



Subject: Equipment Purchase Opportunity

To: Council

From: Public Works Department

Report Number: 2021-113

Meeting Date: April 12, 2021

Recommendation:

That Public Works Department Report 2021-113 be received; and

That the Director of Public Works be directed to purchase the equipment as outlined within Public Works Department report 2021-113.

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.

Background:

In 2019 the City entered into a rental agreement with Jade Equipment Company Ltd. for the supply of a multi-use utility tractor. The rental of this piece of equipment was initially funded through the equipment reserve and as of 2021 is now funded through an account dedicated to equipment rentals in the operating budget.

This equipment is currently used to plow and sand sidewalks fronting municipal properties during the winter. Staff have also used this equipment to cut grass and sweep hard surfaces in various locations on an as needed basis during the summer.

The rental contract for this equipment expires in April 2021 which allows staff to either purchase the equipment or start another rental period following the City's procurement guidelines.

Discussion:

Staff will be reviewing all pieces of equipment currently on rental contracts to determine if continuing to rent/lease is the best method of retaining equipment or if purchasing a unit will result in greater efficiencies and/or cost savings to the City. Staff have expedited the review of this piece of equipment due to the rental contract expiring in April 2021.

The original price of the equipment at the time of entering the contract was \$156,600. As of March 31st, the City will have paid \$99,000 towards rent for the unit, of which \$89,100 can be applied to the purchase price. This leaves an outstanding amount of \$67,500 at the end of the contract that the City would need to pay in order to own the asset. 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 8.5 years above the 1.5 years it has already been in service. The chart below provides an overview of the costs to rent or purchase this equipment over the next 8.5 years.

	Annual Rental	6 Month Rental for Winter Control	Purchase Unit at End of Rental Period
Annual Cost	\$72,000	\$36,000	-
One Time Cost	-	-	\$68,200
Annual Maintenance	-	-	\$1,000 x 8.5 years = \$8,500
Asset Value at End of Life	-	-	(\$30,000)
Cost over 8.5 Years	\$612,000	\$306,000	\$46,700

In order to make an informed recommendation to Council, staff have sourced the same piece of equipment with the same attachments from an out of province dealer and the cost to purchase this used unit is \$117,000. This is substantially higher than the purchase price available to the City through the current rental contract.

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. Grass cutting efforts were halted due to the equipment's weight and overall mobility on uneven terrain causing the work to take longer than a typical

zero turn mower. The decision to stop using this equipment for grass cutting purposes has already been made and moving forward on a year round basis staff have plans to utilize the equipment for alternative work including the completion of the City's annual shouldering operations, general material loading and moving, and general sweeping of sidewalks, parking lots, and trail systems. Staff will also be investigating its use for sidewalk repairs as grinding attachments are available for the unit and would allow operational staff to complete repairs in a timelier manner.

Financial Implications:

The overall price to purchase this piece of equipment is \$68,200 inclusive of tax. Staff are proposing to fund the purchase of this unit through the remaining rental budget for this piece of equipment and fund the remainder from the equipment reserve.

Recommendations for the ongoing annual cost savings will be addressed when staff report back to Council with a fleet capital replacement plan once a Fleet Supervisor is hired and in place, in late 2021.

Funding Source	Amount
Remaining Rental Budget	\$40,000
Equipment Capital Budget (21C-PW-B18)	\$28,200
Total	\$68,200

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 to the rate payer. The City will gain an asset and be able to explore new and innovative uses for this equipment to create greater efficiencies in our current operations.

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 approval is by the Chief Administrative Officer.