



## City Council Agenda Item

**City Council Meeting Date:** November 7, 2023

**TO:** Dean Albro, City Manager

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**SUBJECT:** Award of a Contract Purchase Order for Ten Solid Waste Collection Vehicles for a Total Amount not to Exceed \$5,000,000; Adoption of Resolution No. 6615(23) Approving Supplemental Appropriations for the Procurement of Eight Solid Waste Collection Vehicles

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### **Recommendation:**

Staff recommends the City Council:

- 1) Approve the award of a contract to purchase ten 2023 Autocar ACX64 Side Loader Collection vehicles for an amount not to exceed \$5,000,000 to Velocity Truck Centers (Velocity) of Oxnard, California;
- 2) Authorize and direct the Fleet Division to initiate the requisition process and authorize the Purchasing Manager to issue a contract purchase order immediately upon completion of the requisition process in an amount not to exceed \$5,000,000; and
- 3) Adopt Resolution No. 6615(23), approving supplemental appropriations and estimated revenues for the acquisition of eight Solid Waste collection vehicles in addition to the two Solid Waste collection vehicles included in the Biennial Budget Fiscal Years (FYs) 2023-25 (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 City owned vehicles and other licensed rolling stock. 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 several factors including: 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, vehicles are replaced once their economic and useful lives are exceeded. The Biennial Budget FYs 2023-25 includes the acquisition of several replacement vehicles including two Solid Waste Collection vehicles.

Several years ago, as part of the budget goal setting process for the 2013-15 biennial budget, the then City Council recommended a change in the financial life of Solid Waste Collection vehicles from 7 years to 8 years. During FYs 2012-18 the daily availability of enough working Solid Waste Collection vehicles became an issue. This issue continues today as the Solid Waste Utility has not been able to consistently field enough working collection vehicles. The shortage results in mandatory overtime and other costs that otherwise would not be incurred. In addition, the resulting deficiency in customer service due to late servicing of routes has had a detrimental effect on the Solid Waste's financial bottom line and in customer trust. The change in financial life from 7 to 8 years combined with an actual operational life of 6 to 7 years, the number of front line collection vehicles had diminished over time. The resulting reliance on older backup vehicles has been necessary more frequently over time while they continue to age. On occasion, there have been as few as five working vehicles to cover eight routes daily resulting in the additional costs noted above.

In addition to the shortages noted above, the State of California will begin requiring the acquisition of fully electric solid waste collection vehicles for any procurements after December 31, 2023. The development of fully electric solid waste collection vehicles is in its initial stages. As such, there are limited options for electric solid waste collection vehicles that would meet the needs of the City's collections operations. In addition, substantial improvements to the City's electric distribution system will likely have to be made to provide for electrification of the City's vehicle fleet. If the Solid Waste Utility were to opt to be a first adopter of electric collection vehicles, it is likely the Utility would need to increase the number of front-line collection vehicles needed to operate the current routes without impacting customer service levels.

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When the State of California initiated the electrification transition, it required manufacturers to limit production of diesel collection vehicles to 100 of each model destined for service in California. At the time the City Council last approved collection vehicles for purchase on August 16, 2022, the action taken was to approve the budgeted acquisition of two rear-load collection vehicles, one side-load collection vehicle and to authorize supplemental appropriations for and purchase of two additional side-load collection vehicles. The supplemental appropriation action was to alleviate the chronic shortage of front-line vehicles. The action on the two rear-load collection vehicles was timely such that the City secured the 98<sup>th</sup> and 99<sup>th</sup> available vehicle in the 2022 production cycle. However, the timing of the purchase of the single rear-loader resulted in the City missing out on securing one of the 100 available 2022 production vehicles but was subsequently included in the 2023 production cycle. However both additional units authorized on August 16, 2022, were not acquired for unknown reasons. Soon after the Interim Utility Director was appointed, it was brought to his attention that the City missed out on the purchase of the additional two units approved in August 2022 and that the Solid Waste collection fleet was again experiencing shortages in daily available collection vehicles.

**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 currently uses nine side loading collection vehicles for eight collection routes daily. Solid Waste has fourteen side loader collection vehicles in its fleet for collection services and two 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 12/30/2023	Status
2008	Autocar	92	\$238,505.00	12/1/2007	16 Yrs 1 Mos	Backup/Surplus
2008	Autocar	94	238,505.00	12/1/2007	16 Yrs 1 Mos	Backup/Surplus
2010	Autocar	147	254,454.07	5/1/2012	13 Yrs 8 Mos	Backup
2010	Autocar	148	228,031.06	6/1/2010	13 Yrs 7 Mos	Backup
2018	Mack	6173	295,578.98	6/15/2017	7 Yrs 7 Mos	Backup
2018	Mack	6174	295,578.98	6/15/2017	7 Yrs 7 Mos	Frontline
2018	Mack	6175	295,578.98	8/11/2017	6 Yrs 5 Mos	Frontline
2018	Mack	7171	295,578.98	8/11/2017	6 Yrs 5 Mos	Frontline
2020	Autocar	19111	348,627.80	11/12/2019	4 Yrs 2 Mos	Frontline

