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THE STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION



FIS 23-248 Revised Late Item

William Cass, P.E. Commissioner

David Rodrigue, P.E. Assistant Commissioner Andre Briere, Colonel, USAF (RET) Deputy Commissioner

The Honorable Ken Weyler, Chairman Fiscal Committee of the General Court and

Division of Operations August 3, 2023

His Excellency, Governor Christopher T. Sununu, and the Honorable Council State House Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to RSA 228:12, authorize the Department of Transportation to transfer \$4,823,025 from the Highway Surplus Account to fund the purchase of 66 backhoes coming off of lease effective upon Fiscal Committee and Governor and Council approval through June 30, 2024. 100% Highway Funds.

Funds are to be budgeted as follows:

From: 04-096-096-960015-363615-0000 Highway Surplus Account \$4,823,025

Table with 4 columns: Account Number, Current Budget FY2024, Requested Change, Revised Budget FY2024. Rows include Mechanical Services, Expenses, and various line items like Personal Services, Equipment, and Consultants.

04-096-096-960515-3005	Current Budget FY2024	Requested Change	Revised Budget FY2024
060 500601 Benefits	2,678,710	0	2,678,710
066 500543 Employee Training	17,750	0	17,750
070 500704 In-State Travel Reimbursement	1,000	0	1,000
080 500713 Out of State Travel Reimbursement	10,875	0	10,875
103 500741 Contracts for Op Services	31,000	0	31,000
Total	\$26,230,928	\$4,823,025	\$31,053,953
Source of Funds			
Revenue:			
004 408189 Intra Agency Income	\$648,585	\$0	\$648,585
009 407228 Agency Income	585,000	0	585,000
00C 401350 Agency Indirect Cost Recovery	227,365	0	227,365
00D 488544 Fed Rev Xfers from Other Agencies	1,380	0	1,380
00S 000015 Highway Funds	24,768,598	4,823,025	29,591,623
Total	\$26,230,928	4,823,025	\$31,053,953

EXPLANATION

The Department requests authorization to transfer from the Highway Surplus Account, the amount of \$4,823,025 for the purchase of loader backhoes used for highway maintenance into the Mechanical Services budget. Specific explanations relating to the Department's spending request is as follows:

Mechanical Services (3005) 2.5% Intra Agency Income, 2.2% Agency Income, 0.9% Agency Indirect Cost Recovery and 94.4% Highway Funds

Class 030 Increase Equipment New / Replacement by \$4,823,025

The Department is currently leasing sixty-six (66) loader backhoes. These leases expire in the Spring of 2024. The Department has been leasing backhoes for the past ten years and has previously put forth an item to enter into a new five-year lease with a value of \$7.4 million in total. This item was rejected as the Department could demonstrate significant savings of approximately \$5 million over the machines' lifecycle by purchasing the equipment coming off of lease. Please see the attached cost comparisons.

The Department is therefore requesting the authority to purchase the existing loader backhoes at lease end. This request includes the purchase of the equipment, a 5-year warranty for each machine covering powertrain (engine, transmission, axle, etc), electrical and structural failures, and the continuation of an existing service agreement for periodic on-site service (lube, oil, filter, fluids, etc) as well as milestone services (500-hour, 1,000-hour, 1,500-hour, etc).

There are six District Offices across the state with 88 Patrol Sheds spread throughout these Districts that serve the maintenance needs of road surface transportation for the State. The crews at these locations perform varied activities including plowing, sanding and de-icing during snowstorms, ditching, drainage and culvert repairs, tree cutting and removal, and road restoration following washouts and other State emergencies.

In order to perform their duties, crews rely on loader backhoes on a regular basis, which are notable for their versatility and mobility in traveling to work locations immediately to address many maintenance concerns. They are

used to perform road maintenance tasks throughout the year, most notably during the winter season loading salt into plow trucks for distribution to road surfaces.

While the Department has budgeted funds to complete the equipment lease agreement in fiscal year 2024 and to enter into a similar lease agreement pursuant to this lease, it does not have the budgeted funds required to purchase this equipment and is therefore requesting Highway Funds to complete this purchase. Per usual, any excess funds will be returned to the Highway Fund. Please see the attached surplus schedule for available balances.

Your approval of this resolution is respectfully requested.

Sincerely,

A handwritten signature in cursive script that reads "William Cass".

