



ADMINISTRATIVE REPORT

Report Date: June 23, 2009
Contact: Mani Deo
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RTS No.: 08223
VanRIMS No.: 08-2000-20
Meeting Date: July 21, 2009

TO: Vancouver City Council

FROM: General Manager of Engineering Services
Manager of Supply Management

SUBJECT: Award of Tender PS09064 - Supply and Delivery of One (1) Wheel Loader

RECOMMENDATION

- A. THAT, subject to the conditions set out in Recommendations B, C, and D, Council authorize the General Manager of Engineering Services and the Manager of Supply Management to award Tender PS09064 to the bid meeting requirements and providing best value from SMS Equipment Inc. and enter into a contract with SMS Equipment Inc. for one (1) 2009 Komatsu WA480-6 wheel loader at a total cost of \$385,050 plus applicable taxes (less any municipal rebate received) and the Provincial Environmental Levy; the source of funding will be the Truck and Equipment Plant Account.
- B. THAT, the Director of Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendation A.
- C. THAT, all such legal documents be on terms and conditions satisfactory to the General Manager of Engineering Services, Manager of Supply Management and the Director of Legal Services.
- D. THAT, no legal rights or obligations will be created by Council's adoption of Recommendation A, B and C above unless and until such legal documents are executed and delivered by the Director of Legal Services.

COUNCIL POLICY

The policy of Council is to secure contracts for the purchase of equipment, supplies and services that will give the best value, based on quality, service and price.

Contracts with a value over \$300,000 are referred to Council.

Council approves expenditures from Reserves, including the Truck and Equipment Plant Account.

PURPOSE

The purpose of this report is to request Council approval to award Tender PS09064 to and enter into a contract with SMS Equipment Inc. to purchase a wheel loader that was approved by Council as a fleet addition in July 2008 (RTS No.: 07368).

DISCUSSION

Invitation to Tender No. PS09064 was issued on March 1, 2009. The Invitation to Tender requested pricing for one (1) wheel loader. This wheel loader will be used by the Kent Construction Supplies and Services Branch for loading stockpiled sand and gravel into dump trucks.

In addition to notifying incumbent suppliers to the City and other well known vendors, the tender was advertised in the Journal of Commerce and on the City's and BC Purchasing Commission's public websites.

Tenders for the above were opened on April 1, 2009 and referred to the General Manager of Engineering Services and the Manager of Supply Management for evaluation and report. An extension of pricing was requested to extend the tender pricing to July 31st, 2009. All bidders confirmed that pricing would be held until July 31st, 2009.

The 5% Goods and Services Tax (less any municipal rebate received), Provincial Sales Tax and the Provincial Environmental Levy are in addition to all the prices shown in the report.

Ten (10) bids were received from seven (7) vendors. Pricing for the wheel loader (excluding options) is shown in Table 1 below.

Table 1: PS09064 Bid Pricing

Bid #	Price
1	\$292,590
2	\$309,500
3	\$319,136
4	\$342,550
5	\$353,871
6	\$367,669
7	\$375,000
8	\$388,500
9	\$424,000
10	\$439,997

Bid 1 for \$292,590 does not meet the reference requirements as the dealer does not have any machines of the same make and model in the province. As this unit requires a large capital investment reference checks of machines in similar use to that proposed by the City are important as staff can gauge product performance, maintenance, reliability, and after service support issues. Additionally, this unit is only one of two wheel loaders used by Kent

Construction Supplies and Services Branch, so downtime of either unit has the potential to result in lost material sales, increased external material purchases, and increased equipment rental costs. For these reasons, bid 1 is not recommended.

Bid 2 for \$309,500 is last year's model and is a used machine with an associated depreciated value. Historically, used machines purchased by the City have resulted in greater costs related to maintenance and downtime. Over the proposed 10 year life of the unit these increased costs far surpass the savings in initial capital costs. For these reason, bid 2 is not recommended.

Bid 3 for \$319,136 did not meet tender requirements for a long term guarantee for parts availability and also lacked a swing out radiator guard. The parts guarantee is important in order to ensure satisfactory parts supply within acceptable timelines from the dealer and manufacturer. This unit is also last year's model with an associated depreciated value. The depreciated value of an older model will be less than a current model year, resulting in a lower residual value at the time of disposal. For these reasons, bid 3 is not recommended.

Bid 4 for \$342,550 met requirements and provides the best value and is therefore the recommended bid. This bid met reference requirements, includes a swing-out radiator guard and is a new 2009 model. The price of the bid including options (spare wheel and tire, joystick controls, limited slip differentials and on-board scales) is lower than the next acceptable bid. The spare wheel and tire are required in order to improve turn-around time for when the unit incurs wheel/tire damage. The joystick controls are required to give the operators an option for steering and therefore reduces the likelihood of repetitive motion injury. The limited slip axles improve traction and the on-board scales improve loading efficiency.

FINANCIAL IMPLICATIONS

One (1) wheel loader was approved as a fleet addition by Council in July 2008 (RTS: 7368). Funding for the purchase of the unit, totalling \$385,050 (\$342,550 plus \$18,000 for a spare wheel and tire, \$9,400 for joystick controls for steering, \$4,700 for limited slip differentials, and \$10,400 for on-board scales) plus applicable taxes (less municipal rebate) and the Provincial Environmental Levy, will be provided from the Truck and Equipment Plant Account. This amount is slightly higher than the budgeted amount of \$370,000 specified in the fleet addition report (RTS: 7368) due to a lower Canadian dollar value at the time this tender was issued.

ENVIRONMENTAL IMPLICATIONS

This unit will have an Environmental Protection Agency Tier 3 compliant engine which will provide reduced hydrocarbon and nitrogen oxide emissions compared to other wheel loaders in the fleet.

CONCLUSION

Accordingly, we recommend acceptance of the low bid meeting requirements and providing best value for one (1) 2009 Komatsu WA480-6 wheel loader at a total cost of \$385,050 plus applicable taxes (less any municipal rebate received) and the Provincial Environmental Levy from SMS Equipment Inc.

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