TO:         HONORABLE CITY COUNCIL
FROM:       CITY MANAGER                      DEPARTMENT: PUBLIC WORKS
DATE:       SEPTEMBER 8, 2008                   CMR: 357:08

SUBJECT:    ADOPTION OF A BUDGET AMENDMENT ORDINANCE FOR THE FISCAL YEAR 2008-09 TO PROVIDE AN ADDITIONAL APPROPRIATION OF $200,000 TO VEHICLE REPLACEMENT FUND, CAPITAL IMPROVEMENT PROGRAM PROJECT, VR-08000, APPROVAL OF A PURCHASE ORDER WITH PETERSON TRACTOR COMPANY IN AN AMOUNT NOT TO EXCEED $374,720 FOR THE PURCHASE OF FOUR BACKHOE/LOADERS AND APPROVAL OF A PURCHASE ORDER WITH PETERSON TRACTOR COMPANY IN AN AMOUNT NOT TO EXCEED $249,497 FOR THE PURCHASE OF ONE WASTE-HANDLING WHEEL LOADER

RECOMMENDATION
Staff recommends that Council:

1. Adopt the attached Budget Amendment Ordinance (BAO) in the amount of $200,000 (Attachment A) to provide an additional appropriation to the Vehicle Replacement Fund, Capital Improvement Program (CIP) Project, Scheduled Vehicle and Equipment Replacements, VR-08000, for the purchase of a waste-handling wheel loader.

2. Approve and authorize the City Manager or his designee to execute a purchase order with Peterson Tractor Company in the amount of $374,720 for the purchase of four backhoe/loaders.

3. Approve and authorize the City Manager or his designee to execute a purchase order with Peterson Tractor Company in the amount of $249,497 for the purchase of one waste-handling wheel loader.

DISCUSSION
Backhoe/Loaders
Vehicle Replacement Fund CIP Projects VR-078000, VR-08000 and VR-09000 authorize the replacement of four backhoe/loaders. Three of these backhoe/loaders are at the end of their useful life. The fourth one is scheduled for replacement in 2008-09, however it has not yet
accumulated enough operating hours to qualify for replacement. Since the fourth backhoe/loader is due for replacement later this fiscal year, staff feels it would be cost effective for it to be replaced early and added to the Municipal Services Center equipment pool. Backhoe/loaders are used heavily in both Utilities and Public Works field operations; having a spare backhoe/loader available in the equipment pool will greatly reduce the impact to those operations when assigned backhoe/loaders are down for service or maintenance. In addition, the availability of a spare machine will reduce the need for equipment rentals when additional backhoe/loaders are needed for heavy workloads or special projects.

A Request for Quotation (RFQ) for three backhoe/loaders was sent to four vendors on April 28, 2008. Bids were received from four qualified vendors on May 20, 2008, as listed on the attached bid summary (Attachment B). Bids ranged from a high of $312,061 to a low bid of $241,339.

The bids received from Papé Equipment and Tractor Equipment Sales did not meet specifications, so they could not be considered for award.

Staff has reviewed all bids submitted and recommends that the bid submitted by Peterson Tractor Company be accepted and that Peterson Tractor Company be declared the lowest responsible bidder.

**Waste-Handling Wheel Loader**

Vehicle Replacement Fund CIP Project VR-08000 authorizes the replacement of a waste-handling wheel loader to support the City’s composting program. This machine is used to load greenwaste into a compost grinder and finished compost into trucks.

Due to the premature failure of a compost screener in August 2007, the funding originally allocated for the replacement of this wheel loader was used to purchase a new compost screener. The screener was not scheduled for replacement until fiscal year 2009-10. Staff attempted to defer the replacement of the wheel loader until fiscal year 2009-10, but it has also failed and is not cost-effective to repair. A new wheel loader must now be purchased on an emergency basis. Given that sufficient funding is not available for the purchase of this wheel loader in Vehicle Replacement Fund CIP Project VR-08000, the purchase will be facilitated by a transfer from the Refuse Fund Reserve to the Vehicle Replacement Fund CIP in accordance with the attached BAO (Attachment A).

This is a sole source purchase conducted in accordance with Section 2.30.360(b) of the Palo Alto Municipal Code. Waste-handling wheel loaders are equipped with protective shielding and other features that enable safe operation in landfill facilities. Only a few wheel loader manufacturers offer waste-handling versions. Staff researched the availability of a replacement wheel loader and determined that Peterson Tractor Company was the only supplier in the area that had a machine meeting our requirements, and ready for immediate delivery. The machine that Peterson Tractor intends to supply is of the same make and model (Caterpillar 950 series) as the machine that is being replaced, so there will be minimal impact to staff from an operation and maintenance standpoint. In addition, the purchase of the Caterpillar loader will allow staff to transfer an existing “Tink” brand greenwaste bucket from the existing machine to the new machine, saving approximately $30,000 on the cost of a new greenwaste bucket.
Staff has checked references supplied by the vendor for previous contracts and has found no significant complaints.

**RESOURCE IMPACT**
In fiscal years 2006-07, 2007-08 and 2008-09, Council appropriated $3.6 million to CIP Vehicle Replacement Fund Project VR-07800; $2.5 million to VR-08000, and $2.5 million to VR-09000 to cover the costs of scheduled replacements of vehicles and equipment. Because the funding originally allocated in VR-08000 for the replacement of a wheel loader was used to purchase a compost screener, the existing balance of the appropriation in VR-08000 is no longer sufficient to allow for the purchase of a wheel loader.

A Budget Amendment Ordinance is necessary to transfer $200,000 from the Refuse Fund Reserve to Vehicle Replacement CIP VR-08000 for the purchase of the waste-handling wheel loader to be utilized in the composting program. The proposed BAO will reduce the balance of the Refuse Fund Reserve to $828,000.

**POLICY IMPLICATIONS**
Authorization of the contract does not represent any change to the City’s existing policy.

**ENVIRONMENTAL REVIEW**
The equipment being supplied is in conformance with all applicable emissions laws and regulations, and will emit significantly fewer exhaust emissions than the equipment being replaced.

**ATTACHMENTS**
Attachment A: Budget Amendment Ordinance  
Attachment B: Bid Summary  
Attachment C: Certification of Nondiscrimination

PREPARED BY: KEITH LAHAIE  
Fleet Manager

DEPARTMENT HEAD: GLENN ROBERTS  
Director of Public Works

CITY MANAGER APPROVAL: JAMES KEENE  
City Manager