

**MEMORANDUM**

**TO:** Board of Trustees

**THROUGH:** Steven J. Pinkerton  
General Manager

**THROUGH:** Joseph J. Pomroy, P.E.  
Director of Public Works

**FROM:** Bradley A. Johnson, P.E.  
Director of Asset Management

Rich Allen  
Fleet Superintendent

**SUBJECT:** Review, discuss and possibly make a sole source finding and review, discuss, and possibly authorize a Procurement Contract for a Replacement Caterpillar Backhoe – 2017/2018 Capital Improvement Project; Fund: Public Works; Division: Shared; Project # 2097LE1728; Vendor: Cashman Equipment in the amount of \$115,786.27

**STRATEGIC PLAN:** Long Range Principle #5 – Assets and Infrastructure

**DATE:** July 7, 2017

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**I. RECOMMENDATIONS**

That the Board of Trustees makes a motion to:

1. Make the following finding:

IVGID's purchase of a replacement Caterpillar backhoe from Cashman Equipment is exempt from competitive bidding for the following reasons:

- A. This purchase is for items which may only be contracted from a sole source (NRS 332.115.1.a). Cashman Equipment is the exclusive dealer for Caterpillar equipment for Northern Nevada.

- B. This purchase is for additions to and repairs and maintenance of equipment which may be more effectively added to, repaired, or maintained by a certain person (NRS 332.115.1.c). The District's heavy equipment fleet is exclusively Caterpillar equipment and Cashman Equipment is the exclusive dealer for Caterpillar equipment for Northern Nevada.
  - C. The equipment proposed for purchase, by virtue of the training of the personnel or of any inventory of replacement parts maintained by the local government is compatible with existing equipment (NRS 332.115.1.d). The District's heavy equipment fleet is exclusively Caterpillar equipment and the District employs mechanics trained for Caterpillar equipment and maintains an inventory of replacement Caterpillar parts.
  - D. Items, supplies, materials, or equipment that are available pursuant to an agreement with a vendor that has entered into an agreement with the General Services Administration (GSA) or another governmental agency located within or outside the State of Nevada (NRS 332.115.1.m). The pricing received from Cashman Equipment is via the National Joint Powers Alliance (NJPA). NJPA is a Minnesota based municipal contracting agency that provides nationally leveraged, competitively solicited, and cooperatively shared procurement contracts to its member agencies.
2. Authorize a procurement contract with Cashman Equipment totaling \$115,786.27.
  3. Authorize Staff to execute all purchase documents based on a review by General Counsel and Staff.

## II. DISTRIC STRATEGIC PLAN

Long Range Principle #5 – Assets and Infrastructure – The District will practice perpetual asset renewal, replacement, and improvement to provide safe and superior long term utility services and recreation activities.

- The District will maintain, renew, expand, and enhance District infrastructure to meet the capacity needs and desires of the community for future generations.

### **III. BACKGROUND**

The general purpose of this project is to maintain District operations through the necessary maintenance and replacement cycles. The contract proposed for award addresses the end of life cycle replacement of the Public Works backhoe. Public Works maintains a fleet of Caterpillar heavy equipment for earthmoving and snow removal that includes one backhoe and three loaders. A reliable and well functioning backhoe is a critical component to pipeline repair and maintenance as well as other trenching and earthmoving activities at all District facilities.

The equipment scheduled for replacement is a 2001 Caterpillar 430D backhoe #496. This equipment has operated sixteen years, has 3,900 operating hours, and has reached the end of its cost effective service life. It is at a point where the District can expect elevated maintenance and repair costs and increased equipment down time.

The District's current capital planning assumes heavy equipment has a service life of ten years but with replacement budgeted and scheduled when serviceability, reliability, performance, and economic factors dictate. The District's service records, as well as those of the equipment manufacturer, indicate that the hourly operating cost of equipment increases by more than 60% after ten years of operating. Downtime increases in direct proportion which impacts the availability and reliability of this equipment. Additionally, major component failure on this equipment may cost more than the actual value of the equipment as its age increases. A replacement engine can cost as much as \$20,000, a replacement transmission cost is \$15,000, and hydraulic pump assemblies, of which the backhoe has two, cost \$8,000 each. The most recent engine oil samples from the backhoe show elevated levels of sodium indicating coolant entry which can be head gasket seepage or cylinder liner erosion as well as elevated levels of lead indicating possible crankshaft bearing wear.

If the proposed contract is awarded, the District will place its order with Cashman Equipment immediately and will take delivery of the new backhoe according to manufacturing lead time which can be as much as 16 weeks. Payment to the vendor does not occur until vehicle delivery.

