



AGENDA MEMORANDUM

Future Item for the City Council Meeting of September 24, 2013
Action Item for the City Council Meeting of October 8, 2013

DATE: September 24, 2013
TO: Ronald L. Olson, City Manager
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Freightliner Truck with Pressure Digger Body

CAPTION:

Motion approving the lease-purchase of one (1) Freightliner truck with pressure digger body from Freightliner of Houston, Houston, Texas for a total amount of \$285,809.00. The award is based on the cooperative purchasing agreement with the Houston-Galveston Area Council of Governments (HGAC). Funding is available from the city's lease-purchase financing contractor.

PURPOSE:

To be used by the Gas Department to install the sacrificial anodes that provide cathodic protection to steel gas mains throughout the City.

BACKGROUND AND FINDINGS:

This unit will be an addition to the fleet. Due to aging infrastructure, the steel gas mains require additional cathodic protection and increased replacement of depleted anodes. Since the quantity of anode replacements and new anode installations is increasing, the current drill truck is not sufficient to keep up with the workload. This type of specialty equipment needs constant preventative maintenance and frequent repair which results in long downtime periods. During this time, an additional pressure digger is needed to keep up with the TRRC/PHMSA-mandated repair deadlines. There is also a need for two trucks to be utilized to keep up with the anode installation workload during the peak anode installation period, which is happening more frequently due to the increased cathodic protection needs on aging steel gas mains.

ALTERNATIVES:

The expected service life of this vehicle is 15 years. The table below contains the projected 15-year life-cycle-cost of each of the indicated engine types. The diesel engine proves to be the most cost effective option, costing \$33,292 less over the vehicle's 15-year life cycle.

Type of Engine	Purchase Price	Cost of Fuel Over 15 Years (<small>\$1.22/diesel-gal.-equivalent for CNG & \$3.12/gal. of diesel</small>)	15-Year Life Cycle Cost
CNG	\$345,836	\$21,230	\$367,066
Diesel	\$285,809	\$47,965	\$333,774

Difference: \$33,292

OTHER CONSIDERATIONS:

Financing for the lease-purchase of the Freightliner truck with pressure digger body is based on a sixty-month term with an estimated interest rate of 2.18% for an annual payment of \$60,385.56. The total estimated cost over the five-year period, including principal of \$285,809.00 and interest of \$16,118.78, is \$301,927.78.

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:

Gas Department.

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2013-2014	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$134,883.33	\$266,702.87	\$401,586.20
Encumbered / Expended Amount		\$0	\$0	\$0
This item		\$35,224.91	\$266,702.87	\$301,927.78
BALANCE		\$99,658.42		\$99,658.42

Fund(s): Gas Fund

Comments: The \$35,224.91 financial impact shown above represents seven (7) months of payments that will be encumbered through the end of this fiscal year. The remaining \$266,702.87 for the last fifty-three (53) 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