



**TO:** Mayor Shaun Sipma  
Members of the City Council

**FROM:** Jason Sorenson

**DATE:** June 25, 2019

**SUBJECT:** LEASE FOR SIX MOTOR GRADERS – AWARD OF BID (PROJECT# 4401)

**I. RECOMMENDED ACTION**

Recommend council award the bid for a 5-year lease of six new motor graders to RDO Equipment in the amount of \$26,272.00 per year per machine.

**II. DEPARTMENT CONTACT PERSONS**

Dan Jonasson, Director of Public Works 857-4140  
Jason Sorenson, Asst. Director of Public Works 857-4768

**III. DESCRIPTION**

A. Background

Each year the Street Department rents six motor graders to use for winter snow removal operations. The machines are delivered to the City on about October 15 of each year and they are kept until April 15. Once the machines are received, snow gates are added, and all of the tires are replaced with snow tires. In 2018, the machine rental was \$1,725 per month and an additional \$60 per hour for the first 160 hours and \$56 per hour for all hours after. It is not uncommon to use a rental blade over 500 hours in a winter season. A single blade rental for 500 hours costs the City about \$39,000 for the six-month snow removal season.

B. Proposed Project

The rental blades we receive generally have 5,000 to 8,000 hours on them. Machines with these high hours frequently breakdown and, depending on the issue, the City must pay the repair costs. As an example, in the past the City had to pay the repair costs for a busted circle on a blade which costs about \$17,000. The rental specifications have been adjusted to ensure we receive machines with less hours, however, there hasn't been machines available in the rental fleets with less hours.

For the 2019-2020 snow removal season leasing six brand new blades was explored and appeared to be promising. On Tuesday, June 25, 2019, bids were opened for five-year leases on six new motor graders. The tabulation of bids is below:

<u>Bidder</u>	<u>Base Bid</u>	<u>Annual Lease Payment</u>	<u>Buyout</u>
Butler Machinery	\$288,000	\$29,049.76	\$182,000.00
RDO Equipment	\$291,000	\$26,272.00	\$197,000.00

The lease payment includes up to 2,500 hours to be used over the five years. The machines would be ordered with winter tires and the manufacturer's snow package. The lease would eliminate the time and expense of swapping gates and tires every fall and spring and the machines would have full factory warranty for the duration of the lease. The motor graders

would remain in the City's possession for the entire lease period, thus eliminating the possibility of getting machines with heavy construction use.

- C. Consultant Selection  
N/A

**IV. IMPACT:**

- A. Strategic Impact:  
N/A

- B. Service/Delivery Impact:  
The amount of time it takes the Street Department to get through the City after a snow event is dependent on how many hours each machine is out on the streets moving snow. The older rental machines with high hours are more susceptible to breakdowns resulting in time in the shop. It is expected newer machines with warranty will result in better more consistent snow removal operations.

- C. Fiscal Impact:

Project Costs

Total Annual Lease Payment	\$157,632.00
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Project Funding

The Street Department Equipment Rental account has \$344,794 budgeted in 2019 to cover blade rental costs and other miscellaneous equipment rentals.

**V. ALTERNATIVES**

Alt 1. The Council could elect to reject the bids and the Street Department will continue to rent blades as has been done in the past

**VI. TIME CONSTRAINTS**

Council's approval of the recommendation will allow the motor graders to be ordered to ensure delivery before October 15, 2019.

**VII. LIST OF ATTACHMENTS**