William J. Cass, P.E.
Commissioner

Attachment

Surplus Statement - Highway Fund

Fiscal Years 2021-2022 Actual 2023 Adj Auth Budget and 2024/2025 Approved Budget

(expressed in millions)

	Actual Per ACFR	Actual Per ACFR	Adj Auth Budget ⁽¹⁾⁽²⁾	Budget Approved ⁽²⁾	Budget Approved ⁽²⁾
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Undesignated Fund Balance, July 1 (Budgetary)	\$ 63.7	\$ 69.9	\$ 147.8	\$ 120.2	\$ 80.4
Additions:					
Unrestricted Revenue					
Gasoline Tax	118.4	124.1	124.3	125.0	125.6
Motor Vehicle Fees (actual includes Plea by Mail / Real ID)	130.0	133.3	133.2	133.6	133.5
Other	0.5	0.8	0.2	0.2	0.2
Less: Cost of Collection, net of lapse-DOS	(27.1)	(26.2)	(31.5)	(34.0)	(34.5)
Other Credits (FY21 \$8.1M; FY22 \$50M and FY23 \$10M)	8.1	50.0	10.0	-	-
Total Additions	229.9	282.0	236.2	224.8	224.8
Deductions:					
Appropriations Net of Estimated Revenues-DOT	(230.5)	(190.5)	(224.6)	(237.8)	(241.4)
Appropriations Net of Estimated Revenues-DOS/Other	(34.3)	(35.5)	(38.8)	(42.3)	(45.6)
Payroll Increase - FY 24-25				(9.3)	(11.3)
Misc Budget Adjustments			(2.3)		
Appropriations Net of Estimated Revenue SUBTOTAL	(264.8)	(226.0)	(265.7)	(289.4)	(298.3)
Additional Appropriations:					
Transfer from Highway Surplus - Winter Maintenance RSA 228:12	(5.0)	(3.4)	(9.7)		
Transfer from Highway Surplus - Winter Maintenance Retention Bonus	-	-	(4.3)		
Less Lapse ⁽³⁾:					
Lapse-DOT ⁽⁴⁾	41.3	24.0	13.5	22.3	22.8
Lapse-DOS/Other	6.8	0.2	4.0	4.0	4.0
Subtotal Lapse	48.1	24.2	17.5	26.3	26.8
Other (Debits)	(2.0)	1.1	(1.6)	(1.5)	(1.5)
Total Deductions	(223.7)	(204.1)	(263.8)	(264.6)	(273.0)
Current Year Activity	6.2	77.9	(27.6)	(39.8)	(48.2)
Total Fund Balance, June 30 (Budgetary)	69.9	147.8	120.2	80.4	32.2
GAAP and Other Adjustments	(34.6)	(36.1)	(22.5)	(25.0)	(25.0)
Undesignated Fund Balance, June 30 (GAAP)	35.3	111.7	97.7	55.4	7.2

Notes

⁽¹⁾ Actual FY 2023 data to be available once ACFR is published. Adjusted authorized budget used.

⁽²⁾ Source: https://www.gencourt.state.nh.us/LBA/Budget/operating_budgets/2024-2025/House_Finance/Highway%20Surplus%204-6-23.pdf

⁽³⁾ DOT Highway Fund lapse for FY 2023 is estimated to be \$44.7M. This is not represented in this grid. Assuming the DoS lapse and the projected GAAP adjustments align with grid figures, the Highway Fund balance at the end of FY2025 would be anticipated to be approximately \$38M.

⁽⁴⁾ Lapse split between agencies unknown at the time this chart was developed. Assumed 100% increase in lapse targets belongs to DOT.

Backhoe Lease vs. Purchase vs Buyout

	New Lease with Milton Cat			New Purchase with Milton Cat			Purchase of Equipment going off lease		
	Per Unit Cost	# of Units	Total Cost 60 Months	Per Unit Cost	# of Units	Total Cost 60 Months	Per Unit Cost	# of Units	Total Cost 60 Months
Cash Outlay									
Purchased Equipment Price	Same as new purchase			\$147,350	67	\$9,872,450	\$63,206	66	\$4,171,596
Leased Equipment Price:	\$97,986	67	\$6,565,062						
5 Year Warranty:	\$0	67	\$0	\$4,400	67	\$294,800	\$9,780	66	\$645,480
5 Year Maintenance Plan:	\$12,176	67	\$815,819	\$10,000	67	\$670,000	\$0	66	\$0
Total Cash Outlay (5 years):	\$110,162	67	\$7,380,881	\$161,750	67	\$10,837,250	\$72,986	66	\$4,817,076
Interest (within the lease)									
Equipment			\$2,422,179						
Maintenance Agreement			\$151,452	Assumes outright purchase - no debt or interest incurred.			Assumes outright purchase - no debt or interest incurred.		
Total Interest (within the lease)			\$2,573,631						
Residual Value in 2028:	\$72,507	67	\$4,857,969	N/A			N/A		
Resale Potential in 2028:		N/A		\$73,675	67	\$4,936,225	\$39,226	66	\$2,588,916
Estimated Lifespan*	Backhoe maintenance increases significantly after 6,000 hours and need to be replaced prior to 9,500 hours. After 6,000 hours, 20% of engines require major repair or replacement. Axle life in heavy duty work can affect 19% of large costs.								
Equipment Age in 2028:	5 Years			5 Years			10 Years		
Average Estimated Hours/Unit in 2028:	1765			1765			3530		
Average Estimated Downtime during next 5 years:							Based on industry maintenance guidelines, we can expect some units exceeding 3500 hours to need major components repaired/replaced with downtimes of up to 4 - 8 weeks.		

