



City Council Agenda Item

City Council Meeting Date: August 16, 2022

TO: Dean Albro, City Manager

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SUBJECT: Award of a Contract Purchase Order for Three Solid Waste Collection Vehicles for a Total Amount not to Exceed \$1,327,600; Adoption of Resolution No. 6536(22) Approving Supplemental Appropriations for the Procurement of Five Solid Waste Collection Vehicles and Vehicle Repairs

Recommendation:

Staff recommends the City Council:

- 1) Approve the award of a contract to purchase one 2023 Autocar ACX64 Side Loader Collection vehicle and two 2023 Autocar ACX64 Rear Loader Collection vehicles for an amount not to exceed \$1,327,600 to Velocity Truck Centers (Velocity) of Oxnard, California;
- 2) Authorize the Purchasing Manager to issue a contract purchase order in an amount not to exceed \$1,327,600; and
- 3) Adopt Resolution No. 6536(22), approving supplemental appropriations and estimated revenues for the acquisition of three Solid Waste collection vehicles and related financing, repair of an existing Solid Waste collection vehicle, and the authorization to initiate the acquisition of two additional Solid Waste Collection Vehicles (Attachment 1).

Background:

The City provides a centralized fleet replacement and maintenance program to efficiently and effectively provide for the ongoing needs of the various users of the program, the

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departments and divisions of the City. That service provides for ongoing operational needs for vehicles and other related equipment. In addition, the City provides for the planned replacement of existing vehicles in the Fleet Division's Vehicle Replacement Fleet. The right time to replace a piece of equipment is a decision made jointly by the Finance Department, the Fleet Division, and the using Department or Division based upon the expected vehicle service life, condition of the vehicle, current operating cost trends (for fuels, lubricants, maintenance, etc.), repair costs, accumulated mileage (or operational hours), existing needs of the department or division, and the budgetary capacity for replacing vehicles.

As part of the City's Vehicle Replacement Program, the Fleet Division purchases scheduled replacement vehicles during the fiscal cycle in which the replacements are approved as part of the biennial budget.

Based on available funding and specific funding sources, the vehicles most in need of replacement are proposed for replacement in that particular budget cycle. As the Solid Waste Division is an enterprise activity with independent funding, generally, replacement vehicles are replaced once their economic and useful lives are exceeded. The Biennial Budget Fiscal Years (FY's) 2021-23 includes the acquisition of several replacement vehicles including three for the Solid Waste Division: two Solid Waste Rear Loader Collection vehicles as well as a single Solid Waste Side Loader Collection vehicle.

Discussion:

The Solid Waste Division provides collection services to all of the incorporated areas of the City, as well as certain unincorporated areas adjacent to the City, utilizing its fleet of Side Loader Collection vehicles. Collection services are performed every business day (Monday to Friday, excluding holidays). Collection services utilize trucks to pick up trash, recycling, and yard waste. Commercial class customers receive the level of services commensurate with their volume and circumstances as well as a dedicated cardboard recycling service. The cardboard recycling program utilizes one of the Rear Loader Collection vehicles while the second Rear Loader Collection vehicle provides backup to the cardboard program vehicle and is otherwise utilized at the Lompoc Landfill supporting operations there.

The Solid Waste Division has 14 side loading trucks available for eight route collection services and 2 rear loading trucks for the cardboard program and landfill support services. The older or less reliable vehicles are used and available as backup for the frontline vehicles allowing for efficient and timely route services to customers. The current complement of collection vehicles for Solid Waste includes the following:

Model Year	Make	Unit #	Cost	In-Service	Unit Age at 6/30/2023	Status
2008	Autocar	92	\$238,505.00	12/1/2007	15 Yrs 7 Mos	Backup/Surplus
2008	Autocar	94	238,505.00	12/1/2007	15 Yrs 7 Mos	Backup/Surplus
2010	Autocar	147	254,454.07	5/1/2012	11 Yrs 2 Mos	Backup
2010	Autocar	148	228,031.06	6/1/2010	13 Yrs 1 Mos	Backup

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Model Year	Make	Unit #	Cost	In-Service	Unit Age at 6/30/2023	Status
2018	Mack	6173	295,578.98	6/15/2017	6 Yrs 1 Mos	Out of Service ¹
2018	Mack	6174	295,578.98	6/15/2017	6 Yrs 1 Mos	Frontline
2018	Mack	6175	295,578.98	8/11/2017	5 Yrs 11 Mos	Frontline
2018	Mack	7171	295,578.98	8/11/2017	5 Yrs 11 Mos	Frontline
2020	Autocar	19111	348,627.80	11/12/2019	3 Yrs 8 Mos	Frontline
2020	Autocar	19112	348,622.81	11/12/2019	3 Yrs 8 Mos	Frontline
2020	Autocar	19113	351,678.31	11/12/2019	3 Yrs 8 Mos	Frontline
2021	Autocar	21021	357,176.57	2/1/2021	2 Yrs 5 Mos	Frontline
2021	Autocar	21022	357,176.57	2/1/2021	2 Yrs 5 Mos	Frontline
2021	Autocar	21023	357,176.56	2/1/2021	2 Yrs 5 Mos	Frontline
2008	Autocar	102	181,566.29	6/1/2008	15 Yrs 1 Mos	Cardboard/LF
2008	Autocar	103	181,566.29	6/1/2008	15 Yrs 1 Mos	Landfill/CB

