



Legislation Text

File #: 08-0401, Version: 1

Resolution to Approve Purchase of a New Forklift (\$28,978.58) and Installment Lease/Purchase Agreement with Deere Credit, Inc., for a New Loader at the City Materials Recovery Facility/Waste Transfer Station (\$173,500.00; \$37,858.88/year)

The attached resolution authorizes the purchase of a new forklift and an installment lease/purchase of a new loader for use at the city-owned materials recovery facility (MRF) and waste transfer station. The City is making the purchases, but the City's MRF/transfer station operator, FCR Inc., will be making the payments for these purchases and will be reimbursed pursuant to the operating contract between the City and FCR Inc. Funding for the forklift and loader will be provided through the MRF Capital Replacement account of the Solid Waste Fund, which has a current balance of approximately \$265,000.00. The Replacement account is controlled by the City and funded by ongoing contributions from both the city and FCR Inc.

The City's contract with FCR Inc. (Section 2:10) allows FCR Inc. to be reimbursed for the repair (over \$4,000.00) or replacement of equipment and rolling stock identified in Schedule 9 of the agreement, which includes the forklift and loader. Schedule 9 anticipated the replacement of the forklift in 2005/06 and the loader in 2007/08.

FCR Inc. received quotations from three vendors for a new forklift as follows:

Hyster H60FT (Great Lakes):	\$24,806.25	
Nissan PFD 60 (Michigan Industrial):	\$27,820.03	
CAT P6000-D (Fraza):		\$28,978.58

FCR Inc. has recommended the CAT forklift, even though it is \$4,172.00 more expensive than the lowest bid, Hyster. The CAT forklift offers a two-year unlimited hours warranty that the other units do not include. The CAT dealer also guarantees that all parts will be available within 24 hours or they are free. The other vendors do not offer this protection. Finally, the CAT forklift includes a dust control package to protect engine and radiator components (which is critical in a paper processing setting), a suspension style seat for the operator, separate brake pedal and inching brake pedal, free oil sample testing and "Fleet Track" online reporting showing unit history.

Quotations were also received for both the purchase and lease of a new loader (less wheels/tires given the need for special order solid rubber tires in a MRF/transfer station setting). Following are the purchase prices of the three bids received:

John Deere 544 J (JDE Equipment):	\$145,050.00
CAT 928 HZ (Michigan CAT):	\$145,320.00
Komatsu WA200-5 (AIS Equipment):	\$104,000.00

The Komatsu WA200-5 loader was viewed as non-responsive to the bid, with a much lower horsepower (119 vs. 180/155 respectively on the Deere and CAT).

Lease/purchase prices were also solicited on the loader in order to preserve the fund balance in the MRF Capital Repair/Replacement account for other needs, provide a \$1 buyout at the end of the five-year lease period and provide operating assurance/responsiveness of the equipment vendor over the term of the lease. Following are the annual lease payments provided by each qualifying vendor (less wheels/tires):

John Deere:	\$32,142.82/year
CAT:	\$31,360.00/year

The above payments also cover the documentation/filing fees for each (\$500.00 for the John Deere). John Deere (JDE Equipment) was willing to incorporate the cost of the solid rubber tires and wheel assembly into their lease price

(provided via Setco Tires) at a cost of \$27,950.00, resulting in an additional payment of \$5,716.06/year. CAT would require a separate lease arrangement between Setco and FCR (provided at the same lease price noted above).

Overall, FCR recommends the John Deere 544J lease/purchase package. This recommendation is based on FCR's past experience with both John Deere and CAT loaders. The current John Deere loader has enjoyed almost 15,000 hours of solid performance, with the dealership providing strong customer service. The secondary loader that FCR will continue to employ is also a 544 John Deere model, allowing greater flexibility and parts availability overall.

The current Hyster forklift that is being replaced has over 19,000 hours of use and has no residual value. Fraza will pay \$1 for the salvage value of the equipment. The existing CAT loader (in use since the facility opened in 1995) will be sold separately by FCR Inc. (with the funds received placed into the MRF Replacement account per contract) and has an estimated residual value of \$5,000.00-8,000.00.

