



AGENDA MEMORANDUM

Future Item for the City Council Meeting of February 21, 2017
Action Item for the City Council Meeting of February 28, 2017

DATE: February 21, 2017

TO: Margie C. Rose, City Manager

FROM: Jim Davis, Director of Fleet Maintenance
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Lease-Purchase of One 2018 Freightliner M2-112 Service Truck

CAPTION:

Motion authorizing the City Manager, or designee, to lease-purchase one 2018 Freightliner M2-112 service truck from Houston Freightliner, of Houston, Texas, based on the cooperative purchasing agreement with Houston-Galveston Area Council for a total amount not to exceed \$202,497.38, with an estimated expenditure of \$20,199.72 in FY 2016-2017.

PURPOSE:

This item is to approve the lease-purchase of a 2018 Freightliner M2-112 service truck, with a crane for the Wastewater Collection System crew in the Utilities Department.

BACKGROUND AND FINDINGS:

Wastewater Collection System intends to add an additional crew to accomplish collection system tasks; hence the proposed addition of one crew truck. They will offer as a fleet compensatory reduction one 12 yard dump truck formerly used to haul wastewater sludge to the Cefe Landfill. It should be noted that Solid Waste does this hauling now. The truck to be retired has been in service for eleven years. Due to the nature of sludge hauling, the cab is heavily damaged by corrosion, the bed has numerous holes for the same reason and the tailgate will no longer seal properly. The truck is well beyond economical repair.

ALTERNATIVES:

Not applicable.

OTHER CONSIDERATIONS:

Financing for the lease-purchase of the 2018 Freightliner M2-112 service truck is based on a sixty month term with an estimated interest rate of 3.25% for an annual estimated payment of \$40,399.44. The total estimated cost over the five-year period, including principal of \$186,207.00 and interest of \$15,790.38, is \$201,997.38. A not to exceed tolerance of \$500.00 has been added to the interest amount to allow for the possible fluctuation of the interest rate, for a total amount not to exceed \$202,497.38.

Total Lease-Purchase Price:	\$186,207.00
Total Estimated Allowable Interest for Lease:	<u>\$16,290.38</u>
Grand Total:	\$202,497.38

CONFORMITY TO CITY POLICY:

This lease-purchase conforms to the City’s purchasing policies and procedures and State statutes regulating procurement.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Utilities

FINANCIAL IMPACT:

X Operating Revenue Capital Not applicable

Fiscal Year: 2016-2017	Current Year	Future Years	TOTALS
Line Item Budget	\$131,940.91	\$182,297.66	\$314,238.57
Encumbered / Expended Amount	\$35,928.92	\$0.00	\$35,928.92
This item	\$20,199.72	\$182,297.66	\$202,497.38
BALANCE	\$75,812.27	\$0.00	\$75,812.27

Fund(s): Wastewater

Comments:

Delivery of the 2018 Freightliner M2-112 service truck is scheduled during FY2016-2017. The annual payment for this lease-purchase is \$40,399.44 of which \$20,199.72 is budgeted in FY2016-2017 by the Utilities Department for 6 months of payments. The remaining lease-purchase payments will be requested in future years during the normal budget process.

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Price Sheet