

Design Standards Letter

Letter Number: **G-1961-08**

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Effective Date: **02/07/1961**

Section/Plan No.: **None**

Subject: **Reimbursement of Equipment Costs Municipally Owned Utilities**

Body

TO ALL DIVISION CHIEFS, DISTRICT AND URBAN ENGINEERS:

The Bureau of Public Roads has adopted a procedure permitting reimbursement of equipment costs incurred by municipally-owned utilities using their own equipment. Previously these costs were nearly always cited and any reimbursement made required use of state funds.

To qualify for Federal reimbursement of equipment costs when the accounting system of the municipally owned utility does not provide costs (hourly or mileage rates) of equipment through capitalization and depreciation schedules and it is not possible to develop such costs under the reimbursement standards set forth in subsections 12a, b, and c of Policy and Procedure Memorandum 30-4, it will be necessary to include in the estimate (1) a description and the number of units of equipment proposed for use on the relocation, (2) the estimated equipment hours required for each type, and (3) adequate explanation of the basis for developing the rate which the utility proposes as compensation. In the event that additional types or classes of equipment must be used, which were not included in the approved estimate, a letter agreement complying with the above procedures will be necessary to establish reimbursable rates.

We have developed a formula based on actual equipment cost records kept by the Commission and on ownership costs of equipment compiled by the A.G.C. that may be helpful in the absence of satisfactory utility records of cost to establish reasonable rates.

Hourly cost = $\frac{a \times c}{b \times d \times e}$

where:

a = actual cost of equipment. (Allowance must be made of specialty units, such as bodies having power booms and winches which normally outwear two or three trucks.)

b = Number of years to depreciate equipment. (Utilities' records should indicate when trades were made, Commission records, for example, indicate five years as an average for trucks.)

c = Ratio of total operating expense to depreciation. (Commission costs for trucks charged at 8 cents per mile is broken down to 6 cents for operation and 2 cents for depreciation, or 4:1.)

d = Average number of months per year equipment is used. (Could range from 8 months for heavy and special equipment to 12 months for light vehicles.)

e = Average number of hours used per month. (Allowing for holidays, repairs, and weather delays, a reasonable figure would be 20 days @ 8 hours = 160.)

If this method of establishing costs for use of municipally-owned equipment is not clear, please advise.

**C. C. Tevis
Engineer of Surveys and Plans**