

To: Chief Administrative Officer
From: Chris Gruenwald, Director of Forestry
Subject: Forestry Excavator Purchase – CAT548

Date: June 19, 2023

Recommendation(s)

1. That Council approve a capital expenditure of \$487,200 towards the purchase of a 2022 CAT 548 Road Builder Excavator from the Forestry Capital Replacement Reserve; and
2. That the Financial Plan be updated accordingly.

Executive Summary

Forestry Department staff is seeking Council approval to purchase a 2022 excavator to replace an existing older machine that has been in operation since 2019.

Purpose

This report is intended to seek Council approval by providing background information and rationale as to why a purchase of a replacement excavator is needed for forestry operations.

Background

In 2018 the Department purchased a 2012 Hitachi 270 Excavator from Taseko Timber for \$150,000. While the machine has performed well since it was purchased, the high number of hours on the machines' structural components have led to increasingly costly repairs – in 2022 the Department spent nearly \$77,000 on maintenance and repairs on this machine. In discussion with operations staff and contract mechanic, it's likely that additional costly works could be required in 2023 and beyond. Staff have had discussions with Taseko Timber, who are looking to sell their 2022 CAT 548 Road Builder, about purchasing this machine to replace the Hitachi 270.

Discussion and Analysis

The 2022 CAT 548 Road Builder has 1,300 hours, 1 year of basic warranty, and an extended hydraulic powertrain warranty, fully transferable, that expires on April 11, 2025. Taseko Timber has provided a quote to purchase this machine at a cost of \$487,200 (PST Included). Staff has also obtained a quote from Finning to purchase a new CAT 548 Roadbuilder, at a cost of \$632,800 (PST Included). This new unit comes with a standard 1-year warranty only. The Taseko unit has 1,300 hours of operation; these machines typically have a lifespan of 9,000 hours. The current department use per excavator average 750 hours per year of operation, which means this machine would be expected to last for 10 years following purchase (9,000hrs-1,300hrs/750hrs/yr = 10.3 years). Another consideration is the extended warranty until 2025 would minimize costly repairs, as we are currently experiencing with the Hitachi 270.

Another factor to consider is machine availability – the 2022 CAT 548 from Taseko would be available immediately, whereas a new unit from Finning would not be available until December

2023 at the earliest. In discussions with Finning, if they were to sell the 2022 CAT 548 on commission for Taseko they estimate it would sell for approximately \$480,000 plus taxes.

Financial Implications

The anticipated balance in the Forestry Capital Replacement Reserve at the end of 2023 presently is \$537,428. The purchase of the 2022 CAT 548 Road Builder of \$487,200 offset with the sale proceeds of \$114,000 for the CAT 325 Road Builder and Falling Head earlier this year, will revise the year end Forestry Capital Replacement Reserve to be \$164,228. Furthermore, it is also estimated that the Hitachi 270 could sell for \$50,000 at auction (net of commission), which would be added to this balance.

No additional equipment is planned for purchase at this time, and the next projected date for equipment replacement is 2026, which by that time the capital reserve balance is projected to be in excess of \$600,000.



I have reviewed the financial implications
Scott Ross, Manager of Accounting Services

Communication

If approved, staff will work with the Purchasing Department to finalize the purchase of the CAT 548 Road Builder, including the sale of the existing Hitachi 270 excavator.

Summary and Conclusion

Staff is recommending that Council approve a capital expenditure from the Forestry Capital Replacement Reserve for the purchase of a 2022 CAT 548 Road Builder from Taseko Timber in the amount of \$487,200 (PST Included). The current 2012 Hitachi 270, purchased in 2018, should be replaced, as it is nearing the end of its lifespan and is beginning to be beyond economic repair. Staff believes the best option is to sell the Hitachi 270 and purchase the 2022 CAT 548 Road Builder, which has low hours, extended warranty, and is \$145,600 lower in cost than the purchase of a new CAT 548 Roadbuilder. It is also available to purchase right away, whereas a new CAT 548 Road Builder would not be available until the end of 2023 at the earliest.

Report Prepared by: Chris Gruenwald, Director of Forestry
Reviewed by: Jocelynn Low, Accounting Supervisor
Approved for Inclusion: Mike Younie, Chief Administrative Officer

Attachment(s)

Attachment A: Taseko Quote - CAT 548 Road Builder
Attachment B: Finning Quote – CAT 548 Road Builder