



AGENDA MEMORANDUM

Action Item for the City Council Meeting of January 14, 2020

DATE: January 14, 2020

TO: Peter Zaroni, City Manager

FROM: Kevin Norton, Director of Water Utilities
KevinN@cctexas.com
(361) 826-1874

Kim Baker, Director of Contracts and Procurement
KimB2@cctexas.com
(361) 826-3169

Lease Purchase of Four Combination Sewer Trucks for Utilities

CAPTION:

Motion authorizing a lease-purchase of four 2019 Freightliner 114SD combination sewer vacuum trucks, as additions to the fleet for the Water Utilities Department that will be used to clean wastewater lines throughout the City, to be purchased from Houston Freightliner, Inc. of Houston, Texas, in an amount not to exceed \$1,680,334.20, effective upon issuance of letter of acceptance, with FY 2020 funding in an estimated amount of \$224,044.56 available through the Wastewater Fund.

SUMMARY:

This motion authorizes the lease-purchase of four 2019 Freightliner 114SD combination sewer trucks as additions to the fleet for the Water Utilities Department through the H-GAC Cooperative. This new equipment will be utilized by the additional four wastewater line cleaning and inspection crews that will take over work currently performed by contractors as part of the approved FY 2020 Enhancement Package.

BACKGROUND AND FINDINGS:

The Water Utilities Department has an operational requirement to lease-purchase four combination sewer vacuum trucks, which will be used to clean wastewater lines throughout the City. The City has almost 1,400 miles of wastewater pipes to maintain, and the equipment will be used to clean the wastewater lines before inspecting and

identifying any needed repairs. These new additions to the fleet will be utilized by the additional staffing of four wastewater line cleaning and inspection crews as approved in FY 2020 Enhancement Package.

This procurement is through the H-GAC Cooperative. Contracts awarded through the Houston-Galveston Cooperative have been competitively procured, in compliance with Texas local and state procurement requirements.

ALTERNATIVES:

An alternative is not to lease-purchase this equipment. This would result in less in-house capability to execute maintenance and emergency response work; therefore, creating a loss of service to City customers. As part of the Utilities Department's FY 2020 Budget Enhancements, the lease-purchase option lowers the impact on wastewater rates.

FISCAL IMPACT:

The fiscal impact for Utilities Department in FY 2020 is an estimated amount of \$224,044.56. The remaining balance will be budgeted in future years through the annual budget process. Financing for the lease-purchase of four 2019 Freightliner 114SD Combination Sewer Vacuum Trucks is based on a sixty-month term with an estimated interest rate of 3.00% for an annual estimated payment of \$366,066.84. (The current interest rate is 2.4%.) The total estimated cost over the five-year period, including principal of \$1,558,576.00 and interest of \$122,758.20, is \$1,680,334.20. 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:	\$1,558,576.00
Total estimated allowable interest for Lease:	<u>\$ 122,758.20</u>
Grand Total:	\$1,680,334.20

FUNDING DETAIL:

Fund:	4200	Wastewater Fund
Organization/Activity:	33400	Wastewater Collection System
Mission Element:	042	Wastewater Collection System
Project # (CIP Only):	N/A	
Account:	530190	Lease Purchase Payments

RECOMMENDATION:

Staff recommends approval of this motion authorizing the lease-purchase of four 2019 Freightliner 114SD Combination Sewer Truck from Houston Freightliner, Inc. as presented.

LIST OF SUPPORTING DOCUMENTS:

Price Sheet