



**Subject: Equipment Purchase Opportunity**

**To: Council**

**From: Public Works Department**

Report Number: 2022-86

Meeting Date: April 26, 2022

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**Recommendation:**

That Public Works Department Report 2022-86 be received; and

That the Director of Public Works be directed to purchase the equipment as outlined within Public Works Department report 2022-86.

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**Purpose:**

The purpose of this report is to seek approval from Council to purchase a piece of equipment that is currently being rented on an annual basis through the City's operating budget.

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**Background:**

In 2019, the City entered into a three year rental agreement with Toromont CAT for the supply of a Front Loader to aid the City's winter control program. The agreement for this equipment expires in April 2022 and Toromont CAT has presented an offer for the City to purchase the equipment for \$240,000 including applicable taxes.

The City of Port Colborne utilizes a front loader during winter control operations due to versatility in the field. The machinery has the ability to plow major roadways but also maneuver within tight areas due to the articulating frame. This equipment is currently funded through an account dedicated to the City's equipment rentals in the operating budget.

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## Discussion:

Due to the contract expiry of this rental unit, staff have compared the option to continue with a rental/lease versus purchasing the unit outright to determine which option results in greater efficiencies and/or cost savings to the City.

The original price of the equipment at the time of entering the contract was \$322,000. As of April 30<sup>th</sup>, 2022, the City will have paid \$88,196 to rent the unit for three rental periods of four months each. Toromont CAT has offered to sell the equipment with the current plow and wing plow, and include a front bucket for \$240,000 tax included. The same front loader with attachments purchased new would cost approximately \$360,000 tax included. Owning the asset will save the annual rental fees and hold a value at the end of its life. Although there are great benefits to owning an asset, there are expenses that come with it such as typical repairs and maintenance which the City would be responsible for.

The City's fleet staff have reviewed the equipment and concluded that based on the unit's proposed use, the City can expect this unit to be in service for another 15 years. The chart below provides an overview of the costs to rent or purchase this equipment over the next 15 years. The rental period has been increased to 5 months per year to reflect the City's winter control service level and any further winter rental programs would be expected to follow suit.

	12 Month Rental	5 Month Rental for Winter Control	Purchase Unit at End of Rental Period
Annual Cost	Varies*	Varies*	-
One Time Cost	-	-	\$240,000
Estimated Maintenance	-	-	\$108,000*
Asset Value at End of Life	-	-	(\$70,000)
<b>Cost over 15 Years</b>	<b>\$2,093,500*</b>	<b>\$872,500*</b>	<b>\$278,000</b>

\*Total cost over 15 years is based on a 5% increase per year from the 2021-2022 season.

## Internal Consultations:

Supervisory staff have discussed the purchase of this equipment and determined its strengths, weaknesses, and future potential. This equipment has supplemented the City's winter control program as expected and staff are satisfied with its performance during the winter period.

The front loader will come equipped with a front plow and wing plow attachment for winter control and also a standard front bucket which will allow it to be used during the remainder

of the year for construction and operational purposes. Staff are currently investigating the potential to utilize this piece of equipment for roadside grass mowing in the future. This could save the annual operating expense of retaining a contractor to complete the program and would enable the City to provide a better overall mowing service to the public.

Staff have discussed future winter equipment rental programs with major manufacturers including Toromont CAT and John Deere who have indicated that their companies will be leaving the winter control rental business which will lead to the City renting winter equipment from a third party, potentially driving the annual rental costs higher than indicated within this report.

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### **Financial Implications:**

The overall price to purchase this piece of equipment is \$240,000 including tax. Staff are proposing to fund the purchase of this unit through the Tangible Capital Asset Reserve. Purchasing this equipment will reduce the Equipment Rental Operating Budget by \$31,000 and increase the Fleet Maintenance Operating Budget by \$5,000 a net savings of \$26,000 based on the 2021-2022 season.

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### **Strategic Plan Alignment:**

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
  - Value: Financial Management to Achieve Financial Sustainability
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### **Conclusion:**

From time-to-time opportunities for cost saving measures present themselves and the opportunity to purchase this piece of equipment is a prime example. By purchasing this equipment, staff will be able to provide, at a minimum, the same level of service at a reduced cost. The City will gain an asset and be able to explore new and innovative uses for this equipment to create greater efficiencies in current operations.

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Respectfully submitted,

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### **Report Approval:**

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.