



Midpeninsula Regional
Open Space District

R-14-26
Meeting 14-06
February 12, 2014

AGENDA ITEM 4

AGENDA ITEM

Construction Equipment Lease Agreement for Mt. Umunhum Trail

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manager to enter into an agreement with Caterpillar Financial Services Corporation to lease a CAT 103.7 excavator for a period of 18 months for an estimated \$17,650 but not to exceed \$19,000, with the option to purchase the equipment for an estimated \$14,800, but not to exceed \$17,000 at the end of lease period.

SUMMARY

At its September 19, 2012 meeting for the Mount Umunhum Environmental Restoration and Public Access Project (Project), the Board approved a multi-use trail to the Mount Umunhum summit (R-12-91). In 2013, the Board of Directors adopted a resolution accepting a State Coastal Conservancy (SCC) grant of \$1,000,000 to help fund implementation of the Project, including construction of the multi-use trail (R-13-45). Construction of the nearly four-mile long trail has commenced, and all work is anticipated to be completed by April 2017 by Foothills field staff. In order to implement trail construction while simultaneously carrying out other core Operations functions, a separate piece of equipment is required. A lease agreement of \$17,650 with an option to purchase is the most cost effective option for the District compared to a monthly rental for the life of the Project.

DISCUSSION

The District currently owns a piece of trail building equipment called a mini excavator that is widely used for trail construction. This lease would be for a second, updated piece of the same equipment. The versatility of the equipment lends itself for use in a variety of core functions carried out by field staff, such as ditch clearing, culvert replacement, etc. Because this equipment is very versatile, it is now used continuously in the Foothills area for routine projects. Since the existing mini excavator will be in use for at least 18 months on the Mt. Umunhum Trail, it will be unavailable for other regular work required in the Foothills area.

The District's existing mini excavator was purchased under a similar lease agreement and purchase option by the Operations Department in 2005. The "rent-to-own" arrangement successfully leveraged District funds to obtain that piece of equipment. In this case, if the District entered into a lease agreement, it would leverage SCC grant funding towards future District ownership of the equipment.

The SCC grant authorizes reimbursement of equipment *rental fees*, but will not reimburse equipment *purchase*. Foothills Field Office staff investigated the feasibility of entering into a lease agreement to rent the equipment for a period of 18 months with the option to purchase at the end of the lease, versus the monthly cost to rent without a lease agreement. They found the lease agreement had the following advantages:

1. Monthly rental rates are less than half what they would be under a standard lease agreement (\$980.40 per month versus a \$2,375.00 quote for standard monthly rental from another vendor); these fees would be reimbursed by the SCC grant.
2. The purchase option price at the end of the lease would be less than half the cost of a new piece of equipment (\$15,000 versus \$30,000), saving the District nearly \$15,000 compared to purchasing the equipment new.
3. Since the monthly rental fees would be cut in half, SCC grant funds could be further leveraged to allow for more work on other elements of the Project beyond the trail construction.

FISCAL IMPACT

The SCC grant funds would cover the cost of the 18-month rental, estimated to be \$17,650 and the Operations Department would request an estimated \$14,800 not to exceed \$17,000 for the remaining cost of the equipment as part of their FY2015-16 Annual Budget.

BOARD COMMITTEE REVIEW

No Committee meetings were required for this item.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

Entering into a lease/purchase option agreement for construction equipment does not constitute a project under the California Environmental Quality Act (CEQA), as it will not result in a direct physical change in the environment.

NEXT STEPS

Operations Department staff will pursue a lease agreement with Caterpillar Financial Services Corporation for \$17,650 with an option to buy at the end of the term.

ATTACHMENT

1. Picture of CAT 301.7 excavator

Responsible Department Head:
Brian Malone, Acting Operations Manager

Prepared by:

Michael Jurich, Acting Support Services Administrator, Operations
Meredith Manning, Co-Acting Planning Manager and Senior Planner

Contact person:

Michael Jurich, Acting Support Services Administrator, Operations

Construction Equipment Lease Agreement for Mt. Umunhum Trail

Attachment 1

Picture of CAT 301.7 Excavator

