

DATE: February 16, 2021
REPORT NO: PW-01-2021
SUBJECT: **2021 Capital Budget for Plow Trucks**
CONTACT: Mike DiPaola, P Eng., Director of Public Works & Recreation
Steve McGean, ORO, CRSS, Manager of Operations

OVERVIEW:

- As part of the Township's Equipment Capital Budget, Council approves funding for the replacement of Plow Trucks. Staff then drafts and circulates tender documents for the purchase of the new trucks annually when it is required.
- The impact of the COVID-19 pandemic has dramatically increased the time it takes to receive a plow truck after it is ordered.
- The normal manufacturing time previous to COVID-19 was between 8 to 12 months for a plow truck once ordered. The current manufacturing time is now 24 + months.
- The 2020 Capital Budget and Forecast, included 3 trucks over the next 3 years as follows:
 - 2021 - Project #255 - Replace Tandem Axle Plow Truck
 - 2022 - Project #608 - Addition to Fleet; Single Axle Plow Truck
 - 2023 - Project #265 - Replace Tandem Axle Plow Truck
- Due to the rationale laid out in this Report, the three plow trucks identified above have all been included as a 2021 Capital Expenditure Request

RECOMMENDATION:

1. That, Report PW-01-2021, re: 2021 Capital Budget for Plow Trucks, dated February 16, 2021 be received

ALIGNMENT TO STRATEGIC PLAN:

Theme # 6

- Efficient, Fiscally Responsible Operations

BACKGROUND:

Purchasing replacement or additional plow trucks is an on-going task funded by the Equipment Reserve fund and DC charges respectively. After a Truck Tender is awarded to a company, the delivery time of the trucks has been a fairly consistent time frame. Trucks are usually delivered between 8 to 12 months after ordering.

Once the Capital Budget is approved, tender documents are circulated, and the tender award is brought to Public Works Committee and Township Council for approval. Once the tender award is approved by Public Works Committee and Township Council, a purchase order is created and submitted to the successful Tenderer. This entire process is usually completed during the same year.

CURRENT SITUATION:

The COVID-19 Pandemic has forced many manufacturing plants to close for a period of time. These closures and other pandemic restrictions have had a serious ripple effect throughout the entire manufacturing process. Trucks that are ordered today now have an expected delivery date of 24+ months.

This now means that the Township will be getting trucks at least a year later than normally expected. This has significant impacts on the Township's fleet and creates a higher level of liability for the Township.

Trucks that are at/or near their life expectancy generally have a much higher failure rate and put the Township at risk. The demand for plow trucks is currently very high and has driven the prices in an upward fashion beyond normal inflation increases.

The 2020 Capital Budget and Forecast, included 3 trucks over the next 3 years as follows:

- 2021 - Project #255 - Replace Tandem Axle Plow Truck
- 2022 - Project #608 - Addition to Fleet; Single Axle Plow Truck
- 2023 - Project #265 - Replace Tandem Axle Plow Truck

In an effort to secure lower prices and reduce the Township's risk for liability; Staff have included the three plow trucks mentioned above in the 2021 Capital Budget. This approach and strategy will secure our place in the manufacturing process to ensure the Township receives the necessary trucks when they are needed.

Trucks that are ordered do not have an immediate financial impact. Payment for trucks is due upon delivery, not when the truck is ordered. Since the manufacturing timeline is currently in the order of 24+ months, the delivery date for the trucks ordered in 2021 will be circa 2023.

This plan and approach would have no extra financial impact and would provide for better pricing, as the Township could leverage economies of scale and secure 2021 prices. This plan would also keep the Township's fleet at an optimal service level and avoid more risk and liability.

Some municipalities take this approach to purchasing plow trucks. The City of Hamilton and the City of Burlington are a couple good examples and they generally commit to a 5 year tender document which allows them to purchase plow trucks in a 5 year period from one tender document. This method assures lower pricing and the ability to fluctuate purchasing with changing market conditions.

FINANCIAL IMPLICATIONS:

The 2020 Capital Budget and Forecast included the following plow trucks in the first 3 years as follows:

2021

- Project #255
- Tandem Axle Plow Truck Replacement
- \$315 000 transfer from Equipment Reserve

2022

- Project #608
- Single Axle Plow Truck Addition to Fleet
- \$300 000 transfer from DC Charges Roads

2023

- Project #265
- Tandem Axle Plow Truck Replacement
- \$320 000 transfer from Equipment Reserve

As per the rationale laid out in this Report, the three plow trucks identified above have all now been moved to the 2021 budget year.

The Contribution to the Equipment Reserve over the years 2021 to 2023 is planned to ensure that sufficient funds are in place at the time of anticipated delivery in 2023.

INTER-DEPARTMENTAL COMMENTS:

This report has been reviewed with the Treasurer/Director of Finance and CAO.

CONCLUSION:

In an effort to secure lower prices and reduce the Township's risk for liability; Staff have included the three plow trucks mentioned in this Report in the 2021 Capital Budget.


This approach and strategy will secure our place in the manufacturing process to ensure the Township receives the necessary trucks when they are needed.

Prepared & Submitted by:

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Approved by:

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