The vehicles in Surplus or Backup status provide needed capacity when a frontline vehicle requires preventative or repair services or is otherwise unavailable for use by the Solid Waste Division in the daily operations of the collections division. Moving forward, increases in the level of services due to regulatory mandates, and increases in volume by customers, will require the acquisition of two collection vehicles annually, on an ongoing basis, in order to continue providing the required level of service to customers. Any expansion of services due to the addition of new housing units will likely increase the minimum number of collection vehicles necessary as well.

The Fleet and Solid Waste Divisions have determined the useful life of the two 2008 Rear Loading Collection Vehicles had been exceeded in FY 2015-16. Therefore, both were included in the Biennial Budget FYs 2021-23 for replacement using external financing equal to the expected useful and economic life of the new vehicles of 7 years. In addition, Solid Waste currently has eight collection routes, requiring nine operational collection vehicles to efficiently and timely serve all the customers in the given routes. Recently, due to daily use and maintenance issues, Solid Waste has had multiple occasions in which fewer Side Loader vehicles were available than the number required to serve all the collection routes without adverse customer impact.

Use of Sourcewell for Procurement

Historically, the City has published an Invitation to Bid (Bid) and associated Request for Proposal (RFP) to solicit companies to provide quotes to the City to choose from. With this process, the Bid is published in the Lompoc Record, listed on the City Website, and the RFP is delivered directly to potential bidders who had either bid on similar RFPs in the past or have requested to be on the RFP list. The lowest responsible bid is then awarded and brought to the City Council for action.

¹ Unit #6173 was taken out of service in 2019 due to damage to the side arm mechanism. However, due to current supply chain issues and the temporarily increased costs for new vehicles, Fleet and Solid Waste have begun the process to repair the unit to return it to service.

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However, with the ever growing complexities of governmental procurement and the availability of cooperative procurement options, which allows for “piggybacking” on others’ competitively solicited contracts, the City has been able to utilize the services of Sourcewell. Sourcewell is a local government agency established over 40 years ago by the Minnesota legislature to support communities in several areas, including nationwide, with contract purchasing solutions such as obtaining a quote for the budgeted Solid Waste collection vehicles. Sourcewell’s competitively solicited cooperative contracts conform with the Lompoc Municipal Code and reduce procurement costs by eliminating much of the process of creating Bid and RFP documents. For the Solid Waste Collection vehicles, two Sourcewell procurements are proposed. One is for the cab and chassis and the other is for the side loader or rear loader units. Both procurements are used to build the requested vehicle. Copies of the two Sourcewell contracts utilized for this award are included as Attachments 2 and 3.

Purchase of Three Solid Waste Vehicles

Based on the recommendations of the Fleet and Solid Waste Divisions, the Purchasing Division recommends issuance of an intent to award to Velocity for one 2023 Autocar ACX64 cab and chassis paired with the Heil Co Side Loader unit based on Velocity’s Buyers Order Deal #DE-92603 and for two 2023 Autocar ACX64 cab and chassis paired with the Heil Co Rear Loader unit for Velocity’s Buyers Order Deal #DE-92598. Attached are copies of the two Velocity Buyer Orders dated April 21, 2022 (Attachments 4 and 5).

Following is a summary of the costs included in the proposed Purchase Order for the Side Loader and two Rear Loaders:

Cost Component	Side Loader	Rear Loader (ea)
Autocar Cab and Chassis base	\$ 246,858.00	\$ 246,877.00
Cab and Chassis additional costs	6,400.00	6,400.00
Bid options – spare wheels and tires	3,642.50	3,642.50
Heil Co. Side Load body	186,376.00	131,670.00
Total Unit Cost (before taxes, licenses, fees)	443,276.50	388,589.50
License and Fees	102.50	102.50
Sales and Use Taxes (8.75%)	38,795.66	34,010.55
Total Unit Cost (each)	\$ 482,174.66	\$ 422,702.55
Units	1	2
Contract Purchase Order Cost – Side & Rear (2)	\$ 482,174.66	\$ 845,405.10
Total Contract Purchase Order Cost – 3 Units		\$1,327,579.67

The above summary of costs does not include the Sourcewell Member Discount of 20% (\$49,371.60 for the Side Loader and \$49,375.40 for each Rear Loader) as listed in the two quotes from Autocar (#44566 & #44567). Instead, the member discount is being treated as a built-in contingency. In the event any supply and production issues impact the final costs of the units, the authorization for purchase of the vehicles will not exceed the non-discounted pricing of the April 21, 2022, buyer order. In the unlikely event that any additional costs exceed the stated member discount of \$148,122.40, staff will then

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return to the City Council with a request to authorize the additional funds to complete the purchases or receive alternate direction.

