

AGENDA

Joint Meeting

Eau Claire County
Committee on Finance and Budget
Highway Committee

721 Oxford Avenue
Eau Claire County Courthouse – Room 1301
Eau Claire, WI 54703

Tuesday, March 1, 2016 / 6:45 pm

1. Call Meeting to Order
2. Proposed Resolution / File No. 15-16/145 “Recognizing the Value of Leasing Instead of Purchasing Highway Equipment as a Viable Option” / Discussion – Action
3. Adjourn

Post: February 29, 2016

Copy: media, Committee on Finance & Budget members, Kathryn Schauf, Scott Rasmussen

PLEASE NOTE: Upon reasonable notice, efforts will be made to accommodate the needs of individuals with disabilities through sign language, interpreters or other auxiliary aids. For additional information or to request the service, contact the County ADA Coordinator at 839-4710, (FAX) 839-1669 or 839-4735, tty: use Relay (711) or by writing to the ADA Coordinator, Human Resources, Eau Claire County Courthouse, 721 Oxford Avenue, Eau Claire, WI 54703.

FACT SHEET

TO FILE NO. 15-16/145

The highway department has over 100 large pieces of equipment in its current fleet. Of those units the department has 56 dump/specialty trucks. These units range in age from 25 years old to two years old. The replacement funding available for these units is \$500,000.00 and each unit costs \$241,000.00. This means we can replace two dump trucks per year and puts my department into a fleet replacement program that will have 28 year old dump trucks. I've put together a detailed cost analysis on our current dump truck fleet and have summarized the results in the attached documents to share with you tonight. If we keep going in the same direction we will have a parts and maintenance cost that will deplete the funds that I currently use to replace the dump trucks by year 2020.

Leasing is a great option to get our equipment fleet updated and standardized. With older fleets of equipment the interest cost is cheaper to pay than the cost to maintain old and worn out equipment. The payment for a lease program is typically paid annually. Attached is a 10 year, 10 truck per year, outlay of how utilizing a lease option as part of a fleet management program can turn around a deficient equipment fleet. The 10 year replacement outlay shows the annual payment amounts and the cost savings/efficiencies that are possible with a well-managed equipment fleet program.

I look forward to updating our equipment fleet and generating savings that will be put back into the program for long term success and operation.

Fiscal Impact: \$372,373.00 – This amount is in the Highway Department budget for 2016.

Respectfully Submitted,

Jon Johnson
Highway Commissioner

2
3 - RECOGNIZING THE VALUE OF LEASING INSTEAD OF PURCHASING HIGHWAY
4 EQUIPMENT AS A VIABLE OPTION-
5

6 WHEREAS, the highway department currently has 112 large pieces of machinery in its
7 equipment fleet; and
8

9 WHEREAS, 56 of the 112 large pieces of equipment are vocational truck units in its dump
10 truck fleet, two of which are being replaced annually; and
11

12 WHEREAS, the current policy of annually replacing just two dump trucks in our aging fleet
13 will increase the parts and maintenance cost by \$90,000.00 each year and create a \$7.7 million dollar
14 deficit in the Machinery Fund by 2026; and
15

16 WHEREAS, replacing a dump truck unit through a lease program will provide operational
17 savings when the age of the existing fleet of vehicles is beyond its useful life; and
18

19 WHEREAS, financial lease programs can be utilized to help offset and restructure fleet
20 replacement deficiencies to a point where the cost of interest is much lower than the cost to keep
21 operating a piece of equipment that is beyond its useful life.
22

23 WHEREAS, on February 25, 2016 the finance and budget and highway committees approved
24 leasing as a viable option for the highway department fleet and specifically authorized leasing up to ten
25 (10) trucks for 2016 using existing funds in the highway department machinery fund.
26

27 NOW, THEREFORE BE IT RESOLVED that the Eau Claire County Board of Supervisors
28 recognizes the value of leasing instead of purchasing highway equipment as a viable option based
29 on a sound fiscal analysis.
30

31
32 I certify that the foregoing correctly represents
33 the action taken by the undersigned committee
34 on February 25, 2016 by a vote of 4 for, 0 against.

I certify that the foregoing correctly represents
the action taken by the undersigned committee
on February 25, 2016 by a vote of 3 for 0 against.

35
36
37
38 _____
39 Stella Pagonis, Chair
40 Committee on Finance & Budget
41

42 _____
43 Steve Chilson, Vice-Chair
44 Highway Committee
45

Analyses of Highway Department Dump Truck Replacement & Cost
Recommendation to keep a Fleet of Fifty (50) Dump Trucks Approximately Ten (10) Years
Seven (7) Year Lease Option

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2016 Leasing- 10 Units for 7 years	\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373				
2017 Leasing- 10 Units for 7 years		\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373	\$ 372,373				
2018 Leasing- 10 Units for 7 years *			\$ 396,577	\$ 396,577	\$ 396,577	\$ 396,577	\$ 396,577	\$ 396,577	\$ 396,577		
2022 Leasing- 10 Units for 7 years *							\$ 431,079	\$ 431,079	\$ 431,079	\$ 431,079	\$ 431,079
Total Replacement Costs	\$ 372,373	\$ 744,746	\$ 1,141,323	\$ 1,141,323	\$ 1,141,323	\$ 1,141,323	\$ 1,572,402	\$ 1,200,029	\$ 827,656	\$ 431,079	\$ 431,079
Budgeted Funds for Dump Trucks	\$ 500,000	\$ 500,000	\$ 525,000	\$ 525,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000
Initial Excess Funds (Shortfall)	\$ 127,627	\$ (244,746)	\$ (616,323)	\$ (616,323)	\$ (591,323)	\$ (591,323)	\$ (1,022,402)	\$ (650,029)	\$ (277,656)	\$ 118,921	\$ 118,921
Less: Savings on Parts/Maint	\$ 46,000	\$ 46,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Sale/Trade in Credits	\$ 106,000	\$ 200,000	\$ 380,000				\$ 640,000				
Other Savings/Fleet Efficiencies#	\$ 60,590	\$ 60,590	\$ 45,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Total Estimated Excess (Shortfall)	\$ 340,217	\$ 61,844	\$ (101,323)	\$ (491,323)	\$ (466,323)	\$ (466,323)	\$ (257,402)	\$ (495,029)	\$ (122,656)	\$ 273,921	\$ 273,921
Cumulative Est Excess (Shortfall)	\$ 340,217	\$ 402,061	\$ 300,738	\$ (190,585)	\$ (656,908)	\$ (1,123,231)	\$ (1,380,633)	\$ (1,875,662)	\$ (1,998,318)	\$ (1,724,397)	\$ (1,450,476)
Age of Vehicles:											
10 years or less	27	34	44	43	42	41	40	50	49	48	47
11-15 years	13	13	6	7	8	9	10		1	2	3
16+ years	10	3	0	0	0	0	0	0			
Total Vehicles	50	50	50	50	50	50	50	50	50	50	50

Notes:

* Adjustment in prices based on estimated increases in equipment costs, per Highway Commissioner.

This represents an estimated savings by not having "lost time" from having equipment out of service, per Highway staff.