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Model Year	Make	Unit #	Cost	In-Service	Unit Age at 12/30/2023	Status
2020	Autocar	19112	348,622.81	11/12/2019	4 Yrs 2 Mos	Frontline
2020	Autocar	19113	351,678.31	11/12/2019	4 Yrs 2 Mos	Frontline
2021	Autocar	21021	357,176.57	2/1/2021	3 Yrs 11 Mos	Frontline
2021	Autocar	21022	357,176.57	2/1/2021	3 Yrs 11 Mos	Frontline
2021	Autocar	21023	357,176.56	2/1/2021	3 Yrs 11 Mos	Frontline
2008	Autocar	102	181,566.29	6/1/2008	16 Yrs 7 Mos	Cardboard/LF
2008	Autocar	103	181,566.29	6/1/2008	16 Yrs 7 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, would require the acquisition of two collection vehicles annually, on an ongoing basis, to continue providing the required level of service to customers. However, the pending California mandate requiring electrified collection vehicles makes that orderly replacement cycle problematic. To retain an adequate complement of vehicles, while waiting for mature electrified collection vehicle options, requires the Solid Waste Division to acquire enough classically powered collection vehicles now to continue to provide orderly services to customers. Any expansion of services due to the construction of new housing developments will likely increase the number of collection vehicles needed on a daily basis beyond this recommended purchase.

If procured, the ten side loader collection vehicles are scheduled to be delivered by June 30, 2025. By that date, the existing 14-unit fleet will have an *average* age of 8 years with the addition of the single new side loader expected to be delivered by June 30, 2024. With the acquisition of the ten side loaders, the average age of the collection fleet will drop to approximately 2 years. The remaining existing fleet (six units) age will be 7 years old at the end of FYs 2025-27. Beginning with the FYs 2027-29 biennial budget, reinstating the routine of the appropriation and purchase of two units per year would allow the Solid Waste Division to maintain an appropriate number of side loader collection vehicles in its fleet to deliver services reliably on a daily basis.

The purchase of ten side loader vehicles by the Solid Waste Division at this time will require external financing to allow the annual costs to be spread over the operational lives of collection vehicles without having the Solid Waste Division use up limited fund balances and relying on other City operations for capital needs. The external financing is expected to be brought to a future City Council meeting prior to December 31, 2023.

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 that 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.

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However, with the ever-growing complexities of governmental procurement, the shrinking number of possible vendors providing these specialized vehicles, the availability of cooperative procurement options has become a more efficient way of procuring collection vehicles. Cooperative procurement options allow for “piggybacking” on others’ competitively solicited contracts. The City utilizes the services of Sourcewell for cooperative procurement for collection vehicles. 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 for separate parts of each collection vehicle. One is for the cab and chassis portion of the vehicle and the other is for the side loader unit of the vehicle. Both procurements are used to build each of the ten requested vehicles.

#### Purchase of Ten 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 ten 2025 Autocar ACX64 cab and chassis paired with the Heil 30 CY rapid rail automated side loader unit based on Velocity’s Buyers Order Deal #DE-05297. #DE-05297 is for seven units; however, the City will work with Velocity to change the order quantity from seven to ten. Attached are copies of the Velocity Buyer Order dated October 24, 2023 and supporting contracts (Attachments 2-4).

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

<b>Cost Component</b>	<b>Side Loader (ea.)</b>
Autocar Cab and Chassis base	\$ 217,640.80
ZEB Penalty Fee	9,000.00
Freight & Delivery	4,000.00
Chassis Floor Plan	9,617.63
Heil Co. Side Load body	199,000.00
Total Unit Cost (before taxes, licenses, fees)	439,258.43
License and Fees	330.50
Sales and Use Taxes (8.75%)	38,468.80
Total Unit Cost (each)	\$ 478,057.73
Units	10
<b>Total Contract Purchase Order Cost</b>	<b>\$4,780,577.30</b>
Contingency for supply chain issues	<b>\$219,422.70</b>
Total Appropriations	<b>\$5,000,000.00</b>

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In the unlikely event that any additional costs exceed the contingency of \$219,422.70, staff will then 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 and continues to be significantly impacted by supply chain, production issues, and electronic chip shortages as well as the economic volatility initially caused by the COVID-19 pandemic. As such, these issues have and may continue to affect both the price and availability of Side Loader Collection vehicles. In addition to supply and production issues, the pending electrification mandate has limited production of classic collection vehicles by vendor to 100 units per year. As stated on the Velocity Truck Centers' Buyers Order, the "**Pricing is subject to change due to supply chain and production issues**" and the October 24, 2023, Buyers Order is guaranteed only for 30 days – to November 22.

