



Corporation of the Municipality of Temagami

Memo No.
2019 -M- 025

Memorandum to Council

Staff
 Committee

Subject: Backhoe/Loader

Agenda Date: January 10, 2019

Attachments:

RECOMMENDATION

BE IT RESOLVED THAT the Council of the Municipality of Temagami receives Memo 2019-M-25;

AND FURTHER THAT Council directs Staff to finalize the quote received from CASE as it relates to options presented and extended warranty;

AND FURTHER THAT this purchase be added to the 2019 Capital Budget with funding to come from reserves.

INFORMATION

At the December meeting of Council, Council was informed of the breakdown of the Backhoe/Loader. Additional, readily comparable information was requested and this report is intended to supply this information.

From the previous report, there is work that is required on the front pins of the present backhoe/loader that is estimated at \$10,000 and was to be a 2019 budget item. With the operational change of renting an excavator for work at the dumps prior to the winter season there should be less damage to the pins moving forward whether the present piece of equipment is retained or a new piece purchased.

An up-to-date quote for replacing the engine has been received from CAT. As per their quote number 171364-1, the cost to install the new engine, net of HST rebate is \$31,786.87. When this is considered along with the planned replacement of the front pins, the 2019 budget for major backhoe/loader repairs would be \$42,000.

Quotes were requested for the purchase of a new unit.

Type/Unit	Purchase Price	Trade-In Allowance	Net
CAT*	154,611.02	30,000.00	124,611.02
CASE**	145,300.00	31,000.00	114,300.00
JCB 3CX-15	139,950.00	15,000.00	124,950.00
JCB 4CX-15	169,950.00	15,000.00	154,950.00

*CAT also offered an additional \$3,000 trade in for the 30"HD and 48" 'wrist a twist' buckets if we wish to trade them.

CAT stated that the cost of diagnosing the issue (travel and staff cost) of \$2,713.75 plus HST would be waived if we purchase a new unit

CAT's quote states that extended warranty is included although no comparisons between the various full or extended warranties has been made.

**CASE has included full warranty in the amount quoted and have provided a price of \$9,525 to the price for extended warranty.

CASE has also reviewed the optional equipment and has made suggestions on how to lower the price by \$5,925 but these have not been considered in the amounts above to ensure the quotes received are as close being on the same equipment and options as possible.

As part of the quotes we asked for lease rates. Leases with a 60 month (5 year) term with the residual value being \$1 range are:

CAT	5.50%
CASE	6.55%
JCB	6.30%

We also requested information for a residual lease with the following results

Type/Unit	Rate	Residual	Payment	Base Hours
CAT	5.50%	66,000.00	1,395.50	750
CASE		55,000.00	2,065.00	
JCB 3CX-15	6.55%	44,784.00	2,125.00	
JCB 4CX-15	6.55%	54,384.00	2,580.00	

All payments are subject to HST.

With either lease option, the cost of the unit would increase roughly \$25,000 over a 5 year period. If the replacement of the equipment option is selected then utilizing capital reserves to fund the purchase would be the better alternative as the lower cost option and then at the end of the warranty period the unit would have a trade in value or be maintained in the fleet at no additional costs. As noted above, with this piece of equipment no longer being used in waste disposal operations the expectation is that there would be less abnormal wear and tear on a new machine which would translate into a greater expected useful life.

Presently there is sufficient funds in our reserves for this purchase.

Prepared by:

Reviewed by:

Craig Davidson, Treasurer/Administrator