

(f); and authorize a supplemental appropriation in the amount of \$3,210,868 from the Electric Fund Undesignated Reserves.

BACKGROUND:

On June 21, 2022, the City Council approved the Fiscal Year 2022-2024 Biennial Budget which only included \$1.5 million for the Electric Operations and Field divisions to replace vehicles. There are currently nine existing work trucks that are leased from Altec Capital Services, L.L.C. (“Altec”) and are approaching the end of their service life and lease period. One vehicle lease expired in November 2022 and the remaining eight leases expire in March 2023.

Additionally, there are three City-owned vehicles that have aged considerably, requiring more frequent and costly maintenance, and resulting in a recommendation to replace the vehicles earlier than regularly scheduled. Therefore, there are a total of 12 vehicles currently in need of replacement.

The Electric Operations and Field divisions use these vehicles in the daily construction, operation and maintenance of the electric system. Vehicles need to be in safe and reliable operating condition, and compliant with state and local air emission regulations. With the State of California’s push to ban the sale of combustible engines, and continuing to put limits upon vehicle emissions, it is critical that the vehicles align with and meet current established standards. All 12 vehicles are heavy trucks; eight require compressed natural gas alternative fuel engines and four smaller trucks will be gas. Vehicles at the end of their useful life need to be replaced in a timely manner to ensure operating efficiency and employee productivity.

In the past, leasing vehicles offered certain benefits over outright purchase including level cash-outflow over the useful life of the asset, avoidance of large capital outlay a year ahead of vehicle delivery, and more efficient maintenance scheduling. The option also exists to purchase the leased vehicle at the end of the term if it was found to be beneficial and/or fiscally responsible to do so. Considering the extended build time and supply chain delays due to ongoing effects of the COVID-19 pandemic, by the time replacement vehicles are built, the current leased vehicles will have reached the end of their useful life. Also, leasing is significantly more costly over the lifetime of the vehicle as compared to an outright purchase. Therefore, staff recommends purchasing the new vehicles. Below is the cost analysis outlining the cost of leasing versus purchasing the vehicles.

VEHICLE	CHASSIS MODEL	7 YEAR LEASE	PURCHASE PRICE
Freightliner Digger	AC18	\$557,907.84	\$396,689
Freightliner Digger	D3060	\$705,837.72	\$516,930
Freightliner Digger	D3060	\$705,837.72	\$516,930
Freightliner Digger	D3060	\$705,837.72	\$516,930
Freightliner Digger	D4065	\$723,859.92	\$533,546
Freightliner Bucket	TA60	\$552,647.76	\$393,984
Freightliner Bucket	TA60	\$552,647.76	\$393,984
Freightliner Bucket	TA60	\$552,647.76	\$393,984
FORD F550	AT37G-GAS	\$233,971.92	\$163,322
FORD F550	AT37G-GAS	\$233,971.92	\$163,322
FORD F550 Bucket	AT37G-GAS	\$244,424.04	\$171,106
FORD F550 Bucket	AT37G-GAS	\$244,424.04	\$171,106

DISCUSSION:

Beginning in 2024, a percentage of Riverside’s new fleet purchases will require the acquisition of zero emission vehicles. This requirement is being mandated by the California Air Resource Board (CARB), and at this time, utilities do not have an exemption. With lead times for some vehicles extending into the point of being mandated to electrify a percentage of the City’s overall fleet, purchasing new vehicles will not only ensure vehicles that meet current standards, but the lifetime of the new fleet will allow for the City to continue to plan and assess how to meet the new CARB zero emission vehicle requirements. At this time, electrified vehicles from Altec are in limited supply, and their allotment of vehicles has already been designated and purchased by other utilities. These vehicles are also the first generation of an electrified fleet and may not initially perform as expected. These vehicles also present new and different challenges that will need to be considered such as vehicle charging infrastructure, significant increases to gross vehicular weight, and significant price increase compared to a CNG vehicle.

