



AGENDA MEMORANDUM

Action Item for the City Council Meeting of January 21, 2020

DATE: January 18, 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 One John Deere Excavator for Utilities

CAPTION:

Motion authorizing the lease-purchase of one John Deere excavator, as an addition to the fleet for the Utilities Department to be used for construction work and emergency repairs of stormwater infrastructure throughout the City, to be purchased from Doggett Heavy Machinery Services, LLC of Corpus Christi, Texas, for a total amount of \$467,223.62 through the BuyBoard Cooperative, effective upon issuance of letter of acceptance, with FY 2020 funding in the amount of \$62,296.48 available through the Stormwater Fund.

SUMMARY:

This motion will allow the City to lease-purchase one John Deere excavator for the Utilities Department in support of the approved FY2020 Enhancement Package to add a new Stormwater crew and equipment. This equipment will be used for construction work and emergency repairs of stormwater infrastructure throughout the City.

BACKGROUND AND FINDINGS:

The Utilities Department has an operational need for a John Deere Excavator, which will be used to dig trenches for the installation, repair, or maintenance of stormwater infrastructure. This unit will be an addition to the fleet for the approved FY2020 Enhancement Package to add a new Stormwater crew and equipment. The City currently maintains over 700 miles of stormwater pipes and ditches.

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:

An alternative is not to lease-purchase this equipment. This would result in less in-house construction work and less in-house response to emergency repairs, 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 utility rates.

FISCAL IMPACT:

The fiscal impact for the Utilities Department in FY 2020 is \$62,296.48. The remaining balance will be budgeted in future years through the annual budget process. Financing for the lease-purchase of this John Deere Excavator as an addition to the fleet for the approved FY 2020 Enhancement Package to add a new Stormwater crew and equipment is based on a sixty-month term with an estimated interest rate of 3.00% for an annual estimated payment of \$93,244.68. The total estimated cost over the five-year period, including principal of \$432,440.73 and interest of \$34,782.89, is \$467,223.62. 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:	\$432,440.73
Total estimated allowable interest for lease:	<u>\$ 34,782.89</u>
Grand Total:	\$467,223.62

FUNDING DETAIL:

Fund:	4300	Storm Water
Organization/Activity:	32005	Storm Water Maint of Lines
Mission Element:	043	Drainage Infra-Surface/Pipes
Project # (CIP Only):	N/A	
Account:	530190	Lease-Purchase Payments

RECOMMENDATION:

Staff recommends approval of this motion authorizing the lease-purchase of one John Deere Excavator from Doggett Heavy Machinery Services, LLC as presented.

LIST OF SUPPORTING DOCUMENTS:

Price Sheet