

COUNCIL ACTION FORM

SUBJECT: FLEET REPLACEMENT PROGRAM – WHEEL LOADER AND CLAM-TYPE BUCKET

BACKGROUND:

There are four rubber-tired wheel loaders in the City's fleet. Two are used primarily at the Resource Recovery Plant, one is used at the Power Plant coal yard, and one is used for street maintenance. One of the loaders used at Resource Recovery is scheduled for replacement in August 2013.

In years past, the loaders at Resource Recovery have been purchased with a new clam-type bucket. Then, after two years of service, the loader and bucket have been returned to the vendor under a guaranteed buy back option.

These clam-type buckets have custom guards installed and cost around \$17,000 new, but return significantly less value on the buyback option. Fleet Services has evaluated buying the bucket separately and replacing it on a separate life cycle. This evaluation determined that:

1. These buckets currently cost approximately \$17,000.
2. The buckets are usually in good shape when they are returned.
3. Equipment dealers usually do not want the buckets back.
4. The average value of the bucket (included in the buyback option) is \$8,000.
5. Buckets can be purchased separately from the loader and put on a separate, longer replacement program, to reduce the cost of equipment by approximately \$45,000 over the next 10 years.
6. Three buckets owned by the City can provide Resource Recovery with two in operation at all times, while the third bucket can be used whenever a primary bucket is down for maintenance or repair.

To establish this bucket replacement program, a new bucket will need to be purchased on this bid and retained, returning just the loader on the buy back in two years. The desired number of buckets will then have been acquired with this purchase. New buckets – which typically cost \$17,000 – will thereafter be purchased on an as-needed basis. The estimated net savings per bucket should be around \$9,000, and there will be five fewer buckets purchased over each 10 year period. In today's dollars, this will lead to an estimated savings of \$45,000 over that time.

Bids for a new wheel loader were solicited with a new bucket and for guaranteed buy backs with and without the bucket.

Bids for the new equipment were received as follows:

Guaranteed buy-back amount without a bucket

<u>Bidder</u>	<u>Wheel Loader</u>	<u>Base Bid Loader w/ Bucket</u>	<u>Buy Back After 2 Years, without bucket</u>	<u>Fuel Use over life of machine</u>	<u>Net Cost</u>
Titan	Case 721FX	\$156,360	\$ (100,000)	\$ 35,190	\$ 91,550
Murphy	JD 624K	\$150,980	\$ (105,000)	\$ 51,000	\$ 96,980
Ziegler	CAT 938K	\$184,900	\$ (125,000)	\$ 38,760	\$ 98,660
Van Keppel	Volvo L90G	\$176,585	\$ (120,000)	\$ 51,000	\$107,585

Guaranteed buy-back amount with a bucket

<u>Bidder</u>	<u>Wheel Loader</u>	<u>Base Bid Loader w/ Bucket</u>	<u>Buy Back After 2 Years, with bucket</u>	<u>Fuel Use over life of machine</u>	<u>Net Cost</u>
Titan	Case 721XR	\$156,360	\$ (108,000)	\$ 35,190	\$ 83,550
Ziegler	CAT 938K	\$184,900	\$ (135,000)	\$ 38,760	\$ 88,660
Murphy	JD 624K	\$150,980	\$ (105,000)	\$ 51,000	\$ 96,980
Van Keppel	Volvo L90G	\$176,585	\$ (130,000)	\$ 51,000	\$ 97,585

These bids were evaluated to determine the net low evaluated cost by using the cost of the loader, less the guaranteed buy back amount with and without the bucket, plus the projected cost of fuel over the life of each machine. Fuel consumption is based on each machine's published fuel efficiency rate (in gallons per hour operated) for heavy use. Fuel evaluation is as follows:

<u>Make/Model</u>	<u>Fuel Efficiency Rating</u>	<u>Fuel Price x Est. Gallons</u>	<u>Fuel Cost</u>	<u>CO2 Footprint</u>
Case 721	2.1 GPH	\$3.40/gal x 10,500 =	\$35,700	88 T.
CAT 938	2.3 GPH	\$3.40/gal x 11,500 =	\$39,100	97 T.
JD 624	3.0 GPH	\$3.40/gal x 15,000 =	\$51,000	132 T.
Volvo L90G	3.0 GPH	\$3.40/gal x 15,000 =	\$51,000	132 T.

The net low evaluated bid is from Titan for the Case 721XR. This machine meets the City's specifications and can be returned without the bucket in two years, which supports the new bucket replacement program. This loader has the lowest fuel consumption of the machines bid, and will produce the least carbon footprint over the two year lifecycle.

The approved budget for this acquisition is \$150,000, and the Fleet Replacement fund will have a balance of \$179,150 for purchase of this machine on July 31, 2013.

ALTERNATIVES:

1. Award this bid, as the net low evaluated bid, to Titan Machinery of Des Moines, IA for one Case 721XR wheel loader and bucket for \$156,360, and approve the buyback guarantee for the loader only of \$100,000, **without** returning the bucket, after two years.
2. Direct staff to analyze the bids for other options.
3. Reject all bids.

MANAGER'S RECOMMENDED ACTION:

Staff from both Fleet Services and Resource Recovery, have reviewed the analysis and support the proposed bucket replacement program as a cost saving measure that will not affect the function and service of this equipment.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternate No. 1, thereby awarding this bid to Titan Machinery of Des Moines, IA for one Case 721XR wheel loader and bucket for \$156,360, and approving the buyback guarantee for the loader only of \$100,000, **without** returning the bucket, after two years.