



REQUEST FOR BOARD ACTION

BOARD MEETING DATE:

Tuesday, April 26, 2022

REVIEWALS:

Public Works Street Department: Complete

Public Works Director: Complete

City Administrator: Complete

SUBJECT:

2022 Public Works Rent to Purchase Option (RPO) for a Mini-Excavator

LIST OF ATTACHED REFERENCE DOCUMENTS:

2022 Public Works Mini-Excavator RPO Documents

FISCAL IMPACT:

| | |
|---|--------------|
| 2022 Public Works <u>Rental</u> Budget: | \$12,000.00 |
| 2022 Proposed rental costs for Volvo RPO (8 Months@\$2,200 per) | \$17,600.00 |
| 2022 Concrete Slab Repair Budget | \$250,000.00 |
| 2023 Capital Improvement Budget – Mini-Excavator | \$65,000.00 |

| | <u>Retail Price</u> | <u>Monthly Rental</u> | <u>Purchase Price</u> | <u>In Stock</u> |
|------------------------|---------------------|-----------------------|-----------------------|-----------------|
| 1. Rudd Equipment | \$77,268.00 | \$2,200.00 | \$63,188.00 | Yes |
| 2. Bobcat of St. Louis | \$92,363.28 | \$2,800.00 | \$81,279.76 | No |
| 3. McCoy Construction | \$82,866.00 | \$4,000.00 | \$63,666.00 | No |

BACKGROUND/DISCUSSION:

The Public Works Department has rented a mini-excavator for multiple months for each of the last few years. The mini-excavator primary use has been for maintenance to the City’s ditches and creeks. We also used one for all of the clean-up of the Bander property ditches, which has helped the flow of water through that area immensely.

The Public Works Department replaces many concrete slabs throughout the City each year. We usually use our backhoe because we replace the entire slabs. Recently we have determined that many of the slabs that now need repaired can be more cost-effectively repaired by only replacing the joint between the slabs. To do this a mini-excavator is the appropriate machine for this task. The back-hoe is too big and cumbersome where a mini-excavator is smaller and more nimble to perform this operation. The backhoe usually requires the closure of the street where we are working whereas the mini-excavator should prevent or minimize closures.

While in the past we have tried to limit our use of having to rent a mini-excavator to a short time to save costs, if we have the mini-excavator on hand, it will be constantly used throughout the construction season for ditch/creek cleaning, concrete slab replacement, sidewalk repair, move salt and other tasks as needed.

The Public Works Department has rented a mini-excavator for the last 6-8 years for miscellaneous jobs and it has been determined that the most cost effective way to perform many of the jobs we currently do would be to purchase a mini-excavator as opposed to continuing to rent on a yearly basis. The departments use of the machine is only increasing based on the jobs we currently perform on a yearly basis. We rented a mini-excavator in 2018 at a cost of \$480, in 2019 the cost was \$25,017.08, mainly due to work at the Bander property, in 2020 the cost was \$2,610.50 and in 2021 the cost was \$9,230.68. These costs do not include any concrete slab repairs which we will begin performing this year.

The mini-excavator is currently budgeted to be purchased in the 2023 CIP budget. An option for the City would be to move the purchase of the mini-excavator from 2023 to the current year. This would allow the avoidance of the RPO program and save the fee associated with the RPO program. The mini-excavator has a current cost of \$77,268. The other option is to enter into the RPO program where the City rents the mini-excavator for the remainder of the year (6-8 months) and then agrees to purchase the mini-excavator in January 2023 for the price of the excavator \$77,268 minus the rental paid \$17,600 (use 8 months @\$2,200 per) plus the RPO fee \$3,520 (use 20% based on 8 month rental) for a cost of \$63,188. This would be a final total cost of \$80,788. These costs change based on the number of months rented (see attached RPO documents). The rental of the mini-excavator must be continuous until the purchase is completed in order to qualify for this offer. The price of the Volvo will increase in price on May 1st, 2022 by 2.5%.

Additionally, the Volvo is currently the only piece of equipment to rent or buy. No other options are available to purchase at this time. The rental of a machine is also very difficult at this time due to the companies selling the machines that would usually be available to rent.

As a side note, in 2019, Rudd Equipment allowed the City to “demo” a 40 Ton excavator to remove the bridges at Bander Park at no cost to the City. The actual cost would have been over \$4,000.

STAFF RECOMMENDATION:

Staff recommends Board of Aldermen approve staff to proceed with preparing documents for the May Board of Aldermen meeting to enter into a contract with Rudd Equipment for the RPO of the 2021 Volvo ECR58F Compact Excavator at a cost of \$2,200.00 per month for up to 8 months with an option to buy the in January of 2023 for the final purchase price of \$63,188.00. Rudd Equipment offered the lowest and best overall price for the RPO program. The price of the Volvo will increase in price on May 1st, 2022 by 2.5%.

MEETING HISTORY:

Public Works Committee Meeting of April 7, 2022. This item was discussed by the committee. The Committee had numerous questions and requested for the item to be forwarded to the Board of Aldermen meeting of April 26, 2022 with the additional information as requested.