



AGENDA MEMORANDUM
Action Item for the City Council Meeting January 31, 2023

DATE: January 31, 2023

TO: Peter Zanoni, City Manager

FROM: David Lehfeldt, Director of Solid Waste Services
DavidL3@cctexas.com
(361) 826-1966

Charles Mendoza, Director of Asset Management
Charlesm2@cctexas.com
(361) 826-1941

Josh Chronley, Assistant Director of Finance-Procurement
JoshC2@cctexas.com
(361) 826-3169

Cost Increase on Equipment Previously Approved by City Council

CAPTION:

Resolution authorizing the additional expenditure of \$57,247.63 to acquire by lease-purchase, through JP Morgan, a transfer trailer for the Solid Waste Services Department, with FY 2023 funding of \$19,398.07 from the General Fund and the remaining lease payments of \$126,087.46 in future fiscal years, subject to appropriation.

SUMMARY:

Resolution authorizing the approval of price increases on one piece of equipment previously approved through City Council.

BACKGROUND AND FINDINGS:

On April 27, 2021, City Council approved Legistar 21-0392, the lease purchase via JP Morgan, of a transfer trailer from Spector Manufacturing, LLC, for a total amount of \$88,237.90 including interest. The trailer is for the Solid Waste Services Department with funding from the General Fund. Due to a cost increase of material and interest rate for lease purchase, the overall purchase has increased by \$57,247.63 to \$145,485.53.

This trailer is set to replace a 10-year-old trailer that has surpassed useful life. This type of trailer is used to haul waste from the JC Elliott Transfer Station to the Cefe Valenzuela Landfill. An

updated and complete fleet of trailers is needed to haul approximately 500 tons of waste per day and satisfy Solid Waste Service’s mission of ensuring public health with the disposal of solid waste in a timely, safe, efficient, and environmentally responsible manner.

PROCUREMENT DETAIL:

In January of 2021, the Contracts and Procurement Division conducted a competitive Request for Bid process to obtain bids for three (3) trailers. Two (2) of the trailers were to be purchased outright and one (1) was a lease-purchase. The City received a total of three (3) bids and moved forward with an item to recommend award to the lowest responsive, responsible bidder, Spector Manufacturing, Inc. on April 27, 2021, for the price of \$88,237.90 per trailer. Two (2) of the three (3) were constructed and delivered in March of 2022 and were subsequently placed into service.

In August 2022, Spector Manufacturing experienced material supply issues and notified the City of a price increase for the third trailer from \$88,237.90 to \$126,943.00. Upon notification of the price increase, City staff reached out to the other bidders and asked for updated pricing. In addition, City staff searched cooperative contracts for better pricing (see table below).

In addition to the increased cost from the vendor, interest rates for the lease purchase and have moved from 2% to 5.5% for a 60-month term. Despite the increases, Spector Manufacturing, Inc remained the lowest total cost. Staff recommends obtaining the third trailer through Spector Manufacturing, as it is available for delivery and can be placed into service immediately.

Vendor	Delivery Estimate	Current Cost
Spector Manufacturing, Inc	Immediate	\$ 126,943.00
East Manufacturing Corp.	No Response	No Response
Warren Truck and Trailer, LLC	12-13 Months	\$ 139,800.00
BTE (BuyBoard Contract #599-19)	12-13 Months	\$ 127,660.14

ALTERNATIVES:

The alternative would be to continue using the current unit that is beyond its expected service life. This would increase the cost of repairs and loss of productive man-hours due to more frequent maintenance issues.

FISCAL IMPACT:

The FY 2023 impact to the General Fund of this lease purchase is \$19,398.07, for 8 months of lease purchase payments (February through September). The remaining lease purchase balance of \$126,087.46 (principal balance plus remaining interest) is subject to future appropriations. The interest rate for the lease purchase has increased from the original estimate from 2% to 5.50%, for a term of 60 months. Please see the table below for a summary of the increases.

Item	Trailer	Interest Cost	Total
Original Cost	\$ 83,903.00	\$ 4,334.90	\$ 88,237.90
Increased Cost	\$ 126,943.00	\$ 18,542.53	\$ 145,485.53
Variance	\$ 43,040.00	\$ 14,207.63	\$ 57,247.63

FUNDING DETAIL:

Fund: 1020 General
Organization/Activity: 12504 J.C. Elliott Transfer Station
Department No: 31 Solid Waste Services
Project: (CIP Only): n/a
Account: 530190 Lease Purchase Payment

RECOMMENDATION:

Staff recommends approval of this item as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Exhibit
Price Increase
Original Procurement Bid Tab