



Legislation Text

File #: 12-1524, **Version:** 1

Resolution to Approve Installment Lease/Purchase Agreement with Deere Credit, Inc., for a New Loader at the City Materials Recovery Facility/Waste Transfer Station (\$211,602.30; \$21,260.13/ 6 months) and Appropriate Funds **(8 Votes Required)**

The City owns a materials recovery facility (MRF) that is operated by ReCommunity LLC d/b/a RRS, Inc., which is in the seventeenth year of a twenty-six year agreement with the City to operate and maintain the MRF on behalf of the City. A jointly funded MRF Capitalized Renewal and Replacement Account exists within the Solid Waste Enterprise Fund to finance capital renewals and replacements as needed. The attached resolution appropriates funds for the lease/purchase of a new John Deere 544K loader.

The existing loader at the Transfer Station is a John Deere 544J, leased new in 2007, which has had 12,124 hours of operation as of November, 2012. ReCommunity believes that the high number of loader hours and the existing work load tonnages will cause the loader to fail in the near future. History at other facilities with similar tonnages has shown that a loader is vulnerable for significant repairs after 12,000 to 14,000 hours of usage. Based on the last maintenance audit performed on the existing loader in May 2012, approximately \$18,000.00 - \$22,000.00 worth of repairs will be required in the near future to continue operating at its current pace. At the operating rate experienced between May and October 2012 (5,500 tons per month) these repairs would extend the life of the existing loader 4 to 6 months before additional repairs may be required. In addition, the current loader is not optimally efficient at moving glass material at the facility due to its small bucket size.

The City issued ITB 4256 to obtain the most favorable pricing for the loader. The following base bid amounts were received:

- Volvo L60G: \$162,842.00
- Volvo L70G: \$176,725.00
- Cat 930K: \$180,596.00
- Case 621 FXR: \$189,250.00
- John Deere 544K: \$196,200.00
- Cat 938K: \$196,201.00

ReCommunity has recommended the John Deere 544K loader, even though it is not the low bid. The other bids failed to meet the required specifications. The areas which did not meet specifications include: on-board diagnostics; electrical distribution system; rear axle disconnect; radar detection on rear camera; hydraulic filter service specifications; and engine size. A spreadsheet detailing the deficiencies is attached.

Financing for the loader will be provided by John Deere Credit, and will consist of 10 semi-annual payments at \$21,160.13 each, with a final payment of \$1.00, resulting in a total expenditure over the

life of the lease of \$211,602.30. This will be based on the current John Deere Financial Municipal lease rate of 3.3%. The Financing option was reviewed by the City Treasurer.

Funding for the loader will be provided through the MRF Capitalized Renewal and Replacement account, which as of October 31, 2012 had a balance of \$364,575.34. The Replacement account is controlled by the City and is funded by way of ongoing contributions from both the City and ReCommunity through a calculation method established in the operating contract

The City's current operating contract with ReCommunity is set to expire in September 2021.

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Reviewed by: Matthew J. Kulhanek, Fleet & Facility Manager

Craig Hupy, Public Services Administrator

Approved by: Steven D. Powers, City Administrator

Whereas, The City owns a materials recovery facility (MRF) that is operated by ReCommunity LLC d/b/a RRS, Inc.;

Whereas, ReCommunity is in year seventeen of a twenty-six year operating agreement with the City to operate and maintain the MRF on behalf of the City;

Whereas, The MRF is in need of a new loader for its operations;

Whereas, Field experience has determined that the useful life of a new John Deere 544K loader to be at least five years;

Whereas, A jointly funded MRF Capitalized Renewal and Replacement Account exists within the Solid Waste Enterprise Fund to finance such expenditures;

Whereas, The operating contract agreement between the City and ReCommunity provides for the reimbursement of expenditures for rolling stock and other equipment at the MRF made either by ReCommunity or by the City to be funded through the MRF Capitalized Renewal and Replacement Account;

Whereas, The MRF Capitalized Renewal and Replacement Account, which had a balance of \$364,575.34 as of October 31, 2012, is adequate to fund first installment payment for the new loader;

Whereas, Future contributions to the MRF Capitalized Renewal and Replacement Account will be available to fund the remainder of the installment payments for the loader;

Whereas, The City of Ann Arbor is a political subdivision of the State of Michigan and is duly organized and existing pursuant to the constitution and laws of the State of Michigan under the purposes of Section 103 of the Internal Revenue Code of 1986;

Whereas, Pursuant to applicable law, the City Council of the City of Ann Arbor is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions and operations of the City;

Whereas, The City Council hereby finds and determines that the execution of an installment lease/purchase agreement ("Purchase Agreement") in an amount not exceeding \$211,602.30 for the

purchase of a new loader is appropriate and necessary to the functions and operations of the City;

Whereas, The Vendor of the new loader is AIS Construction Equipment;

Whereas, For the purposes of providing the financing under the Purchase Agreement, Deere Credit, Inc. ("Assignee"), shall act as the financing source and said Purchase Agreement and in connection therewith, the Vendor shall assign to Assignee all of its rights (including but not limited to, the right to collect the installment payments due and payable under the Purchase Agreement) but none of its obligations under the Purchase Agreement;

Whereas, The City will be reimbursed for its payments under the Installment Government Obligation Contract out of the MRF Capitalized Renewal and Replacement Account; and

Whereas, AIS Construction Equipment received updated Human Rights/Living Wage approval on November 27, 2012;

RESOLVED, That City Council determine that the acquisition of the John Deere 544K loader is essential to the immediate performance of a governmental functions, being the operation of the MRF, which equipment is being acquired and shall be used only for that function;

RESOLVED, That City Council approves a five-year lease/purchase agreement ("Installment Purchase Agreement") with AIS Construction Equipment through Deere Credit, Inc., for the lease/purchase of a new John Deere 544K Loader, for an amount not to exceed \$211,602.13, with 10 lease payments of \$21,160.13 per six months, a final payment of \$1.00, and with the right to prepayment of the principal and interest accrued thereon;

RESOLVED, The City Council agrees that its obligation to pay all of the installment payments due under the Installment Purchase Agreement shall be absolute and unconditional, subject to legal availability of funds, upon the delivery and acceptance of the loader;

RESOLVED, The City Council authorize and direct the Mayor, City Clerk, City Administrator and Chief Financial Officer or Treasurer (each an "Authorized Representative") acting on behalf of the City, to execute the Installment Purchase Agreement and related supplemental documents after approval as to form by the City Attorney;

RESOLVED, That the City reasonably anticipates to issue more than \$10,000,000.00 of tax-exempt obligations (other than "private activity bonds" which are not "qualified 501(c)(3) bonds") during the fiscal year in which the Installment Purchase Agreement is issued and hereby does not designate the Installment Purchase Agreement as a qualified tax-exempt obligation for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended;

RESOLVED, That City Council authorize appropriation of available funding from the MRF Capitalized Renewal and Replacement Account of the Solid Waste Fund to the Solid Waste Operating budget every six months, without regard to fiscal year subject to availability of funds, to finance the remaining installment payments and the final buyout payment for the loader; and

RESOLVED, That City Council authorizes the City Administrator to take any necessary administrative actions to implement this resolution.