

**COUNCIL ACTION FORM****SUBJECT:** ELECTRIC SERVICES FLEET REPLACEMENTS**BACKGROUND:**

With the conversion of the Power Plant to natural gas, Electric Services' fleet needs have changed. This change is due to the elimination of the responsibility to handle coal and ash by large construction vehicles.

The most significant changes will be evident at the Power Plant. Staff has identified three pieces of equipment to dispose of including: coal loader, coal dozer, and water truck. The coal loader will be replaced by a skid steer while the other two units will not be replaced by any other equipment. All three units will be sold; however, the coal loader will be sold to Resource Recovery and Public Works. **Including the resale proceeds on this equipment, there is now \$707,576 in escrow from these three units available to purchase other needed equipment or be returned to the Electric Fund.**

For new purchases and upgrades, Electric Services is requesting a skid steer to replace the loader, a new all-terrain forklift, a new 45 foot articulating boom lift, an extend a fork pallet jack, an electric pallet jack, and upgrading the replacement of the dump truck to include a plow.

The skid steer in combination with the upgrade to the dump truck will replace the loader activities such as minor dirt work, spreading rock, and plowing snow at the ash pond. The new all-terrain forklift will replace a smaller unit already at the Plant. This unit is used for loading and unloading trucks, placing equipment, lifting equipment for repair in bad terrain areas, and handling bags at the ash pond. The 45 foot articulating boom lift will be a new unit. This will be used inside the Plant on the turbine deck to service the overhead cranes, lights, heaters, electrical, and steam systems. It will also be used outside for repairs on the ash silo, transformers, precipitator, cooling towers, cameras, lights, and a small amount of equipment. The extend a fork pallet jack and electric pallet jack are replacing units currently in the Power Plant that are not part of the fleet and are considered Plant equipment. In other divisions of Electric Services, the only change requiring funding is for the replacement of a cable puller that has insufficient funds. The other changes are updating the costs for two van replacements but these units all have sufficient funding.

The table below shows the capital needed:

Unit	Upgrade/New	Cost
Existing Dump Truck	Upgrade	\$ 20,000
Cable Puller	Upgrade	23,000
All terrain forklift, 55' reach	New	110,000
45' Articulating Boom Lift	New	85,000

Extend-a-fork Pallet jack	New	12,000
Electric Pallet jack	New	7,000
Skid Steer	New	60,000
<b>Total</b>		<b>\$ 317,000</b>

As shown above, the suggested new purchases will cost an additional \$317,000. It is recommended that the \$707,576 in escrow for items taken out of service be used to fund these costs. With the disposal of the coal dozer and loader and the other changes noted above, it is anticipated that the net effect will be to return approximately \$390,000 to the Electric Fund balance.

This approach does not require the capital expense to be placed in Electric Services' Production Division's operating budget, but does increase yearly escrow costs by \$28,068 from FY 2016/17 Adopted to FY 2017/18 Adopted. By contrast, the annual operating and maintenance costs are estimated to decrease by approximately \$34,000 over the same time period.

**ALTERNATIVES:**

1. Authorize the upgrades and new purchases for Electric Services to be paid with monies previously accumulated in the Fleet Replacement Fund for units being taken out of service.
2. Do not authorize these equipment purchases.

**CITY MANAGER'S RECOMMENDED ACTION:**

The Power Plant's conversion to natural gas resulted in significant operational changes that led to a need to better align fleet equipment with the Plant's activities. Using accumulated replacement funds from the old equipment means that the operating budget need not be increased. Once the purchases are completed, the remaining balance of depreciation funds totaling approximately \$390,000 will be transferred from the Fleet Replacement Fund back to the Electric Fund balance.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.