



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-258

SYNOPSIS -

AGENDA:

JUNE 7, 1999

SUBJECT:

**AUTHORIZATION
TO PREPAY AND
OWN RECYCLING
TRUCKS**

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

SUBMITTED BY:

**KEVIN RIPER
FINANCE
DIRECTOR**

At its April 19, 1999, meeting, the City Council approved a change in the schedule for the collection of recyclable materials from weekly collection to a bi-weekly (every two weeks) schedule (Roll Call No. 99-1189). As part of this schedule change, the Public Works Department anticipates the sale of equipment and reduction of the workforce will result in savings of approximately 70 cents per household per month.

The Public Works Department determined selling seven recycling trucks would leave the Department with an appropriate number of trucks to efficiently meet new service level requirements.

The recycling trucks used by the Public Works Department for recyclable collection are financed under a lease-purchase agreement with Norwest Investment Services. After all payments are made under this agreement, the City will own 15 recycling trucks and would then have the legal ability to sell some or all of the trucks. A separate lease-purchase agreement for one additional recycling truck will remain unchanged.

Three of seven payments remain on this payment schedule. Staff hereby requests Council authorization to pre-pay \$582,838.29 plus accrued interest and closing costs, resulting in the purchase of all 15 recycling trucks for the purpose of retaining eight and selling seven. While the City will only sell seven trucks, all 15 trucks are on the same lease-purchase agreement, and must be purchased together.

FISCAL IMPACT -

The cost of pre-paying (and thereby owning outright) 15 recycling trucks would be no more than \$582,838.29 plus accrued interest and closing costs, to be paid from the solid waste fund. The Public Works Department intends to return to Council to award to the highest bidder the sale of seven trucks

within the next several months.

RECOMMENDATION -

Approval.

BACKGROUND -

On October 24, 1994, the City entered into a lease-purchase agreement with Norwest Investment Services for 15 recycling trucks (\$1,206,195 principal). The City has made four of the seven payments for these trucks. After all seven payments (and an additional \$1), the City would retain ownership of all 15 vehicles necessary for the subsequent sale of any of the vehicles.

The City Council has since changed the recyclable collection schedule from weekly to bi-weekly. This change in service delivery has accordingly reduced the number of trucks needed for collection. Staff has determined the number of trucks needed for efficient recyclable collection and intends to sell seven of the unneeded recyclable trucks.

According to the terms of the lease-purchase agreement that finances the recycling trucks, the City may pay a pre-determined termination value to purchase the vehicles earlier than anticipated in the original contract. Ending the contract and purchasing the vehicles would provide the City with the title necessary to sell seven of the recycling trucks. The terms of the contract with Norwest require a 30-day notice of intent to purchase the vehicles and terminate the contract ahead of schedule.