#### **IV. BID RESULTS**

Consistent with the requirements of NRS 332.115.1.m, supplies, materials or equipment that are available pursuant to an agreement with a vendor that has entered into an agreement with the GSA or another governmental agency located within or outside the State of Nevada are exempt from competitive bidding requirements.

The NJPA, authorized under the Minnesota State Statute, is a Minnesota based municipal contracting agency that provides nationally leveraged, competitively solicited, and cooperatively shared procurement contracts to its member agencies. The organization's mission is to assist in meeting the purchasing needs of clients in participating governmental units which could be better provided by the service cooperative than by the members themselves.

The equipment proposed for purchase from Cashman Equipment utilizes NJPA's competitively solicited pricing and therefore Staff did not independently seek competitive bids.

Additionally, the proposed Caterpillar backhoe from Cashman Equipment, by virtue of the training of Staff and of an inventory of replacement parts maintained by the District is compatible with the existing inventory of Caterpillar heavy equipment and therefore is exempt from competitive bidding requirements per NRS 332.115.1.d. The District maintains a fleet of three Caterpillar loaders along with the Caterpillar backhoe (the District also has 16 Caterpillar emergency generators). This allows the District to maintain a standardized inventory of spare parts and streamlines the maintenance, operating, and training procedures.

#### **V. FINANCIAL IMPACT AND BUDGET**

\$125,000 is included in the 2017/2018 Capital Improvement Program Budget for the replacement of Caterpillar backhoe #496 under Project # 2097LE1728 (see attached data sheet). The total proposed purchase of \$115,786.27 is \$9,213.73 under budget.

#### **VI. ALTERNATIVES**

Not authorize the procurement contract and defer or eliminate replacement of the proposed backhoe. Doing so puts the District at risk of high maintenance expenses

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a Procurement Contract for a Replacement Caterpillar  
Backhoe – 2017/2018 Capital Improvement Project;  
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and increased equipment down time or complete loss of equipment usage during emergency pipeline repairs and planned maintenance activities.

## **VII. COMMENTS**

Disposal of the existing backhoe will be accomplished through public auction after the replacement has been received and placed in service. The residual market value of the backhoe is estimated at \$20,000.

## **VIII. BUSINESS IMPACT**

This item is not a “rule” within the meaning of Nevada Revised Statutes, Chapter 237, and does not require a Business Impact Statement.



## Project Summary

<b>Project Number:</b>	2097LE1728		
<b>Title:</b>	2001 Caterpillar 430D Backhoe #496		
<b>Asset Class:</b>			
<b>Division:</b>	97 - Public Works Shared		
<b>Budget Year:</b>	2018		
<b>Scenario Name:</b>	Main	<b>Active:</b>	Yes
<b>Budget Status:</b>	Data Entry		
<b>Locations:</b>			
<b>Project Something:</b>	LE - Light Duty Service Equipment		

<b>Project Description</b>				
This backhoe is operated by the Utility Division of the Public Works Department. Specifically utilized in the repair of leaking water mains and sewer lines, as well as road and dike maintenance and repairs at the Districts wetlands facility in Minden, Nevada. This equipment is on a 10-year replacement schedule but will be moved back in the CIP if indicators reveal no increase in maintenance cost or elevated down time will result by deferring replacement dates.				
<b>Project Internal Staff</b>				
Fleet Maintenance Staff will manage this project				
<b>Project Justification</b>				
This backhoe is considered critical equipment to the Pipeline Division for leak repairs on the water distribution system and waste water collection system. Also utilized at the wetlands facility in Minden, Nevada for road and dike maintenance and repair work. The replacement of this equipment has been moved back in the CIP schedule by 3-years from 13-years to its current scheduled replacement at 16-years. This purchase is subject to accumulated hours, accrued maintenance cost, oil analysis reports, visual inspection and overall condition. Equipment will be moved back in the CIP if indicators reveal no increase in maintenance cost or elevated down time will result by deferring replacement dates.				
<b>Forecast</b>				
<b>Budget Year</b>	<b>Total Expense</b>	<b>Total Revenue</b>	<b>Difference</b>	
2018				
Backhoe	125,000	0	125,000	
Year Total	125,000	0	125,000	
2025				
Backhoe	135,000	0	135,000	
Year Total	135,000	0	135,000	
	<b>260,000</b>	<b>0</b>	<b>260,000</b>	
<b>Year Identified</b>	<b>Start Date</b>	<b>Project Partner</b>	<b>Manager</b>	<b>Est. Completion Date</b>
2012	Jun 12, 2017		Fleet Superintendent	Oct 31, 2017