60 month/4000 additional hours of PT&H coverage including \$6,000 of travel and mileage.
Vendor states that maintenance agreement is paid for up to 6500 hours and would result in a \$0 contract.

Residual is based on 25%/first year and 10%/ensuing years for lease; for purchase must minimally break even on purchased equipment- depreciation is straight line, 10 year life

Historically, items hold resale value very well; however known problems with equipment having over 4,000 hours which may affect ability to sell equipment at 10 year life.

* Based on industry source data from Thompson Tractor and Conequip.com

DEALER_NUMBER	CONTRACT_NUMBER	CAPTURE_TIME	ENGINE_HOURS	MAX_CONTRACT_HOURS	REMAINING_OR_EXCESS_HRS	EXCESS_USE_CHRG_AMT	CURRENT_EXCESS_USE_CHARGE	ANNUAL_HOUR_PACE	COMMENCEMENT_DATE	MAX_TERMINATION_DATE	YR_OUT_DATE	CONTRACT_TERM	ASSET_MAX_HOURS	OVER_UNDER_PACE	PROJECTED_HOURS_UTILIZED	PROJECTED_UTILIZATION
176366	030-0062831-003	6/18/2023 18:11	1802	5000	3198	25	0	424.347	3/21/2019	3/21/2024	3/22/2023	60	1000	-2440	2124	-2876
176366	030-0062831-003	6/21/2023 17:31	2171	5000	2829	25	0	510.248	3/21/2019	3/21/2024	3/22/2023	60	1000	-2079	2554	-2446
176366	030-0062831-003	6/22/2023 19:21	1277	5000	3723	25	0	299.939	3/21/2019	3/21/2024	3/22/2023	60	1000	-2976	1501	-3499
176366	030-0062831-003	6/22/2023 19:33	1980	5000	3020	25	0	465.058	3/21/2019	3/21/2024	3/22/2023	60	1000	-2273	2328	-2672
176366	030-0062831-003	6/20/2023 15:14	1445	5000	3555	25	0	339.835	3/21/2019	3/21/2024	3/22/2023	60	1000	-2802	1701	-3299
176366	030-0062831-003	6/20/2023 17:47	1317	5000	3683	25	0	309.733	3/21/2019	3/21/2024	3/22/2023	60	1000	-2930	1550	-3450
176366	030-0062831-003	6/22/2023 20:33	2995	5000	2005	25	0	703.459	3/21/2019	3/21/2024	3/22/2023	60	1000	-1258	3521	-1479
176366	030-0062831-003	6/20/2023 20:11	2904	5000	2096	25	0	682.964	3/21/2019	3/21/2024	3/22/2023	60	1000	-1348	3419	-1581
176366	030-0062831-003	6/22/2023 10:49	2259	5000	2741	25	0	530.589	3/21/2019	3/21/2024	3/22/2023	60	1000	-1994	2656	-2344
176366	030-0062831-003	6/22/2023 20:03	1915	5000	3085	25	0	449.791	3/21/2019	3/21/2024	3/22/2023	60	1000	-2338	2251	-2749
176366	030-0062831-003	6/22/2023 19:47	1394	5000	3606	25	0	327.42	3/21/2019	3/21/2024	3/22/2023	60	1000	-2859	1639	-3361
176366	030-0062831-003	6/22/2023 18:31	1397	5000	3603	25	0	328.124	3/21/2019	3/21/2024	3/22/2023	60	1000	-2856	1642	-3358
176366	030-0062831-003	2/6/2023 17:25	1760	5000	3240	25	0	453.032	3/21/2019	3/21/2024	3/22/2023	60	1000	-2121	2268	-2732
176366	030-0062831-003	6/22/2023 10:47	2305	5000	2695	25	0	541.393	3/21/2019	3/21/2024	3/22/2023	60	1000	-1948	2710	-2290
176366	030-0062831-003	6/15/2023 10:26	892	5000	4108	25	0	210.459	3/21/2019	3/21/2024	3/22/2023	60	1000	-3342	1053	-3947
176366	030-0062831-004	6/23/2023 18:52	747	5000	4253	25	0	182.5	5/21/2019	5/21/2024	5/22/2023	60	1000	-3342	914	-4087
