

	STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES		POLICY AND PROCEDURE NUMBER 11.02.020	PAGE 1 of 4
	Policy and Procedure		EFFECTIVE DATE June 16, 2000	
SUBJECT SEF HEWCF Rate Development		SUPERSEDES DPDR 11.02.020	DATED 6/1/1996	
TITLE State Equipment Fleet	CHAPTER HEWCF Management	APPROVED BY Signature on File		

PURPOSE AND SCOPE

Introduction:

The Statewide Equipment Fleet (SEF) is tasked with the responsibility to establish and review equipment rental rates on an annual basis. This annual rate analysis is presented to DOT&PF management and to the Office of Management and Budget (OMB) for approval as required by statute prior to implementation. Rate analysis is done on a fiscal year basis.

The purpose of this procedure is to describe the actions required to develop equipment rental rates for both operating and replacement, and to describe the process for seeking approval for those rates from OMB prior to implementation.

Responsibility/Performance:	
SEF Accountant:	Prepare a rate schedule with the assistance of the SEF Operations Research Analyst. Complete required documentation.
SEF Manager:	Review rates and seek approval first from DOT&PF management, then from OMB.

Reference:

AS 44.68.230(b)

DISTRIBUTION

All holders of the Procedures Manual, SEF Procedure Manual holders, all equipment users.

PROCEDURE

A. Operating Rates

1. The operating rate is a flat monthly rate charge that is developed using actual expense data by SEF District or Region. This information is evaluated to determine the necessary budget for the rate year. Expenses attributed to replacement, fuel, rental pool, and direct-billed services are determined and removed from the expense data. Consideration is given to over or under collections from the preceding year.
2. Specific items recognized as unallowable within the guidelines of Federal OMB Circular A-87 are removed. They will be contained in a separate schedule for cost recovery that is not billed to the Federal Government.
3. This proposed budget is allocated to each state agency and specific equipment classification using prior years (maximum of three) expense history as indicators of future costs. The proposed rate structure is broken down monthly by region or district for the Department of Transportation and Public Facilities' equipment and is recognized statewide for all other agencies.
4. Results of the calculated operating rates are reviewed to assure that the total projected collection is consistent with the projected operating expenditures, including fund transfers, for the rate year.

B. Replacement Rates

1. The replacement rates for individual vehicles are developed using the original acquisition cost of each vehicle projected to December 31 of the fiscal rate year using the acquisition date of the vehicle and the Consumer Price Index percentages for Alaska as published by the Bureau of Labor Statistics. For the years for which the CPI is not complete or the year has not yet occurred the SEF Accountant will derive reasonable CPI projections. These computations produce the projected replacement cost of each vehicle.
2. The net replacement rate base for each vehicle is determined by adding any capitalization cost to the projected replacement cost and subtracting out the vehicle salvage value and the replacement rates (net of overhead) paid or to be paid by June 30 of the fiscal year proceeding the fiscal rate year.
3. The resulting net replacement rate base is then divided by the remaining number of months, as of July 1 of the fiscal rate year, of amortization remaining to be collected on the vehicle or 12 which ever is larger. The net monthly replacement rate is then increased by the percentage needed to recover replacement overhead to arrive at the monthly vehicle replacement rate.
4. Effective July 1, 1997 salvage values are determined when vehicles are acquired by annually computing by vehicle group the average price received at disposal as a percentage of the original vehicle cost. The

disposal averages are for at least three but not more than five fiscal years. The appropriate percentages derived, rounded to a whole percent, are multiplied by each vehicle's new cost to determine the projected salvage value.

5. The portion of this rate subject to A87 is calculated under P&P 11.02.002

C. Approval

The SEF Headquarters Manager reviews the final rates for accuracy and integrity. The rates are then submitted for review and approval to the Director of Administrative Services and the DOT&PF Deputy Commissioner. Upon ratification by DOT&PF management, the rates are transmitted to the Office of Management and Budget for final approval. OMB and SEF distribute approved rates to all agencies for use in preparation of their annual budgets.

D. Documentation

1. Operating Rates

The operating rate is developed using the following information sources. The documents are retained in the SEF rate files:

- a. A maximum of three years' expense data by Agency and District for each specific equipment classification provided by the Equipment Management System (EMS). Different periods may be used if there has been a significant change in the expense structure provided such a change is approved by the Fleet Manager.
- b. Projected total operating expense calculations from the SEF Monthly Management Report, the Alaska State Accounting System (AKSAS), and EMS as prepared by the Fleet Accountant.
- c. Projected over or under collection from the SEF Monthly Management Report and the Annual Income and Balance Statement.
- d. Other information used in the rate preparations as deemed necessary by the SEF Fleet Manager or the Fleet Accountant.

2. Replacement Rates

The replacement rate is developed based on the following information sources. The documents are retained in the SEF rate files:

- a. Purchase, capitalization, and sale data for each specific piece of equipment as provided by EMS and verified with the equipment purchase information database.

- b. Summary of expected equipment ownership by District and Department.
- c. Actual salvage values of equipment upon disposition.
- d. Projected replacement overhead calculations from the Monthly Management Report and EMS as prepared by the Fleet Accountant.