ purchases are based on a 3% increase per year.

There are several columns with summations at the bottom:

Cost /year: The total cost per year of all the EQ in a department.

Current Liability: This is the dollar amount of funds that should have been set aside to purchase EQ as needed.

FY2019, FY2020, etc.: The total at the bottom is the dollar amount needed to replace EQ during that specific fiscal year.

GOALS:

- Adoption of the EQ Replacement Schedule.
- Funding solution for future purchases