



## **AGENDA MEMORANDUM**

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

**DATE:** January 21, 2020

**TO:** Peter Zaroni, City Manager

**FROM:** Bill Mahaffey, Director of Gas Operations  
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<p><b>Lease-Purchase of One 2019 Atlas Copco XA(V)S 650 JD8 T4F Portable Air Compressor for Gas Department</b></p>
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**CAPTION:**

Motion authorizing the lease-purchase of one 2019 Atlas Copco XA(V)S 650 JD8 T4F portable air compressor, as an addition to the fleet for Gas Operations to be used as the final step to test the City's high-pressure gas mains for leaks before they are put into service, to be purchased from ROMCO Equipment Co. of Corpus Christi, Texas, for a total amount of \$139,583.89 through the NJPA-Sourcwell Purchasing Cooperative, effective upon issuance of letter of acceptance, with FY2020 funding in an estimated amount of \$18,477.84 available through the Gas Funds.

**PURPOSE:**

This motion will allow the City to lease-purchase one 2019 Atlas Copco XA(V)S 650 JD8 T4F portable air compressor for the Gas in support of the approved FY 2020 Enhancement Package to be used to test gas lines for leaks.

**BACKGROUND AND FINDINGS:**

The Gas Department has an operational need for one 2019 Atlas Copco XA(V)S 650 JD8 T4F portable air compressor, which will be used as the final step to test the City's high-pressure gas mains for leaks before they are put into service. Gas mains, after welded or fused are required to be tested at a pressure 1.5 times the minimum operating pressure and monitored for a minimum of 24 hours or more to check for leaks. The Gas department operates its high pressure gas mains at a pressure of 150 Psi and these mains are tested at 225 PSI. Standard size compressors are not rated for this high of pressure and/or volume requirement and either a larger compressor has to be rented or nitrogen bottles

are used to reach the required pressure which is costly and not always available The unit will be an addition to the fleet for the approved FY2020 Enhancement Package.

Contracts awarded through the NJPA-Sourcewell Purchasing 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 construction work and less response to emergency repairs, therefore creating a loss of service to City customers.

**FISCAL IMPACT:**

The fiscal impact for Gas Operations in FY 2020 is an estimated amount of \$18,477.84. The remaining balance will be budgeted in future years through the annual budget process. Financing for the lease-purchase of this 2019 Atlas Copco XA(V)S 650-900 JD8 T4F air compressor is based on a sixty-month term with an estimated interest rate of 3.00% for an annual estimated payment of \$27,716.76. The total estimated cost over the five-year period, including principal of \$128,542.00 and interest of \$11,041.89 is \$139,583.89. 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:	\$128,542.00
Total estimated allowable interest for Lease:	<u>\$ 11,041.89</u>
Grand Total:	\$139,583.89

**FUNDING DETAIL:**

Fund:	4130 Gas Fund
Organization/Activity:	34130 Gas Construction
Mission Element:	022 Maintain the fleet
Project # (CIP Only):	N/A
Account:	530190 Lease-Purchase Payments

**RECOMMENDATION:**

Staff recommends approval of this motion authorizing the lease-purchase of one 2019 Atlas Copco XA(V)S 650 JD8 T4F air compressor from ROMCO Equipment Co. as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Price Sheet