



AGENDA MEMORANDUM

Future Item for the City Council Meeting of December 10, 2013
Action Item for the City Council Meeting of December 17, 2013

DATE: December 10, 2013

TO: Ronald L. Olson, City Manager

FROM: Michael Barrera, Assistant Director of Financial Services
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Lease Purchase of Dump Trucks

CAPTION:

Motion approving the lease purchase of three (3) Freightliner trucks with Warren 18-yard dump body from Freightliner of Houston, Houston, Texas for a total amount of \$366,832.00 of which \$25,860.44 is required in FY 2013-2014. 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:

These vehicles will be used by the Solid Waste Department to haul gravel, mulch and sand within the landfill. These units are replacement units to the fleet.

BACKGROUND AND FINDINGS:

Not applicable.

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 \$33,755.00 less over the vehicle's 15-year life cycle.

Type of Engine	Purchase Price	Cost of Fuel Over 15 Years (\$1.22/diesel-gal.-equivalent for CNG & \$3.12/gal. of diesel)	15-Year Life Cycle Cost
CNG	\$172,277.33	\$10,431.00	\$182,708.33
Diesel	\$122,277.33	\$26,676.00	\$148,953.33

Difference: \$33,755.00

OTHER CONSIDERATIONS:

Financing for the lease-purchase of the Freightliner truck with Warren 18 yard dump body is based on a sixty month term with an estimated interest rate of 2.22% for an annual payment of \$77,581.32. The total estimated cost over the five-year period, including principal of \$366,832.00 and interest of \$21,074.60, is \$387,906.60.

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 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		\$374,225.93	\$362,046.16	\$736,272.09
Encumbered / Expended Amount		\$297,626.30		\$297,626.30
This item		\$25,860.44	\$362,046.16	\$387,906.60
BALANCE		\$50,739.19		\$50,739.19

Fund(s): Solid Waste Department.

Comments: The \$25,860.44 financial impact shown above represents four (4) months of payments that will be encumbered through the end of this fiscal year. The remaining \$340,971.56 for the last fifty-six (56) 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