



Subject: Equipment Purchase Opportunity - 2022 - 157

To: Council

From: Public Works Department

Report Number: 2022-157

Meeting Date: July 12, 2022

Recommendation:

That Public Works Department- Road & Park Operations Report 2022-157 be received;

That Council approve the purchase of a Road Grader; and

That Council approve a transfer of \$274,752 from the Tangible Capital Asset Reserve to fund the purchase of a Road Grader.

Purpose:

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

Background:

In 2019 the City entered into a three year rental agreement with Brandt Tractor Ltd. for the supply of a Road Grader to aid the City's winter control and road grading programs. The agreement for this equipment is expiring in July 2022 and Brandt Tractor has presented an offer for the City to purchase the equipment for \$270,000 plus applicable taxes.

The City of Port Colborne utilizes a road grader during winter control operations to clear snow in the rural area and uses the equipment to push snow from the roadside towards property lines to create additional storage for future snow events.

The grader is also used to complete the road grading program on stone and clay roadways in the spring and summer. The machine is used to scarify, then mix and level

additional stone to prevent potholes from quickly resurfacing and provides a lasting, even surface that drains properly.

This equipment is currently funded from the City's Equipment Rental account in the operating budget.

Discussion:

Due to the contract expiry of this rental unit, staff have reviewed the potential to continue renting/leasing in the future or if purchasing a unit will result in greater efficiencies and/or cost savings to the City.

The original price of the equipment, at the time of entering the contract was \$545,000. As of June 30, 2022, the City will have paid \$160,093 towards rent for the unit which has provided three rental periods at seven months each. Brandt Tractor Ltd. has valued the used piece of equipment at \$345,000 but has offered to sell the equipment with plow for \$270,000 plus applicable taxes to the City of Port Colborne. The same road grader with attachments purchased new would cost approximately \$624,000 plus applicable taxes.

Owning the asset will save the annual rental fees and there will also be a value at the end of the machine's life. Although there are great benefits to owning an asset, there are operating expenses that come with 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 17 years. The chart below provides an overview of the costs to rent or purchase this equipment over the next 17 years.

	12 Month Rental	7 Month Rental for Winter Control & Road Grading	Purchase Unit at End of Rental Period
Annual Cost	Varies	Varies	-
One Time Cost	-	-	\$274,752
Annual Maintenance	-	-	\$7,500 x 17 years = \$127,500
Asset Value at End of Life	-	-	(\$60,000)
Cost over 17 Years	\$2,555,900*	\$1,490,900*	\$342,252

*Total cost over 17 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 analyzed its strengths, and weaknesses. This equipment has supplemented the City's winter control and road grading programs as expected and staff are satisfied with its performance.

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

Financial Implications:

The overall price to purchase this piece of equipment is \$274,752 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 Budget by \$54,950 and increase the Fleet Maintenance Budget by \$7,500. Staff are further proposing the difference of \$47,450 (\$54,950 less \$7,500) be transferred to the Tangible Capital Asset Reserve for the next six years, starting in 2023, to replenish the reserve. Should the City experience a surplus in the coming years, Staff will look to recommend replenishing this reserve sooner.

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.

Respectfully submitted,

Steve Shypowskyj
Manager of Road & Park Operations
905-835-2900 x220
steve.shypowskyj@portcolborne.ca

Tim Anderson
Fleet Supervisor
905-835-2900 x267

Tim.anderson@portcolborne.ca

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.