



City of San Leandro

Meeting Date: January 22, 2019

Staff Report

File Number: 18-658

Agenda Section: ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Jeff Kay
City Manager

BY: Debbie Pollart
Public Works Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for a City of San Leandro City Council Resolution to Authorize the City Manager to Execute a Sole Source Rent-to-Own Agreement with Nixon-Egli Equipment Company for a Cold Milling Machine at an Amount Not to Exceed \$673,628.69 and Appropriation of \$673,628.69 from the Gas Tax Fund

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council approve and authorize the City Manager to execute a 13-month sole source rent-to-own agreement for purchase of a cold milling machine at a total cost of \$673,628.69 (taxes and shipping costs included).

BACKGROUND

With the passage of SB1 in November 2017, the City is the recipient of State monies (issued monthly) for maintenance projects located within the right-of-way. In May, 2018 the City Council approved a 3-month rental of a cold milling (grinder) machine. Along with the City Council's approval to purchase a new asphalt paver in 2017, these two pieces of equipment allow Public Works to increase the amount and complexity of asphalt repairs that can be accomplished by staff.

Analysis

With the Public Works Department's 3-month rental of a grinder last year (with a 1-month extension that was approved by Council in September 2018), it quickly became evident that the grinder was integral to staff's ability to perform road maintenance work at a higher volume and level of complexity.

Because Proposition 6 did not pass, SB1 funds to continue to be forthcoming from the State. The State Controller's Office (SCO) estimates that the City will receive approximately \$1.477M in SB1 funds during fiscal year 2019. This is in addition to the \$1.915M in Highway Users Tax Act

(HUTA) monies (for fiscal year 2019) that are shared between the Public Works and Engineering & Transportation Departments for use in road maintenance projects.

As indicated in previous Council staff reports, there is only one company, Nixon-Egli Equipment Company that offers this particular type of grinder. Therefore, in consultation with the City's Purchasing Agent, staff requests a sole source purchase of this rent-to-own option offered by Nixon-Egli. Per the attached agreement, 90% of the monthly rental rate of \$27,000 (\$24,300) will go towards the purchase price over a period of 12 months, with the balance due (including remaining tax and freight charges) in month 13. The payments would be broken down as follows:

Months 1-12: \$27,000 (equipment rental) x 12 = \$324,000*
 \$2,497.50 (tax on rental) x 12 = \$29,970
* 90% of the equipment rental, or \$291,600, counts towards the purchase price

Month 13: \$318,038.69 Balance Due (includes remaining tax & freight)

Although the rent-to-own option ultimately costs the City 5.57% more than if the grinder were to be purchased outright, staff recommends the rent-to-own option because it would allow more HUTA and SB1 funds to remain allocated for actual road maintenance projects, especially those done by contract through the Engineering & Transportation Department.

Having a grinder to use in-house by staff (whether rented or ultimately purchased) has several advantages over utilizing all of the SB1 funds solely for additional contract work as follows:

- No contractor mobilization fees
- Lower costs for fuel and asphalt due to the City's municipal rates
- Ability to use in-house staff across several different labor functions
- Flexibility in quickly changing/adding work locations based on need
- Ability to communicate/work more closely with residents/businesses to minimize impacts to them
- Ability to make same-day corrections/modifications

Budget Authority

Based on the full rent-to-own amount of \$673,628.69, an appropriation from the Gas Tax Fund Balance 140 to Operating Account 140-31-057-5610 for the entire rent-to-own amount is requested. It is noted that the 13-month payment process will occur over two fiscal years.

ATTACHMENTS

Attachments to Staff Report

- Equipment Quote
- Purchase Option Terms and Conditions

PREPARED BY: Debbie Pollart, Director, Public Works Department



City of San Leandro

Meeting Date: January 22, 2019

Resolution - Council

File Number: 18-659

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Jeff Kay
City Manager

BY: Debbie Pollart
Public Works Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION of the City of San Leandro City Council to Approve and Authorize the City Manager to Execute a Sole Source Rent-to-Own Agreement with Nixon-Egli Equipment Company for a Cold Milling Machine at an Amount Not to Exceed \$635,221.89 and Appropriation of \$673,628.69 from the Gas Tax Fund

WHEREAS, a draft agreement between the City of San Leandro and Nixon-Egli Equipment Company was presented to this City Council; and

WHEREAS, the City Council is familiar with the contents thereof; and

WHEREAS, the City Manager recommends approval of said agreement; and

WHEREAS, the appropriation of funds in the amount of \$673,628.69 from Gas Tax Fund Balance 140 to Operating Account 140-31-057-5610 is warranted to pay for the cold milling machine.

