



## MEMORANDUM

TO: SLDMWA Finance and Administration Committee/Board of Directors, Alternates

FROM: Frances Mizuno, Assistant Executive Director

DATE: June 3, 2019

RE: Purchase of Second Motor Grader in Fiscal Year 2020

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### **BACKGROUND**

The Water Authority maintenance operations require the replacement of two motor graders to maintain 150 miles of canal roads. These graders were both originally purchased in 1992-1993 and are due for replacement. The current FY20 O&M budget included a line item of \$345,000 to purchase one of these graders with the second grader scheduled to be budgeted and replaced in FY21. The low bid for the purchase of the FY20 grader was \$283,000 with the next bid at \$305,090. The vendor, Pape Machinery was able to get discounts this year that may not be available next year. It is anticipated that the price next year will likely increase up to 5 percent. Pape has offered the Water Authority the option to purchase a second motor grader this year on credit (zero-interest) with a balloon payment due in March 2020 so that we can take advantage of the 2019 pricing. This will allow the Authority to budget the necessary funds in the FY 21 O&M budget to make the balloon payment in March, 2020. The net loan required would be \$256,000 as Pape is providing \$27,000 trade-in value on the existing grader.

### **ISSUE FOR DECISION**

Whether to recommend to the Board of Directors approval to purchase a second motor grader for \$283,000 using a zero-interest loan, with a net loan amount of \$256,000 (assuming \$27,000 trade-in value on the existing grader).

### **RECOMMENDATION**

We recommend the Finance and Administration Committee recommend to the Board the purchase of the second motor grader in FY20 for \$283,000 using a zero-interest loan, with a net loan amount of \$256,000 (assuming \$27,000 trade-in value on the existing grader).

### **ANALYSIS**

Purchasing the second motor grader for \$283,000 with a zero-interest loan with a balloon payment in March, 2020 is will allow the Authority to take advantage of the very competitive pricing in 2019. In addition, it is advantageous to have the two motor graders be the same to maintain consistency in the equipment fleet.