Purchasing Resolution 23914, Section 602 Acquisition of Goods states, “Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required in any of the following circumstances: ... (d) When the Procurement can only be obtained timely from a single source and the Manager is satisfied that the best price, terms and conditions for the Procurement thereof have been negotiated; ... (f) When Cooperative Purchasing is available and undertaken or when goods can be obtained through Federal, State and/or other public entity pricing contracts or price agreements.”

Altec has agreed to provide purchase agreements in accordance with the Sourcewell Cooperative Agreement No. 110421-ALT. The vehicles all include options that are not part of the cooperative pricing, or unpublished options, and are needed in order to equip the vehicles with the basic needs of the department to perform their daily tasks. The total amount of the unpublished options is \$968,541, not including tax.

The vehicles to be replaced are:

Vehicle	Vehicle ID	Chassis Model	Cooperative Pricing Total	Unpublished Options Total	CA Fees & Delivery	Total Purchase Price
Freightliner Bucket	E436	TA60	\$297,109	\$94,971	\$1,904	\$393,984
Freightliner Bucket	E437	TA60	\$297,109	\$94,971	\$1,904	\$393,984
Freightliner Bucket	E438	TA60	\$297,109	\$94,971	\$1,904	\$393,984
Ford F550	E402	AT37G - GAS	\$159,366	-\$3,229	\$7,185	\$163,322
Ford F550	E403	AT37G - GAS	\$159,366	-\$3,229	\$7,185	\$163,322
Freightliner Digger	E432	D3060	\$363,728	\$151,295	\$1,907	\$516,930
Freightliner Digger	E433	D3060	\$363,728	\$151,295	\$1,907	\$516,930
Freightliner Digger	E434	D3060	\$363,728	\$151,295	\$1,907	\$516,930

Freightliner Digger	E435	D4065	\$375,365	\$156,273	\$1,908	\$533,546
Freightliner Digger	E431	AC18	\$325,471	\$70,818	\$400	\$396,689
Ford F550 Bucket	E430	AT37G- GAS	\$159,366	\$4,555	\$7,185	\$171,106
Ford F550 Bucket	E408	AT37G - GAS	\$159,366	\$4,555	\$7,185	\$171,106
Total Purchase Price					\$4,331,833.00	
Estimated Sales Tax (8.75%)					\$379,035.39	
Total Purchase Price with Tax					\$4,710,868.39	

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23914, Sections 602 (d) and (f).

Estimated Vehicle Delivery Dates

VEHICLE	Vehicle ID	CHASSIS MODEL	Estimated Delivery
Freightliner Bucket	E436	TA60	11/27/2023
Freightliner Bucket	E437	TA60	11/27/2023
Freightliner Bucket	E438	TA60	11/24/2023
Ford F550	E402	AT37G - GAS	2/5/2024
Ford F550	E403	AT37G - GAS	2/5/2024
Freightliner Digger	E432	D3060	7/8/2024
Freightliner Digger	E433	D3060	7/8/2024
Freightliner Digger	E434	D3060	7/8/2024
Freightliner Digger	E435	D4065	7/15/2024
Freightliner Digger	E431	AC18	1/20/2025
Ford F550 Bucket	E430	AT37G- GAS	12/22/2025
Ford F550 Bucket	E408	AT37G - GAS	12/22/2025

Vehicle Maintenance

To ensure the purchased vehicles are optimally maintained, the vehicle manufacturer (Altec) will be utilized for all annual required vehicle testing and specialized maintenance for a period of ten years, the estimated useful life of the vehicle. An annual service agreement for \$100,000 will be included as part of the biennial budget process and will also cover the vehicles that will continue to be leased until replacements are received.

Next Steps

On December 12, 2014, the Board of Public Utilities (Board) approved nine lease agreements with Altec for the term of seven years. These leased vehicles have reached or are nearing the end of their lease term.

