



REQUEST FOR COUNCIL ACTION

Title: Replacement of Public Works' Street Sweeper

Preferred Agenda: October 27, 2020

Submitted By: Brandon Neish, Finance Director

Reviewed By: Blair Larsen, City Manager Pro Tem

Type of Action: Resolution X Motion X Roll Call Other

Relevant Code/Policy: SH Purchasing Policy

Towards Council Goal: Goal 1.2(c): Increase community awareness of infrastructure needs and appropriate planning documents (streets)
Goal 2.6: Employ sound technology to maximize efficiency

Attachments: Sourcewell Bucher Municipal Quote
Municipal lease from Lease Servicing Center, Inc. dba NCL Government Capital ("NCL")
Used sweepers options
Resolution No. 28 for 2020

Purpose of this RCA:

To review the options available for purchasing or leasing a replacement street sweeper

Background/Context:

After 11 years of service in the City of Sweet Home (and additional years of service in Lebanon), the Public Works Street Sweeper is ready to retire. A 1997 IH 4700 Tymco 600, the City's only street sweeper is currently not operational and would take a significant amount of time and materials to get the sweeper back on the road. With the sweeper offline, the City's streets are susceptible to a buildup of dirt, grime and other hazards that pose both environmental and cosmetic concerns. Additionally, safety is a concern as the sweeper is often used to sweep after traffic accidents or during the fall season to keep the City's storm drains clear which prevents localized flooding that can impact nearby properties.

During the City Council meeting on August 11, 2020, staff presented the condition of the current sweeper and presented two umbrella ideas on how to move forward. Staff first presented an option where the current sweeper could be repaired and modified to extend its life. The City's interim Mechanic told the City Council that these repairs would likely only extend the life of the machine another three to five years. The second option was to replace the sweeper with either a new or used one. The City Council opted to review options for replacing the sweeper as the time and materials to repair the current equipment exceeds the value of the sweeper when it is operational.

During the City Council meeting on August 25, 2020, staff presented multiple options to the City Council for replacing the street sweeper which included purchasing a new unit, leasing a new unit or purchasing a used sweeper. The consensus of Council at the time was to purchase a replacement sweeper but directed staff to review both used and new options.

Public Works staff took the time to demo multiple sweepers and obtain quotes for a replacement sweeper. Since the August 25th meeting, the City has rented two sweepers to complete projects and maintain the streets and staff has also demoed two options with different technologies for the vacuum and sweepers. Ultimately, staff is recommending that the City purchase a NEW sweeper to maximize the value of the equipment and ensure long-term functionality for the City. Public Works' Operations Manager Dominic Valloni recommends that the City purchase new which ensures warranties on various parts of the equipment. Additionally, with the chosen quote, a lifetime warranty is included on the new unit for the vacuum and hopper.

Staff has prepared multiple options for the City Council to review. The first option includes purchasing a new street sweeper outright, saving the City interest payments (discussed in the leasing option below). The City was able to obtain two quotes. Of those options, the CityCat sweeper was deemed the best option by staff and has a price tag of 206,186. Currently, there is no budget for replacement equipment of this magnitude. If the City Council opted to purchase the sweeper, a budget amendment would be necessary. Funding for this item would need to come from the Street Improvement Fund (fund 570) which started fiscal year 2021 with nearly \$1.2 million.

Another option would be to purchase the sweeper outright while using an interfund loan to cover the cost. The idea behind this solution would be to leverage available funds from the annual contributions from the State which are used to maintain City streets. The primary purpose of this equipment is to act as a tool in the tool box in maintaining the City's network of streets. As such, it makes sense for the maintenance fund to purchase the equipment. To facilitate this purchase, the Street Improvement Fund would loan the Street Maintenance Fund (fund 575) \$206,186 repayable over a period of five years in accordance with ORS 294.468. Pursuant to ORS 294.468(2)(c)(A), the City Council could chose to set an interest rate which the loan should bear equal to the current Local Government Investment Pool (LGIP) rate, currently at 1%, or "such other rate as the governing body may determine" in accordance with ORS 294.468(2)(c)(B). At 1%, the total interest payments from fund 575 to fund 570 would be approximately \$6,227 resulting in a total purchase cost of \$212,413.

Much like an interfund loan, the City could purchase the sweeper using an external lender through a lease agreement. NCL, has offered a zero down, five year municipal lease with an annual payment of \$45,084. The annual interest rate on this option is 3.4% and would cost \$21,500 in additional interest (total purchase price of \$227,686).

