



City Council Agenda Item

City Council Meeting Date: October 5, 2021

TO: Jim Throop, City Manager

FROM: Ray Ambler, Purchasing & Materials Manager
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Dirk Ishiwata, Fleet & Facilities Superintendent
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SUBJECT: Award of a Contract Purchase Order to Quinn Company for Purchase of Caterpillar Wheel Loader for Approximately \$243,000; Adoption of Resolution No. 6454(21) Approving Supplemental Appropriations

Recommendation:

Staff recommends the City Council:

- 1) Approve the award of a contract to purchase a Caterpillar Wheel Loader (Loader) Model 930M for \$242,555.69 to Quinn Company of Santa Maria, California;
- 2) Authorize the Purchasing Manager to issue a contract purchase order in the amount of \$242,555.69; and
- 3) Adopt Resolution No. 6454(21), Approving Supplemental Appropriations and Estimated Revenues for the Acquisition of Loader (Attachment 1).

Background:

The City provides a centralized fleet replacement and maintenance program to efficiently and effectively provide for the ongoing needs of the various users of the program, the departments and divisions of the City. That service provides for ongoing operational needs for vehicles and other related equipment. In addition, the City provides for the planned replacement of existing vehicles in the Fleet Division's Vehicle Replacement Fleet. The right time to replace a piece of equipment is a decision made jointly by the Finance Department, the Fleet Division, and the using Department or Division based upon the expected vehicle service life, condition of the vehicle, current operating cost trends

(for fuels, lubricants, maintenance, etc.), repair costs, accumulated mileage (or operational hours), existing needs of the department or division, and the budgetary capacity for replacing vehicles.

As part of the City's Vehicle Replacement Program, the Fleet Division purchases scheduled replacement vehicles during the fiscal cycle in which the replacements are approved as part of the biennial budget.

The Solid Waste Division has specialized material movers for the City's Landfill.¹ The Loader primarily loads green waste diversion in tractor trailers for transport from the Landfill. It also works in conjunction with the Compactor to assist moving the daily waste from the transfer area to the disposal area. The Compactor then efficiently compacts the waste material and required daily cover, maximizing the remaining life of the Landfill.

The existing 2004 Loader was assigned an economic life of 20 years at the time it was purchased. However, it is now over 18 years old and, due to its maintenance costs and high use, has been in need of replacement since at least 2018. The 2004 Loader currently has approximately 18,200 hours of service while the unit it replaced had approximately 10,700 hours when it was replaced. The difference is approximately 70% more operational time on the 2004 Loader than the unit it replaced. The Landfill has also utilized the old Loader (purchased in 1985) in a carryover capacity until it went out of service when it required extensive hydraulic and engine repairs. While the 1985 model remains listed as a Landfill unit, it is no longer available for use by the Landfill. The intention is to remove the 1985 model permanently from service and dispose of it.² Once the new Loader is purchased and operational, then the 2004 Loader will be retained to be used for backup.

Based on available funding and specific funding sources, the vehicles most in need of replacement are proposed for replacement in that particular budget cycle. As the Solid Waste Division is an enterprise activity with independent funding, generally replacement vehicles are replaced once their economic and useful lives are exceeded. As part of the evaluation of potential replacements during fiscal years (FYs) 2019-21, Fleet and Solid Waste determined the useful life of the 2004 Loader had been exceeded and it was recommended for replacement. However, Solid Waste did not have adequate reserves to support the appropriations for the replacement during the Biennial Budget FYs 2019-21. Therefore, the replacement was deferred until alternate funding was secured.

During FY 2019-21, financing was secured for a variety of purchases, including replacement of high-value, long-life vehicles such as the Loader. Financing for the Loader was approved by the City Council at the January 21, 2020, City Council meeting, and was secured at favorable rates with a term to match the expense of the Loader over its economic life.

¹ The City Council recently approved the replacement of the Caterpillar Landfill Compactor, which is the workhorse for the Landfill.

² The 1985 Loader is not likely to have any trade-in or resale value within California after 2026 due to current diesel emissions standards.

