

**COUNCIL ACTION FORM**

**SUBJECT: FLEET REPLACEMENT PROGRAM – PURCHASE OF TRACTOR BACKHOE WITH LOADER AND BUCKET**

**BACKGROUND:**

There are three tractor-backhoes in the City’s fleet. The tractor-backhoe used by Public Works Street Maintenance division was damaged in December 2018 while loading broken concrete pieces from a tall pile. One large concrete piece slid down the pile and struck the cab, causing significant damage. The cab must be replaced to make the tractor functional and safety compliant, which is estimated to cost \$20,000.

To make the most fiscally responsible decision, bids were received to purchase a completely new tractor-backhoe in lieu of repairing the damaged one, so costs could be compared. The damaged machine was three years old with a planned life cycle of six years. Bidders for the new machine were asked to provide a trade-in value for the damaged machine, in addition to making a guaranteed buy-back offer after five years for the newly purchased machine.

Bids were received as follows:

| Bidder  | Machine         | Base Bid w/ Warranty | Trade-in Offer or Estimated Salvage | Buy Back or Trade offer After 5 Years | Net Evaluated Cost |
|---------|-----------------|----------------------|-------------------------------------|---------------------------------------|--------------------|
| Titan   | Case 590SN      | \$125,057            | \$ (35,000) Trade                   | \$ (35,000) Estimate                  | \$ 55,057          |
| Ziegler | CAT 430F2       | \$125,419            | \$ (21,000) Estimate                | \$ (45,000)                           | \$ 59,419          |
| Murphy  | John Deere 410L | \$129,400            | \$ (21,000) Trade                   | \$ (35,000)                           | \$ 73,400          |

The bids were evaluated to provide a net evaluated cost. Based on this evaluation Titan Machinery is the low net evaluated cost.

**Funding for this acquisition is available as follows:**

|   |                  |
|---|------------------|
| Accumulated fleet replacement funds available January 1, 2019 | \$62,866         |
| Street Maintenance equipment maintenance budget               | \$22,000         |
| Street Maintenance 18/19 operating budget                     | \$ 6,000         |
| Trade-in value of damaged machine                             | \$35,000         |
| <b>Total Available Funding</b>                                | <b>\$125,866</b> |

Had this unit not been damaged, accumulated fleet funds and the trade-in value of the existing unit would have been used to purchase a new unit at the end of this unit's natural life cycle. Therefore, the question of whether to purchase new or repair should be evaluated by comparing the repair cost (\$20,000) to the operating and maintenance budget funds that would have to be spent to purchase a new machine (\$28,000 total).

The purchase of a new unit would have a net cost of \$8,000 more than completing the repair. However, the new unit is currently available, and can be put into service in a matter of days. A repair of the existing unit would require additional downtime for the vendor to procure the parts and install them.

**ALTERNATIVES:**

1. Award this contract, as the net evaluated low bid, to Titan Machinery of Des Moines, IA, for one Case Tractor Backhoe and extended warranty for \$125,057.
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. After reviewing the associated costs, it was determined to be the most fiscally responsible option to replace with a new unit instead of repair.

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