



AGENDA MEMORANDUM

Action item for the City Council Meeting of August 11, 2020

DATE: August 11, 2020

TO: Peter Zaroni, City Manager

FROM: Bill Mahaffey, Director of Gas Operations
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Lease Purchase of Three Freightliner Trucks for Gas Operations

CAPTION:

Motion authorizing the lease-purchase of three replacement freightliner vehicles: one 2021 Freightliner M2-112 TRA heavy crew truck and two 2020 Freightliners M2-106 SRA 6-8 cubic yard dump trucks from Houston Freightliner, Inc., in an amount of \$370,161.05, for Gas Operations, effective upon issuance of letter of acceptance with FY 2020 funding available through the Gas Fund in the amount of \$12,338.70.

SUMMARY:

This motion authorizes a lease-purchase of three freightliner trucks for Gas Operations from Houston Freightliner through the HGAC Cooperative. These vehicles will be utilized by Gas Operations to transport personnel, dirt, materials and tools, plus pull trailers to and from the worksites. These units are replacement units and have met the expected service life of seven years. They are 18 to 22 years old.

BACKGROUND AND FINDINGS:

The Gas Operations Department has an operational need to replace three freightliner trucks. The trucks consist of one 2021 Freightliner M2-112 TRA heavy crew truck will be used to transport a crew, haul parts and materials securely, and also pull a trailer and two 2020 Freightliners M2-106 SRA 6-8 cubic yard dump trucks will be used for hauling of dirt and materials. These three replacement freightliner trucks allow for a more efficient and timely response by the Gas Operations staff to better serve the needs of citizens.

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

ALTERNATIVES:

An alternative is not to lease-purchase this equipment and continue using the old equipment, 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 an amount of \$12,338,.70 from the Gas Fund. The remaining cost of \$357,822.35 will be funded through the annual budget process.

Financing for the lease purchase of the three freightliners is based on a sixty-month term with an estimated interest rate of 2.00% for an annual estimated payment of \$74,032.21. The total estimated cost over the five-year period, including principal of \$351,976.00 and interest of \$18,185.05 is \$370,161.05.

Total Lease Purchase Price:	\$351,976.00
Total estimated allowable interest for Lease:	<u>\$ 18,185.05</u>
Grand Total:	\$370,161.05

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
Cost:	\$8,136.85

Fund:	4130 Gas Fund
Organization/Activity:	34110 Gas Maintenance and Operations
Mission Element:	022 Maintain the Fleet
Project # (CIP Only):	N/A
Account:	530190 Lease-Purchase Payments
Cost:	\$4,201.85

RECOMMENDATION:

Staff recommends approval of this motion authorizing the lease-purchase with Houston Freightliner as presented.

LIST OF SUPPORTING DOCUMENTS:

Price Sheet