NOW, THEREFORE, the City Council of the City of San Leandro does **RESOLVE** as follows:

- That said agreement substantially in the form presented is hereby approved and execution by the City Manager is hereby authorized; and
- That the City Manager is authorized to make non-substantial revisions to said agreement, subject to the approval of the City Attorney; and
- That an original executed agreement shall be attached to and made a part of this resolution; and
- That funds in the amount of \$673,628.69 are approved for appropriation from Gas Tax Fund Balance 140 to Operating Account 140-31-057-5610.

□ SO. CALIFORNIA: 2044 South Vineyard Avenue, Ontario, CA 91761 • (909) 930-1822 • FAX (909) 923-2356
□ NO. CALIFORNIA: 800 East Grant Line Road, Tracy, CA 95376 • (209) 830-8600 • FAX (209) 830-8884

City of San Leandro
14280 Chapman Road
San Leandro, CA 94577

January 14, 2019

Attention: Frank Rivera

We are pleased to provide you an **NJPA quote on a 2019' Wirtgen W120CFi – 48" Milling Machine Pricing is per National Joint Powers Alliance (NJPA) Contract # 032515-WAI** equipped with all standard features and including the following optional equipment:

- Cummins QSL-9 Turbo Diesel engine - 345 HP - **Tier IV Final Engine.**
- Operator's station with drivers seat.
- Right rear track assembly swivels in front of drum for milling close to curb.
- FCS Milling Drum system including FCS tandem scraper
- 1200mm Milling Drum with HT22 Holders LA15 FCS and 115 picks
- Hydraulic side plate lifters.
- Infinitely variable hydraulic, all wheel drive with three speed ranges.

Options Included:

- **Four tracks in lieu of wheels.**
- **Hydraulically Folding Conveyor in lieu of standard conveyor**
- **Operator's platform with hydraulically lowering weather canopy**
- **VCS Extraction System**
- **Monitor system with 2 cameras and screen**
- **Precision push-button steering**
- **Active floating positions for side plates – left and right**
- **Signal lights for visual Stop/Go truck communication**
- **Electro-Hydraulic System**
- **Hydraulically driven pick extractor system**
- **Level Pro Plus Grade/Slope control system including Rapid Slope sensor**
- **Milling Drum Rotation System**
- Extra manuals.
- WITOS Fleet-View telematics system including 3-year operating period

- SO. CALIFORNIA: 2044 South Vineyard Avenue, Ontario, CA 91761 • (909) 930-1822 • FAX (909) 923-2356
- NO. CALIFORNIA: 800 East Grant Line Road, Tracy, CA 95376 • (209) 830-8600 • FAX (209) 830-8884

Price per NJPA Contract:	\$ 670,068.00
Less NJPA Discount 15%	<u>\$ 100,510.20</u>
Taxable Total	\$ 569,557.80
Sales Tax @ 9.75%	\$ 55,531.89
Subtotal	\$ 625,089.69
Freight, PDI and Training	\$ 12,980.00
Total Price:	\$ 638,069.69

Special Notes:

1. Estimated delivery is 180 Days ARO
2. Price includes three (3) days operator/mechanic training at customer facility.
It is recommended that one of these three days of training be scheduled at the beginning of the second season of product use as a refresher for personnel.
3. This quote is valid thru 1/31/19

Rental Proposal:

Monthly Rental Payment:	\$ 27,000.00
Sales Tax @ 9.75%:	<u>\$ 2,632.50</u>
Total Monthly Payment:	\$ 29,632.50

Rental Agreement Special Notes:

