



## **AGENDA MEMORANDUM**

Action Item for the City Council Meeting June 24, 2025

**DATE:** June 24, 2025

**TO:** Peter Zaroni, City Manager

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### **Ratifying the Purchase of Eight Western Star 12-yard Dump Trucks for Corpus Christi Water**

#### **CAPTION:**

Resolution ratifying the purchase of one replacement Western Star 12-yard dump truck and the lease-purchase of three additional and four replacement Western Star 12-yard dump trucks due to the originally ordered Freightliner model 12-yard dump trucks not being available in inventory, from Doggett Freightliner, of Austin, Texas, through the Buyboard Cooperative, for Corpus Christi Water for the same total price previously authorized by Resolution 033175.

#### **SUMMARY:**

This resolution ratifies the purchase substitution of one replacement Western Star 12-yard dump truck and the lease-purchase substitutions of three additional and four replacement Western Star 12-yard dump trucks from Doggett Freightliner, of Austin, Texas, through the Buyboard Cooperative, for Corpus Christi Water.

#### **BACKGROUND AND FINDINGS:**

On September 19, 2023, by Resolution 033175, City Council authorized the acquisition of 65 vehicles and equipment for various City departments. As part of the 65 vehicles and equipment order, there were eight 2024 Freightliner 12-yard dump trucks. The buildout for the eight 2024 Freightliner 12-yard dump trucks was expected to take between 12 to 18 months to complete. However, in November 2024, the Freightliner manufacturer notified the City that the eight 2024 Freightliner 12-yard dump trucks would not be available for production due to a lack of vehicle availability.

The price per unit for the originally ordered 2024 Freightliner model was \$170,000.00, whereas the price per unit for the 2025 Western Star model was \$180,707.14. However, as a result of the manufacturer not being able to fulfill the eight 2024 Freightliner models from the City's order, the Freightliner manufacturer offered eight 2025 Western Star 12-yard dump trucks through Doggett Freightliner to the City for the same original purchase price of \$1,765,146.16 as the eight 2024 Freightliner 12-yard dump trucks.

By offering the upgraded models, the vendor was attempting to ensure that it could meet or exceed the spec and price agreed upon with the City. In February 2024, the Sales Representative for Daimler Truck North America (manufacturer of both Freightliner and Western Star Models) notified Asset Management that they would be unable to fulfill the order of the requested eight Freightliner units and asked if a substitution of a higher grade-model at the same price would be acceptable. Asset Management notified Procurement of the requested change in model and was advised to proceed only with approval of the change from Corpus Christi Water (CCW). CCW authorized the change, and with both Departments' authorizations, Asset Management notified the vendor that the change was approved in March of 2024. Then, in November of 2024, Daimler Truck North America notified the City in writing of the model change from Freightliner to Western Star as substitutes for the same price and that the vendor was changing from the HGAC Cooperative to the BuyBoard Cooperative. Since the substitutions were authorized by Procurement and CCW, Asset Management did not see an issue with accepting the substitute units as they began to arrive. When four of the Western Star units were received as stated above, documents were sent through the proper City channels to JP Morgan to initiate the financial obligation, and the units were subsequently placed into service.

When Asset Management's leadership team audited the monthly unit receipts from November 2024, the change in Cooperatives for the Western Stars was realized. Asset Management then determined that Legal and Procurement needed more visibility as to the vendor not being the same as what was originally approved by City Council. That began a lengthy process to determine the proper course of action to appropriately accept the substitutions. As the deliberations took place and the remaining four units for CCW arrived, Asset Management interrupted delivery to the Department until a plan of action was reached. Ultimately, the Director of Finance and Procurement determined that City policy did not grant authority for any City employee to sanction a change to a City Council approved action without ratification. As a result, staff is bringing this item to City Council to ratify the purchase substitution of one replacement Western Star 12-yard dump truck and the lease-purchase substitutions of three additional and four replacement Western Star 12-yard dump trucks.

By receiving the eight 2025 Western Star model units for the same pricing as the previously ordered eight 2024 Freightliner model units, the City will realize cost savings of \$10,707.14 per unit. Additionally, if the City were to initiate a new order for these units, the current base price would start at \$210,000.00 as opposed to the locked in price of \$170,000.00 per unit. This would have increased the cost to the City by \$40,000 per unit or \$320,000.00 in total.

Asset Management and Corpus Christi Water (CCW) have both agreed to accept the Western Star model units as substitution for the originally requested Freightliner model units. The differences between the originally ordered Freightliner model units and the Western Star model units are that the Western Star units have higher driver comfort features such as ergonomic seating, larger cab, advanced climate control, and higher quality material including premium grade aluminum. Also, the Freightliner model units have a lightweight design while the Western Star model units have a reinforced steel frame.

These units are mission critical to CCW as they are used to carry materials to and from job sites. They also carry spoils from job sites such as easements, ROWs, and streets. When an emergency water line or wastewater line repair occurs, these trucks are called to carry the soiled/contaminated material off site and to a secure location. Once all materials are removed, these trucks carry backfill material to the job site to properly fill in the void.

### **ALTERNATIVES:**

The alternative is not to approve these substitution purchases. However, the four units already in service would have to be sold under public sale practices and the City would be responsible for paying the difference between the sale price and loan balance of the financed vehicles. The four units not yet in service would be returned to the vendor as used, as they have already been decalated with the City logo, and the City would be responsible for the difference in price back to the vendor. Additionally, the City could initiate a new order for eight Freightliner 12-yard dump trucks at 2025 model year prices. However, this would lead to a significant delay in the delivery of the required equipment for manufacturing as well as increased pricing.

**FISCAL IMPACT:**

The total price for the purchased and lease-purchased substitutions units (purchase of one replacement Western Star 12-yard dump truck and the lease-purchase of three additional and four replacement Western Star 12-yard dump trucks) is for the same total price of \$1,765,146.16 as previously authorized by Resolution 033175.

The FY 2025 fiscal impact of the outright purchase totals \$199,243.00, which will come from the FY 2025 Fleet Equipment Replacement Fund.

The FY 2025 fiscal impact of the lease purchases totals \$176,882.04, with lease purchase payments of \$50,343.90 from the FY 2025 Water Fund, and \$126,538.14 from the FY 2025 Wastewater Fund. The total interest for the lease purchase items over the life of the loan is \$174,502.16 and is based upon a 4.75% interest rate and a term of 60 months. The remaining balance of \$1,389,021.12 for the lease purchase items will be funded through the annual budget process.

**FUNDING DETAIL:****Outright Purchase**

<b>Fund Name</b>	<b>Accounting Unit</b>	<b>Account No.</b>	<b>Amount</b>
Fleet Equipment Replacement Fund	5111-13-31502	550020	\$199,243.00
<b>Total</b>			<b>\$199,243.00</b>

**Lease-Purchases**

<b>Fund Name</b>	<b>Accounting Unit</b>	<b>Account No.</b>	<b>Amount</b>
Water Fund	4010-31520-45	530190	\$ 50,343.90
Wastewater Fund	4200-33400-46	530190	\$ 66,990.78
Wastewater Fund	4200-33600-46	530190	\$ 59,547.36
<b>Total</b>			<b>\$176,882.04</b>

**RECOMMENDATION:**

Staff recommends approval of the purchase substitution of five replacement and three additional Western Star 12-yard dump trucks from Doggett Freightliner, through the Buyboard Cooperative, in the amount of \$1,765,146.16, as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Resolution