

Report to Council

Report Title:	Equipment Purchase Report		
Prepared By:	Gregory Furtney, Director of Operations		
Department:	Operations		
Date:	July 9, 2019		
Report Number:	PW2019-30	File Number:	C11PW, F18
Attachments:	John Deere Customer Purchase Order 06422818 - 772G Motor Grader John Deere Customer Purchase Order 06422819 - 772G Motor Grader John Deere Customer Purchase Order 06422820 - Viking Cives 135HSE-10		

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number PW2019-30 - Equipment Purchase Report, prepared by Gregory Furtney, Director of Operations, and in doing so approves using the funds that were earmarked for the purchase of a grader to be used to purchase four (4) new pickup trucks, and the purchase of two (2) plow units both for the Public Works Department;

And further approves that two (2) graders be sold in accordance with the surplus asset policy;

And further approves a By-Law coming forward to enter into a Lease Agreement with Nortrax Canada Inc. for the lease of two (2) motor graders; and a By-Law coming forward entering into a Purchase Agreement with Hallman Motors Limited for the purchase of four (4) new pickup trucks, both for the Public Works Department.

Report:

Background:

On May 24, 2019, Municipal Staff sent out tender documents to two (2) companies for the purchase of a new Motor Grader as set out in the 2019 budget (Account Code #02-3130-1600). Currently, the municipality owns five (5) motor graders that range from 1992 to 2008, with 3 units dated from 1996.

On June 7, 2019, Municipal Staff sent out tender documents to four (4) local companies for the purchase and/or lease of a new ½ ton pickup truck to replace Unit #53, set out in the 2019 budget (01-3130-1320). Of the seven (7) pickup trucks the Municipality currently owns, one (1) pickup was purchased in 2018 and the remaining pickups range from 1996 to 2009.

After looking at the maintenance invoices since January of 2019 for both the motor graders and pickup trucks, staff decided to look at other financing options within the confines of the 2019 budget. A single repair on one of our 1996 Champion 740 Graders cost Brockton approximately \$60,000 in 2018. Graders are used for both winter road maintenance and seasonal road maintenance and repair. They are a necessary piece of equipment for maintaining roads within the Municipality of Brockton and are commonly used throughout Bruce County by all Municipalities.

Analysis:

Motor Grader Equipment:

Based on our equipment needs, staff are recommending the lease option for the Motor graders. Both machines are brand new 2019 units with a bumper to bumper warranty for the entire term of the lease. Aside from the monthly payment amounts, Nortrax will reimburse the Municipality for “Hours of Service” that are not used. Toromont CAT will not grant any reimbursements.

Motor Grader Tender 2019 Comparison							
Make	Model	Year	Price	Term	Rate	Total RV	Monthly Payments
Deer	772	2019	\$479,130	60	4.95%	\$262,100	\$5,159.56
Cat	140M3	2019	\$461,500	60	4.40%	\$215,300	\$5,358.74

Snow plow equipment needed for the grader will be an extra cost to the Municipality regardless of the chosen supplier. Nortrax Canada has quoted \$12,380 for a single unit, or \$11,781 each for the purchase of two (2) or more units (Viking Cives 135HSE-10). Toromont CAT did not quote on the snow plow equipment.

Due to the cost benefits to leasing, staff are recommending the municipality lease two (2) John Deere 772 GP Motor Graders from Nortrax Canada Inc. and purchase the Viking Cives 135HSE-10 for each unit. In addition to the lower monthly payments, aside from a local supplier of parts (Huron Tractor in Walkerton), there is also a local John Deere Heavy Equipment Mechanic for John Deere that lives within Brockton. The unit also boasts a “self-leveling” unit for proper grading, which we currently do not have and is an additional \$10,000 with Toromont CAT. At the end of the 60 month term, Brockton can enter into an additional agreement with Nortrax or Toromont CAT for a new machine.

With this leasing option, staff are also recommending that we sell two (2) of our older motor graders and we estimate that we will sell them for approximately \$30,000 each. The sale of those two older motor graders will essentially pay for one year of the lease of one motor grader.

The purchase/lease of the motor graders is time sensitive and will need to be acquired as soon as possible in order to have them delivered before the winter maintenance season arrives.

Pickup Trucks:

With respect to the pickup truck needs, purchasing a new pickup truck is a better financial investment, as opposed to a lease or rental agreement.