The number of units being produced for the 2025 model year is limited as has production for the past few years. Lompoc has not yet secured rights to these 2025 model year units. 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 2025 model year classic units so that they can be delivered to the City by June 30, 2025, approximately 18 months from now. A delay in securing the units would likely push back the build of units to the 2026 model year with only first generation electric powered vehicles available for purchase.

Missing the window for procuring three side load collection vehicles during the 2021-23 fiscal cycle has caused the Solid Waste Division to continue to rely upon older backup units. The result of waiting has compounded the number of units required in this budget cycle. It has also resulted in continuing to rely on 2008 and 2010 collection vehicles until July 2025. This is well beyond their operational lifespan, risking an extended period of operational delays in the daily pickup of customer trash, recycling, yard waste, and organics due to units being unavailable for use such as mechanical breakdown or preventative maintenance scheduled services.

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 included 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 were well below the non-discounted quoted price for Side Loader Collection vehicle of \$482,175. Collection vehicle costs to the City have grown over time. The per unit cost of 2008 models was \$238,000. The difference between the proposed acquisition prices for the ten collection vehicles and the 2023-25 budget for collection vehicles and the ultimate procurement cost under the cooperative contract is included in Resolution No. 6615(23) (Attachment 1).

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### Additional Vehicle Acquisition Appropriations

The Solid Waste Division also has a Sanitation Expansion item in the FY 2023-2028 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.

### Financing

A financing Request for Proposal has been released and will be brought to the City Council at an upcoming City Council Meeting prior to December 31, 2023, for these ten side loader collection vehicles as well as other high-value, long-life vehicles included in the Biennial Budget FYs 2023-25. 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 vehicles. Financing of high-value, long-life vehicles allow for the matching of annual revenues with annual expenditures.

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.

### Repairs to Unit 6173

In the August 16, 2022, staff item regarding the procurement of the last side loader collection vehicle, approval was given to repair Unit 6173, a 2018 Side Loader damaged during operations in 2020. Solid Waste and Fleet have worked to repair and bring the 2018 Side Loader (Unit #6173) back into operational service. It returned to service in September 2023. With the increase in cost of a new vehicle, the repair on Unit #6173 was an economically better decision than it had been prior to August 16, 2022.

### **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, procure, fuel, and direct the maintenance of 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.

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The replacement of the ten solid waste side-loader collection vehicles is anticipated to be funded with external financing to match the cost of the vehicles with the economic life of the vehicles. While the approval process for the financing is required prior to the issuance of a purchase order to secure the purchase of the vehicles, payment to Velocity for the purchase of the side-loader vehicles will occur upon delivery of the units to the City.

The supplemental appropriations and estimated revenues required for the purchase of the budgeted and additional side loader collection vehicles are itemized in Resolution No. 6615(23) (Attachment 1). The anticipated financing package award will provide 100% of the necessary resources for the ten new side-loader collection vehicles. If approved, the following accounts and amounts are necessary for the supplemental appropriations to acquire the ten collection vehicles:

2023-24 Fiscal Year:

759SWC-753060	Solid Waste Collections – Vehicle Replacements	\$4,550,000.00
759RSW-480220	Solid Waste Revenues – Lease Proceeds	(3,350,000.00)

Transfer from 2024-25 Fiscal Year to the 2023-24 Fiscal Year:

759SWC-753060	Solid Waste Collections – Vehicle Replacements	\$450,000.00
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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 2023-25. 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.

**Conclusion:**

The Solid Waste Division currently provides collection services utilizing several Side and Rear Loading Collection vehicles, eight of which will be in excess of 7 years of age (six of which will be over 10 years old) by June 30, 2025, more than the operational and economic life for such units. The four 2008 and 2010 units have significantly exceeded their useful life in delivery of collection services and are costly to maintain as backup units. Those four 2008 and 2010 units are scheduled for disposal once the replacement units are in service in accordance with Purchasing Rules utilizing the Purchasing Division's resources. The remaining frontline units being replaced with this acquisition will become backup units for preventative and reactive maintenance of the new frontline units until such time as viable electrified or other regulatorily acceptable units become available for purchase.

Respectfully submitted,

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Ray Ambler, Purchasing and Materials Manager



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Dirk Ishiwata, Facilities, Fleet, and Park Maintenance Manager

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Keith Quinlan, Solid Waste Manager

**APPROVED FOR SUBMITTAL TO THE CITY MANAGER:**

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Christie Donnelly, Management Services Director

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Mike Luther, Public Works Director

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Brad Wilkie, Interim Utility Director

**APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:**

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Dean Albro, City Manager

- Attachments:
- 1) Resolution No. 6615(23)
  - 2) Autocar Cooperative Contract #060920
  - 3) Heil Company Cooperative Contract #091219
  - 4) Velocity Truck Centers' Buyers Order DE-05297