



## STAFF REPORT

**DATE:** September 5, 2017

**TO:** Ronald L. Olson, City Manager

**FROM:** Jonathan Locke, Executive Director of Finance

**SUBJECT:** Authorize a lease with purchase option of a wheel loader for the Solid Waste Transfer Station.

### **BACKGROUND AND FINDINGS:**

The three-year lease on one of the transfer station's existing wheel loaders expires in September 2017. Due to the environment in which this unit operates and the projected cost of maintaining this heavy equipment, staff does not feel that purchasing the existing unit would be in the best interest of the City. The Transfer Station is therefore requesting to initiate a new three-year wheel loader lease with a purchase option at the end of the lease.

This machine is used on the floor of the Solid Waste Transfer Station to move waste that is unloaded from the city's refuse trucks into the transfer trailers. These transfer trailers then haul the solid waste to the landfill.

### **THE ALTERNATIVES CONSIDERED:**

- 1) Purchase the existing loader for \$119,919.01. This machine would have no warranty remaining and, due to the environment in which it operates, repair and maintenance costs would undoubtedly increase. Future reliability would also be of concern.
- 2) Return the loader and not replace it. This would limit the operation to two loaders with no back-up. One of the loaders is a reliable one year-old loader; the other is a questionable 14-year old loader that is currently used as a back-up when one of the two newer loaders is down for services or repair.
- 3) Initiate a three-year lease, as in the past, for a new wheel loader that will provide dependable service.

### **Which alternative is recommended? Why?**

The third alternative is recommended due to the criticality of keeping the refuse moving in order to meet the loading and unloading schedules.

### **CONFORMITY TO CITY POLICY:**

The City of Killeen is a member of several purchasing cooperatives that are in compliance with the Texas Local Government Code section 271.102. Purchases made through a cooperative

satisfy competitive bid requirements. The new loader would be a Caterpillar 938M provided by Holt CAT of Waco utilizing the TASB BuyBoard Purchasing Cooperative. The lease with purchase option would be facilitated through Caterpillar Financial Services Corporation per the attached finance proposal.

**FINANCIAL IMPACT:**

The pricing for the equipment is as follows:

<b>Make/Model</b>	<b>Monthly Cost</b>	<b>Purchase Option</b>	<b>Total Cost 3-yr + Purch.</b>
Caterpillar 938M	\$2,877.54	\$117,705.00	\$221,296.44

**What is the amount of the expenditure in the current fiscal year? For future years?**

There is no expenditure expected for this current fiscal year since the unit is not expected to arrive until November 2017. The amount of expenditure in FY18 (Nov - Sep) would be \$31,652.94. The amount of expenditure in the following two fiscal years would be \$34,530.48 per year. In FY21, the final monthly payment made in October of 2020 would be \$2,877.54. At the end of that period, the City would have the option of returning the equipment and initiating a new lease or purchasing the equipment in FY21 for \$117,705.00

**Is this expenditure budgeted? If not, where will the money come from?**

This expenditure is budgeted. Funding for this equipment is available in the Solid Waste Transfer Station division's Equipment Rental/Lease account (540-3475-439.44-10) at a rate of \$2,877.54 per month.

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

Yes. The FY18 budget for this account is \$77,258.00

**RECOMMENDATION:**

Staff recommends the procurement of the wheel loader from Holt CAT through the TASB BuyBoard, with financing provided by Caterpillar Financial Services Corporation on a three-year lease of \$2,877.54 per month, FY 2018-2021, and that the City Manager or designee is expressly authorized to execute any and all change orders within the amounts set by state and local law.

**DEPARTMENTAL CLEARANCES:**

- Public Works
- Purchasing
- Finance
- City Attorney

**ATTACHED SUPPORTING DOCUMENTS:**

Loader Quotation

Loader Specifications

Agreement

Addendum

Certificate of Interested Parties

Loader photo