

COUNCIL ACTION FORM

SUBJECT: FLEET REPLACEMENT PROGRAM – RESOURCE RECOVERY WHEEL LOADER

BACKGROUND:

The City’s Resource Recover Plant (RRP) uses two wheel loaders to move thousands of tons of refuse received at the plant each year. The plant environment and operational needs of the plant are very demanding on this equipment. Due to the heavy use of these machines, a rotation plan was developed in which a loader serves as the primary machine for four years, then is placed into secondary status for four years. After eight total years of service, the loader is disposed of and replaced with a new machine, which becomes the primary loader. This rotation plan results in optimal costs for wheel loaders at Resource Recovery.

In 2015, staff evaluated the possibility of using a diesel-electric hybrid (DEH) loader instead of a conventional diesel loader at RRP. Hybrid loaders had just then become available in the required size for the facility. DEH wheel loaders have several advantages over a conventional machine: longer operational life, lower fuel consumption, and improved performance. Although the purchase cost of the hybrid machine is approximately 15% greater than the conventional machine, the longer operational life spreads the cost over a longer period of time. The larger hybrid model can move refuse in 30% fewer passes using 33% less fuel than the conventional model used at the facility.

The DEH machine purchased in 2015 is now ready to be placed into secondary status once a new primary unit is purchased. This bid is for a new DEH wheel loader without a bucket to replace the conventional 2010 John Deere 624K secondary loader at RRP. The bid includes extended warranty options and an optional trade-in of the secondary loader.

Only one bid was received from dealers as follows:

Bidder	Unit Price	Make	Model	Year	Trade-in Value	Total Less Trade-in Value
Murphy Tractor & Equipment	\$274,478.00	John Deere	644K Hybrid	2019	(\$41,000.00)	\$233,478.00

Several potential bidders declined to bid because they were unable to obtain the hybrid version of the loader required in the bid specifications. In addition to the price for the equipment, Murphy Tractor and Equipment provided two options for the extended warranty. These options are detailed below:

Bidder	Warranty	Comprehensive	Power Train & Hyd.	Total
Murphy	Option 1	6,000 hrs. / 48 mos.	10,000 hrs. / 72 mos.	\$24,000.00
Murphy	Option 2	N/A	10,000 hrs. / 72 mos.	\$21,000.00

The extended warranty described in Option 1 is preferred by City staff given the significant workload this machine will endure in its first 48 months and the marginal cost to obtain this increased coverage. **Therefore, the total bid for the DEH 644K wheel loader with extended warranty Option 1 is from Murphy Tractor and Equipment of Des Moines, Iowa for \$298,478.**

Replacement funds available for this purchase as of May 1, 2019 total \$306,765.

City staff evaluated the potential trade-in value of the existing conventional 2010 John Deere 624K loader, and noted that this machine is likely able to withstand another several years of operation if working less extreme conditions. The City has leased similar loaders for snow removal activities at the Airport and for other miscellaneous work in the past year, and expects these needs to continue into the future.

Per the agreement with the Fixed Based Operator, the City must provide equipment for snow removal. In the 2018/19 snow season, the City leased a loader for \$21,700 for five months of snow removal operations at the Airport. **In lieu of accepting the quoted \$41,000 of trade-in as part of the purchase of a new RRP loader, City staff proposes that this loader be transferred to the City's Motor Pool, which contains vehicles and equipment not permanently assigned to one activity. The Motor Pool will reimburse RRP the \$41,000 of lost trade-in revenue, and then the Motor Pool will provide this loader to City departments for their needs as they arise, including snow removal activities at the airport.** This arrangement is expected to pay for itself within two years based on the current needs.

ALTERNATIVES:

1. Approve and award this contract to Murphy Tractor and Equipment of Des Moines, Iowa, for one John Deere 644K Hybrid including extended warranty option 1; for \$298,478, and retain the City's 2010 John Deere 624K in the City's Fleet as a Motor Pool unit. The Motor Pool will reimburse the Resource Recovery System \$41,000 in lost trade-in value.
2. Reject award of bid.

CITY MANAGER'S RECOMMENDED ACTION:

Fleet Services and Public Works staff agree the John Deere 644K Hybrid from Murphy Tractor and Equipment, of Des Moines, Iowa, meets the City's needs as specified, at the lowest price. Therefore, purchasing this Loader will provide the best and most economical equipment. Payment and delivery of this equipment will occur after July 1, 2019. Moving the existing loader to the Motor Pool will be more cost-effective than leasing this equipment within a short period of time.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No.1 as described above.