½ Ton 4X4 Pickup Truck Comparison				
Dealer	Make	Model	Year	Price
Hallman Motor Inc.	Chevrolet	Silverado 1500LD	2019	\$34,900.05
Leslie Motors	Ford	F150 XLT	2019	\$41,077.76

Hallman Motors Inc. did not provide lease options with their tender bid.

Leslie Motors offered a lease payment of \$528.02 plus H.S.T. per month at 5.5% and 48 months. The buyout would be \$16,920.42 plus H.S.T.

The options between the models of the two different vehicles are very similar.

Staff recommend the straight-out purchase of the 2019 Chevrolet Silverado 1500 LD from Hallman Motors Inc. with the current age, safety concerns and condition of the vehicles owned, staff are recommending the purchase of four (4) trucks. The four trucks being replaced, three will be sold for scrap metal and one truck has been written off.

Overall, staff are recommending the following:

- 1.) Lease of two (2) new 2019 John Deere 772 Motor Graders from Nortax Canada with payments spread over 60 months, and the purchase of two (2) Viking Cives 135HSE-10 Plow Units from Nortax Canada;
- 2.) Purchase of four (4) new 2019 Chevrolet Silverado 1500 LD pickup trucks from Hallman Motors Inc.
- 3.) Further, that staff sell the two (2) older graders which we expect to sell for approximately \$30,000 each.

Below is a chart that illustrates the costs associated with the recommendations above:

Equipment and Truck Needs 2019							
	Number of Units	Individual Price	2019 Total	2020 Total	2021 Total	2022 Total	2023 Total
Lease of New Motor Graders*	2	\$5,159.56	\$123,829.44	\$123,829.44	\$123,829.44	\$123,829.44	\$123,829.44
Purchase of New Viking Plow Units	2	\$11,781.00	\$23,562.00	\$0	\$0	\$0	\$0
Purchase of New Pickup Trucks	4	\$34,900.05	\$139,600.20	\$0	\$0	\$0	\$0

Proceeds from sale of old Motor Graders**	2	(\$30,000.00)	(\$60,000.00)	\$0	\$0	\$0	\$0
Total			\$226,991.64	\$123,829.44	\$123,829.44	\$123,829.44	\$123,829.44

*Motor Graders are \$1,159.56 x 2 units x 12 months

**Anticipated sale price per unit based on recent local auctions

Staff are recommending that the purchase of the New Viking Plow units and the four pickup trucks be funded from borrowing, and the lease of the two graders be part of the operating budget.

These purchases and leases will significantly upgrade the equipment that the Municipality currently owns and operates. With the staff recommendations, the Municipality will be reducing the 2019 Capital Borrowing by \$256,837.80 and the Operating Budget will have a minimal increase to accommodate the cost of borrowing.

Sustainability Checklist:

What aspect of the Brockton Sustainable Strategic Plan does the content/recommendations in this report help advance?

- Do the recommendations help move the Municipality closer to its Vision? Yes
- Do the recommendations contribute to achieving Cultural Vibrancy? Yes
- Do the recommendations contribute to achieving Economic Prosperity? Yes
- Do the recommendations contribute to Environmental Integrity? Yes
- Do the recommendations contribute to the Social Equity? Yes

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

The 2019 Capital Budget included \$420,000 to be borrowed for the purchase of a new Motor Grader (Account Code #02-3130-1600). The estimated repayment of this loan would be approximately \$54,540 annually. Rather than purchase the new grader, the recommendations from staff would reduce the borrowing by \$163,162 and would be in-line with the current operating costs.

- Purchase of the (4) pickup trucks \$139,600
- Purchase of (2) plow units \$ 23,562
- **Total borrowing \$163,162**

Operating expenses would see a minimal increase to accommodate the \$163,162 being borrowed. The additional operating expenses would be approximately \$36,000 per year over a five year term.

Reviewed By:

A handwritten signature in black ink, appearing to read 'Trish Serratore', with a stylized, looping flourish at the end.

Trish Serratore, Chief Financial Officer

Respectfully Submitted by:

A handwritten signature in blue ink, appearing to read 'Gregory Furtney', with a stylized, looping flourish at the end.

Gregory Furtney, Director of Operations

Reviewed By:

A handwritten signature in black ink, appearing to read 'Sonya Watson', with a long, sweeping flourish extending to the right.

Sonya Watson, Chief Administrative Officer