

RESOLUTION NO. 2011-492

Adopted by the Sacramento City Council

August 23, 2011

CONTRACT AND COOPERATIVE PURCHASE AGREEMENTS: REFUSE TRUCKS

BACKGROUND

- A. The Department of General Services, Fleet Management Division has a customer requirement to purchase replacement side loading refuse trucks for the Department of Utilities, Solid Waste Division.
- B. In June 2011, Procurement Services, in accordance with City Code Chapter 3.56, issued Invitation for Bid No. B11131061017 for CARB certified diesel powered refuse truck chassis with an option for Liquefied Natural Gas ("LNG") fueled engine in lieu of the diesel engine and a hydraulic hybrid option. After the bids were received the Solid Waste Division requested that the amount of units to be purchased be increased from 40 up to 53 units in an effort to reduce their increasing operation and maintenance costs by accelerating replacement of their aging fleet of side loaders. Three bids were received. The lowest responsive and responsible bidder for this requirement was determined to be Sacramento Truck Center for LNG fueled engines in lieu of diesel.
- C. In accordance with City Code Section 3.56.240, the City Manager may, by cooperative purchasing approved by City Council, purchase supplies through contracts of other governmental jurisdictions without separate competitive bidding, where it is advantageous to the City.
- D. Using the Texas Buy Board cooperative purchase agreement (Contract No. 357-10) and the Houston- Galveston Area Council cooperative purchase agreement (Contract No. RC08-10) to purchase side loading refuse truck bodies from Equipment Southwest, Inc. and Scranton Manufacturing Company, Inc., respectively, is advantageous to the City as the agreements meet the needs of the City's fleet equipment specifications and will result in cost and time savings.
- E. The large acquisition is necessary to establish a seven year vehicle replacement program designed to retire aging vehicles on time and establish a spare ratio of 25 percent thereby reducing costly maintenance and fuel costs. This purchase is also consistent with the Solid Waste fleet management recommendations set forth in the May 2011 Department of Utilities Operational Efficiency and Cost Savings Audit.
- F. The cost for all 53 complete refuse trucks to be purchased under this three year agreement is estimated to be \$15.8 million and will be funded through a combination of the Solid Waste Fund annual operating budget and financing obtained by the Office of the City Treasurer.
- G. Since 2004 the Office of the City Treasurer has facilitated numerous equipment

applicable fiscal years.

- Section 4. The Office of the City Treasurer is hereby authorized to execute all lease-financing documents required to obtain funding in an amount not to exceed \$5,100,000 for the acquisition through the Master Agreement of 18 refuse truck chassis and bodies ("complete units").
- Section 5. The actual interest rate for each lease financing under the Master Agreement will be determined five days prior to City Council action.
- Section 6. The City hereby declares its official intent to use proceeds of an obligation, i.e., the proceeds obtained through the Master Agreement, to reimburse itself for the Original Expenditures.
- Section 7. The Finance Director is hereby authorized to amend the Solid Waste and Fleet Management expenditure budgets to reflect the truck procurement and lease payment expenditure authority for up to 18 of the 53 complete units related to the lease financing obtained by the Office of the City Treasurer.
- Section 6. Exhibits 1-3 are a part of this resolution.

Adopted by the City of Sacramento City Council on August 23, 2011 by the following vote:

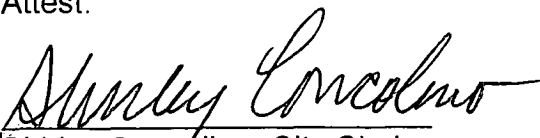
Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.

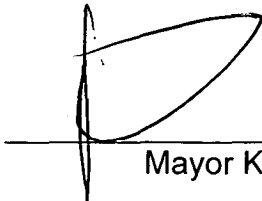
Noes: None.

Abstain: None.

Absent: None.

Attest:


Shirley Concplino, City Clerk


Mayor Kevin Johnson

acquisitions by obtaining lease financing under a Master Equipment Lease/Purchase Agreement with Bank of America N.A. (City Agreement No. 2004-047, as amended November 18, 2009, together the "**Master Agreement.**")

- H. Fleet Management, in conjunction with Procurement Division staff, has determined the most cost effective strategy for this purchase is to use a City contract for the truck chassis in conjunction with two cooperative purchase agreements for the truck bodies. This purchasing structure will require partial payment upon delivery of the chassis to the body manufacturer with final payment upon delivery of the "complete units" (i.e., chassis and body).
- I. Under the California Constitution, the City cannot obligate itself to make lease rental payments unless it has the beneficial use of the leased equipment. Thus, the City cannot enter into an equipment lease upon delivery of the chassis alone but must wait until delivery of the complete units. Accordingly, the City expects to pay certain expenditures in connection with the delivery of the chassis from existing City funds (the "**Original Expenditures**") and to use a portion of the proceeds obtained through the Master Agreement to reimburse itself for the Original Expenditures.
- J. Section 1.150-2 of the United States Treasury Regulations ("**Section 1.150-2**") requires the City to declare its reasonable "official intent" to reimburse itself for the Original Expenditures, which it expects to pay before the equipment lease is executed and funds are available, from the proceeds obtained through the Master Agreement.
- K. By replacing old costly vehicles with new efficient ones, Solid Waste anticipates generating over \$3 million in operations and maintenance and fuel savings beginning in FY2012/13 and proposes to reallocate these funds to cover the annual lease payment estimated at \$1,109,254 on a five year loan. An increase in Solid Waste rates is not necessary to fund this purchase.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. Sacramento Truck Center is awarded a three-year contract (attached as Exhibit 3) for the purchase of up to 53 refuse truck chassis in an amount not to exceed \$8,865,883.
- Section 2. The use of the Texas Buy Board cooperative purchase agreement (Contract No. 357-10, purchasing from Equipment Southwest, Inc.) and the Houston-Galveston Area Council cooperative purchase agreement (Contract No. RC08 - 10, purchasing from Scranton Manufacturing Company, Inc.) for the purchase of up to a total of 53 side loading refuse truck bodies inclusive of both vendors in an amount not to exceed \$6,968,307 inclusive of both vendors through August 30, 2013 or until the contracts are no longer available for use is approved.
- Section 3. The Interim City Manager or the Interim City Manager's designee is hereby authorized to execute the contract and purchases specified in Sections 1 and 2 above provided that sufficient funds are available in the budget adopted for the