

MEMORANDUM

TO: Gene Baietto, Purchasing

FROM: Gordy Paprocki, Fleet Services

DATE: May 5, 2011

SUBJECT: Sole Source Purchase of Tractor Loader / Backhoe

Included in the Water Utilities Capital equipment budget for 2011 are funds in the amount of \$170,000.00 to purchase a replacement tractor loader backhoe with attachments (hydraulic quick coupler, hydraulic hammer, 18" bucket and a 36" bucket).

When we look back to 1990 when we purchased our first CAT 446 tractor loader backhoe, criteria was established then in our operation that separated this machine's performance from all of the competitors, that same criteria holds true today 21 years later. The main distinction is in the excavator style boom design, no other machine in this class (17 feet) in today's market place offers this including the Deere 710J which attempts to mimic the boom design of the CAT machine but in reality doesn't even come close.

Once again we are replacing a machine with an excavator style boom, which by its design has many distinct advantages over a straight boom machine. Because of the curved configuration of the boom, the machine is able to work in close proximity to the trench and the dump truck minimizing the amount of space occupied on the street, which results in a safer work zone in congested areas. The excavator style boom design lends itself to increased truck loading capabilities, which is the primary function of this machine in our Water Utility. Along with truck loading from street cuts and concrete break outs, this machine will also be used for ditch and basin clean out, storm drain and creek grate clean out, and brush and debris loading. All of these operations require the machine to be fully capable of reaching over obstacles such as guardrails, walls, and other fixed objects. This is the distinct advantage and function of an excavator boom.

There have been some changes to the CAT 446 over the years which have added to its capabilities and durability, the most recent and impressive is the change to the extendable stick which has dramatically increased its durability to the impact it is exposed to while using the hydraulic hammer for concrete breakout. The other notable change is the model designation, the machine is now the 450E, still same basic machine though.

I did get a price quotation from Fabco our local CAT dealer for the purchase of a new CAT 450E, the price as quoted by Fabco would be \$ 136,400.00 for the machine, Woods auto-lock coupler and buckets. The other item included in the budget is the hydraulic hammer, which is an integral part of this machine's operation and usage. The price for a new CAT H90C hammer as quoted by Fabco is \$ 21,000.00. However I did

get a price quote on an NPK GH-4 hammer which is the current model that replaces our NPK X4 hammer that came in at \$20,585.00, the problem with this is that Fabco is no longer an NPK dealer so our new machine would have to go to Aring Equipment to have the hammer installed and any problems or warranty issues related to the hammer and it's operation would now be split between the two dealers which in my experience is never a good thing, so for the \$415.00 price difference I feel that it would be money well spent in the long run to keep the entire package with one source in the effort to avoid compatibility issues and any service or warranty situations that may arise.

With all of this being said I would recommend that it would be in the Department's and the City's best interests to move forward with the purchase of the new CAT 450E with the attachments and the CAT H90C hammer as quoted by Fabco for a total price of \$ 157,400.00.

There is one other point that I would like to bring up and that is the disposal of the existing machine and hammer. Historically we have sent our equipment to the Milwaukee County auction for disposal which for the most part works out well, but for niche application equipment not so much. As in the case of this particular piece it is much larger than the typical tractor loader backhoe that the small contractor would be using so it is much less attractive to the normal buyer that attends these auctions so in these cases we would place a reserve on the price and would most likely be bringing unit back or we would let it go for whatever it brings. Some times we get lucky and things come together and the item sells for a good price like the last unit of this type that we sold at auction in 2001 and we managed to get \$ 25,000.00 for it, but the economy is much different today than it was in 2001 so I think we would be hard pressed to get that amount or even sell the unit at all, also don't forget that no matter what we get for it, if it sells we need to deduct the costs associated with the auction which I do believe is some where in the area of 11% which comes right off the top of the sale price!

So with that in mind I took the liberty of having Fabco give us a trade-in price for our machine and hammer. They are willing to give us \$25,000.00 for the machine and \$1,000.00 for the hammer. In today's marketplace I believe these to be fair prices. This also allows us the opportunity to avoid any costs that we would incur trying to dispose of this equipment through other avenues. So here again I would recommend that we trade the equipment in to Fabco as part of the purchase of the new equipment.

If you should have any questions or concerns as always please contact me directly. Your cooperation in this matter is greatly appreciated.