

CITY OF FORT SASKATCHEWAN

Amend 2017 Capital Budget to Include Additional Equipment Replacement Projects

Motion:

That Council amend the 2017 Capital Budget to include the replacement of Unit 75 Utility Vehicle in the amount of \$32,000 and Unit 103 Turf Vacuum in the amount of \$40,000, to be funded from the Equipment Replacement Reserve.

Purpose:

The purpose of this report is to amend the 2017 Capital Budget to include new projects for the early replacement of Units 75 and 103 due to premature failure.

Background:

Unit 75 is a side-by-side utility vehicle used primarily by the Parks Services staff to clear and sand trails in the winter. In the summer the unit is used as a general utility vehicle and for weed control. The unit was purchased in 2010 with an anticipated replacement cycle of 8 years. This winter the transmission in the vehicle failed, requiring repairs estimated at \$12,000. The repair cost of the unit is approximately 4 times the estimated trade value of the vehicle if it was in running condition.

The replacement vehicle will be similar in nature, but over the last 8 years these vehicles have evolved into heavier duty work vehicles allowing some additional capability. The cost of replacement is \$32,000 with no trade value expected, however the unit will be put up for auction as is, to determine if any value can be gained.

Unit 103 is a turf vacuum used by the Parks Services staff to pick up leaves and small branches from the park areas in the City. The impellers on the machine mulch the material providing higher capacity and allow the material to break down within the City's compost piles. During annual winter maintenance of the machine it was discovered that the impellor and internal components of the machine require replacement. These repairs are estimated at \$7,000. As well, the metal housings have worn thin and are required to be rebuilt. The machine was purchased in 2005 with an expected life cycle of 15 years.

The proposed replacement unit will have a larger capacity, reducing the down time of offloading, and be constructed of heavier more durable materials. The replacement cycle on the equipment will also be adjusted to 12 years rather than the current 15. The replacement cost for the turf vacuum is \$40,000.

Financial Implications:

The Mobile Equipment Reserve was projected in the 2017 Budget to have a closing balance of \$632,000 at the end of 2017. These withdrawals will reduce the projected balance to \$550,000. By moving the replacements ahead in their life-cycle, the overall reserve balance will be slightly affected, however, it remains in a positive balance as it is projected through 2040.

The Replacement Program is being reviewed prior to the preparation of the 2018 Budget to ensure that adequate funds are being budgeted to replace the required equipment and that the contributions are being budgeted for accordingly.

Rental units are available and have been explored as options. The utility vehicle rental rate is \$2,900 per month. This unit is used year round, resulting in the cost to rent surpassing the cost to purchase within 1 year. The vacuum rate is \$4,000 per month on a rent-to-own program where 90% of the rate is applied to the purchase. The vacuum could be purchased through this program in just over 11 months, however this would cost the City an additional \$4,400 over an outright purchase.

The cost of rental units is not budgeted for in the Parks Operating Budget. The rent-to-own option would still require a Capital amendment as the dealer would be financing the purchase and it would need to be capitalized once complete.

Internal Impacts:

Without these pieces of equipment Parks Services will have a difficult time maintaining their service levels, resulting in an increase in citizen complaints. Rental units may then be required to fill the gaps in operations.

Recommendation:

That Council amend the 2017 Capital Budget to include the replacement of Unit 75 Utility Vehicle in the amount of \$32,000 and Unit 103 Turf Vacuum in the amount of \$40,000, to be funded from the Equipment Replacement Reserve.

File No.:

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Date: February 6, 2017

Reviewed by: Troy Fleming
Acting City Manager

Date: February 8, 2017

Submitted to: City Council

Date: February 14, 2017