Vehicle	Asset #	Model	Lease End Date	Monthly Cost
2015 Ford F550 Bucket	E430	AT37G	November 1, 2022	\$1,884.40
2015 Freightliner Digger	E431	AC18	March 1, 2023	\$4,989.40
2016 Freightliner Digger	E432	D3060	March 1, 2023	\$6,670.60
2016 Freightliner Digger	E433	D3060	March 1, 2023	\$6,670.60
2016 Freightliner Digger	E434	D3060	March 1, 2023	\$6,703.00
2016 Freightliner Digger	E435	D4065	March 1, 2023	\$6,989.20
2016 Freightliner Bucket	E436	A65	March 1, 2023	\$5,435.76

2016 Freightliner Bucket	E437	A77-T	March 1, 2023	\$5,872.08
2016 Freightliner Bucket	E438	TA60	March 1, 2023	\$5,195.28
Month-To-Month Leasing Costs				\$50,410.32

The City is able to retain these leased vehicles on a month-to-month basis using the same terms of the existing lease agreements. However, City staff is currently working with Altec on new leasing terms for these nine vehicles to factor the current condition of the vehicles, which should reduce the leasing costs per month. It is anticipated that new leasing agreements, including vehicle maintenance, will be brought back to the Board of Public Utilities for consideration within the next 90 days. The leasing terms will provide for the continued use of the vehicles until their replacements arrive, estimated within 24 months.

The Fleet Services Manager concurs with the recommendations in this report.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 6 - Infrastructure, Mobility and Connectivity** and **Goal 6.2** – Maintain, protect, and improve assets and infrastructure within the City’s built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Replacement of the current aging vehicles will ensure timely maintenance and reliability of the City’s electric system and result in greater public good.
2. **Equity** – RPU endeavors to provide safe and reliable electric service to all its customers. Since RPU’s electric system is serviced by heavy duty equipment, investments made to maintain the operation of these vehicles is essential in the reliability of maintaining the overall electric system, thereby providing an equitable benefit to all customers.
3. **Fiscal Responsibility** – The Purchase Agreement demonstrates that Riverside is a prudent steward of public funds and ensures responsible management of the City’s financial resources.
4. **Innovation** – These purchased vehicles are innovative in keeping up to date with the current state and local air emission regulations, as well as maintaining the compressed natural gas alternative fuel engines.
5. **Sustainability & Resiliency** – These vehicles help to ensure RPU can provide a reliable electric service to its customers.

FISCAL IMPACT:

The total fiscal impact for the purchase of 12 new vehicles is \$4,710,868.39. Upon Council approval and supplemental appropriation in the amount of \$3,210,868 will be recorded in the Electric Fund, PU Electric Field Operations, Automotive Equipment account number 6105000-462100 from available fund balance. The remaining funds of \$1,500,000 are budgeted and available in the above listed account to complete the purchase.

Future years’ funding of annual lease payments until the new vehicles arrive are estimated at

\$604,923.84 and will be included as a part of the biennial budget process; it is estimated that the new vehicles will be ready within 24 months of purchase. Additionally, the annual service agreement of \$100,000 for the term of ten years will be included as a part of the biennial budget process and will begin once the City has received the new vehicles.

Prepared by: Todd M. Corbin, Utilities General Manager
Certified as to
availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial
Officer/City Treasurer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Vehicle Purchase Quote #1 with Altec Capital Services, L.L.C.
2. Vehicle Purchase Quote #2 with Altec Capital Services, L.L.C.
3. Vehicle Purchase Quote #3 with Altec Capital Services, L.L.C.
4. Vehicle Purchase Quote #4 with Altec Capital Services, L.L.C.
5. Vehicle Purchase Quote #5 with Altec Capital Services, L.L.C.
6. Vehicle Purchase Quote #6 with Altec Capital Services, L.L.C.
7. Vehicle Purchase Quote #7 with Altec Capital Services, L.L.C.
8. Vehicle Purchase Quote #8 with Altec Capital Services, L.L.C.
9. Vehicle Purchase Quote #9 with Altec Capital Services, L.L.C.
10. Vehicle Purchase Quote #10 with Altec Capital Services, L.L.C.
11. Vehicle Purchase Quote #11 with Altec Capital Services, L.L.C.
12. Vehicle Purchase Quote #12 with Altec Capital Services, L.L.C.
13. Presentation