



Legislation Text

File #: 10-1020, Version: 1

Resolution to Authorize Purchase of a New Volvo Loader from Alta Equipment Company (\$201,658.00), Approve a Government Obligation Contract with Volvo Financial Services (\$21,888.92 per 6 months), Reimburse FCR LLC for Capital Maintenance at the Material Recovery Facility (\$56,363.10) and Appropriate Funds **(8 Votes Required)**

The City owns a materials recovery facility (MRF) that is operated by FCR LLC d/b/a RRS, Inc. (FCR), which is in the fifteenth year of a twenty-six year agreement with the City to operate and maintain the Material Recovery Facility (MRF) on behalf of the City. A jointly funded MRF Capitalized Renewal and Replacement Account exists within the Solid Waste Enterprise Fund to finance capital renewals and replacements as needed. The attached resolution appropriates funds and reimburses FCR for the cost of repairs and maintenance that were performed on the baler at the City-owned MRF.

Baler Repairs

In late 2009 the replacement of 6 valves on the baler at the MRF was deemed necessary due to the fact that many of the valves had either failed or started to malfunction from ordinary wear and tear on the baler's hydraulics. The MRF maintenance team decided that it was also necessary to replace the hydraulic oil and clean the tank so that the particles introduced from the valve failures would not cause the cylinder rams and other critical baler parts to fail as well. The hydraulic oil continues to be monitored on a frequent basis through the use of a particle counter and consistent changing of baler filters at the recommended microns per the manufacturer. The cost of these baler repairs was \$56,363.10. The baler and other equipment in the MRF are owned by the City, and part of the purpose of the MRF Capitalized Renewal and Replacement Account is to reimburse repair expenses such as this.

Purchase of New Volvo Loader

In addition to the baler repairs, authorization for and funding of the purchase by the City of a new Volvo loader for the MRF are requested. The existing loader at the MRF is a John Deere, purchased new in 2003, which has had 20,624 hours of operation as of September 29, 2010. FCR believes that the high number of loader hours and the existing work load from Single Stream tons will cause the loader to fail in the near future. History has shown at other facilities with similar tonnage that a loader is vulnerable for significant repairs after 12,000 to 14,000 hours of usage. Based on the last maintenance audit performed on the machine in September 2010, the loader requires approximately \$15,000.00 worth of repairs in the near future to continue operations. The loader is also in need of new tires. These tires are estimated to cost between \$22,000.00 and \$27,000.00 for tires that are appropriate to working on a MRF tip floor. At the run rate experienced between January and April 2010 (approx 1850 tons of recyclables each month) the approximately \$15,000.00 of needed repairs would extend the life of the existing loader between 12 to 18 months. With the current run rate of recyclables between 4200-4300 (130% increase over dual stream run rate experienced from January to April) the loader may still require significant repairs between 4 to 6 months from now due to the increased use of the loader to push up the materials. The loader is additionally burdened because it now must extend materials above the current hopper instead of merely pushing materials onto a

below grade level belt. The purchase of a new loader is recommended for overall cost minimization.

FCR, on behalf of the City, received quotations from three vendors for the new loader as follows. The installment financing agreements were all 60 months, with \$1.00 buyouts:

- Volvo L70F: \$201,658.00 Installments \$21,888.92/6 month (\$218,890.20)
- John Deere 544K: \$184,165.00 Installments \$20,008.71/6 month (\$200,088.10)
- Caterpillar 938H: \$192,490.00 Installments \$20,786.06/6 month (\$207,861.60)

FCR has recommended the Volvo loader, even though it is not the low bid. The Volvos are significantly more fuel efficient, and are constructed much more durably, particularly the boom arms that hold the buckets. This has been a source of ongoing repairs with the current John Deere loader. FCR received references from Waste Management, which use a variety of loaders at their regional facilities, and expressed a strong preference for the Volvo loaders, both from an operational and maintenance standpoint.

The City would purchase the loader from Alta Equipment Company and the financing and installment purchase of the loader would be through a Government Obligation Contract entered into between the City and Volvo Financial Services.

Funding for both the baler repairs and the loader purchase will be provided through the MRF Capitalized Renewal and Replacement account, which as of June 30, 2010 had a balance of \$97,431.64. The Replacement account is controlled by the City and is funded by way of ongoing contributions from both the City and FCR through a calculation method established in the contract. In FY2010 the contributions to that account totaled \$92,252.78. Those contributions are expected to grow with the additional volumes in the new single stream operation.

The City's current operating contract with FCR is set to expire in September 2021.

