

Lompoc City Council Agenda Item



City Council Meeting Date: August 20, 2013

TO: Laurel M. Barcelona, City Administrator

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SUBJECT: Purchase One 24-Cubic-Yard Scraper (Scraper) Vehicle for Approximately \$855,704

Recommendation:

Staff recommends the City Council:

- 1) Approve the purchase of a Scraper for approximately \$855,704;
- 2) Award a contract to the Quinn Company of Santa Maria, California for the purchase of the Scraper in that amount; and
- 3) Authorize the Purchasing and Materials Manager to issue a Purchase Order for the Scraper in that amount.

Background:

The City of Lompoc's (City) inventory of replacement fleet vehicles are tracked by the Fleet Division's vehicle tracking software for the entire useful life of each vehicle. Upon acquisition, vehicle information is entered into the tracking software. Included in the initial setup of the vehicle in the system are estimates for the vehicle life and the estimated replacement cost for the vehicle at its estimated end of life. The Scraper in the replacement fleet inventory was originally purchased in April 1990, had an estimated 15-year life, and was assigned to the Solid Waste Utility's Landfill Division. Since 2005, the end of the original estimated useful life of the Scraper, it was determined the Scraper was economic to operate further, rather than replacing it at the originally estimated replacement period. This determination was made based on analysis of lifetime vehicle costs tracked in the fleet vehicle tracking system. In preparation for the City's biennial budget for FY 2013-15, the existing Scraper assigned to the Solid Waste

Utility's Landfill Division was identified to be replaced after determining that it was no longer economical to operate, as compared with the lifetime operational and capital costs of a replacement Scraper. The 1990 Scraper eventually was continued beyond its original life expectancy for five biennial budgets from 2005 to 2013, until it was determined it was time to be replaced in the 2014-15 fiscal year of the FY 2013-15 Budget cycle, due to its rising operational costs.

The Scraper is used to haul material, including ground wood and green waste or soil, to cover the active working face (trash pile) of the Landfill on a daily basis. The Scraper is also used to haul native material from the "borrow canyon," located adjacent to the southeast corner of the landfill, to mix with water treatment plant filter material. Once mixed, the material is stockpiled and hauled by the Scraper, as required, to cover the trash pile.

Annually, by October 1, the Central Coast Regional Water Quality Control Board (Board) requires the Landfill be prepared for the upcoming wet weather season. For 2013, the measures required by the Board to prepare for the rainy season include excavating the storm drain basin at the corner of Olive Avenue and Avalon Street, and the related channel, to increase the storage capacity of the storm drain to allow sediment to settle out of the storm water. Availability of the Scraper to complete these storm drain improvements is critical to comply with the requirements by the October 1 deadline.

The budgeted replacement date for the Scraper in FY 2014-15 is 10 years past the replacement date of FY 2004-05, originally projected in 1990. Although the annual review of the operational cost of the Scraper indicated a FY 2014-15 replacement date, the existing Scraper experienced major transmission failure on July 15, 2013. The estimated cost to repair the transmission is \$18,117. In reviewing the economic life of the current vehicle, as compared with purchasing a replacement vehicle this year rather than in the FY 2014-15 budget period, expenditure of the \$18,117 is not warranted. The Landfill Division, the Solid Waste Utility and the City of Lompoc have all received substantial benefits from the use of the Scraper for almost 10 years more than originally anticipated.

Since the July 15 failure, the Landfill has been without the services of the Scraper. As the Scraper is utilized almost daily and is required to fulfill the required storm water improvements by October 1, 2013, the approval and acquisition of the replacement Scraper is imperative to the Landfill operations. Solid Waste and Fleet staff have worked with Quinn Companies of Santa Maria to secure a temporary rental unit to avoid missing the storm drain improvements deadline. The contract for purchase of the Scraper provides for a credit on the rental costs due to the circumstances. The purchase would trigger the credit at a predetermined amount based on the total time of use of the rental Scraper.

Discussion:

Budgeting for replacement fleet vehicles is a joint process shared by the Finance and Fleet Divisions. Several factors are considered in evaluating replacement fleet vehicles programmed for replacement in the upcoming budget. Primary operational factors include the evaluation of the expected useful life, current annual operating costs (fuels, lubricants & maintenance), elapsed mileage, elapsed hours, repair history, estimated capital replacement costs, and other factors. If a replacement fleet vehicle is determined to have a smaller operational cost during the upcoming budget, as compared with the operational and capital cost of a replacement vehicle in the same budget period, the replacement vehicle's remaining life may be extended. Other factors considered in the evaluation process include the overall availability of resources throughout the City's various funds, as well as consideration of the total Citywide replacement vehicle needs during the anticipated two-year budget cycle under consideration.