Discussion:

The City published an Invitation to Bid (Bid) and associated Request for Proposal (RFP) on May 28, 2021 (Attachment 2). The Bid was published in the Lompoc Record and listed on the City’s Website. In addition to being published, the RFP was delivered directly to potential bidders who had either bid on similar RFPs in the past or had requested to be on the RFP list. Two companies attempted to prequalify but only one was successful. The Bid closed on June 18, 2021, at 2:00 p.m., with one qualifying bid submitted, listed below:

Proposer	Base Bid (w/ Tax)	Rating
Quinn Company	\$242,555.69	Highest

Based on the recommendations of the Fleet and Solid Waste Divisions, the Purchasing Division has issued an intent to award to Quinn Company for a Caterpillar (High Lift) Loader Model 930 M based on the qualifying rating, which considered references, dealer experience, suitability, and cost. Following is a summary of the costs included in the proposed Purchase Order for the Compactor Model 930 M (see Attachment 3):

Cost Component	Amount
Base bid (before sales tax)	\$223,033.28
Sales Tax (7.75%)	17,285.08
Use Tax (Measure I – 1%)	2,230.33
Tire Fee	7.00
Contract Purchase Order Total	\$242,555.69

Fiscal Impact:

Beginning with the Biennial Budget FYs 2019-21, enterprise fund activities, such as Solid Waste, no longer appropriate and transfer funds to the Fleet Internal Service Fund for the replacement of vehicles prior to the approval by the City Council, if necessary, and prior to the issuance of a Purchase Order. This segregation ensures that enterprise fund resources are used for enterprise fund costs. The replacement of the 18-year-old 2004 Loader was included in the January 2020 financing approved by the City Council on January 21, 2020. That action initiated the procurement process that has resulted in the RFP for the acquisition of the Loader.

The supplemental appropriations and estimated revenues required for the purchase of the Loader are itemized in the attached Resolution. The January 2020 financing package award provided up to \$440,000 for the acquisition of the Loader. Therefore, the Solid Waste Utility does not need to supply any current resources to Fleet for the acquisition. The following account and amount are necessary for the supplemental appropriations to acquire the Loader:

873ESR-750000 Fleet Capital Outlay – Equipment Replacement \$242,555.69

The procurement process included formal Bid and RFP procedures and was in conformance with the Lompoc Municipal Code, Purchasing Rules and Regulations.

As indicated above, the City has historically pursued lease financing for capital purchases of high-value, long-life replacement fleet vehicles to match the capital costs of vehicles with the expected economic life of the vehicles. As a high-value, long-life vehicle, the Loader is secured by capital lease financing over a 15-year period to match the estimated operational life of the vehicle. Bank financing was secured at the January 21, 2020, City Council meeting for the Loader contemplated for procurement during the current fiscal year. That financing provides up to \$440,000 of the \$242,555.69 purchase cost amortized over 15 years with an interest rate of 2.71% per year. As the financing exceeds the purchase price, the unused difference of \$197,444.31 is recommended to be used to reduce the overall financing borrowed for the estimated purchase price of the Loader.

Conclusion:

The Solid Waste Division provides landfill compaction utilizing a Compactor and Loader. The Compactor is in process of being replaced and the Loader has exceeded its useful life. The 1985 backup Loader is no longer operational and is recommended for disposal. Specifications incorporated in the bid for a replacement Loader were provided by Fleet and Solid Waste Division staff and are compliant with the Fleet Division's requirements for the Loader and agreed to by the using division, Solid Waste. The bid award has been reviewed by the Solid Waste and Fleet Divisions and the purchase is recommended.

Respectfully submitted,

Ray Ambler, Purchasing and Materials Manager

Dirk Ishiwata, Facilities, Fleet, and Park Maintenance Manager

Keith Quinlan, Solid Waste Superintendent

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Dean Albro, Management Services Director

Mike Luther, Public Works Director

C.J. Berry, Utilities Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Jim Throop, City Manager

- Attachments:
- 1) Resolution No. 6454(21)
 - 2) Quinn Quote Letter dated June 18, 2021
 - 3) Quinn RFP Bid Response Package