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Reviewed by: Matthew J. Kulhanek, Fleet & Facility Manager, Sue F. McCormick, Public Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, The City owns a materials recovery facility (MRF) that is operated by FCR LLC d/b/a RRS, Inc. ("FCR");

Whereas, FCR is in year fifteen of a twenty-six year operating agreement with the City to operate and maintain the MRF on behalf of the City;

Whereas, The MRF baler was in need of hydraulic valve repairs;

Whereas, The MRF also is in need of a new loader for its operations;

Whereas, A jointly funded MRF Capitalized Renewal and 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 for rolling stock and other equipment at the MRF made either by FCR or by the City to be funded through the MRF Capitalized Renewal and Replacement Account;

Whereas, The MRF Capitalized Renewal and Replacement Account, which had a balance of \$97,431.64 as of June 30, 2010, is adequate to fund the baler repair and the first installment payment for the new loader;

Whereas, Future contributions to the MRF Capitalized Renewal and Replacement Account will be available to fund the remainder of the installment payments for the 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 will enter into an agreement with Alta Equipment Company to purchase a new Volvo L70F loader for \$201,658.00 for the MRF ("Sales Agreement");

Whereas, The City will enter into a Government Obligation Contract with Volvo Financial Services to finance and provide for installment payments for the purchase;

Whereas, The City Council hereby finds and determines that the execution of an Government Obligation Contract in an amount not exceeding \$218,890.20 for the purchase the Volvo L70F loader is appropriate and necessary to the functions and operations of the City;

Whereas, For the purposes of providing the financing under the Government Obligation Contract, Volvo Financial Services ("Assignee") shall act as the financing source for the Sales Agreement between the City and Alta Equipment Company and in connection therewith, Assignee shall agree to pay Alta Equipment Company the purchase price of the Volvo L70F loader in the Sales Agreement and Alta Equipment Company 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 Government Obligation Contract) but none of its obligations under the Sales Agreement;

Whereas, The City will be reimbursed for its payments under the Installment Government Obligation Contract out of the MRF Capitalized Renewal and Replacement Account; and

Whereas, In FY2010 the contributions to the MRF Capitalized Renewal and Replacement Account totaled \$92,252.78 and those contributions are expected to grow with the additional volumes in the new single stream operation;

RESOLVED, That City Council approve the reimbursement to FCR of \$56,363.10 from the MRF Capitalized Renewal and Replacement Account for the baler repairs at the City-owned MRF;

RESOLVED, That City Council determine that a true and very real need exists for the acquisition of the new Volvo L70F loader for the MRF;

RESOLVED, That City Council determine that the useful life of the new Volvo L70F loader to be not less than five years;

RESOLVED, That City Council authorize a Sales Agreement between the City and Alta Equipment Company to purchase a new Volvo L70F loader for \$201,658.00 for the MRF, subject to a Government Obligation Contract to cover the cost of the purchase and to provide for installment payments;

RESOLVED, That City Council approves a five-year Government Obligation Contract between the City and Volvo Financial Services starting after January 1, 2010, for the financing and installment purchase of a new Volvo L70F loader (including wheels and solid rubber tires) for an amount not to exceed \$218,890.20, with installment payments of \$21,888.92 per 6 months, and a \$1 buyout at the end of five years substantially in the form presented to City Council;

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

RESOLVED, That City Council authorize and direct the Mayor, City Clerk, Chief Financial Officer or Treasurer (each an "Authorized Individual") acting on behalf of the City, to execute the Sales Agreement, the Government Obligation Contract and related supplemental documents after approval as to form by the City Attorney;

RESOLVED, That City Council approve the semi-annual reimbursement from the MRF Capital Replacement Account to the City for payments made to Volvo Financial Services under the Government Obligation Contract;

RESOLVED, That the City reasonably anticipates that it will not issue more than \$30,000,000.00 of tax-exempt obligations (other than "private activity bonds" which are not "qualified 501(c)(3) bonds") during the 2010 calendar year in which the Government Obligation Contract is executed and hereby designates the Government Obligation Contract 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 appropriate \$78,252.02 in funding from the MRF Capitalized Renewal and Replacement Account of the Solid Waste Fund to the FY 2011 Solid Waste Operating budget in order to finance the reimbursement request from FCR for the baler repairs and to finance the first installment payment made by the City for the loader;

RESOLVED, That City Council authorize appropriation of available funding from the MRF Capitalized Renewal and Replacement Account of the Solid Waste Fund to the Solid Waste Operating budget every six months to finance the remaining installment payments and the final buyout payment for the loader; and

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