COMMISH CINDY'S COMMENTS

Decision-making bottom line

A complete line of machinery represents one of the larger investments that a county road district can make. Yet, unlike buildings or land, machinery must be constantly monitored, maintained and eventually replaced. How and when the decision to replace equipment is made can mean a difference of thousands of dollars in annual expenses.

The first thing I look at when considering whether equipment needs to be replaced or repaired is in assessing the county needs as follows:

- What can the county afford?
- What size will serve the needs of the county and what features are needed?
- What level of dependability is needed?
- How will the equipment fit in with current county equipment?
- Can the equipment serve multiple purposes and can it be adapted to future uses?
- Are monthly repair costs more than monthly lease/purchase costs?

The next issue that I reflect on is to decide whether to buy new or used equipment. Both new and used equipment offer advantages and disadvantages based on:

- Warranties
- Differing levels of reliability
- Differing technology (which affects efficiency, productivity and so on)
- Availability of financing
- Purpose of the equipment (primary vs. backup equipment)
- Usage of the equipment (critical tasks vs. low annual usage tasks)

All equipment is designed to perform a specified number of hours work. Buying used equipment means you purchase the remaining unused service life of the machinery. I consider how the equipment has been used, maintained, and repaired and remember that most used equipment does not come with any guarantees.

Lease-purchase agreements are the primary method Grant County road districts use to purchase equipment. A lease-purchase agreement spreads out the terms of payment for equipment. At the end of the payment period, the county has the option to purchase the equipment or let the equipment company or bank retain ownership. During this lease-purchase period the county has been able to use the equipment and to spread equipment payments over time to ease the financial burden of making large acquisitions.

One of the difficulties with analyzing machinery costs is that they change over time. Interest expense is high initially, but gradually demises. On the other hand, repair costs may amount to little or nothing when a machine is still under warranty, but eventually increase as parts wear out and maintenance requirements rise. Being able to anticipate when large repair costs will be needed is a key consideration in deciding when to replace a machine. Fuel and lubrication cost usually do not change much over time, although an older engine may eventually lose some degree of fuel efficiency.

Besides the standard machinery costs, I also consider timeliness costs in my replacement decisions. One example of timeliness costs occurs when farm constituents are planting or harvesting and roads become impassable due to weather. If county machinery breaks down at a critical time, timeliness costs can be quite high for these constituents. Furthermore, if roads cannot be timely maintained for school bus routes and mail routes the issue of safety looms over the county. Safety, in my mind, is always key to making decisions.

The strategy that I am maintaining is to try to replace one or two pieces of machinery every year. The goal is to spend about the same amount on new equipment every year. This prevents the district from having large cash outlays in any one year. The biggest disadvantage of this strategy is that machinery may become seriously unreliable before the county has sufficient funds to replace it.

The bottom line is that serving as District 2 commissioner, I continue to make decisions over whether to repair existing equipment or to replace existing county equipment on these factors as well as what is best for Grant County.

Respectfully submitted,

Cindy R. Bobbitt, Commissioner
Grant County District 2