



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
gabrielm@cctexas.com
 (361) 826-3165

Lawrence Mikolajczyk, Director of Solid Waste Operations
lawm@cctexas.com
 (361) 826-1972

Lease-Purchase of Freightliner Trucks and Peterson Lightning Loader Bodies

CAPTION:

Motion approving the lease-purchase of four (4) Freightliner trucks from Houston, Freightliner, Inc., Houston, Texas and four (4) Peterson lightning loader bodies from Texan Waste Equipment, Inc., Houston, Texas for a total amount of \$520,120. 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 expected service life of this vehicle is 10 years. The financial analysis 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 \$17,289.35 less per unit over the average vehicle's 10-year life.

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

Financial Analysis					
Type of Engine	Purchase Price	Interest Cost (if lease-purchased. Over five years.)	Fuel Cost (CNG: \$1.00/diesel gal.- equivalent Diesel: \$3.00/gal.)	Projected Maintenance Cost (Average Vehicle Life at City is 10 yrs.)	Total Projected Life-Cycle Cost
CNG	\$214,686.00	\$12,107.66	\$31,640.00	\$101,906.00	\$360,339.66
Diesel	\$130,030.00	\$7,333.31	\$94,920.00	\$110,767.00	\$343,050.31
Difference per Unit in Favor of Diesel					\$17,289.35
Total Difference for Four Units in Favor of Diesel					\$69,157.40

OTHER CONSIDERATIONS:

Financing for the lease-purchase of the Freightliner trucks and Peterson lightning loader bodies is based on a sixty-month term with an estimated interest rate of 2.18% for an annual payment of \$109,890.65. The total estimated cost over the five-year period, including principal of \$520,120.00 and interest of \$29,333.24, is \$549,453.24.

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:

Operating Revenue Capital Not applicable

Fiscal Year: 2013-2014	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$435,201.50	\$521,980.57	\$957,182.07
Encumbered / Expended Amount		\$185,553.42	\$0	\$185,553.42
This item		\$27,472.67	\$521,980.57	\$549,453.24
BALANCE		\$222,175.41	\$0	\$222,175.41

Fund(s): General Fund

Comments: The \$27,472.67 financial impact shown above represents three (3) months of payments that will be encumbered through the end of this fiscal year. The remaining \$521,980.57 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