



Date: April 30, 2014

To: Manager Giesbrecht, Mayor Jensen and Borough Assembly

From: Karl Hagerman, Public Works Director *KH*

Re: Motor Pool Budgetary Proposals for FY14 and FY15

As the FY15 budget has been developed, a number of equipment purchase issues have arisen that require concurrence or approval from the Assembly before they can be made a permanent part of the motor pool plan. Because a number of these items are on the May 5th Assembly agenda for consideration, I am supplying this report to discuss and clarify the motor pool's recommendations on these topics.

Public Works Motor grader purchase –FY14 Supplemental Budget and FY15 Proposed Budget

This purchase has been included in the proposed FY15 budget at a cost of \$310,000. The purchase was considered by the motor pool this year due to the Petersburg Indian Association's inquiry into buying the old grader and saving the Association a great deal in rental fees year after year. The Borough's grader is in good condition and would serve the tribe for many years without issue. The tribe is also able to purchase the unit for fair market value of \$100,000 – a situation that I have rarely seen when trying to sell heavy equipment in Petersburg. The motor pool has accrued funding in the replacement account for the grader purchase but the sales revenue from the old unit will offset a substantial portion of the purchase price.

During budget development, I had contacted NC Machinery to inquire about budgetary pricing for a new grader – in consideration of the State of Alaska's competitive bid award for similar equipment. This discussion led to the disclosure of the availability of an unused 2012 motor grader in the NC Machinery inventory that was built but never purchased. At the time, I disregarded the information as I didn't know what level of support I would have at the Assembly level for grader replacement.

After receiving support for the motor pool budget as presented in the budget work sessions, I started to seriously consider the 2012 grader purchase. The purchase is allowed by our cooperative purchasing code language (PMC 4.04.040.G). The purchase of the 2012 unit would save money (about 3.5%) over a 2015 model but it would also save a significant amount of time from order submission to delivery of the unit (approximately 9 months minimum). An earlier delivery would save PIA approximately \$20,000 in rental fees if a new grader can be delivered and our old unit can be sold to the tribe during the summer season. As the Assembly knows, I laid out a plan to Manager Giesbrecht to put a down payment on the new grader in order to retain the unit and not have it sold out from underneath the Borough as the budget process moves forward. The Manager is very supportive of the purchase scenario – as long as the Assembly continues to support the overall strategy of replacing our grader at the present time. This has led to two items on your agenda:

FY14 Supplemental Budget Item: Approval of a down payment of \$26,042 to NC Machinery to hold the 2012 grader until the FY15 budget is approved. This payment has already been approved by the Manager and the machine is being held for Petersburg at this time. The down payment is fully refundable if the purchase is declined by the Assembly. Due to the fact that the motor pool replacement fund has funds available now for this purchase in total, it remains an option to fund the entire purchase through the supplemental FY14 budget for a cost of \$262,000 – the motor pool recommends this option but defers to the Assembly’s discretion on this matter. To fully fund the purchase in the supplemental budget, a motion must be passed to amend the supplemental budget ordinance in the second reading.

FY15 Proposed Budget adjustment: The Motor Pool proposed budget for FY15 has been amended to reflect the final purchase price of the 2012 grader, minus the down payment. The previous budget was \$310,000 and the amended budget will be \$236,000. This does not take into account the \$100,000 that will be received through the sale of the old unit. If the new unit was funded through the FY14 supplemental budget, the entire amount of the purchase would be eliminated from the FY15 budget.

Parks and Recreation Motor Pool Considerations - FY15 Proposed Budget

The approved replacement of the Mountain View Manor (MVM) van with matching grant funds has presented an excellent opportunity for Parks and Recreation (PR) to upgrade their passenger van. The current PR van was purchased as a used unit and it has served the department and Borough well, but planning and funding had already started for the inevitability that it was nearing the end of its useful life. The fact that the old MVM van is in much better condition than the PR van caused the motor pool to look at upgrading PR, reimbursing MVM for the value in their old van, selling the old PR van and entertaining a request to use the net balance of replacement funds to purchase a trailer that will aid P&R’s outdoor recreation programs. Attached is a memo from Director Hayes detailing his position on the upgrade of his van and the request for consideration of inclusion of a kayak/canoe trailer in the FY15 motor pool budget for a purchase price of \$4,000.

As the van transfer from MVM would be an entirely internal process – essentially just changing two numbers on a motor pool spreadsheet – the transfer of the van to PR can occur without any changes to the budget. However, the trailer purchase is a new expense and must be approved in the budget. The motor pool recommends that the van transfer and trailer purchase be approved by the Assembly for FY15.

Thank you for consideration of these items.