



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

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Legislative File No: 2015-0143

TO: Mayor and City Council Members

FROM: Allan Schneck, P.E., Director of Department of Public Services

DATE: April 20, 2015

SUBJECT: Increase to Blanket Purchase Order for Caterpillar Repair Parts, Services and Supplies

REQUEST:

City Council is requested to authorize an increase of the existing blanket purchase order for Caterpillar equipment repair parts, services, and supplies to Michigan CAT, Shelby Township, MI in the amount of \$25,380.53 for a new total amount not-to-exceed \$46,380.53 through October 1, 2016.

REASON FOR PURCHASE:

A blanket purchase order in the amount of \$21,000.00 was initially established with Michigan CAT on August 16, 2013, as the sole source provider of Caterpillar equipment repair parts, services and supplies for the City's CAT equipment. The requested increase to the blanket, in the amount of \$25,380.53 consists of the following: \$21,380.35 due to Michigan CAT for recent repairs, as explained below, and an additional \$4,000.00 to replenish the blanket purchase order funds to cover any additional parts, services, or supplies that may be needed for the remaining term of the blanket.

In October of 2014, one of DPS's CAT wheeled excavators (39-102, a 2003 CAT M318) developed steering control issues and the machine was unsafe to operate. Initial diagnosis by DPS mechanics indicated that the issue was most likely a hydraulic pilot pressure problem in the steering system. CAT M series wheeled excavators are manufactured in Germany (unlike CAT track driven machines made in North America), and requires tools and equipment that City mechanics do not have access to for efficient diagnosis and repair of the machine.

Michigan CAT was then contacted to diagnose and repair the machine. CAT technicians had spent 2 days on site diagnosing the issues; it was at this time that City staff contacted CAT with concerns about the amount of time being spent onsite with no definitive diagnosis. A CAT representative indicated that they were unsure what the cause of the steering issue was, and they would meet with the City after repairs were completed, and adjust diagnostic time to an equitable amount that both parties could agree to.

Once the diagnostic process was completed, CAT technicians discovered that the pilot pressure hydraulic pump was failing and introducing metal particles into the pilot pressure system that is shared by the steering and braking systems. Numerous components were contaminated with metal particles, requiring them to be disassembled, cleaned, and some to be replaced. In addition, it was determined that the emergency braking system (pressure accumulators) had lost their nitrogen charges and were in need of replacement and the front axle knuckle bearings were cracked requiring both front knuckles to be rebuilt.

After the machine was finally repaired (40 hours total diagnostic time over approximately a 3 week period), City staff met with a CAT representative, and reviewed the invoices thoroughly to negotiate a reduction in the diagnostic hours being charged to the City. The result of the negotiations was a reduction in the

charges for diagnostic hours, from 40 hours down to 12 hours, and a reduction of travel time, to and from the garage, from 10 hours to 5 hours, a total invoice reduction in the amount of \$5,200.00.

PROCESS:

Vendor Name and Address:

Michigan CAT
 12550 23 Mile Road
 Shelby Township, MI 48315

Reason for Selection:

Sole Source

Method of Purchase:

Blanket Purchase Order

BUDGET:

While funding was not specifically established in the FY 2015 Adopted Budget for this additional expense, it is currently anticipated that there will be surplus funding due to lower actual versus estimated costs for Unleaded Gasoline charged to the same account # (661.938000 / Maintenance: Vehicles).

If approved by City Council, it is not currently anticipated that a budget amendment/adjustment will be needed to provided additional funding for this blanket increase – as there is anticipated to be surplus funding within the same account due to lower than anticipated fuel prices.

| Fund Name | Department Account No | Account No. Description | Budget Amount | Cost | Remaining Budget |
|------------|-----------------------|-------------------------|---------------|-------------|------------------|
| Fleet Fund | 661.938000 | Maintenance: Vehicle | \$0.00 | \$25,380.53 | (\$25,380.53) |

RECOMMENDATION:

It is recommended that City Council amend the existing blanket purchase order for Caterpillar repair parts, services and supplies to Michigan CAT, Shelby Township, Michigan in the amount of \$25,380.53 for a new total amount not-to-exceed \$46,380.53 through October 1, 2016.

| APPROVALS: | SIGNATURE | DATE |
|--|-----------|------|
| Department Review | | |
| Department Director | | |
| Budget Content: Finance Director | | |
| Purchasing Process: Supervisor of Procurement | | |
| Mayor | | |
| Deputy Clerk | | |