Alternatively, the City could purchase a used street sweeper. While this option certainly offers a lower upfront cost, staff does have some concerns about this option in the long-term. Reviewing maintenance records for the current sweeper, the City spent nearly \$100,000 on time and materials over 11 years of ownership. When the City purchased the current sweeper, the City paid the City of Lebanon \$25,000 and then paid another \$5,000 to \$10,000 for necessary repairs before it could be used. Overall, the City has put approximately \$130,000 into the current sweeper. This amount exceeds the projected cost of a unit if the City were to purchase and sell the vehicle at a point which would net a maximum return on investment. Staff estimates that the total expense for a replacement Street Sweeper would be \$80,000 to \$90,000 over its life in Sweet Home. Research completed by Public Works reveals that a used sweeper with decent/good maintenance records and is rebuilt (to limit the City's maintenance exposure initially) ranges anywhere between \$75,000 and \$150,000 and their locations vary wildly. Available sweepers for purchase are included with this RCA.

Finally, the City could opt to contract this vital service out to another government agency or private business. Staff has found that the local street maintenance company charges \$125 per

hour for its sweeping services. Based on current practice, this would amount to approximately \$60,000 per year for this service. This estimate does not include any one-off calls to clean a street after an incident or to complete a road or water line repair project.

The Challenge/Problem:

How does the City move forward with replacing the street sweeper in a way that does the “most good, for the most people, **for the longest period of time.**”

Stakeholders:

- Sweet Home Citizens – The citizens and businesses in Sweet Home expect safe passage on city streets. The street sweeper is integral in ensuring streets are kept clean and free of hazards that may cause harm to a person or vehicle.
- Sweet Home City Council – The City Council is charged with making decisions that do the most good, for the most people, for the longest period of time. This decision has lasting impacts on service levels in Public Works and has long-term implications on the storm water and wastewater treatment plant.
- Sweet Home Staff – Staff has used the current sweeper with minimal interruptions for 11 years. This has yielded clean, functioning streets and has given Public Works crews the ability to utilize the sweeper “on-demand” for projects or city needs. As the primary user of the equipment, Public Works stands to gain the most from this purchase related to the functions of their jobs.

Issues and Financial Impacts:

If the City Council opts to purchase a new unit, a supplemental budget would be required in order to meet the requirements of Oregon Local Budget Law. While the City has an equipment budget currently established for Public Works this year, two vehicles have already been ordered in accordance with budget plans reviewed by the Budget Committee and City Council in April/May 2020 and the other budgeted item is a backhoe which is critical to work done in Public Works. Leasing a replacement provides the best option from a budget standpoint as the City can leverage existing operating funds (currently frozen for all non-essential spending) without draining one fund excessively; leasing would spread the cost out over four to five years.

Elements of a Stable Solution:

As previously determined by the City Council, replacing the defunct street sweeper provides a stable solution and a way to continue the City’s standard business.

Options:

1. Move to give staff the authority to engage in the purchase of a replacement sweeper at a cost of \$206,186 – Staff would engage with selected vendors to determine the best option and would purchase a new street sweeper.
2. Move to give staff the authority to engage in the purchase of a replacement sweeper at a cost of \$206,186 and adopt Resolution No. 28 for 2020, Establishing an interfund loan with a repayment interest rate of 1.00% – Staff would engage with selected vendors to determine the best option and would purchase a new street sweeper. Resolution No. 28 for 2020 meets the requirements of Local Budget Law by establishing an interfund loan.
3. Move to give staff the authority to engage in the purchase of a replacement sweeper at a cost of \$206,186 and adopt Resolution No. 28 for 2020, Establishing an interfund loan with a repayment interest rate of 0.00% – Staff would engage with selected vendors to determine the best option and would purchase a new street sweeper. Resolution No. 28 for 2020 meets the requirements of Local Budget Law by establishing an interfund loan.
4. Move to give staff the authority to engage in the purchase of a replacement sweeper at a cost of \$206,186 and request that staff prepare a Resolution with a specific interest rate not presented – Staff would engage with selected vendors to determine the best option and would purchase a new street sweeper. Staff would then return at the next meeting with a revised resolution that establishes the interest rate preferred by the City Council.

5. Move to give staff the authority to engage in the purchase of a replacement sweeper at a cost of \$206,186 and enter into a lease agreement with NCL – Staff would work with the selected vendor to purchase the street sweeper and sign all necessary applications and documents to enter into a lease agreement with NCL at an interest rate of 3.4% for five years with an option to purchase the unit at the end of the agreement for \$1.00.
6. Move to give staff the authority to engage in the purchase of a used street sweeper – Staff would reach out to vendors with available used units as depicted below to find the best unit and would return to Council at a later date with a recommendation for funding the purchase.

Recommendation:

Staff recommends option 2 or 3, move to give staff the authority to engage in the purchase of a replacement sweeper at a cost of \$206,186 and adopt Resolution No. 28 for 2020, establishing an interfund loan with a repayment interest rate of _____ %. This option leverages existing funds to purchase the sweeper today while simultaneously spreading out the impact of the cost for a period of five years. While the City's available cash would feel the immediate impact, the allocation of funds annually from the streets maintenance fund to the street improvement fund ensures there are funds available in the future for major street repair projects or other similar opportunities.