



Council Communication

Office of the City Manager

Date

March 8, 2010

Agenda Item No. 35B
Roll Call No. 10-
Communication No. 10-134
Submitted by: Merrill R. Stanley, Deputy City
Manager

AGENDA HEADING:

Approving the purchase of rubber-tired industrial loaders and equipment accessories from Murphy Tractor and Equipment.

SYNOPSIS:

Recommend approval to purchase two rubber-tired industrial end loaders with equipment accessories in accordance with specifications in bid No. V10-044 from Murphy Tractor and Equipment, Tom Volland, President, 5087 E. Broadway, Des Moines IA, 50317, for \$265,434 with trade of two existing units. These units will be used by the Public Works Department for year-round material loading and snow and ice control.

FISCAL IMPACT:

Amount: \$265,434

Funding Source: FY2010 Recommended Operating Budget, Equipment Replacement Fund, IS201, CMO010407, page 53.

ADDITIONAL INFORMATION:

Two existing rubber-tired loaders exceeding established replacement criteria were identified and approved for replacement by the Fleet Oversight Committee. One unit met the replacement criteria of 10,500 hours of use in 2005, the other in 2007; however, replacement was deferred due to insufficient funding. The machines now have 12,000 and 13,500 hours of run time. Repair costs have totaled \$95,000 since the time each machine met replacement criteria and have resulted in increased operating costs and downtime since the scheduled replacement years. This repair history and the associated downtime clearly demonstrate the benefit of replacing these machines.

Ten bids were mailed and five were received. Bids from RTL Equipment and Titan Machinery were not compliant in engine horsepower, equipment weight, transmission and driveline, transaxle locking capability essential for material loading, snow and ice control and auto reversing fan feature to prevent dust and debris build-up to the cooling system. Titan Machinery also submitted a bid for used equipment with similar non-compliant items. Bids received from Scott Van Keppel (Volvo brand) and Murphy Tractor and Equipment Company (John Deere brand) were compliant with specifications.

Bid specifications included requirements for stated fuel consumption in gallons per hour and a guaranteed buy back amount at 5,000 hours of use. Evaluations were made using the following life cycle

cost components: purchase cost, trade value of existing units, a buy back option from the bidders at 5,000 hours of use and a medium-duty fuel efficiency rating for each unit bid. The recommended loaders yielded the lowest overall net costs for purchase and fuel based on 5,000 hours of use.

Various optional equipment accessories are included in the recommendation, including material handling buckets, a multi-purpose grapple bucket and adjustable fork attachment to increase the versatility and use of each machine. An optional five-year extended warranty is also recommended.

Although not part of the formal bidding process, staff investigated alternate acquisition possibilities including Iowa Department of Transportation contracts for equipment and accessories purchase, renting equipment and lease purchase options. There are not similar wheel loaders available on the State of Iowa contract at this time. Renting a similar equipped loader is available off of the Minnesota State Contract at a monthly rate of \$4,950 per machine, for a total cost of \$594,000 for two loaders for a five-year time period. Lease purchase examples were also received for the recommended loaders. Varying lease purchase options were evaluated with an annual interest rate of 3.45%. Use of a lease purchase financed by the dealer resulted in additional acquisition costs of \$21,027 to \$32,782 for a five-year lease, depending on the buyout amount at the end of five years.

With the limited funding for general equipment replacements, outright purchase results in the lowest overall annual operating costs for year-round high-use equipment. Leasing options may be favorable for other segments of the heavy equipment fleet that are seasonal or low-use.

PREVIOUS COUNCIL ACTION(S):

Date: January 25, 2010

Roll Call Number: 10-132

Action: Gabus Ford, (Gene Gabus/General Manager) \$175,303.55; Stivers Ford, (Don Politte/General Manager) \$145,738.00; and Toyota of Des Moines, (Steve Luebke/ Vice President/General Manager) \$243,551.00 for 24 replacement vehicles for the City's fleet. (Council Communication No. 10-048) Moved by Meyer to adopt; refer to the City Manager to schedule a workshop to discuss fleet inventory, criteria for replacement, estimates for future years and possible leases rather than purchases. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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