

3. BUY-OUT OF LEASED LOADERS
ACHAT DE CHARGEUSES LOUÉES

COMMITTEE RECOMMENDATION

That Council approve the buy-out of five (5) leased loaders and associated implements at a cost of \$841,000, to be funded from the Corporate Fleet Reserve.

RECOMMANDATION DU COMITÉ

Que le Conseil approuve l'achat de cinq (5) chargeuses louées et des instruments connexes pour la somme de 841 000 \$, et que l'acquisition soit financée à même le Fonds de réserve pour immobilisations du Parc automobile.

DOCUMENTATION / DOCUMENTATION

1. Deputy City Manager, City Operations report dated 30 May 2012 (ACS2012-COS-PWS-0011)
Rapport de directeur municipal adjoint, Opérations municipales daté du 30 mai 2012 (ACS2012-COS-PWS-0011)
2. Extract of Draft Committee Minutes 6 June 2012
Extrait de l'ébauche du procès-verbal du 6 juin 2012

Report to/Rapport au :
Transportation Committee
Comité des transports
and Council / et au Conseil

May 30, 2012
30 mai 2012

Submitted by/Soumis par : Steve Kanellakos, Deputy City Manager/Directeur
municipal adjoint, City Operations/Opérations municipales

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2012-COS-PWS-0011

SUBJECT: BUY-OUT OF LEASED LOADERS

OBJET : ACHAT DE CHARGEUSES LOUÉES

REPORT RECOMMENDATION

That the Transportation Committee recommend that Council approve the buy-out of five (5) leased loaders and associated implements at a cost of \$841,000, to be funded from the Corporate Fleet Reserve.

RECOMMANDATION DU RAPPORT

Que le Comité des transports recommande au Conseil d'approuver l'achat de cinq (5) chargeuses louées et des instruments connexes pour la somme de 841 000 \$, et que l'acquisition soit financée à même le Fonds de réserve pour immobilisations du Parc automobile.

BACKGROUND

The Fleet Services Branch (Fleet) of the Public Works Department is responsible for managing the City's municipal fleet of vehicles and equipment. Fleet uses a combination of acquisitions, leases and rentals to serve all municipal clients.

In the case of leased equipment, from time to time an opportunity arises where buying-out a lease is desirable as it will result in saving the City money.

The City has an opportunity to buy-out the lease of five (5) loaders and associated implements that will achieve one time operating savings as described in this report.

DISCUSSION

Fleet recommends buy-out of the lease of five loaders and their implements in order to save the City approximately \$240,000 in one time operating dollars over the course of the 2012/2013 winter season. At the end of the next year Fleet will then post the units on MERX for sale and all net proceeds will be returned to the Corporate Fleet Reserve, including any overage.

These five loaders and their implements have been leased by the City over the course of the last five winter seasons. This lease is now expired and the City must either return the leased units, or the City can exercise its option to buy-out these units.

Extending the existing lease for one year

The City has made several attempts to extend the existing lease for one more year; however, the vendor has indicated that they are not interested. As a result, Fleet cannot pursue this option.

Going out to tender for a new lease

Going out to tender a new lease for five loaders and their implements for a one year term would result in extremely high lease rates. As a result, Fleet does not recommend pursuing this option.

Buying-out the existing lease

The original lease of the five units being considered for buy-out was full-service, meaning that the cost of regular maintenance was included in the lease. The loaders are in excellent condition as they were new when Fleet first leased them, and they have been well maintained by the City. As such, the resale value is expected to be equal to or higher than the cost for the City to buy-out the units.

Purchasing the loaders will cost the City approximately \$841,000 including taxes. If the City were to acquire these five units, the net impact is approximately \$240,000 in one time operating savings over the course of the 2012/2013 winter season. This represents the savings achieved by the City absorbing the maintenance costs while foregoing the cost to lease.

As noted above, given the good condition of these leased units it is expected that even after another season of use, when sold, the units are expected to return an equal or higher value than their purchase price. While this represents a small risk for the City, any potential shortfall can be off-set by the operating savings and any overage returned to the Corporate Fleet Reserve. Further, if the City does not get the minimum price required to make the sale worthwhile, Fleet could exercise the option to keep the units for the remaining life expectancy, which at the current usage rate would be six years.

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

There are no consultations required for this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

The risks associated with the recommendations have been identified in the report.

FINANCIAL IMPLICATIONS

The Corporate Fleet Reserve has sufficient funds to cover this acquisition.

At the end of the 2012/2013 winter season, Fleet will then post the units on MERX for sale and all net proceeds will be returned to the Corporate Fleet Reserve including any overage (any shortfall will be covered from the operating savings noted above.)

ACCESSIBILITY IMPACTS

There are no impacts on people with disabilities.

ENVIRONMENTAL IMPLICATIONS

There are no implications for the environment.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

The buy-out of this lease supports the 2010-2014 Term of Council Priority of Economic Prosperity by saving the City approximately \$240,000 in one-time operating dollars over the course of the 2012/2013 winter season.

DISPOSITION

The Public Works Department will implement the recommendations as approved by Council.

TRANSPORTATION COMMITTEE 49
REPORT 18A
27 JUNE 2012

COMITÉ DES TRANSPORTS
RAPPORT 18A
LE 27 JUIN 2012

EXTRACT OF DRAFT
TRANSPORTATION COMMITTEE
MINUTES 19
6 JUNE 2012

EXTRAIT DE L'ÉBAUCHE
DU PROCÈS-VERBAL 19 DU
COMITÉ DES TRANSPORTS
LE 6 JUIN 2012

BUY-OUT OF LEASED LOADERS
ACS2012-COS-PWS-0011

CITY WIDE

REPORT RECOMMENDATION

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CARRIED, with Councillor B. Monette dissenting