

STAFF REPORT

City Council Business Item

DATE: May 6, 2024

TO: Honorable Mayor and Council Members

FROM: Brendan Byrd, Public Works Director/City Engineer

THROUGH: Merritt Perry, City Manager

SUBJECT: **Approve a Supplemental Budget Request for a new Caterpillar Loader for \$220,000**

STAFF RECOMMENDATION:

Approve a Supplemental Budget Request of \$220,000 for a new Caterpillar Loader at the Wastewater Treatment Plant.

EXECUTIVE SUMMARY:

The City of Fortuna operates a wastewater treatment plant (WWTP) located at 180 Dinsmore Drive in Fortuna. At the WWTP, the City uses a Caterpillar loader as the primary piece of equipment in the City's composting operation, which is how the City manages and ultimately disposes of the solids separated from the wastewater stream. The loader is a critical piece of equipment, and is used daily to turn, transport and process compost piles.

Due to the heavy daily usage, the existing loader was near the end of its serviceable life, and as such over the past year staff have begun to plan for its replacement. The current loader is a model year 2008, and in recent years has had a number of issues requiring expensive repairs and regular down time. Initially, staff planned to include the cost of the loader in the upcoming fiscal year budget (FY 24-25), however, in the last week of April, the loader experienced a significant failure during normal operations. After an assessment of the damage, and given the issues the loader has had beforehand, staff have deemed it necessary to advance the procurement timeline and purchase the new loader this fiscal year, which is the purpose of this supplemental budget request (SBR).

Fortunately, as this was a previously planned expenditure for the upcoming fiscal year staff had already been in conversations with Caterpillar (CAT) about a suitable replacement, and already had the quote on-hand. With the change in timeline, CAT was able to find an available loader in Oregon that, with budgetary approval from the Council, could be shipped immediately. The quote provided by CAT included as Attachment B, with a total delivered cost of approximately \$215,000. The quote includes the Sourcewell government pricing, which is a contracted bid with the State and offers the lowest pricing available to local agencies for such purchases. Purchases of this magnitude are permissible by the City's procurement policy pursuant to Section 2.50.070 (C) of the Municipal Code. Staff recommend that the Council authorize the additional budget, which would allow staff to immediately move out with replacing this key piece of equipment.

FINANCIAL IMPACT:

The loader would be purchased as a capital outlay item and paid for from Fund 550 (wastewater operating reserve). As noted above, the delivered cost of the loader is quoted at approximately \$215,000, and staff are requesting a total budget request amount of \$220,000. The additional cost requested in the SBR would provide staff some flexibility to outfit the loader with minor equipment needs specific to the City. The current balance of the wastewater reserve fund is approximately \$11 million. The SBR is included as Attachment A.

Staff would like to note that cost recovery of the loader has already been factored into the City's current proposal for water and wastewater rate increases, and therefore although this purchase would result in the reserve balance temporarily decreasing, the cost of the loader will be recovered through rates in the coming years if the rate adjustments as proposed are approved.

RECOMMENDED COUNCIL ACTION:

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Motion to Approve a Supplemental Budget Request for \$220,000 for a new Caterpillar Loader. Voice vote.

Attachments:

- Attachment A – Supplemental Budget Request
- Attachment B – Equipment Quote from Peterson CAT