



**AGENDA MEMORANDUM**

Future Item for the City Council Meeting of May 13, 2014  
 Action Item for the City Council Meeting of May 20, 2014

**DATE:** May 13, 2014

**TO:** Ronald L. Olson, City Manager

**FROM:** Gabriel Maldonado, Interim Procurement Manager  
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**Lease–Purchase of Freightliner Trucks and Peterson Rear-Steer Loader Bodies**

**CAPTION:**

Motion approving the lease-purchase of three (3) Freightliner trucks from Houston, Freightliner, Inc., Houston, Texas and three (3) Peterson rear-steer loader bodies from Texan Waste Equipment, Inc., Houston, Texas for a total amount of \$443,520. The award is based on the cooperative purchasing agreements with the Houston-Galveston Area Council of Governments (HGAC) and the Texas Local Government Purchasing Cooperative (TLGPC). Funding is available from the City’s lease-purchase financing contractor.

**PURPOSE:**

To be used by Solid Waste Operations for brush collection throughout the City.

**BACKGROUND AND FINDINGS:**

The units will be replacements to the fleet.

**ALTERNATIVES:**

The average expected service life of this vehicle is 10 years. The table below contains the projected 10-year life-cycle cost of each of the indicated engine types. The diesel engine proves to be the most cost-effective option, costing \$6,899.41 per vehicle less over each vehicle’s 10-year life.

| Standards  | Meets Standard   | Does Not Meet Standard | Comments |
|--|--|------------------------|----------|
| <b>(1) Reliability</b><br>(OEM CNG available?)   | X  |                        |          |
| <b>(2) Specifications</b><br>(CNG vehicle meets functional/mission capability requirements?) | X  |                        |          |
| <b>(3) Emissions</b>   | CNG produces approx. 20% less carbon dioxide output. Other emissions are the same as diesel. |                        |          |
| <b>(4) Exclusions</b>  | None   |                        |          |

| <b>Financial Analysis</b>                           |                       |   |   |   |  |
|---|-----------------------|---|---|---|--|
| <b>Type of Engine</b>                               | <b>Purchase Price</b> | <b>Interest Cost</b><br>(if lease-purchased.<br>Over five years.) | <b>Fuel Cost</b><br>(CNG: \$1.00/diesel gal.-<br>equivalent<br>Diesel: \$3.00/gal.) | <b>Projected Maintenance Cost</b><br>(Average Vehicle Life at City is<br>10 yrs.) | <b>Total Projected Life-Cycle Cost</b> |
| CNG   | \$226,362.00          | \$12,766.15   | \$30,410.00   | \$175,156.00  | \$444,694.15                           |
| Diesel  | \$147,840.00          | \$8,337.74  | \$91,230.00   | \$190,387.00  | <b>\$437,794.74</b>                    |
| Difference per Unit in Favor of Diesel              |                       |   |   |   | \$6,899.41                             |
| Total Difference for Three Units in Favor of Diesel |                       |   |   |   | \$20,698.23                            |

**OTHER CONSIDERATIONS:**

Financing for the lease-purchase of the Freightliner trucks and Peterson rear-steer loader bodies is based on a sixty-month term with an estimated interest rate of 2.18% for an annual payment of \$93,706.64. The total estimated cost over the five-year period, including principal of \$443,520.00 and interest of \$25,013.22, is \$468,533.22.

**CONFORMITY TO CITY POLICY:**

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

**EMERGENCY / NON-EMERGENCY:**

Non-emergency

**DEPARTMENTAL CLEARANCES:**

Solid Waste Operations

**FINANCIAL IMPACT:**

x Operating       Revenue       Capital       Not applicable

| <b>Fiscal Year:<br/>2013-2014</b> | <b>Project to Date Expenditures<br/>(CIP only)</b> | <b>Current Year</b> | <b>Future Years</b> | <b>TOTALS</b> |
|-----------------------------------|--|---------------------|---------------------|---------------|
| Line Item Budget                  |  | \$435,201.50        | \$445,106.56        | \$880,308.06  |
| Encumbered /<br>Expended Amount   |  | \$185,553.42        | \$0                 | \$185,553.42  |
| This item                         |  | \$23,426.66         | \$445,106.56        | \$468,533.22  |
| BALANCE                           |  | \$226,221.42        | \$0                 | \$226,221.42  |

Fund(s): General Fund

**Comments:** The \$23,426.66 financial impact shown above represents the three (3) months of payments that will be encumbered through the end of this fiscal year. The remaining \$445,106.56 for the last fifty-seven (57) months of the lease-purchase payments will be requested for future fiscal years during the normal budget process.

**RECOMMENDATION:**

Staff recommends approval of the motion as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Price Sheet