Supply Chain and Production Issues

The acquisition of new vehicles worldwide has been significantly impacted by supply chain, production issues, and electronic chip shortages as well as the economic volatility caused by the COVID-19 pandemic. As such, these issues have and will affect both the price and availability of the Side Loader and Rear Loader Collection vehicles. As stated on the Velocity Truck Centers' Buyers Orders, the "**Pricing is subject to change due to supply chain and production issues**" and the April 21, 2022, Buyers Order is guaranteed only for 30 days – to May 22, which has passed. The Fleet and Solid Waste Divisions have become aware of pending price increases for upcoming models due to the above-mentioned constraints in addition to unit constraints as outlined below.

The number of units being produced for the 2023 model year is limited and Lompoc has not yet secured rights to a 2023 model year unit. Due to the age and condition of the backup and surplus vehicles and the ongoing periodic shortage of available units for operational needs, it is in the best interest of the Solid Waste Division, the Solid Waste customers, and the City to secure 2023 model year units so that they can be delivered to the City within the first quarter of FY 2023-24, one year from now. A delay in securing the units would likely push back the build of units to the 2024 model year, and delivery of the units would also likely be delayed to the first quarter of FY 2024-25, at the earliest. Any such delay would require the Solid Waste Division to initiate the process to acquire up to nine units during the Biennial Budget FYs 2023-25 in order to maintain the necessary number of units for operational needs. The result of waiting would not only compound the number of units required in the next budget cycle, but would also result in continuing to rely on 2008 and 2010 collection vehicles until July 2025, well beyond their operational lifespan, which risks an extended period of operational delays in the pickup of customer trash, recycling, yard waste, and organics due to mechanical breakdown in older vehicles.

Also, due to supply chain and production issues, coupled with the current rise in inflation, the Fleet and Solid Waste Divisions anticipate a continued increase in the unit cost of Collection vehicles. The Biennial Budget FYs 2021-23 includes appropriations for three Collection vehicles (one Side Loader and two Rear Loaders) with a per unit appropriation of \$380,625 and total appropriations of \$1,141,875. Those appropriations are well below the non-discounted quoted price for Side Loader Collection vehicle of \$428,174.66, and the Rear Loader Collection vehicles of \$422,702.55 per unit. The difference between the acquisition prices for the three budgeted vehicles and the ultimate procurement cost under the cooperative contract is included in Resolution No. 6536(22) (Attachment 1).

Additional Vehicle Acquisition Appropriations

In order to effectively maintain its fleet, Solid Waste will likely need to replace two Side Loader Collection vehicles annually going forward. Solid Waste also has a Sanitation

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Expansion item in the FY 2022-2027 Capital Improvement Program in anticipation of growth in customers to be served in the Burton Mesa and Riverview Terrace subdivisions. When those subdivisions add to the Solid Waste service territory, then additional Side Loader Collection vehicles above the 14 currently in the fleet will need to be procured to maintain the level of services for all customers in the Solid Waste service territory.

In addition to the recommendation to authorize the acquisition of the one Side Loader and the two Rear Loaders, in order to avoid having five units delivered at once in FYs 2023-25, and to minimize the impacts of increased costs over time, Resolution No. 6536(22) authorizes the initiation of the procurement process for two additional Side Loader Collection vehicles up to and including the approval by the City Council during the current Biennial Budget FYs 2021-23. Beginning the procurement process during the current budget will allow for the Purchase Order for the vehicles to be issued immediately by the Purchasing and Procurement Manager upon the passage of the Biennial Budget FYs 2023-25 and approval of the Purchase Order by City Council. Consequently, the delivery of Side Loader Collection vehicles would progress in an orderly fashion: one delivered approximately in late 2023 and two in late 2024. The final two vehicles would then have their procurement process occur during the Biennial Budget FYs 2023-25 so that the vehicles can be delivered in July 2025.

Financing

A financing Request for Proposal will be released and brought to the City Council at an upcoming City Council Meeting for consideration once procurement costs of the collection vehicles are known. It is expected the City can secure favorable rates with a term to match the expense of the vehicle over the life of the use of the collection vehicles. Financing of high-value, long-life vehicles allows for annual revenues and expenditures to match periods, and allows rate payers to postpone the provision of revenues in advance of the cost of the service.

