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**REPORT TO MAGIC LAKE ESTATES WATER AND SEWER LOCAL SERVICES
COMMITTEE
MEETING OF TUESDAY, JUNE 17, 2014**

**SUBJECT INVESTIGATE THE MERITS OF RETAINING THE MINI-EXCAVATOR ON
PENDER ISLAND**

ISSUE

On February 11, 2014, the Magic Lake Estates Water and Sewer Local Services Committee inquired if the service area owns and operates a mini-excavator. The committee further requested that Capital Regional District (CRD) staff investigate the merits of retaining the mini-excavator on Pender Island or to dispose of that asset and use an alternative means of procuring that service.

BACKGROUND

The request to investigate the merits of retaining the mini-excavator on Pender Island or to dispose of that asset and use an alternative means of procuring that service came about as a result of an observation made in the Magic Lake Estates local service area regarding its travel speed going to job sites. The mini-excavator has a top speed 4.5 kph and as result takes time going to and from job sites.

The mini-excavator is a 2007 John Deere 35D. The replacement cost is approximately \$50,000. This excavator was used as part of the residential water meter installation capital program. The mini-excavator is now used to perform regular operational and emergency maintenance activities. These activities range from installing water and wastewater service connections to performing leak repairs, and other general operational and maintenance tasks.

The mini-excavator is used, on average, approximately 200 hours per year. This is considered relatively low for this type of equipment by industry and CRD's Corporate Fleet standards. The machine currently has 1,675 operating hours.

The typical life span of the John Deere 35D before requiring a major rebuild is about 6,000 operating hours. The remaining expected operational life is approximately 4300 hours. The cost of a major rebuild is \$15,000. Based on the historical number of hours used per year, the machine is expected to operate for approximately 20 years, with proper maintenance.

There are several options on how to provide this service. This report will focus on two alternatives.

ALTERNATIVES

Alternative 1 (Status Quo)

That the Magic Lake Estates Water and Sewer Local Services Committee continue to use the mini-excavator to perform regular operational and emergency repair activities, and store it at the Buck Lake water treatment plant.

Alternative 2 (Sell the Mini-Excavator)

That the Magic Lake Estates Water and Sewer Local Services Committee direct staff to sell the mini-excavator and procure services as required to perform regular operational and maintenance activities.

IMPLICATIONS

Alternative 1 (Status Quo)

The current practice of using the mini-excavator to perform regular operational and emergency repair activities has been very efficient for the CRD staff, especially under emergency needs. Having the equipment readily available provides for quicker response time. As an added benefit, the Magic Lake Estates operational staff typically assist with both construction activities on-the-ground and operate the mini-excavator equipment. This maximizes both the efficiency and effectiveness of the staff and equipment.

The cost associated with operating and maintaining the equipment is relatively low at \$78 per hour currently (while the equipment is operating and based on current utilization). However, as the machine ages the hourly rate will rise due partially to escalating maintenance costs.

In addition, if the decision is to retain the asset, what would be the cost of purchasing a trailer in order to transport the mini-excavator to various job sites.

With respect to transportation of the equipment from job site to job site the current practice is to drive the mini-excavator along the road way. This practice might be perceived as inefficient and other means of transportation should be pursued.

However, an initial analysis may suggest otherwise. The cost to purchase a lightly used commercial trailer rated appropriately to transport the equipment is approximately \$10,000 and the annual operation and maintenance is estimated at \$1,200. Comparing the annual trailer maintenance alone with the hourly operating rate of the mini-excavator, 15 hours of annual travel time is the break even mark.

If the committee wishes to purchase a trailer, staff recommend that further analysis be done to determine if purchasing a trailer is the appropriate option.

Until such time, and in order to improve the efficiency and effectiveness, it is recommended that the mini-excavator be moved at a more central location i.e., Buck Lake water treatment plant once the construction is completed.

Alternative 2 (Sell the Mini-Excavator)

Procuring the services for a mini-excavator is possible. This service can be sourced either on island from a private contractor or alternatively can be provided by CRD Saanich Peninsula Operations, based in North Saanich.

The cost for contracted services ranges from \$85 to \$120 per hour depending on equipment availability. The cost for CRD Peninsula Operations is approximately \$84 per hour plus travel expenses.

The ultimate consideration with respect to this alternative is having access to excavation equipment for emergency work. On-island contracted services may not be available immediately and dispatching equipment from the Peninsula is reliant on ferry schedules; response with equipment during the night is not possible from the Peninsula. There are risks associated with either of these options especially for emergency response.

The salvage value of the mini-excavator is estimated to be \$20,000 to \$30,000 based on its condition and operating hours. However, the actual value will depend greatly on marketplace conditions at the time of sale.

Based on the need for timely emergency response with excavation equipment, staff do not recommend this option.

CONCLUSION

The best solution today is to continue to use the mini-excavator to perform regular operational and emergency repair activities. If the costs, conditions or demand changes significantly the CRD staff would report back to the committee and seek advice on how to best proceed.

RECOMMENDATION

That the Magic Lake Estates Water and Sewer Local Services Committee continue to use the mini-excavator to perform regular operational and emergency repair activities, and store it at the Buck Lake water treatment plant.

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