



AGENDA MEMORANDUM

Action item for the City Council Meeting of July 23, 2019

DATE: July 23, 2019

TO: Peter Zaroni, City Manager

FROM: Bill Mahaffey, Director of Gas Operations
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Lease Purchase of Heavy Equipment for Gas Operations

CAPTION:

Motion authorizing the lease purchase of heavy equipment consisting of two mini excavators and three backhoes for excavations during installation of gas taps and service lines by Gas Operations from Doggett Heavy Machinery of Corpus Christi, Texas, for a total amount not to exceed \$542,760.32 funded through the Gas Fund.

PURPOSE:

This item is to approve the lease purchase of five pieces of heavy equipment for the Gas Department.

BACKGROUND AND FINDINGS:

The Gas Department has a need to lease purchase two mini excavators and three backhoes to replace aging equipment that incur high maintenance cost with reoccurring breakdown. The mini excavators are used in construction to conduct small excavations for the installation of gas taps and service lines. The mini excavators have exceeded the service life of 8 years. One excavator is 11 years old, and the other is 9 years old. The backhoes are used in the construction and maintenance of gas main lines for conducting larger excavations. The backhoes have exceeded the service life of 8 years. Two of the backhoes are 15 years old, and one is 10 years old.

This equipment is being purchased through the Buy Board cooperative. Contracts awarded through the Buy Board Cooperative have been competitively procured, and in compliance with Texas local and state procurement requirements.

ALTERNATIVES:

N/A

OTHER CONSIDERATIONS:

Financing for the lease purchase of these five pieces of heavy equipment is based on a sixty-month term with an estimated interest rate of 4.20% for an annual estimated payment of \$9,029.34. The total estimated cost over the five-year period, including principal of \$487,890.00 and interest of \$54,870.32 is \$542,760.32. A not to exceed tolerance of \$1,000.00 has been added to the interest amount to allow for the possible fluctuation of the interest rate.

Total Lease Purchase Price:	\$487,890.00
Total estimated allowable interest for Lease:	<u>\$ 54,870.32</u>
Grand Total:	\$542,760.32

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:X Operating ☐ Revenue ☐ Capital ☐ Not applicable

Fiscal Year: 2018-2019	Current Year	Future Years	TOTALS
Line Item Budget	\$343,147.00	\$524,668.31	\$867,815.31
Encumbered / Expended Amount	\$162,091.64	\$0.00	\$162,091.64
This item	\$18,092.01	\$524,668.31	\$542,760.32
BALANCE	\$162,963.35	\$0.00	\$162,963.35

Funding Detail:

Fund:	4130 Gas Fund
Organization/Activity:	34130 Gas Construction
Mission Element:	022 Gas Distribution System
Project # (CIP Only):	N/A
Account:	530190 Lease Purchase Payment

RECOMMENDATION:

Staff recommends approval of the action as presented.

LIST OF SUPPORTING DOCUMENTS:

Price Sheet