



Legislation Text

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Resolution to Approve the Lease - Purchase of Two Frontload Refuse Trucks from Bell Equipment Company with Financing from 1st Source Bank (\$470,712.08)

The attached resolution authorizes the one year lease-purchase of two 2008 Mack model MRU 613 chassis's with Heil model HPH-E-28 frontload packer bodies with a maximum first year cost of \$235,356.04 each for a total of \$470,712.08 for lease and purchase if the City retains ownership at the end of the lease term. The vehicles will be supplied by Bell Equipment Company, Lake Orion, MI with financing being supplied by 1st Source Bank, Fort Wayne, IN.

These units will replace a 2000 and a 2001 frontload refuse truck currently being used by the Field Operation Unit for commercial solid waste and recycling collection.

The 2000 truck has been in service for 7.5 years and has over 9,510 hours of use. This unit has severe corrosion to major structural components of the packer body. These cross members support the floor of the packer body and are used to secure the entire packer body to the frame of the truck chassis. The repair for this would require separating the packer body from the truck chassis and cutting out the corroded structure back to a point of solid metal then welding back in new metal. This would require downing the unit for a minimum of three to four weeks and cost an estimated \$40,000.00.

The 2001 truck has been in service for 6.5 years and has over 10,200 hour of use. The packer body floor, walls, and packer blade guide channel are cracking and thinning. This repair would require the removal of the tailgate and packer blade from the unit and then "skinning" or welding new sheets of steel to the complete interior of the packer body. The estimated down time for this is two to three weeks with a cost of \$33,500.00.

Both trucks will have temporary repairs to keep them in operation for the estimated 90 days it will take for the delivery of the new units. But the excess cost and downtime needed to keep them in continuous operation make it imperative that they be removed from the fleet.

We are proposing to lease these vehicles in order to avoid the full capital cost of purchasing them until the municipal refuse and recycling services evaluation, part of the City's commercial recycling implementation project, is completed in the next 8-10 months. Among other issues, this evaluation will be assessing the financial implications of contracting various commercial solid waste and recycling collection services and franchising opportunities. Recommendations will be presented to City Council in the Summer/Fall of 2008 in time to determine whether to return one or both trucks at the end of the lease or to retain them.

In accordance with City of Ann Arbor purchasing policies we solicited competitive bids for a one year lease. However, both responding vendors proposed a lease-purchase agreement. This alternative was acceptable to the Fleet and Facility Unit. Bid proposals are summarized on the last page of this memo. Bell Equipment Company, with financing through 1st Source Bank, met all required vehicle

specifications and was the determined the lowest responsive bidder.

The financing offered by 1st Source Bank for the trucks from Bell Equipment Company requires that City makes 12 monthly payments of \$6,604.67 per truck or a total of \$13,209.34 for both. At the end of the one-year period the City would make a final payment of \$156,100 per truck, \$312,200.00 total and receive title to the trucks. If the City's commercial recycling implementation project determines that the City no longer needs one or both of these vehicles, Bell Equipment Company will purchase them from the City for the guaranteed price of \$156,100.00 each.

The Fleet and Facility Unit has budgeted adequate funds for the lease-purchase of the two frontload refuse trucks in its fiscal year 2008 operating budget.

Bell Equipment Company, as the vehicle vendor, received Human Rights approval on September 13, 2007.

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Reviewed by: Sue F. McCormick, Public Services Administrator

Whereas, The Fleet and Facility Unit has determined that two frontload refuse trucks in the City's fleet need to be removed from service;

Whereas, The ongoing commercial recycling implementation project is evaluating the number of frontload refuse trucks needed by the City;

Whereas, The study will not be completed until the fall of 2008;

Whereas, The City of Ann Arbor has determined that a true and very real need exists for the acquisition of the two frontload refuse trucks described in the Lease Agreement and Lease Supplement with 1st Source Bank ;

Whereas, The City of Ann Arbor issued Bid 3898 in accordance with City ordinance and state law to arrange for the acquisition of the frontload refuse trucks;

Whereas, It is in the best interest of the City to lease the frontload refuse trucks until the study is completed with the option of purchase;

Whereas, Bell Equipment Company, with financing through 1st Source Bank, was the lowest responsive bidder;

Whereas, If the City elects not to purchase one or both trucks at the end of the lease period, Bell Equipment Company has agreed to reimburse the City the final lease payment of \$156,100.00 and accept the truck or trucks in as-is condition;

Whereas, Bell Equipment Company received Human Rights approval on September 13, 2007;

Whereas, The City Attorney has approved the lease as to form;

Whereas, Funds for lease-purchase of the trucks are available in the approved FY 2008 Motor Equipment Fund; and

Whereas, The City Treasurer has determined that the reasonably anticipated amount of qualified tax-exempt obligations, which have been and will be issued by the City of Ann Arbor does not exceed \$10,000,000.00 for the calendar year within which this Lease Agreement is to be a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Internal Revenue Code;

RESOLVED, That City Council determines it is in the best interest of the City to acquire through lease-purchase the trucks and approve Lease Agreement with 1st Source Bank for the lease-purchase of two 2008 Mack model MRU 613 chassis with Heil model HPH-E-28 packer in the amount of \$470,712.08;

RESOLVED, That City Council approve the expenditure as a “qualified tax-exempt obligation” from the approved FY 2008 Motor Equipment Funds without regard to fiscal year for lease-purchase of the trucks;

RESOLVED, That the Mayor, City Clerk, City Administrator, City Treasurer are authorized and directed to execute the required purchase/buy-back and lease documents after approval as to form by the City Attorney;

RESOLVED, That the frontload refuse trucks being replaced, numbers 8526 and 8528 be sold at the next City Auction; and

RESOLVED, That the City Administrator is authorized to take the necessary actions to implement this resolution.