



DATE: June 18, 2019

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt Resolutions Authorizing Sole Source Purchase of a John Deere 245G Excavator from PAPÉ Machinery and Transfer and Appropriation of Funds from the Water Replacement Fund to the Fleet Capital Management Fund

RECOMMENDATION

That Council adopts the attached resolution authorizing the sole source purchase of a John Deere 245G Excavator from PAPÉ Machinery, in an amount not to exceed \$245,770 (Attachment II), and transfer of funds from the Water Replacement Fund to the Fleet Capital Management Fund for appropriation and purchase of the excavator (Attachment III).

SUMMARY

The City's Utilities Division operates and maintains all water and wastewater collection system facilities, including water distribution system repairs. Division staff frequently uses a rented excavator to perform this work, which often includes hauling of spoils (asphalt, dirt, and debris) from pipeline maintenance and replacement work, and transporting heavy water pipe fittings over rough terrain. Based on past rental expenses and frequency of use, staff has determined that it would be more cost-effective and efficient to purchase an excavator to perform future work. Utilities staff is trained to operate the John Deere 245G excavator, which possesses the features and capabilities best suited for the type of work the Utilizes Division performs. PAPÉ Machinery is the only authorized John Deere dealer in Hayward; therefore, staff recommends authorization for a sole source purchase agreement with PAPÉ Machinery, in an amount not to exceed \$245,770, for the purchase of a John Deere 245G excavator.

BACKGROUND

An excavator is a piece of heavy construction equipment that is used for digging, creating trenches, demolition, moving, and hauling materials. Various excavator models have different power requirements, weights, and bucket sizes, all of which determine the amount of material that can be moved at one time and how long it will take to complete a job. Since 2014, the Utilities Division has rented excavators, including a John Deere 245G, to perform pipeline maintenance and replacement work, such as trenching, hauling of pipe and spoils, and transporting heavy water fittings over rough terrain. Staff also uses excavators to assist with other tasks, such as clearing storm drains and creek cleaning in preparation of wet weather. The use of an excavator has become an essential part of Utilities operations.



A rented excavator being used to repair a utility pipeline.

Prior to 2014, Utilities staff used a backhoe and wheel loader, instead of an excavator, to perform work. Although these types of equipment are similar to an excavator, there are distinct differences as they are designed for different uses. Compared to an excavator, the backhoe and wheel loader have lower reach and lifting capacity, insufficient power to break thick, hard, and reinforced concrete, and are unstable in rough terrain. These limitations result in inefficiencies and greater risk of damage to equipment.



Backhoe



Wheel Loader

DISCUSSION

John Deere excavators are widely used in the industry, and commonly available from heavy equipment rental companies. Based on staff's experience over the last five years, the John Deere 245G excavator has the precision, stability, size, and strength required for the type of work the Utilities Division routinely performs and has reliably met the Division's needs. Staff is well trained to operate this model in a safe and efficient manner.

The rental costs for the John Deere 245G excavator have steadily increased from approximately \$6,000 per month in 2014 to a current range of \$8,000 to \$9,500 per month, depending on the length of the rental and availability. Staff typically has need of an excavator for between three to six months per year for various projects. However, with recent natural disasters, the demand for excavators has increased over the years and availability is more limited. Purchasing an excavator will provide cost certainty and ensure that the City has immediate access to this equipment during an emergency.

The procurement of John Deere excavators is territory driven and PAPÉ Machinery is the only authorized vendor in the Hayward area. PAPÉ Machinery currently has a new excavator in stock that meets the City's specifications. To ensure the City can proceed with ongoing maintenance projects without delay, staff procured a two-month rent-to-own agreement for a new excavator at a cost of \$9,500 per month, with an option, but no obligation, to purchase the unit at the end of the two-month rental period. If Council approves staff's request to purchase the new excavator, ninety percent of the rental cost would be credited towards the purchase price. The final price, with a credit of rental fees, would be \$245,770.

Staff compared quotes for new excavators of different makes and models and found that prices were comparable to the purchase price for a new John Deere 245G. Staff also explored options to purchase a used John Deere 245G. However, staff is not recommending the purchase of used heavy equipment given that the extent of wear and tear and performed maintenance are all largely unknown.

ECONOMIC AND FISCAL IMPACT

Staff recommends that the proposed purchase of an excavator be funded from the Water System Replacement Fund, and that ongoing maintenance cost also be funded in the Water System Replacement Fund. Sufficient funding is available in the Water System Replacement Fund for the purchase without impacting customer water rates. Annual maintenance costs are not expected to materially affect future water rates.

There is sufficient fund balance in the Water System Replacement Fund to cover the costs associated with the purchase of the excavator. The City's Maintenance Services Department Fleet Division will purchase and maintain this piece of equipment. Staff is requesting that Council authorize a transfer of \$245,770 from the Water System Replacement Fund (Fund 603) to the Fleet Capital Fund (Fund 737) and appropriate the same amount to cover the cost of purchasing the excavator. Future maintenance costs will be budgeted and funded from the

Water System Replacement Fund. There is no impact on the General Fund associated with this purchase.

STRATEGIC INITIATIVES

This agenda item does not directly relate to one of the Council’s three Strategic Initiatives.

SUSTAINABILITY FEATURES

John Deere utilizes technology and materials to reduce the environmental impact of using its equipment. The company sets and pursues annual Eco-Efficiency Goals for sustainable energy use, water efficiency, minimizing waste, and reducing greenhouse gas emissions.

PUBLIC CONTACT

This agenda item does not require public contact.

NEXT STEPS

If Council approves the attached resolutions, staff will take the necessary steps to execute an agreement with PAPÉ Machinery for purchase of a John Deere 245G Excavator.

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Recommended by: Alex Ameri, Director of Public Works

Approved by:



Kelly McAdoo, City Manager