1. Purchase option must be exercised after the 12 month RPO period.
2. 90 % of Rental paid to apply to purchase of unit, not including taxes.
3. Proposed unit will be ordered for City equipped with above listed options.
4. Minimum rental period to be 12 months should City not exercise RPO option
5. Decision to exercise RPO purchase option is at the discretion of the City of San Leandro
6. Monthly rental consists of **28 consecutive calendar days.**

- SO. CALIFORNIA: 2044 South Vineyard Avenue, Ontario, CA 91761 • (909) 930-1822 • FAX (909) 923-2356
- NO. CALIFORNIA: 800 East Grant Line Road, Tracy, CA 95376 • (209) 830-8600 • FAX (209) 830-8884

Rental Payments to apply with purchase:

Monthly Payment less tax:	\$27,000.00
Duration in months:	X 12 =
Total paid less tax:	<u>\$324,000.00</u>
90% to apply:	X 90%
Total amount to apply to purchase:	\$291,600.00

New purchase pricing after 12 month rental:

Price per NJPA Contract:	\$ 670,068.00
Less NJPA Discount 15%	<u>\$ 100,510.20</u>
Total	\$ 569,557.80
Less applied rental 90%	<u>\$ 291,600.00</u>
Total Taxable:	\$ 277,957.80
Sales Tax @ 9.75%	\$ 27,100.89
Freight, PDI and Training	<u>\$ 12,980.00</u>
Total Price:	\$ 318,038.69

CUSTOMER SIGNATURE: _____

PRINT NAME: _____

PURCHASE ORDER NUMBER: _____

DATE: _____

If you have any questions, or require additional information, please feel free to contact us.

Sincerely,
Nixon-Egli Equipment Co.

Gavin Singleton
Vice President of Municipal Sales
Cell: (909) 915-5617

NIXON-EGLI EQUIPMENT CO.

www.nixon-egli.com

- SO. CALIFORNIA: 2044 South Vineyard Avenue, Ontario, CA 91761 • (909) 930-1822 • FAX (909) 923-2356
- NO. CALIFORNIA: 800 East Grant Line Road, Tracy, CA 95376 • (209) 830-8600 • FAX (209) 830-8884

PURCHASE OPTION TERMS AND CONDITIONS

CITY OF SAN LEANDRO shall be granted an option to purchase the following equipment owned by Nixon-Egli Equipment Company (NEECO) at the purchase option price of **\$582,537.80** plus freight and all applicable fees and taxes at a monthly rate of **\$27,000.00**.

MAKE	MODEL	S/N	STOCK #
WIRTGEN	W120CFi	TBD	TBD

The purchase option shall be offered to **CITY OF SAN LEANDRO** by NEECO upon and subject to the following terms:

If the purchase option is exercised during the guaranteed rental period of 12 months, 90% of all timely rental invoices paid on an item of equipment will apply toward the option price.

This purchase option shall expire as to each item of equipment if not exercised before the end of the guaranteed rental. If the equipment is returned for any reason, or outstanding bills are not paid on as per terms on the invoice, this purchase option is no longer available. Until the purchase option is exercised, rental charges will continue to accrue.

After the expiration of the warranty, if any, all repairs to the equipment are the responsibility of the lessee, and all parts and labor supplied by the lessor will be billed as they occur. All taxes, including property taxes, crane certification fees, and other out-of-pocket costs paid by NEECO with respect to the equipment during the lease term will be billed as they occur.

CUSTOMER SIGNATURE: _____

PRINTED NAME: _____

NEECO SIGNATURE: _____

DATE: _____

-
- SO. CALIFORNIA: 2044 South Vineyard Avenue, Ontario, CA 91761 • (909) 930-1822 • FAX (909) 923-2356
 - NO. CALIFORNIA: 800 East Grant Line Road, Tracy, CA 95376 • (209) 830-8600 • FAX (209) 830-8884

If you have any questions, or require additional information, please feel free to contact us.

Sincerely,
Nixon-Egli Equipment Co.

Gavin Singleton
Vice President of Municipal Sales
Office: 909-930-1822
Cell: 909-915-5617

CUSTOMER SIGNATURE: _____

PRINT NAME: _____

PURCHASE ORDER NUMBER: _____

DATE: _____