



## **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 One Directional Boring Machine for Gas Operations**

#### **CAPTION:**

Motion authorizing a lease-purchase with Vermeer Texas-Louisiana to purchase one directional boring machine for an amount not to exceed \$428,244.34, effective upon issuance of a letter of acceptance, with first-year in the amount of \$85,448.88 funding available through the Gas Fund.

#### **SUMMARY:**

This motion authorizes a lease-purchase, from Vermeer Texas-Louisiana, for the purchase of one directional boring machine for Gas Operations in the amount \$384,761.00, plus \$43,483.34 in interest for a total amount not to exceed \$428,244.34. This directional boring machine is replacing a unit that is 10 years old, which is beyond its useful life of 7 years.

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

Gas Operations has an operational need to lease-purchase one directional boring machine. This item will be replacing a unit that is 10 years old, which is beyond its useful life of 7 years. This equipment is used by Gas Operations to install gas mains throughout the city, in established areas and under streets with minimal disturbance to existing grounds.

Contracts awarded through the BuyBoard Cooperative have been competitively procured, and 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 throughout the city in established areas and under streets with minimal disturbance to existing grounds.

### **FISCAL IMPACT:**

Financing for the lease-purchase of this directional boring machine is based on a sixty-month term with an estimated interest rate of 4.20% for an annual estimated payment of \$85,448.88. The total estimated cost over the five-year period, including principal of \$384,761.00 and interest of \$43,483.34 is \$428,244.34. 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:	\$384,761.00
Total estimated allowable interest for Lease:	<u>\$ 43,483.34</u>
Grand Total:	\$ 428,244.34

### **Funding Detail:**

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

### **RECOMMENDATION:**

Staff recommends approval of this motion authorizing the lease purchase with Vermeer Texas-Louisiana for the purchase one directional boring machine for Gas Operations as presented.

### **LIST OF SUPPORTING DOCUMENTS:**

Price Sheet