



## **AGENDA MEMORANDUM**

Action Item for the City Council Meeting of May 19, 2020

**DATE:** May 19, 2020

**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 of one directional boring machine from Vermeer Texas-Louisiana, for a total amount of \$254,472.60 to be used by Gas Operations to bore holes for natural gas lines, effective upon issuance of letter of acceptance, with FY 2020 funding in the amount of \$4,241.21 available through the Gas Fund.

#### **PURPOSE:**

This motion is to authorize the lease-purchase of one 2020 directional boring machine with mud pump system D20x22 Series 3 Navigator for Gas Operations to be used to bore holes for natural gas lines throughout the City. The new unit is a replacement to the Maintenance Fleet. It is replacing a 2011 Vermeer D20x22II that is 9 years old, and is beyond its service life of 8 years.

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

Gas Operations has an operational need for one boring machine, which will be used to bore holes for natural gas lines. The unit will be a replacement to the Maintenance Fleet. The department struggles to meet mission requirements due to the increasing age, repairs and increase maintenance requirements of the unit being replaced.

This procurement is through the Sourcwell Purchasing Cooperative. Contracts awarded through the Sourcwell Purchasing Cooperative have been competitively procured, in compliance with Texas local and state procurement requirements.

### **ALTERNATIVES:**

An alternative is to continue using the older directional boring machine, and struggle to meet mission requirements due to the increasing age, repairs and increase maintenance requirements. 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 \$4,241.21 for the lease purchase of one directional boring machine. The remaining balance will be budgeted in future years through the annual budget process.

Financing for the lease purchase of this boring machine is based on a sixty-month term with an estimated interest rate of 2.00% for an annual estimated payment of \$50,894.52. The total estimated cost over the five-year period, including principal of \$241,970.99 and interest of \$12,501.61 is \$254,472.60.

Total Lease Purchase Price:	\$241,970.99
Total estimated allowable interest for Lease:	<u>\$ 12,501.61</u>
Grand Total:	\$254,472.60

### **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 directional boring machine from Vermeer Texas-Louisiana as presented.

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

Price Sheet