PRRIP – ED OFFICE MEMORANDUM

TO: FINANCE COMMITTEE

FROM: EXECUTIVE DIRECTOR'S OFFICE

SUBJECT: PROGRAM WORK TRUCK PURCHASE

DATE: APRIL 19, 2011

The lease for the 2008 Chevrolet 2500HD Program work truck ends in August of 2011. The ED office is requesting Finance Committee approval to turn in the lease truck and proceed with the purchase of a new work truck. A total of $45,000 is budgeted for truck replacement in Line Item PD-18, "AMP-Related Equipment." The ED office has performed a duty-cycle cost comparison for acquisition of a new work truck (Chevrolet, Ford or Toyota) versus purchase of the existing truck at the end of the lease. Based on this comparison, we recommend that the FC authorize the ED office to procure a 2011 Toyota Tundra. The Program has requested quotes from three dealerships and recommends purchase from Cornhusker Toyota of Grand Island at a price of $30,850. Total truck replacement cost including purchase, taxes, licensing, work accessories, and lease truck turn in wear-and-tear fees is expected to be approximately $38,500. The remainder of this memorandum provides information in support of this recommendation.

Option 1 - New Truck Purchase

The ED office would replace the lease truck with a ½ ton model which would offer increased fuel economy while maintaining sufficient trailering capacity for Program needs. The ED office solicited manufacturer's suggested retail prices (MSRP) and purchase incentives for base-model 2011 four-wheel drive, four-door, Chevrolet, Ford and Toyota trucks with trailering package and locking rear (and front if available) differential. The Toyota Tundra has the lowest purchase price as well as the highest performance rating and most base-model features including a limited-slip front differential which was not available from Ford or Chevrolet.

Option 2 - Existing Lease Truck Purchase

The Program has the option to purchase the existing four-door ¾ ton Chevrolet 2500HD at the end of lease for $24,000. The truck is a 2008 model and will have approximately 40,000 miles on the odometer at turn-in. This is within the lease agreement and the Program would not be assessed a mileage penalty. The ED office anticipates wear-and-tear charges on the order of $2,000 - $3,000. If the Program purchases the truck, wear and tear penalties would be waived. The truck's transfer case failed at approximately 20,000 miles and was rebuilt under warranty.

Life-Cycle Cost Comparison

The ED office performed a basic life-cycle cost comparison to help determine whether it would be more cost-efficient to purchase a new work truck or buy the existing truck at the end of lease. The analysis includes several assumptions which are noted. The major assumptions include a life-cycle of 100,000 miles and yearly mileage estimate of 20,000 miles. The life-cycle estimate is primarily due to the difficult

driving conditions in and around the Platte River that result in significant drive-train wear and tear. Although the life-cycle was estimated to be 100,000 miles, increasing to 150,000 miles does not change the results of the comparison. The results are presented in Table 1.

Table 1 – Program Work Truck Life-Cycle Cost Comparison

Cost Analysis Input		
Tax & License (% of Purchase)		10%
Gas Price (per gallon)	$	3.65
Yearly Mileage		20,000
Trade-in Miles		100,000
2500HD MPG		11
Tundra MPG		15
Trade-In Value 2500HD	$	12,000
Trade-In Value Tundra	$	12,000

Cost Analysis*	**2500HD**		**Tundra**	
Year		2008		2011
Existing Mileage		40,000		100
Purchase Price	$	24,000	$	30,850
Tax & Registration	$	2,400	$	3,085
Lease Turn-In Fees**	$	-	$	3,000
Misc. Costs***	$	800	$	1,500
Purchase Cost	*$*	*27,200*	*$*	*38,435*
Estimated Trade-In Value	$	12,000	$	12,000
Capital Cost	***$***	***15,200***	***$***	***26,435***
Estimated Annual Gas Cost	*$*	*6,636*	*$*	*4,867*
Life-Cycle Years		3		5
Cost per Life-Cycle Year	**$**	**11,703**	**$**	**10,153**

*Service costs not included in analysis.
**Wear-and-tear lease turn-in fees for 2500HD.
***Tires, winch, etc.