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## AGENDA COVER MEMO

**Memorandum Date:** January 3, 2007

**Order Date:**

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**TO:** Lane County Board of Commissioners  
**DEPT:** Public Works  
**PRESENTED BY:** Phillip Guyette, Public Works Fleet Manager  
**AGENDA ITEM TITLE:** In the Matter of Awarding a Contract to Peterson Machinery Co., in the amount of \$436,485.00, with two (2) trade-ins, for the Purchase of One (1), New, Steel Wheel Landfill Compactor, Contract FY06/07 FS-06.

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### I. MOTION

MOVE TO AWARD A CONTRACT TO PETERSON MACHINERY CO., IN THE AMOUNT OF \$436,485.00, FOR THE PURCHASE OF ONE (1) NEW, STEEL WHEEL LANDFILL COMPACTOR, AS SPECIFIED IN CONTRACT FY06/07 FS-06.

### II. ISSUE OR PROBLEM

Shall Lane County approve awarding a contract to Peterson Machinery Co., for the purchase of One (1) new, Steel Wheel Landfill Compactor? This Compactor will replace One (1) existing Crawler Tractor and One (1) existing Steel Wheel Landfill Compactor as per established replacement criteria.

### III. BACKGROUND/IMPLICATIONS OF ACTION

#### A. Board Action and Other History

Lane County Department of Public Works Waste Management Division currently operates Two (2) 80,000 pound class landfill crawlers, One (1) 120,000 pound Steel Wheel Landfill Compactor, and One (1) 100,000 pound Steel Wheel Landfill Compactor to process 275,000 tons of refuse annually at the Short Mountain Landfill. Crawler tractors and Steel Wheel Landfill Compactors in this application have a scheduled lifecycle of 5 years or 10,000 service hours.

#### B. Policy Issues

None

### **C. Board Goals**

Purchase of this equipment is necessary to provide direct and indirect services to the citizens of Lane County, to maintain satisfactory operations of the County's road system, and to meet the health, safety, and economic good of the citizens and industries of our community as defined in Section B3.a.2 of the Strategic Plan.

### **D. Financial and/or Resource Considerations**

This equipment was approved for purchase in the Fleet Services FY06/07 budget, sufficient funds are available for this acquisition, and the purchase price is within the budgeted amount. The lowest bidder offered to repurchase the Steel Wheel Landfill Compactor at the end of its five-year service life for \$170,000.00.

### **E. Analysis**

Crawler tractors and compactors operating in landfill environments are subject to extremely harsh operating conditions. Equipment manufacturers recommend an overhaul of most major components between 11,000 – 12,000 service hours. An overhaul of this nature would take the machine off line for approximately four weeks, severely impacting operations at the landfill. Overhaul cost estimates run from \$100,000 - \$125,000.00, and deemed to be not economically cost effective.

The existing crawler tractor in this application has been in service 5-years and will have accumulated approximately 13,000 service hours at time of replacement. The existing compactor has also been in service 5-years and will have accumulated more than 8,500 service hours at the time of replacement.

In December of 2004, the Waste Management Division replaced a 100,000 pound class Steel Wheel Landfill Compactor with a 120,000 pound class Steel Wheel Landfill Compactor in an attempt to improve efficiency. In the past 24 months, this larger, more powerful compactor has demonstrated the ability to process as much refuse as the existing 100,000 pound class compactor and an 80,000 pound class crawler tractor combined. The Fleet Services and Waste Management Division propose replacing both these machines with a single 120,000 pound class compactor.

Replacing one compactor and one crawler with a single larger compactor is estimated to reduce annual equipment operation costs approximately \$107,000.00 per year.

The County received 2 (two) responses from its invitation to bid. Given the time value of money and the large variance in the guaranteed repurchase bid amounts, the present value of each bidder's guaranteed repurchase was calculated to determine the lowest cost option. The values listed in the table below were calculated as follows:

- (1) Net Bid Amount = total bid less two (2) trade-ins
- (2) Present Value of guaranteed repurchase @ 4% over 5 years
- (3) Net bid minus present value of guaranteed repurchase

BIDDER	(1) NET BID	(2) PRESENT VALUE (PV) OF GUARANTEED REPURCHASE	(3) NET BID LESS PV OF GUARANTEED REPURCHASE
Peterson Machinery Co.	\$436,485.00	\$139,728.00	\$296,757.00
Terrex Utilities	\$395,112.87	\$65,754.00	\$329,358.87

The \$436,485.00 bid, with two (2) trade-ins, submitted by Peterson Machinery Co. contained one minor, acceptable deviation from the published specifications. The \$395,112.87.00 bid, with two (2) trade-ins, submitted by Terrex Utilities, contained twenty-two deviations from the published specifications.

