



Memo

To: Board of Directors
From: Coreena Fetterhoff, Controller / Jason Temple, Public Works Director
Date: March 3, 2021
Re: Status update regarding Side Loader Sanitation transition

The POA staff wants to provide the board with a status update on the progress with the sanitation transition and reinforce the need which became more apparent during the recent snowstorm.

Staff presented the sanitation plan at the February board meeting, this included the proposed purchases along with the proposed financing option. Upon approval by the board to pursue the transition we began the application process with the bank for financing. This allowed us to uncover that there was an assumption made that the POA is a tax-exempt entity. This assumption had an impact on applicable sales taxes and the proposed interest rate. The sales tax and registration fees are estimated to cost \$80,000 and the interest rate is expected to increase approximately 1%.

Regarding the sales tax implications, we are proposing to purchase 20 -yard capacity vs. the originally proposed 22 -yard capacity side loaders. This change allows us to avoid the Federal Excise Tax (which applies to truck purchases that weigh over 33,000 lbs.) that would be imposed at a rate of 12% in addition to the \$76,000 for state sales tax plus registration fees totaling \$80,000 as noted above. This change also reduced the overall purchase price from the original amount of \$1,209,208 down to \$1,159,587, a decrease of roughly \$50,000. Reflecting an estimated overall difference of \$30,000 additional cost from the original proposal. Purchasing the 2022 20-yard trucks vs the 2021 22-yard trucks allows us to have a shortened lead time down to 4 months from 6 months. In addition, this reduces the time constraints on execution due to limited availability of the 2021 model. This will allow us to begin saving labor cost and improve efficiency faster. The change in truck size will not have a significant impact on productivity levels, as it will result in only a few less cart loads per truck.

In response to the interest rate changes, we are working with Regions, Arvest, and US Bank on financing to utilize the best financing option available. This is a large purchase and these partners are working hard to provide us the most competitive financing available. We have received options ranging from 2.85% to 3.25% depending on terms with limited fees and no payoff penalty. The expected overall impact to the monthly payment is between an estimated

savings of \$1,500 to additional cost of \$1,500 depending on which options are executed.

An option to cover the additional expense can be removing the pothole patch trailer, the least critical capital budgeted item. Staff is also evaluating the option to purchase the Grapple truck without financing to save the applicable interest expense.

In conclusion, through the process of moving forward with this project and revealing the tax implications we are modifying and reviewing the best alternatives to meet, if not reduce, the expected costs from the original proposal. This remains a time sensitive matter, but we can review with the F & P committee before final execution, if needed.