As indicated above, the City has historically pursued lease financing for capital purchases of high-value, long-life replacement fleet vehicles to match the capital costs of vehicles with the expected economic life of the vehicles. As a high-value, long-life vehicle, the Collection vehicles are intended to be secured by capital lease financing over a 7 year period to match the estimated operational life of the vehicles. Bank financing is proposed to provide such resources and will be requested at a future City Council meeting once the actual procurement costs for the three vehicles is set. In the event the financing is not secured for the additional three vehicles, then staff will return to the City Council to consider alternate resources for acquiring the vehicles.

Repairs to Out of Service Unit 6173

To balance the operational needs of Solid Waste with current financial situation regarding production costs, Solid Waste and Fleet have reevaluated repairing the 2018 Side Loader (Unit #6173) that is currently out of service. With the increase in cost of a new vehicle, the repair on Unit #6173 now is economically a better decision than it had been previously.

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While the 2018 units were expected to be frontline units until 2026, the repaired unit can take the place of one of the 2008 backup units if not returned to frontline service.

Fiscal Impact:

Beginning with the Biennial Budget FYs 2019-21, enterprise fund activities, such as the Solid Waste Division, no longer appropriate and transfer funds to the Fleet Internal Service Fund for the replacement of vehicles. Beginning with the Biennial Budget FYs 2021-23, the purchase, procurement, and possible financing of Solid Waste vehicles were recognized in the Solid Waste Operational Fund while the Fleet and Purchasing Divisions continue to provide professional expertise to plan for and procure the vehicles. Segregating Fleet replacement vehicles from enterprise fund replacement vehicles ensures enterprise fund resources are financially separate from other Fleet activities and those resources are used for enterprise fund vehicle acquisition costs.

The replacement of the three 13-year-old Collection vehicles is anticipated to be funded with external financing to match the cost of the vehicles with the economic life of the vehicles. For FY 2021-23, no other City-wide budgeted vehicle acquisitions are anticipated to use external financing. This limited financing scope will allow for a straightforward and streamlined RFP and approval process for the financing and is anticipated to be completed so the financing will be in place prior to the payment to Velocity for the initial purchase of the Side Loader and the two Rear Loader Collection vehicles. The RFP for financing will be developed and sent to interested financing providers after approval of the acquisition of the vehicles.

The supplemental appropriations and estimated revenues required for the purchase of the budgeted Side Load and two Rear Load Collection vehicles as well as additional repair appropriations for repairs to unit #6173 are itemized in Resolution No. 6536(22) (Attachment 1). The anticipated financing package award will provide 100% of the necessary resources for the three new Collection vehicles. If approved, the following accounts and amounts are necessary for the supplemental appropriations to acquire the three Collection vehicles and to repair Unit #6173:

759SWC-753060	Solid Waste Collections – Vehicle Replacements	\$185,725.00
759SWC-551300	Solid Waste Collections – Vehicle Repairs	75,000.00
873ES4-599590	Equipment Service & Repairs – Solid Waste	(75,000.00)
759RSW-480220	Solid Waste Revenues – Lease Proceeds	(1,327,600.00)

While it is unknown how much each vehicle will ultimately cost, it is anticipated that the City can mitigate the exposure by securing the vehicles by the issuance of Contract Purchase Orders within the remaining term of the Biennial Budget FYs 2021-23. In addition, by excluding the Sourcewell Member Discounts from the approved authorization, the risk of the ultimate cost exceeding the approved appropriations is decreased. Having a not-to-exceed amount on the authorization will allow the City to avoid further action to acquire the vehicles unless the not-to-exceed amount is breached.

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Conclusion:

The Solid Waste Division currently provides collection services utilizing several Side and Rear Loading Collection vehicles, four of which are currently in excess of 15 years of age, more than twice the operational and economic life for such units. The four 2008 units have exceeded their useful life in delivery of collection services and are costly to maintain as backup or frontline units. These four 2008 units are scheduled for disposal once the replacement units (three purchased, one repaired) are in service in accordance with Purchasing Rules utilizing the Purchasing Division's resources.

Respectfully submitted,

Ray Ambler, Purchasing and Materials Manager

Dirk Ishiwata, Facilities, Fleet, and Park Maintenance Manager

Keith Quinlan, Solid Waste Superintendent

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Christie Donnelly, Management Services Director

Mike Luther, Public Works Director

Shaun Ryan, Acting Utility Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

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- Attachments:
- 1) Resolution No. 6536(22)
 - 2) Autocar Cooperative Contract #060920
 - 3) Heil Company Cooperative Contract #091219
 - 4) Velocity Truck Centers' Buyers Order DE-92598 (Rear Loader)
 - 5) Velocity Truck Centers' Buyers Order DE-92603 (Side Loader)