

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

Date: June 6, 2022

Recommendation(s)

1. That Council approve a capital expenditure of \$748,496 towards the purchase of a new excavator for the Forestry Department;
2. That \$100,000 of this expenditure budget is transferred from the existing capital excavator upgrade works project;
3. That the remaining funding of \$648,496 be taken from the Forestry Reserve; and
4. That the Financial Plan be amended accordingly

Executive Summary

Forestry Department staff is seeking Council approval to purchase a new excavator to replace an existing machine that has been in operation since 2010.

Purpose

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

Background

In 2010 the Department purchased a new Caterpillar 325 Road Builder for its operations. This machine, which currently has over 9,000 hours of operation, has worked well over the last 12 years. It currently requires undercarriage repairs of approximately \$80,000. While there is money in the capital budget for these repairs, discussions with the Assistant Operations Manager – Fleet, and our experienced logging contractor have indicated that the high number of hours on this machine increases the risk of additional and costly repairs being required in the short term, and that it would be advantageous to sell or trade this machine now, while it still has re-sale value. Staff have examined the purchase of a Caterpillar 558 Road Builder, and have received a quote of \$748,496 (PST Included) from Finning for this model.

Discussion and Analysis

Based on discussions with the Assistant Operations Manager - Fleet and our logging contractor, 9,000 machine hours on these machines are typically when costly repairs start to happen. While there is money in the current capital budget for the required undercarriage repairs, the risk of additional costly repairs is high, while the value of the machine continues to decrease. It is estimated that the 325 Road Builder could be sold for \$100,000 with its current hours and repair requirements. In addition, there is currently \$100,000 in the capital budget for excavator repairs, which can be transferred towards the purchase of a new machine, meaning the total net

additional funding of a new machine is expecting to be \$548,496 assuming full proceeds of \$100,000 from the old unit. Due to the uncertainty of the value of the current machine from a sale or trade, staff are requesting \$648,496 of new funding for the new machine, as a contingency.

Council Goals/Objectives

This funding is consistent with the following Council Goals and Objectives:

1. Secure Finances, Assets, and Infrastructure

Financial Implications

The current net balance of the Forestry reserve on March 31, 2022 is approximately \$4,000,000. In addition, 2022 is currently shaping up to be a record year for profits, and staff anticipate the reserve balance at the end of the year, net of this purchase, will exceed \$5 million dollars.



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 558 Road Builder, including the sale or trade of the existing 325 machine.

Summary and Conclusion

Staff is recommending that Council approve \$648,496 from the Forestry Reserve and the transfer of \$100,000 of the existing excavator upgrades budget for the purchase of a new Caterpillar 558 excavator. The current 325 road builder is 12 years old and has a high number of operating hours, meaning that costly future repairs are likely. Staff believes that the best option is to sell the current machine while it still has good value, and purchase a new machine for our road building operations.

Report Prepared by: Chris Gruenwald, Director of Forestry
Reviewed by: Lyle Crowell, Assistant Operations Manager
Approved for Inclusion: Mike Younie, Chief Administrative Officer

Attachment(s)

Attachment A: Finning Quote – CAT 558 Road Builder