



CITY COUNCIL AGENDA ITEM

November 30, 2010

To: John Szerlag, City Manager

From: Mark F. Miller, Acting Assistant City Manager/Economic Development Services
Susan A. Leirstein, Purchasing Director
Timothy L. Richnak, Public Works Director

Subject: Bid Waiver – Michigan CAT Mini Excavator

Background

The Water & Sewer Fund operates as an enterprise fund within the City budget, which basically means revenues generated by water/sewer can only pay for expenditures incurred by the water/sewer fund including capital improvements. During these challenging economic times, the water/sewer division has been taking cost cutting measures and looking for efficiencies in every task we perform. We have reduced the number of excavating equipment from four backhoes to two for water and sewer work. When new subdivisions were being built, we kept these excavators busy. Internally, we have learned what job functions we perform well, what jobs we need to perform, and what jobs are cost effective for us to perform. Currently, rehabilitation of sanitary sewer manholes and re-taps of replacement water mains have become prevalent. The last few capital projects bid through engineering that involved manhole rehabilitation and the re-tapping of water services, City staff was able to perform the work for less than what was bid.

To perform these jobs, it was necessary to lease a mini excavator. Michigan CAT was the low governmental quote at a monthly lease of \$1,825.00. According to the City of Troy purchasing policy, we have expended the maximum amount for this lease agreement without City Council approval. We have found that with this mini excavator we are more efficient and less intrusive to surrounding areas making the cleanup process easier. Without this piece of equipment, it will lengthen the time to re-tap the residents' water service in the Section 35 Water Main Replacement Project (started re-taps 11/22/10). We have already completed a manhole rebuilding project in the Southeastern Oakland County Sanitary Sewer District where we rebuilt 100 sanitary manholes using this leased mini excavator. We also have committed to another sanitary manhole rehabilitation project in the Evergreen – Farmington Sanitary Sewerage District funded by a grant through the Oakland County Water Resources Commission, which is anticipated to begin in early spring of 2011. We have approximately 150 manholes to rebuild in this project with many of the manholes in this area located in backyards in which the mini excavator would be best suited. The grant for this project will pay for the equipment rental at the MDOT rate.

We have the option to purchase this piece of equipment, which was new when we started the lease at the governmental cost and subtract all of the lease payments we have made to date. Performing a life cycle analysis on this piece of equipment under the current lease agreement, the excavator would be paid for in thirty (30) months. The expected life of this excavator is twelve (12) years.



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Recommendation

City management is requesting authorization to purchase the CAT304CCR mini excavator from Michigan CAT of Shelby Township, MI, at the governmental price as quoted subtracting all lease payments made to date as detailed in the attached payoff rental conversion worksheet for an estimated total cost of \$46,303.88.

Fund Availability

Monies are available in the Water & Sewer capital improvement fund budget.

S:/Miller's Review of Agenda Items/Agenda – 12.6.10 – RB – Waiver MiniExcavatorLetter.doc

304C CR

Mini Hydraulic Excavator



Engine

Model	Mitsubishi S402	
Rated net power (ISO 9249)	31 kW	42 hp

Weights

Operating weight with canopy	4800 kg	10,582 lb
Operating weight with cab	4920 kg	10,844 lb

- Weight with counterweight, rubber tracks, bucket, operator, full fuel and auxiliary lines.
- Weight varies depending on machine configuration.



RENTAL CONVERSION

Today's Date:
November 30, 2010

Cust #: C11411 Branch: EASTERN Year: 2009
Name: CITY OF TROY Status: RENTAL
Make: CAT
Address: Model: 304CCR
Phone #: S/N: FPK05984
County: Sales: JOHNSON ID#: 09-431

RENTAL PAYOFF

Rental Agreement # R78334
Monthly Rental Rate \$1,825.00
(before tax)
Taxable? NO
RPP? NO
If yes, Monthly amt

RP Interest Rate: 9%
Shipped: May 12, 2010
Payoff Thru: December 15, 2010
X Converting to Net Cash or ISC
Converting to Finance Lease

Table with 6 columns: Rental Invoices Billed, No. of Invoices Paid, No. of Invoices Open, Rental Amount, Tax (6%), RPP, Total. Values range from 0 to 7 and \$0.00 to \$12,775.00.

Hauling \$0.00

RPP is rental insurance and does not apply as down payment.

The RPP open balance of: \$0.00 will be due at conversion.

Purchase Information

Sell Price \$56,240.00
Interest \$2,838.88
Repairs \$0.00 *BAH
Tax (@6%) \$0.00
Total \$59,078.88
Down Payment \$12,775.00 27.59%
Total \$46,303.88

ERNT INVOICES PAID
168829 170645 172615 175007 177062
179059 181152

Rental Payments \$12,775.00

COMMENTS:
UNPAID ERNT 179059, 181152 (assuming these are paid by 12/15/2010)

Mini/Compact Excavator, Rubber Tracks, Long Stick, Travel Arm, Cab with Heat and AC, 24" Bucket

	Michigan CAT Eastern Division 12550 23 Mile Rd Shelby Twp, MI 48315 586-997-5300	Southeastern Equipment Co., Inc. 48545 Grand River Ave Novi, MI 48374 248-349-9922 x205	JDE Equipment Company 56555 Pontiac Trl New Hudson, MI 48165 248-437-8121
Manufacturer Model	CAT 304CCR	Case CX50B	John Deere JD 50D
Rental Cost (per month)	\$1,825.00	\$2,250.00	\$2,250.00
Purchase Price	\$56,240.00	\$56,337.00	\$56,393.00
Delivery/Pickup			\$300.00
Rental Interest Fee	\$2,838.88		
Discount allowed	(\$12,775.00) Accrued Rental Invoices		
Total	\$46,303.88	\$56,337.00	\$56,693.00