176366	030-0062831-004	6/23/2023 14:39	2776	5000	2224	25	0	678.206	5/21/2019	5/21/2024	5/22/2023	60	1000	-1313	3395	-1605
176366	030-0062831-004	6/23/2023 18:16	2423	5000	2577	25	0	591.965	5/21/2019	5/21/2024	5/22/2023	60	1000	-1666	2963	-2037
176366	030-0062831-004	6/16/2023 18:05	1849	5000	3151	25	0	453.857	5/21/2019	5/21/2024	5/22/2023	60	1000	-2221	2272	-2728
176366	030-0062831-004	6/14/2023 14:58	1539	5000	3461	25	0	378.273	5/21/2019	5/21/2024	5/22/2023	60	1000	-2525	1893	-3107
176366	030-0062831-004	6/22/2023 10:51	2257	5000	2743	25	0	551.778	5/21/2019	5/21/2024	5/22/2023	60	1000	-1829	2762	-2238
176366	030-0062831-004	6/19/2023 12:45	2026	5000	2974	25	0	496.302	5/21/2019	5/21/2024	5/22/2023	60	1000	-2052	2484	-2516
176366	030-0062831-004	6/21/2023 19:07	1031	5000	3969	25	0	252.222	5/21/2019	5/21/2024	5/22/2023	60	1000	-3052	1262	-3738
176366	030-0062831-004	6/22/2023 18:57	1582	5000	3418	25	0	386.758	5/21/2019	5/21/2024	5/22/2023	60	1000	-2504	1936	-3064
176366	030-0062831-004	6/23/2023 13:56	1290	5000	3710	25	0	315.161	5/21/2019	5/21/2024	5/22/2023	60	1000	-2799	1578	-3422
176366	030-0062831-004	6/21/2023 19:02	831	5000	4169	25	0	203.294	5/21/2019	5/21/2024	5/22/2023	60	1000	-3252	1018	-3982
176366	030-0062831-004	6/22/2023 19:02	1374	5000	3626	25	0	335.908	5/21/2019	5/21/2024	5/22/2023	60	1000	-2712	1681	-3319
176366	030-0062831-004	6/23/2023 18:38	1279	5000	3721	25	0	312.473	5/21/2019	5/21/2024	5/22/2023	60	1000	-2810	1564	-3436
176366	030-0062831-004	6/23/2023 17:59	957	5000	4043	25	0	233.805	5/21/2019	5/21/2024	5/22/2023	60	1000	-3132	1170	-3830
176366	030-0062831-004	6/23/2023 15:53	2911	5000	2089	25	0	711.188	5/21/2019	5/21/2024	5/22/2023	60	1000	-1178	3560	-1440
176366	030-0062831-004	6/22/2023 16:06	1263	5000	3737	25	0	308.771	5/21/2019	5/21/2024	5/22/2023	60	1000	-2823	1546	-3454
176366	030-0062831-004	6/23/2023 15:13	1095	5000	3905	25	0	267.52	5/21/2019	5/21/2024	5/22/2023	60	1000	-2994	1339	-3651
176366	030-0062831-004	6/20/2023 17:45	1096	5000	3904	25	0	268.303	5/21/2019	5/21/2024	5/22/2023	60	1000	-2984	1343	-3657
176366	030-0062831-004	6/23/2023 18:35	1204	5000	3796	25	0	294.15	5/21/2019	5/21/2024	5/22/2023	60	1000	-2885	1472	-3528
176366	030-0062831-004	6/23/2023 15:55	1709	5000	3291	25	0	417.527	5/21/2019	5/21/2024	5/22/2023	60	1000	-2380	2090	-2910
176366	030-0062831-004	6/23/2023 13:26	2317	5000	2683	25	0	566.068	5/21/2019	5/21/2024	5/22/2023	60	1000	-1772	2833	-2167
176366	030-0062831-004	6/23/2023 18:25	1145	5000	3855	25	0	279.735	5/21/2019	5/21/2024	5/22/2023	60	1000	-2944	1400	-3600
176366	030-0062831-004	6/22/2023 12:32	1382	5000	3618	25	0	337.863	5/21/2019	5/21/2024	5/22/2023	60	1000	-2704	1691	-3309
176366	030-0062831-004	7/11/2019 0:00	1440	5000	3560	25	0		5/21/2019	5/21/2024	5/22/2023	60	1000			
176366	030-0062831-004	6/20/2023 12:51	1215	5000	3785	25	0	297.435	5/21/2019	5/21/2024	5/22/2023	60	1000	-2865	1489	-3511