In the event a Department or Division's specifications for a replacement vehicle expand upon the specifications of the existing vehicle in the replacement fleet, or the Division or Department requests the replacement of a vehicle prior to the original replacement date, the requesting Department/Division provides a contribution to the Fleet Division for the incremental costs in excess of what would have otherwise been needed to provide a like-kind replacement at the regular replacement term. The accumulated assigned value for any vehicle in the replacement Fleet at any point in time is essentially the estimated cost of replacement divided by the number of years in its useful life, multiplied by the number of years in service. As a number of vehicles in the replacement fleet have been determined to have economic useful lives beyond the originally-assigned estimated life, the past practice has been to continue the allocation of the internal service charges for fleet replacements based on the pro-rata share of the vehicle's replacement value, as compared with the entire fleet's replacement value.

This method has allowed for a relatively stable allocation of replacement costs to using Departments/Divisions. However, as the useful economic life of certain vehicles (such as the Scraper) exceed their original estimated useful life, the estimated replacement value is not adjusted to account for the additional time between replacements and the increase in replacement costs due to inflation. In the case of the Scraper, the original replacement value assigned was \$547,718 if replaced in 2005. However, as noted above, the actual replacement value is \$855,704. The actual replacement value is \$6,741 more than the cumulative average annual replacement value over the 23 year 3 month operational life of the Scraper. As most replacement vehicles are carried over past their original expected life, the relative share of replacement costs remains constant. However, in the future, to better budget for replacements in the year of acquisition and to ensure Department and Divisional share of replacement costs are appropriate, replacement costs will be reevaluated for all vehicles in the replacement

fleet that exceed their original replacement term as part of the budget preparation process.

Fiscal Impact:

Funds for the purchase of the Scraper have been appropriated in the 2014-15 fiscal year of the FY 2013-15 biennial Budget in account 73000-75000 – Capital Outlay in the amount of \$547,718. Funding for the appropriation is being provided from lease proceeds available from the recent solicitation of a financial lease for a group of replacement vehicles to be replaced during the FY 2013-15 Budget cycle. The cost of the Scraper exceeds the budgeted amount by \$307,986, as explained above. As the Scraper failure occurred prior to the closing of the Request for Bids on the recently closed lease financing and refinancing project, the Request for Bids included a term change to provide for the financing of the Scraper for an estimated replacement amount of \$897,718. Lease proceeds will be available for the full replacement cost of \$855,704. The cost is below the revised budgeted amount by \$42,014. The Landfill Division of the Solid Waste Utility will have their pro-rata share of the replacement fleet adjusted to reflect the replacement cost of the proposed Scraper. The overall allocation of replacement fleet costs will reflect the final lease amounts based on the purchase prices of all scheduled vehicles beginning in the FY 2015-17 Budget cycle.

Lompoc Municipal Code (LMC) § 3.36.040(D) reads “the Purchasing Agent may arrange for the City to enter an agreement involving the purchase of materials, supplies, equipment, vehicles, apparatus, or services in cooperation with another local, county, State, Federal, or other public entity, school district, or the League of California Cities” under certain conditions.

The Scraper is available under the National Intergovernmental Purchasing Alliance (NIPA) publicly solicited and awarded by the City of Tucson and the NIPA solicitation complies with LMC § 3.36.040(D). The NIPA cooperative agreement provides for a 17 percent discount on the purchase price of the Scraper, or \$162,282.

The Quinn Company has also provided terms to rent a Scraper while the replacement Scraper is on order to credit monthly rental costs towards the purchase price of the Scraper. The amount of the credit begins at 90 percent of the rental costs for the first two months and reduces over time to 70 percent if the Scraper isn't purchased within six months. The credit would apply once the purchase transaction occurs. As the Landfill operations require the services of a Scraper, the “rent-to-own” terms are advantageous.

Conclusion:

The Scraper specifications and proposed contract have been reviewed by the Fleet and Facilities Superintendent and by the Solid Waste Superintendent, both of whom recommend the award of a contract to the Quinn Company of Santa Maria, California,

for the purchase of the Scraper. As such, staff recommends the City Council approve the purchase via the award of a contract for one 24-Cubic-Yard Scraper to Quinn Company of Santa Maria, California (Caterpillar 2013 Model 627H Scraper) and authorize the issuance of a Purchase Order for the award.

Respectfully submitted,

Ray Ambler, Purchasing and Materials Manager

Anthony Garcia, Fleet and Facilities Superintendent

Claudia Stine, Solid Waste Superintendent

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Brad Wilkie, Management Services Director

Kevin McCune, Public Works Director

Larry Bean, P.E., Utilities Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Laurel M. Barcelona, City Administrator