



**MUNICIPAL DISTRICT OF PEACE NO.135**

<b>PREPARED BY:</b> Barbara Johnson	<b>ADOPTED BY:</b> Council	<b>NUMBER:</b> ADM - 28
<b>TITLE:</b> Disposal and/or Replacement of Capital Equipment		<b>DATE:</b> February 11, 2020

**PURPOSE OF THIS POLICY:**

To establish a process to be followed by all department heads for disposal of and/or replacement of vehicles or other capital equipment as approved by Council in order to ensure that the best value is received when disposing of and/or replacement of an asset.

**POLICY STATEMENT:**

1. This Administration policy applies to capital assets in all departments of the Municipal District and which are owned by the Municipality.
2. This policy does not apply to the purchase or disposition of land or permanent buildings/structures.
3. No capital item shall be purchased or replaced unless such purchase or replacement has been first approved by the Council of the Municipal District of Peace No.135, either in the annual budget or by specific Council resolution.
4. It is recognized that it is economically expedient to replace and/or discard equipment and vehicles before extensive breakdowns and downtime result, also to replace old, or worn out equipment and vehicles before it becomes financially unsound for the continued use due to extensive repairs. It is also recognized that a liability is created upon the purchase of equipment for the future replacement of that equipment.
5. Equipment and vehicles will be inventoried and classified into categories as outlined in ADM-19, the Tangible Capital Assets Policy, which will also identify the estimated useful life.
6. If feasible, equipment and vehicles may be transferred to another department, where lesser usage is required until the useful life span is reached. In some circumstances, as determined by the Department head and CAO, a unit may be used longer than the lifespan set in the TCA policy.
7. When proposing to dispose of equipment, the Department to which the vehicle or piece of equipment is attributed to shall first ensure that the market value of the item is determined, usually using the book value as a starting point. The following information must be taken into consideration when determining sale value:
  - mileage or hours on the asset, if applicable
  - age of the asset
  - physical condition of the asset
  - whether the asset has been fully amortized or not



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8. The unit should be due for replacement in the next budget year based on a combination of lifecycle years and hours or mileage. Any request to advance the purchase of a unit due to the inability of the unit to meet the department’s needs, shall only be considered if this will not cause a shortfall in the equipment reserve, and is subject to the approval of Council.
  
9. Once the book value or market value of the item has been estimated, a recommendation for how the item should be sold or replaced shall be determined between the department head and the Chief Administrative Officer, who shall then present a recommendation to Council. Types of sale may be one of the following:
  - trade-in for replacement item
  - auction sale (local or otherwise)
  - advertise for sale by tender
  - or any other means deemed appropriate by department heads, CAO and Council.
  
10. Any disposal proceeds shall be used to offset the cost of replacement of equipment or placed into reserves for equipment.
  
11. A number of factors will be taken into consideration when purchasing equipment or vehicles and therefore, the lowest unit cost supplier may not be the chosen supplier. Purchasing factors may be:
 

<ul style="list-style-type: none"> <li>- price</li> <li>- transportation costs</li> <li>- condition of equipment</li> <li>- supplier expertise in a product or service</li> <li>- location of supplier</li> <li>- meets proposed criteria</li> <li>- references, and</li> <li>- local preference or content, as allowed under the terms of the Agreement on Internal Trade (AIT) and the New West Partnership Trade Agreement (NWPTA).</li> </ul>	<ul style="list-style-type: none"> <li>- delivery time</li> <li>- quality of workmanship</li> <li>- warranty or service work</li> <li>- previous experience with supplier or brand</li> <li>- quality of design</li> <li>- safety</li> </ul>
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12. According to applicable trade agreements, the MD cannot give preferential treatment to local vendors for purchases over a seventy-five thousand (\$75,000) dollar threshold.
13. The MD expects all vendors to perform their obligations to the MD in good faith. Vendors who do not meet these requirements will not be eligible to participate in future purchases with the MD.