Funding for these purchases was budgeted in the FY08 Solid Waste Operating Budget. The City's current operating contract with FCR Inc. is set to expire in September 2015.

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Sue F. McCormick, Public Services Area Manager
Approved by: Roger W. Fraser, City Administrator

Whereas, The City owns a materials recovery facility (MRF) and waste transfer station that is operated by FCR Inc.;

Whereas, FCR Inc. is in year thirteen of a twenty-year operating agreement with the City to operate and maintain the MRF/transfer station on behalf of the city;

Whereas, FCR Inc. is in need of a new loader and forklift to sustain operations;

Whereas, A jointly funded MRF Capital Replacement account exists within the Solid Waste Enterprise Fund to finance such expenditures;

Whereas, The operating contract agreement between the City and FCR provides for the reimbursement of expenditures made by FCR to be provided through the MRF Capital Replacement account to FCR Inc. for rolling stock and equipment used at the MRF/transfer station;

Whereas, The current \$265,000.00 balance in the MRF Capital Replacement Account is adequate to fund the replacement of the forklift and the five-year lease/purchase of a new loader;

Whereas, The City of Ann Arbor is a political subdivision of the State of Michigan and is duly organized and existing pursuant to the constitution and laws of the State of Michigan;

Whereas, Pursuant to applicable law, the City Council of the City of Ann Arbor is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions and operations of the City;

Whereas, The City Council hereby finds and determines that the execution of an installment lease/purchase agreement ("Purchase Agreement") in an amount not exceeding \$173,500.00 for the purchase of a new loader is appropriate and necessary to the functions and operations of the City;

Whereas, The Vendor of the new loader is JDE Equipment;

Whereas, For the purposes of providing the financing under the Purchase Agreement, Deere Credit, Inc. ("Assignee"), shall act as the financing source and said Purchase Agreement and in connection therewith, the Vendor shall assign to Assignee all of its rights (including but not limited to, the right to collect the installment payments due and payable under the Purchase Agreement) but non of its obligations under the Purchase Agreement;

Whereas, The City or its payment agent, FCR Inc., may pay certain capital expenditures in connection with the loader prior to receipt of the Installment Purchase Agreement proceeds for the loader;

Whereas, Funding for these purchases was budgeted in the FY08 Solid Waste Operating Budget;

Whereas, FCR Inc. received updated Human Rights/Living Wage approval on August 23, 2007;

RESOLVED, That City Council approves the purchase of a CAT P600-D model forklift from Fraza Forklifts for \$28,978.58 and approves reimbursement to FCR for \$28,978.58 from the MRF Capital Replacement Account for the purchase;

RESOLVED, That City Council approves a five-year lease/purchase agreement ("Installment Purchase Agreement") with Deere Credit, Inc., for the lease/purchase of a new John Deere 544J Loader (including wheels and solid rubber tires) through JDE Equipment, for an amount not to exceed \$173,500.00, with an annual lease payment of \$37,858.88/year, and with the right to prepayment of the principal and interest accrued thereon;

RESOLVED, The City Council agrees that its obligation to pay all of the installment payments due under the Installment Purchase Agreement shall be absolute and unconditional upon the delivery and acceptance of the loader (including wheels and solid rubber tires);

RESOLVED, The City Council authorize and direct the Mayor, City Clerk, Chief Financial Officer or Treasurer (each an "Authorized Representative") acting on behalf of the City, to execute the Installment Purchase Agreement and related supplemental documents after approval as to form by the City Attorney;

RESOLVED, That City Council approve the semi-annual reimbursement to FCR Inc., from the MRF Capital Replacement Account for payments made by FCR Inc., as the City's payment agent, to Deere Credit, Inc. under the installment Purchase Agreement;

RESOLVED, That the City reasonably anticipates to issue more than \$10,000,000.00 of tax-exempt obligations (other than "private activity bonds" which are not "qualified 501(c)(3) bonds") during the fiscal year in which the Installment Purchase Agreement is issued and hereby does not designate the Installment Purchase Agreement as a qualified tax-exempt obligation for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended; and

RESOLVED, That City Council authorizes the City Administrator to take any necessary administrative actions to implement this resolution.