



1.0 Authority

The formula for machinery rental rates, Policy 02-25-40, requires units of equipment be grouped into classes of similar size or utility.

Note: A photo (digital preferred) must be submitted along with the classification request for each unit of equipment. Only one photo is needed when requesting classification of multiple units of identical equipment.

2.0 Setting Rates

1. A group of similar equipment shall be called a “class” and given a number for rate setting purposes.
2. The machinery rental formula shall be used to calculate a rate for each class.
3. Rates shall be calculated using the methods described below for standard and non-standard rates.

3.0 Composition of Cost

Rates include compensation for costs of operating and maintaining the described equipment excluding the compensation to the operator, equipment storage, and certain consumable items explicitly stated in the rate schedules (for example, concrete saw blades and plow blades damaged as a direct result of plowing permanent raised pavement markers and fuel, that is required by Policy, to be charged directly to a project). Eligible costs typically include depreciation, maintenance, repairs, fuel, lubricants, tires, fleet insurance, license fees, accessories, and mounting or dismounting of attachments. (The cost of mounting and dismounting attachments should be charged to the unit being mounted or dismounted and not the truck)

4.0 Cost Reporting

Accurate reporting of costs and hours of operation are critical to the process of developing meaningful, fair rates. Equipment costs and usage data supplied by each county are reviewed by the department prior to inclusion in the computation of rates. Data may be excluded from the determination of statewide average costs, utilization, and rates based on the review of the data. Counties are given an opportunity to verify questioned data and explain causes for units which appear to be unrepresentative. Counties should review any units excluded by the process and reply to the department with reasons for unrepresentative costs or hours. This helps ensure rate determination is based on all valid costs and units of utilization available.

5.0 Standard Rates

Rates are developed using historical costs for units within a given class. The costs are adjusted to account for inflation and used to calculate an average cost. Costs are converted to rates by dividing by average hours, or other units of utilization. The average cost per unit becomes the standard base rate. This mathematical process is used to develop rates for all classes having data for 30 or more units.

6.0 Non-Standard Rates

Machinery for which a standard or special rate class has not been established is defined as “non-standard” equipment. Rates for non-standard equipment are assigned by the department upon request of the county. These rates are determined independently by the department for individual units or groups of units and reviewed at least annually by the Machinery Management Committee.

7.0 Reassigning Standard/Nonstandard Equipment Classes

When non-standard equipment classes number greater than 10 units and 100 average hours or more of operation, the MMC takes action to move it into the equipment rate formula and assign it a standard class number. Once in the rate formula, the classes are assigned annual revenue rates based on operating costs and hours.

However, when a standard equipment class becomes less efficiency in highway operations or is replaced with new technology, it remains in the rate formula even though it is not used much on an annual basis. A lack of use along with continuing maintenance costs can result in extremely high revenue rates, sometimes to the point of not being able to charge out the full rate. Given this possibility, the MMC will review those standard classes annually that, for a consecutive two-year period have fewer than 10 units and less than 100 hours of operation and choose one of the following two options, for year three:

- a. Combine with another like class or classes and assign the annual revenue rate based on the combined class; or
- b. Move that class out of the standard class (out of the rate formula) and into a non-standard class, with the rental rate based on the weighted average increase/decrease % of the standard equipment classes.