



## AGENDA MEMORANDUM

Action Item for the City Council Meeting November 19, 2024

**DATE:** November 19, 2024

**TO:** Peter Zanoni, City Manager

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### Service Agreement for Offsite Repairs for John Deere Construction Equipment

#### **CAPTION:**

Motion authorizing the execution of a one-year service agreement, with two one-year option periods, with Doggett Heavy Machinery Services, of Corpus Christi, Texas, for offsite repairs of John Deere construction equipment for the Asset Management Department for an amount up to \$140,000.00, with a potential total amount up to \$420,000.00 if both one-year option periods are exercised, with FY 2025 funding in the amount of \$116,600.00 from the Fleet Maintenance Fund.

#### **SUMMARY:**

This motion authorizes the execution of a one-year service agreement, with two one-year option periods, with Doggett Heavy Machinery Services, LLC. to provide off-site repairs for John Deere construction equipment for the Asset Management Department.

#### **BACKGROUND AND FINDINGS:**

The City's fleet has multiple John Deere construction equipment units that are used by various City Departments including Asset Management, Solid Waste, Gas, Public Works, Corpus Christi Water, and Parks and Recreation. The John Deere construction equipment units consist of excavators, backhoes, loaders, skid steers, maintainers, and other equipment.

The Asset Management Department currently performs basic repairs to the John Deere construction equipment. However, Asset Management will utilize the proposed service agreement with Doggett Heavy Machinery Services, LLC. for more complex repairs including warranty work, collision repairs, transmission work, and John Deere proprietary systems.

Specifically, the services rendered under the proposed agreement will include repairs to drivetrains, body work, electrical and HVAC systems, suspension, brakes, and wheel alignments. The repairs to the City owned John Deere construction equipment will be completed offsite at Doggett Heavy

Machinery Services' construction equipment facility which is located in Corpus Christi. The facility is John Deere Construction Factory Certified.

Doggett Heavy Machinery Services, LLC. is the incumbent for these repair services. The current agreement with Doggett Heavy Machinery Services, LLC. is for a total amount up to \$266,250.00 over a three-year term. The current agreement is set to expire in February 2026. The pricing for the current agreement with Doggett Heavy Machinery, LLC. was originally based on average monthly repair costs of \$5,500. However, the current average monthly repair costs are approximately \$11,000. As a result, the monthly repair costs are outpacing the current agreement's valuation, and the capacity for the current agreement is expected to be exhausted by the by the end of December 2024 or early January 2025.

The increased repair costs are due to inflationary effects on the cost of parts as well as an increased reliance on vendor specific repairs (electronic control module programming, collision damage, diagnostics, and non-warranty work in excess of warranty repairs). In addition to increased costs, the number of John Deere construction equipment units in the City's fleet has increased from 146 in 2022 to 176 in 2024.

As a result of the increased monthly service costs and increased number of John Deere construction equipment units in the City's fleet, Asset Management is proposing a new agreement with Doggett Heavy Machinery Services, LLC. The proposed agreement will have the proper capacity for the repair services. Specifically, the proposed agreement takes into account the current and expected future demands for service hours, cost of service, and parts/materials costs to ensure adequate capacity throughout the term.

Doggett Heavy Machinery Services, LLC., has performed well under the current agreement, and they continue to be a reliable partner for repairs to City-owned John Deere construction equipment. The City recommends continuing to work with Doggett Heavy Machinery Services, LLC., for repair services to John Deere construction equipment.

**PROCUREMENT DETAIL:**

Finance & Procurement conducted a competitive Request for Bids (RFB) process to obtain new bids for the offsite repairs for John Deere construction equipment. As part of the RFB process, notifications were sent out to 84 potential bidders through the City supplier portal; however, the City received only one bid and recommends award to the responsive, responsible bidder, Doggett Heavy Machinery Services, LLC.

The tables below compare the labor rates and the parts and material rates between he current agreement and the proposed agreement.

<b>Labor Rate Comparison</b>			
	<b>Hourly Labor Rate</b>	<b>Variance \$</b>	<b>Variance %</b>
Current Agreement Hourly Labor Rate	130 hrs X \$150.00/hr (\$19,500/year)	\$45,500/year	233%
Proposed Agreement Hourly Labor Rate	500 hrs X \$130.00/hr (\$65,000/year)		

Parts and Material Comparison			
	Parts and Materials Cost	Variance \$	Variance %
Current Agreement Parts and Materials	\$55,000 + 25% markup (\$68,750/year)	\$6,250/year	9.1%
Proposed Agreement Parts and Materials	\$75,000 + 0% markup (\$75,000/year)		

Doggett Heavy Machinery Services, LLC. is the fully authorized warranty provider for repairs for John Deere brand equipment. They are also Corpus Christi’s single source supplier of John Deere heavy equipment parts.

**ALTERNATIVES:**

The alternative is not to approve the proposed agreement. However, this would require the Asset Management Department to receive multiple quotes for repairs without negotiated labor and material rates. This would result in an increase in repair costs and repair timelines, and a decrease in operational readiness of the City’s fleet.

**FISCAL IMPACT:**

The fiscal impact in FY 2025 for the Fleet Maintenance Service Fund will be in the amount of \$116,600. The remaining amount of \$303,400.00 will be budgeted in future years through the annual budget process.

**Funding Detail:**

Fund: 5110 Fleet Maintenance Service  
 Organization/Activity: 40170 Fleet Operations  
 Mission Element: 13  
 Project # (CIP Only): N/A  
 Account: 530100 Vehicle Repairs  
 Amount: \$116,600

**RECOMMENDATION:**

Staff recommends approval of the motion authorizing a one-year agreement, with two one-year option periods, with Doggett Heavy Machinery Services, LLC., as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Bid Tabulation  
 Service Agreement