**F. Alternatives/Options**

1. Purchase the above described Steel Wheel Landfill Compactor from Peterson Machinery Co., at this time.
2. Purchase the above described Steel Wheel Landfill Compactor from Terrex Utilities at this time.
3. Do not purchase at this time. The existing crawler tractor has been in service five-years and operated approximately 13,000 hours. If not replaced, this unit will require a major overhaul of the engine, drive train, and undercarriage components. Downtime for a repair of this magnitude will exceed four weeks, resulting in a significant impact on Waste Management's operation. Rental units with the necessary guarding for landfill operation are not available.

**IV. Timing/Implementation**

Upon approval of the Board, a contract will be executed between Peterson Machinery Co., and the County Administrator.

**V. Recommendation**

It is recommended that the Board approve entering into a contract with Peterson Machinery Co., for the purchase of one (1) new, Steel Wheel Landfill Compactor as specified in FY06/07 FS-06.

**VI. Follow-up**

None.

**VII. Attachments**

Board Order

Bid Recap

IN THE BOARD OF COMMISSIONERS OF LANE COUNTY  
STATE OF OREGON

ORDER

(IN THE MATTER OF AWARDED A  
(CONTRACT TO PETERSON MACHINERY  
CO., IN THE AMOUNT OF \$436,485.00  
(WITH TWO (2) TRADE-INS, FOR THE  
(PURCHASE OF ONE (1), NEW, STEEL  
(WHEEL LANDFILL COMPACTOR,  
(CONTRACT FY06/07 FS-06.

**WHEREAS**, at the duly publicized place and time on November 28, 2006, an authorized representative of the Department of Public Works, opened bids on the following:

One (1), Steel Wheel Landfill Compactor, Contract FY06/07 FS-06

**WHEREAS**, the County received two (2) responses from its invitation to bid. The low bid of \$436,485.00, submitted by Peterson Machinery Co., contained one minor, acceptable deviation from the published specifications. The \$395,112.87.00 bid, with two (2) trade-ins, submitted by Terrex Utilities, contained twenty-two (22) deviations from the published specifications, and the Director of the Department of Public Works recommends that the Peterson Machinery Co. bid be accepted; therefore it is hereby

**ORDERED** that the bid received from Peterson Machinery Co. be accepted as recommended; and it is further

**ORDERED** that a contract be awarded to Peterson Machinery Co., in the amount of \$436,485.00 in accordance with the bid specifications; and it is further

**ORDERED**, that a contract be executed in accordance with this Order and the bid specifications and the County Administrator be authorized to sign the contract.

**DATED** this 3rd day of January, 2007.

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Chair  
Lane County Board or Commissioners

APPROVED AS TO FORM

Date 12-26-06 lane county

  
OFFICE OF LEGAL COUNSEL

**CONTRACT FY06/07 FS-06**

Bid Opening: Tuesday, November 28, 2006, 10:15 a.m.

**BID RECAP****ONE (1), NEW, UNUSED, CURRENT-MODEL, STEEL WHEEL COMPACTOR WITH ONE-TWO (1-2) TRADE-INS**

<u>VENDOR</u>	<u>MAKE/MODEL</u>	<u>AMOUNT</u>	<u>5-YEAR ENGINE &amp; POWERTRAIN WARRANTY</u>	<u>TRADE-INS</u>	<u>BID SECURITY</u>
Peterson Cat	CAT 836-H	\$706,485	\$48,000	02-500 \$195,000 02-650 \$ 75,000	Bid Bond
			Guaranteed repurchase at end of 1 year:	\$450,000	
			Guaranteed repurchase at end of 5 years:	\$170,000	
			Guaranteed repurchase at end of 7 years:	\$125,000	
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Terex Utilities	Terex TC550	\$600,112.87	\$28,000	02-500 \$147,000 02-650 \$ 58,000	Bid Bond
			Guaranteed repurchase at end of 1 year:	\$200,000	
			Guaranteed repurchase at end of 5 years:	\$ 80,000	
			Guaranteed repurchase at end of 7 years:	\$ 50,000	
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Bid award recommendation based on:

Purchase of CAT 836-H	\$706,485.00
Trade-in #02-500	<195,000.00>
Trade-in #02-650	<75,000.00>
Net Bid	\$436,485.00

Guaranteed repurchase at the end of 5 years	\$170,000.00
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