

COUNCIL ACTION FORM

SUBJECT: FLEET REPLACEMENT PROGRAM – PURCHASE OF RUBBER-TIRED WHEEL LOADER WITH BUCKET

BACKGROUND:

There are four rubber-tired wheel loaders in the City’s fleet. The loader used at Street Maintenance is scheduled for replacement in June 2014. Bids for a new loader were solicited with a request for a guaranteed buy back offer. Bids for this machine were received as follows:

<u>Bidder</u>	<u>Machine</u>	<u>Base Bid</u>	<u>Buy Back After 5 Years</u>	<u>Net Cost</u>
Murphy	JD 544K	\$119,925	\$ (115,000)	\$ 4,925
Titan	Case 621F	\$130,175	\$ (46,000)	\$ 89,263

The lowest base bid is \$119,925; while the net low bid comparing only the base bid less the buy-back guarantee is from Murphy Tractor & Equipment at a net cost of \$ 4,925 for a John Deere 544K. The City has operated several John Deere loaders in the past and finds them to be acceptable. Comparing the two units bid, the John Deere has higher fuel consumption at a rate of 2.4 gallons per hour as compared to the Case at 2.31 gallons per hour. The John Deere will burn an estimated 14,400 gallons of fuel over 5 years of service to the City. The following includes fuel costs for the net evaluated cost:

<u>Bidder</u>	<u>Machine</u>	<u>Net Cost</u>	<u>Fuel cost</u>	<u>Net Evaluated Cost</u>
Murphy	JD 544K	\$ 4,925	\$ 48,960	\$ 53,885
Titan	Case 621F	\$89,263	\$ 47,124	\$ 136,387

The net evaluated low bid - which includes the projected cost of fuel at \$3.40 per gallon, the purchase cost of the machine, and the buy back guaranteed credit amount - is from Murphy Tractor & Equipment for the John Deere 544K model.

Available Funding for this acquisition is as follows:

Accumulated fleet replacement funds available June 30, 2014	\$ 53,461
Funds from buy back guarantee for existing unit	65,000
Additional support from Public Works operating budget	1,464
Total Funding	\$119,925

ALTERNATIVES:

1. Award this contract, as the net evaluated low bid, to Murphy Tractor and Equipment, Altoona, IA, for one John Deere 544K wheel loader with bucket for \$119,925, and approve the City's option to exercise the buy back guarantee for the loader of \$115,000 after five years.
2. Direct staff to analyze bids for other options.
3. Reject bids.

MANAGER'S RECOMMENDED ACTION:

The purchase of this piece of equipment is crucial to the operations of the Street Maintenance division of the Public Works Department, and the guaranteed buy-back brings the net purchase price to less than \$5,000.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as described above.