

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Accelerate Tractor Replacement, Unit #709
DATE: December 7, 2004

Needs:

For the City Council to consider an \$80,000 budget appropriation to replace Public Works Unit #709.

Facts:

1. Unit #519 is a 1995 Case tractor used at the wastewater plant to turn sludge. It is undersized for its function and is in need of approximately \$17,000 in repairs. It has a salvage value of \$10,000.
2. Unit #709 is a 1989 Case loader used in the streets division that was purchased used and is scheduled for replacement in fiscal year 2008. It has a remaining book value of \$14,259.
3. It is the desire of the Public Works Department and it is recommended by the Fleet Superintendent that unit #519 be declared surplus and be sold for its salvage value, transfer unit #709 to the wastewater division to turn sludge and replace unit #519 with a unit similar to #709.
4. Transferring unit #709 to the wastewater division to turn sludge would extend its useful life by 5 years.
5. There would be an exchange of book value between the vehicle replacement fund and the Sewer Operations Fund for the transaction
6. A budget appropriation is needed for the exchange in value and purchase of the a replacement for unit #519.
7. The plan was presented to the Council's ad hoc vehicle replacement ad hoc committee. The ad hoc committee supports the plan as presented.

Analysis

and

Conclusion:

Rather than investing \$17,000 in repairs to a unit that is undersized for its function, it would seem more prudent to sell the unit for its salvage value and use the proceeds to accelerate the acquisition of a unit whose replacement is scheduled for fiscal year 2008.

The streets division would get a replacement unit 2.5 years early while the wastewater division would receive a unit more fitting to its their needs and would extend its useful life by 5 years. It is the intention of the fleet superintendent that the replacement unit be a demo (used) unit.

Fiscal
Impact:

Unit #519 is scheduled for replacement in fiscal year 2010 at an estimated cost of \$50,000 but it is worn out prematurely and in need of \$17,000 in repairs. Unit #709 is scheduled for replacement in fiscal year 2008 and its estimated replacement cost is \$80,000. Transferring Unit #709 to Sewer Operations would extend its useful life by 5 years and its replacement would be deferred to fiscal year 2013.

If approved, the salvage revenues, \$10,000, would be deposited back into the Sewer Operations Fund. The Sewer Operations Fund would pay the Equipment Replacement Fund \$14,259 representing the remaining book value of the unit #709 and the Vehicle Replacement Fund would purchase a new loader similar to unit #709.

The equipment replacement fund has sufficient resources to accelerate the replacement of unit #709 being transferred to Sewer Operations. The cash balance at 10/31/04 was \$775,200.

Options:

- a. Adopt Resolution No. 04-xxx:
 - (1) Approving a budget appropriation in the amount of \$80,000 from the Vehicle Replacement Fund; and
 - (2) Approving a budget appropriation in the amount of \$14,300 from the Sewer Operations Fund; and
 - (3) Declaring unit #519 as surplus and authorizing its sale for salvage value; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 04-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING A BUDGET APPROPRIATIONS FOR THE REPLACEMENT
OF UNIT #709 AND DECLARING UNIT #519 SURPLUS

WHEREAS, the Wastewater Division unit #519, a 1995 Case tractor, is undersized for its function and is in need of \$17,000 in repairs; and

WHEREAS, unit #519 has a salvage value of \$10,000; and

WHEREAS, the Streets Division unit #709 is scheduled for replacement in fiscal year 2008, but would be adequate to serve the needs of the Wastewater Division; and

WHEREAS, it has been proposed by the Fleet Superintendent to “pass down” unit #709 to the Wastewater Division, which would extend its useful life, and replace the Streets Division unit with a used loader; and

WHEREAS, full value would be paid by the Wastewater Division for unit #709; and

WHEREAS, budget appropriations are desirable to complete the transactions; and

WHEREAS, unit #519 would need to be declared surplus and authorization to sell for salvage value is required.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that unit #519, a 1995 Case Loader is hereby declared surplus and its sale for salvage value is approved.

BE IT FURTHER RESOLVED by the City Council of the City of El Paso de Robles that one time budget appropriations and revenue adjustments are approved as follows:

| | | | |
|----------------------------|------------------|----------|---------|
| Equipment Replacement Fund | 112-310-5454-162 | \$80,000 | |
| | 112-000-4506-000 | (14,300) | Revenue |
| Sewer Operations Fund | 601-310-5454-164 | 14,300 | |
| | 601-000-4506-000 | (10,000) | Revenue |

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 7th day of December 2004 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk