



County of El Dorado

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Legislation Text

File #: 13-0778, Version: 3

Community Development Agency, Administration and Finance Division recommending the Board consider the following:

- 1) Make findings, in accordance with ordinance 3.12.160 (C), that competitive bidding for the operational lease of one motor grader would produce no economic benefit to the County;
- 2) Approve Master Lease Agreement 0062929 (#648-O1411) and Amendment to Master Lease Agreement with John Deere Financial doing business as Deere Credit, Inc. of Johnston, Iowa for the Lease for one motor grader for the County Service Area No. 3. West Shore Snow Removal Zone of Benefit in the Tahoe Basin, acquired on behalf of the Agency's Transportation Division;
- 3) Authorize the Purchasing Agent to execute the retroactive Master Lease Agreement and Amendment to Master Lease Agreement #648-O1411 for the period of June 1, 2014 through June 1, 2021 for twenty-eight quarterly lease payments of \$10,005.36 each in accordance with Lease Schedule 030-0062929-000 of the above referenced Master Lease Agreement for a total amount of \$280,150.08; and
- 4) Authorize payment in the amount of \$20,010.72 to Deere Credit, Inc. for the first two quarterly payments under the Master Lease Agreement and Lease Schedule thereto upon execution of agreement. (Cont. 9/9/14, Item 9)

FUNDING: County Service Area No. 3, West Shore Snow Removal Zone of Benefit.

BUDGET SUMMARY:	
Total Estimated Cost.....	\$280,150
Budget - Current FY.....	\$60,500
Budget - Future FY.....	\$219,650
New Funding.....	
Savings.....	
Other.....	
Total Funding Available.....	\$280,150
Change To Net County Cost.....	\$0

Fiscal Impact/Change to Net County Cost

Funding for the lease payments is through the zone of benefit annual assessments. The payments are budgeted in Fiscal Year 2014-15, and future payments will be included in proposed future budgets. There is no impact to the General Fund or change to Net County Cost.

Background

On September 10, 2013, the Board of Supervisors (Board) awarded Bid No. 13-760-068 for the purchase of two motor graders for County Service Area No. 3 (CSA 3), West Shore Snow Removal Zone of Benefit in the Tahoe Basin (Legistar File 13-0778, Item No. 16). These motor graders were the only ones that met all of the specifications for snow removal equipment required for the Tahoe Basin's Tahoma region. On recommendation of the Chief Administrative Office, Procurement and Contracts Division, the Board authorized the Purchasing Agent to enter into a capital lease for financing each of the two motor graders. At the end of the lease term plus a payment purchase fee, the County would own the equipment. The Board of Supervisors authorized the Purchasing Agent to execute necessary lease agreements associated with acquisition of the two motor graders, subject to approval by County Counsel, Risk Management and the Auditor-Controller. However, at some point CDA staff assumed incorrectly that capital lease financing was no longer a viable option.

After further evaluation and analysis of the bid and the West Shore Snow Zone's financial position, Community Development Agency (Agency) staff determined that the zone possessed sufficient resources to purchase only one motor grader. In order to meet CSA 3's operational need for two graders, CDA staff decided to pursue an operational lease for the second grader, for which sufficient funds were available. CDA staff consulted with Procurement and Contracts staff, who advised that the operational lease should be processed as an agreement through the normal contract process. It was assumed by CDA that an operational lease fell within the intent of the Board action.

A purchase order for one grader was processed and sent to the contractor on February 4, 2014. Processing of the operational lease, however, was delayed. On May 30, 2014, CDA accepted delivery of both graders. However, an operational lease had not been processed for the second grader. Payment was issued to Pape Machinery, Inc. for one motor grader in the amount of \$376,762.80 on June 27, 2014.

The official process to execute the operational lease agreement was not initiated until May 28, 2014. After obtaining approval from County Counsel, the agreement was forwarded to the Purchasing Agent for signature on August 19, 2014. On August 25, 2014, Procurement and Contracts staff informed CDA that the Purchasing Agent could not sign the operational lease, as they determined that this type of lease did not strictly meet the action by the Board on September 10, 2013, and that the operational lease should have been subject to a different competitive bid process. Therefore, a separate and retroactive Board approval would be required to lease the second grader.

Several errors by CDA are evident in this process, including:

- Execution of an operational lease did not occur in a timely manner.
- CDA staff accepted delivery of the second grader without an executed lease agreement.

Reason for Recommendation

Property owners within CSA 3 are subject to special assessments for the provision of snow removal equipment. Parcels in the West Shore Snow Removal Zone of Benefit area are assessed at a rate of \$50 per year, while parcels in the South Shore Snow Removal Zone of Benefit area are assessed at rate of \$20 per year. As there is no inflator for these assessments, CSA 3's ability to afford snow removal equipment diminishes each year. The existing fleet of equipment is aged, with extensive maintenance required to continue to provide service. The operational lease for the second motor grader is critical for delivery of service during the snow season.

The cost of the operational lease for the second motor grader is \$10,005.36 quarterly, or \$40,021.44 annually for a term of seven years, for a total cost to the County of \$280,150.08. By purchasing one grader and leasing the second under an operational lease, the Agency is able to realize a total savings of \$150,612.72 over seven years, or \$21,516.10 annually, equivalent to approximately one quarter of the annual revenue for the West Shore Snow Removal Zone of Benefit. As the original bid for the purchase of two motor graders garnered only one response that met the required equipment specifications, staff recommends the Board make findings that a competitive process for the operational lease of one grader would produce no economic benefit to the County.

CDA requests the Board approve and authorize the Purchasing Agent to execute the Master Lease Agreement and Amendment to the Master Lease Agreement for the Operational Lease financing of the motor grader. The purpose of the Amendment to the Master Lease Agreement is to waive additional finance charges for late fees that might otherwise be applied to past due lease payments.

Currently, the total amount due to Deere Credit, Inc. is \$20,010.72. The Agency requests the Board authorize the payment of two quarterly lease payments, one for June 1, 2014 through August 31, 2014 and the second for September 1, 2014 through November 30, 2014, upon execution of the agreement.

Action to be taken following Board approval

- 1) The Purchasing Agent will sign both original Master Lease Agreement and Amendment to Master Lease Agreement documents and provide both originals to the Agency, Contracts & Procurement Unit to forward to Pape Machinery, Inc. to obtain Deere Credit, Inc. signatures;
- 2) Upon receipt of the fully-executed Master Lease Agreement and Amendment to Master Lease Agreement, the Agency will submit a claim voucher to the Auditor-Controller for payment to Deere Credit, Inc. in the amount of \$20,010.72 for two quarterly lease payments.

Contact

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Concurrence

County Counsel / Risk Management