

**COUNCIL ACTION FORM**

**SUBJECT: FLEET REPLACEMENT PROGRAM – WHEEL LOADER**

**BACKGROUND:**

One of the two rubber tired wheel loaders used at the Resource Recovery Plant is scheduled for replacement in FY 2011/12. The purchase is being initiated now, since delivery is required by August, 2011. Bids for this machine were received as follows:

<u>Bidder</u>	<u>Machine</u>	<u>Base Bid</u>	<u>Buy Back After 2 Years</u>	<u>Net Cost</u>
Murphy	JD 624K	\$144,575	\$97,500	<b>\$ 47,075</b>
SVK	Volvo L90F	\$164,900	\$115,100	<b>\$ 49,800</b>
Titan	Case 721F	\$147,625	\$92,000	<b>\$ 55,625</b>
Ziegler	CAT 938H	\$149,000	\$89,000	<b>\$ 60,000</b>

The net low bid, comparing only the base bids less the buy backs, is from Murphy Tractor & Equipment, at a cost of \$144,575 for a John Deere 624K. The City has operated several John Deere loaders in the past and finds them to be acceptable. The John Deere loader has the highest fuel consumption rate at 3.2 gallons per hour and will burn 16,000 gallons of fuel over 2 years.

After including the anticipated cost of fuel use, the evaluation of these bids is as follows:

<u>Bidder</u>	<u>Machine</u>	<u>Net Cost</u>	<u>Fuel Cost</u>	<u>Net Evaluated Cost</u>
SVK	Volvo L90F	\$49,800	\$28,750	<b>\$78,550</b>
Titan	Case 721F	\$55,625	\$24,000	<b>\$79,625</b>
Murphy	JD 624K	\$47,075	\$40,000	<b>\$87,075</b>
Ziegler	CAT 938H	\$60,000	\$30,625	<b>\$90,625</b>

The net evaluated low bid including the projected cost of fuel, at \$2.50 per gallon, is from SVK at a cost of \$164,900 for a Volvo L90F. Although the SVK unit costs \$2,725 more to purchase than the Murphy unit, it is projected to cost \$8,525 less than the Murphy unit to operate in terms of fuel cost and purchase price added together over the next two years.

Staff anticipates, however, a problem in accepting the SVK bid. The City has operated several Volvo loaders in the past and found them to be acceptable. The fuel efficiency of the Volvo loader is rated at 2.3 gallons per hour and will burn 11,500 gallons over two years. This is expected to be 28% more fuel efficient than the John Deere. **However, staff has found it to be very difficult to recover the buy back guarantees from the Volvo dealer.** It has taken up to four months beyond the expiration date of the contract to collect, and has required aggressive collection actions.

The second net evaluated low bid including the projected cost of fuel, at \$2.50 per gallon, is from Titan Machinery at a cost of \$147,625 for a Case 721F. This machine

would cost \$8,550 more than the John Deere to purchase. **However, when expected fuel use and the purchase price are added together, this unit is expected to cost \$7,450 less over the next two years.** The City has operated Case loaders in the past, and found them to be acceptable. The new Case loader is the most fuel efficient unit bid rated at 1.92 gallon per hour, and will burn 9,600 gallons of fuel over two years. It is expected to be 40% more fuel efficient than the John Deere loader.

The fleet replacement fund will have \$264,640 in accumulated funds by August for purchase of this machine. The budgeted amount for the purchase of this unit was set at \$150,000.

### **ALTERNATIVES:**

1. Award this bid, as the acceptable, net low evaluated bid with the best fuel efficiency, to Titan Machinery, Ankeny, IA, for one Case 721F wheel loader at a cost of \$147,625, and approve the buy back guarantee of \$92,000 for this machine after two years.
2. Award this bid, as the net low purchase cost bid, to Murphy Tractor & Equipment, Des Moines, IA, for one John Deere 624K wheel loader at a cost of \$144,575. The Council would also approve the buy back guarantee of \$97,500 for this machine after two years.
3. Award this bid, as the net low evaluated bid with the best fuel efficiency, to SVK for one Volvo L90F wheel loader at a cost of \$164,900, and approve the buy back guarantee of \$115,100 for this machine after two years.
4. Reject all bids.

### **MANAGER'S RECOMMENDED ACTION:**

The City Council has a choice between the lowest cost purchase price machine, and another machine that will cost more at the initial purchase but is anticipated to cost less over a 2-year period of operation, considering fuel use. The John Deere 624K wheel loader as bid by Murphy Tractor & Equipment will cost less at purchase than the Case 721F as bid by Titan Machinery. However, when adding the purchase cost to the cost of anticipated fuel use over a 2-year period of operation, the Case machine will cost less to operate and have a smaller carbon footprint. Both machines are acceptable in terms of service to the Resource Recovery Plant.

The life cycle net evaluated cost favors the Case machine bid by Titan Machinery. This equipment is the most fuel efficient, and provides a net cost savings to the City over the life of the machine.

Therefore, it is the recommendation of the City Manager that the Council adopt Alternative #1, thereby awarding this bid, as the acceptable net low bid with the best fuel efficiency, to Titan Machinery, Ankeny, IA, for one Case 721F wheel loader at a cost of \$147,625, and approving the buy back guarantee of \$92,000 after two years.