176366	030-0062831-004	6/23/2023 19:44	1002	5000	3998	25	0	244.799	5/21/2019	5/21/2024	5/22/2023	60	1000	-3087	1225	-3775
176366	030-0062831-004	6/21/2023 13:57	1267	5000	3733	25	0	309.956	5/21/2019	5/21/2024	5/22/2023	60	1000	-2816	1551	-3449
176366	030-0062831-005	6/21/2023 18:03	1109	5000	3891	25	0	277.05	6/21/2019	6/21/2024	6/22/2023	60	1000	-2889	1387	-3513
176366	030-0062831-005	6/23/2023 10:14	1971	5000	3029	25	0	491.74	6/21/2019	6/21/2024	6/22/2023	60	1000	-2033	2461	-2539
176366	030-0062831-005	6/22/2023 18:20	1111	5000	3889	25	0	277.37	6/21/2019	6/21/2024	6/22/2023	60	1000	-2890	1388	-3512
176366	030-0062831-005	6/21/2023 17:34	1279	5000	3721	25	0	319.531	6/21/2019	6/21/2024	6/22/2023	60	1000	-2719	1599	-3401
176366	030-0062831-005	6/23/2023 18:38	865	5000	4134	25	0	216.056	6/21/2019	6/21/2024	6/22/2023	60	1000	-3138	1081	-3919
176366	030-0062831-005	6/16/2023 17:33	618	5000	4382	25	0	154.924	6/21/2019	6/21/2024	6/22/2023	60	1000	-3367	775	-4225
176366	030-0062831-005	6/14/2023 11:16	1224	5000	3776	25	0	307.263	6/21/2019	6/21/2024	6/22/2023	60	1000	-2755	1538	-3462
176366	030-0062831-005	6/23/2023 13:43	949	5000	4051	25	0	236.763	6/21/2019	6/21/2024	6/22/2023	60	1000	-3055	1185	-3815
176366	030-0062831-005	6/22/2023 18:18	947	5000	4053	25	0	236.426	6/21/2019	6/21/2024	6/22/2023	60	1000	-3054	1183	-3817
176366	030-0062831-005	6/22/2023 19:22	1130	5000	3870	25	0	282.114	6/21/2019	6/21/2024	6/22/2023	60	1000	-2871	1412	-3588
176366	030-0062831-005	6/22/2023 18:59	1056	5000	3944	25	0	263.639	6/21/2019	6/21/2024	6/22/2023	60	1000	-2945	1320	-3680
176366	030-0062831-005	6/23/2023 13:26	1574	5000	3426	25	0	392.693	6/21/2019	6/21/2024	6/22/2023	60	1000	-2430	1966	-3034
176366	030-0062831-005	6/23/2023 12:20	1768	5000	3232	25	0	441.094	6/21/2019	6/21/2024	6/22/2023	60	1000	-2236	2208	-2792
176366	030-0062831-005	6/21/2023 19:11	2107	5000	2893	25	0	526.389	6/21/2019	6/21/2024	6/22/2023	60	1000	-1891	2635	-2365
176366	030-0062831-005	6/21/2023 15:21	1410	5000	3590	25	0	352.259	6/21/2019	6/21/2024	6/22/2023	60	1000	-2588	1763	-3237
176366	030-0062831-005	6/23/2023 10:08	1516	5000	3484	25	0	378.223	6/21/2019	6/21/2024	6/22/2023	60	1000	-2488	1893	-3107
176366	030-0062831-005	6/22/2023 19:09	1554	5000	3446	25	0	387.969	6/21/2019	6/21/2024	6/22/2023	60	1000	-2447	1942	-3058
176366	030-0062831-005	6/22/2023 16:38	932	5000	4068	25	0	232.681	6/21/2019	6/21/2024	6/22/2023	60	1000	-3069	1165	-3835
176366	030-0062831-005	4/5/2023 18:52	1308	5000	3692	25	0	344.957	6/21/2019	6/21/2024	6/22/2023	60	1000	-2480	1727	-3273
176366	030-0062831-005	6/20/2023 10:17	1534	5000	3466	25	0	383.5	6/21/2019	6/21/2024	6/22/2023	60	1000	-2462	1920	-3080
176366	030-0062831-005	6/25/2023 5:31	987	5000	4013	25	0	245.908	6/21/2019	6/21/2024	6/22/2023	60	1000	-3022	1231	-3769
176366	030-0062831-005	6/22/2														

