

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: NOVEMBER 25, 2019

ITEM NO: 15

SUBJECT: PURCHASE OF SIX (6) VEHICLES FROM TEREX UTILITIES, INC. IN AN ESTIMATED AMOUNT OF \$2,472,718.35

ISSUE:

Approve the purchase of six (6) vehicles from Terex Utilities, Inc., of Watertown, South Dakota, in accordance with Purchasing Resolution 23256, Section 602(e) in an estimated amount of \$2,472,718.35.

RECOMMENDATION:

That the Board of Public Utilities approve the purchase of six (6) vehicles from Terex Utilities, Inc. of Watertown, South Dakota, in accordance with Purchasing Resolution 23256, Section 602(e) in an estimated amount of \$2,472,718.35.

BACKGROUND:

Riverside Public Utilities (RPU) uses a variety of vehicles to enable crews to maintain a reliable electric service to its customers. These vehicles need to be in safe, operable condition and compliant with state and local emissions regulations. To ensure operating efficiency, employee productivity, and public safety, vehicles that have reached the end of their economic and useful life need to be replaced in a timely manner.

Electric Field has been leasing vehicles for a number of years, and those listed in Table A are now at the end of the original seven-year lease period. Those listed in Table B are vehicles that were originally purchased by Electric Field and are in need of replacement. These vehicles are beginning to require costly and more frequent maintenance and repairs, which can result in extended downtime for crews, negatively affecting customers and delaying planned work programs.

Table A – Vehicles leased from 2013-2020

VEHICLE	ASSET NO.	LEASE NO.	UPLIFTED MODEL	LEASE END
2013 Freightliner Bucket	E418	19337	A77-T	May 1, 2020
2013 Freightliner Digger Derrick	E422	42623	D3055B-TR	July 1, 2020
2013 Freightliner Digger Derrick	E423	42624	D3055B-TR	July 1, 2020
2013 Freightliner Digger Derrick	E426	19381	D3055B-TR	July 1, 2020

Table B – Owned vehicles that require replacing

VEHICLE	ASSET NO.
2001 Freightliner Digger Derrick	E317
2009 Freightliner Digger Derrick	E400

DISCUSSION:

The bulk of the vehicles for Electric Field are not stock items and the lead times for new vehicles can be extensive. In consideration of build times, it is important that the procurement process be initiated at this time, in order for there to be no lapse between the old leases expiring and replacement vehicles being purchased, built, and delivered.

Since 2006, RPU began leasing some equipment and vehicles, as at the time, this approach was the most financially advantageous due to what was previously termed ‘levelized cashflow’ [*sic*] modeling. However, as the current lease vehicles have aged, the maintenance costs have naturally increased and Electric Field is paying considerable repair costs. Rather than renewing expensive lease agreements, purchasing the vehicles outright is more fiscally prudent. Primarily, the outright purchase price of the vehicles is significantly less than lease or lease-to-purchase options. The lease-to-purchase option over a seven-year period would cost about \$342,948 more than an outright purchase of the same vehicles. Electric Field would continue to assume the same outlays for maintenance and repairs that it currently expends on vehicles it does not own. RPU would be free of finance payments for the anticipated life of the vehicles (on average 10-15 years), before having to consider replacements.

The purchase price of the replacement vehicles is outlined in Table C. The total amount necessary to purchase the vehicles is significantly cheaper than a seven-year lease agreement.

Table C – Proposed outright purchase price

VEHICLE	Model	Capital Cost	Tax	Total
Freightliner Bucket	RMX75	\$387,626	\$33,917.28	\$421,543.28
Digger Derrick – Gas Chassis	C4045	\$275,708	\$24,124.45	\$299,832.45
Digger Derrick – with Auger	C6060	\$409,419	\$35,824.16	\$445,243.16
Digger Derrick – with Auger	C6060	\$409,419	\$35,824.16	\$445,243.16
Digger Derrick – no Auger	C6060	\$395,796	\$34,632.15	\$430,428.15
Digger Derrick – no Auger	C6060	\$395,796	\$34,632.15	\$430,428.15
Total				\$2,472,718.35

The new Freightliner Bucket Truck will allow crews to access overhead power lines and other difficult to reach locations that are an essential element of their job. The bucket can hold two (2) crewmembers who can coordinate to ensure a safe and expedient result for every task.



Two (2) of the new Digger Derricks are equipped with an auger (drill) that can create large holes for setting poles; they are specifically designed for heavy work and are capable of pulling and hauling thousands of

pounds in a single load. Powered by a Compressed Natural Gas (CNG) engine (as per SCAQMD Rule 1196, which governs all new heavy duty equipment requiring public fleets acquire alternative-fuel vehicles to reduce pollutant emissions), these vehicles will provide crews with state of the art, environmentally considerate equipment needed to effectively carry out their tasks. The picture below shows vehicle one of the current Digger Derricks.



RPU proposes to purchase one (1) gas chassis Digger Derrick, as the CNG vehicles have a limited range before requiring refueling. The gas chassis vehicle will mean that crews can respond to mutual assistance requests, unlike CNG vehicles, the gas model can be refueled at most gas stations. In addition, the gas Digger is smaller, which will enable crews to access sites that the larger CNG vehicles cannot. These vehicles will provide crews with state of the art, environmentally considerate equipment they need to carry out their tasks.

Terex Utilities, Inc. holds Cooperative Agreement Number 042815-TER with Sourcewell, formally known as National Joint Powers Alliance (NJPA). Purchasing Resolution 23256, Section 602(e) provides that "Competitive Procurement through Informal Procurement and Formal Procurement processes shall not be required in any of the following circumstances:...(e) 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..."

The Purchasing Services Manager concurs that the recommendation is in compliance with Purchasing Resolution No. 23256.

FISCAL IMPACT:

The total fiscal impact is \$2,472,718.35. Sufficient funds are available for the estimated purchase costs in the Electric Field Machine and Equipment Account No. 6105000-462200.

Prepared by: George R. Hanson, Utilities Assistant General Manager/Energy Delivery
Approved by: Todd M. Corbin, Utilities General Manager
Approved by: Al Zelinka, FAICP City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Brian Seinturier, Utilities Fiscal Manager

Attachments:

1. Quote: Freightliner Bucket Truck
2. Quote: Digger Derrick – gas chassis482
3. Quote: Digger Derrick with auger
4. Quote: Digger Derrick without auger
5. Presentation