



## AGENDA MEMORANDUM

Action item for the City Council Meeting of August 27, 2019

**DATE:** August 27, 2019

**TO:** Peter Zaroni, City Manager

**FROM:** Bill Mahaffey, Director of Gas Operations  
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### Lease Purchase of Two Trenchers for Gas Operations

#### **CAPTION:**

Motion authorizing a lease-purchase with EKA Government Sales Experts to purchase two trenchers; a Ditch Witch RT45A compact trencher and a Ditch Witch RT850T4 heavy duty trencher, in an amount not to exceed \$200,573.05, effective upon issuance of a letter of acceptance, with first-year funding in the amount of \$39,914.64 available in the Gas Fund.

#### **SUMMARY:**

This motion authorizes a lease-purchase, from EKA Government Sales Experts, for the purchase of two trenchers for Gas Operations in the amount of \$179,728.36, plus \$20,844.69 in interest for a total amount not to exceed \$200,573.05. One trencher is a Witch RT45A compact trencher at a unit price of \$60,641.86. The other trencher is a Ditch Witch RT850T4 heavy duty trencher unit price is \$119,086.50. The equipment is necessary to install gas mains in new developments throughout the City. These two new trenchers are replacing units that are 9 years old and have exceeded the service life of 8 years.

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

Gas Operations has an operational need for two trenchers; a Ditch Witch RT45A compact trencher and a Ditch Witch RT850T4 heavy duty trencher to replace aging equipment that incur high maintenance cost with reoccurring breakdown. The trenchers are used to install gas mains in new developments throughout the City. Having this type of equipment in-house allows for a more efficient and timely response by staff with serving and meeting

the needs of the City's natural gas customers. In addition, equipment may be readily available to be utilized by other departments when needed.

This procurement is through the BuyBoard Cooperative. Contracts awarded through the BuyBoard Cooperative have been competitively procured in compliance with Texas Local and State procurement requirements.

**ALTERNATIVES:**

The equipment can be rented as needed. However, the cost may not be cost effective long-term, and the equipment may not be readily available at the time required causing delays with the installation of gas mains in new developments throughout the city.

**FISCAL IMPACT:**

Financing for the lease-purchase of these two trenchers is based on a sixty-month term with an estimated interest rate of 4.20% for an annual estimated payment of \$39,914.64. The total estimated cost over the five-year period, including principal of \$179,728.36 and interest of \$20,844.69 is \$200,573.05. 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, for a total amount not to exceed.

Total Lease Purchase Price:	\$179,728.36
Total estimated allowable interest for Lease:	<u>\$ 20,844.69</u>
Grand Total:	\$ 200,573.05

**Funding Detail:**

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

**RECOMMENDATION:**

Staff recommends approval of this motion authorizing the lease-purchase with EKA Government Sales Experts for the purchase of two trenchers as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Price Sheet