

3/14/11

To: Norwich Selectboard

From: Harry Roberts

Subject: Road Grader purchase

A few points I'd like to make about this proposal to purchase a replacement grader.

- 1) Budgeted capital expenditures from reserve funds don't need to be spent, we should not take a "use it or lose it" approach. Likely this fiscal years capital expenditures for DPW were determined long before we experienced the biggest recession since the Great Depression and does not consider the current weak economic recovery. It would be a nice gift to the citizens of Norwich if this purchase was not made and the budgeted funds were carried over to the next fiscal year.
- 2) I have seen two costing analyses presented detailing the benefits to the Town of owning a second road grader. Because these analyses have been put into the public record, I think it is important to understand that they are not accurate representations of the actual costs to operate this machine (or any other task performed by DPW). The labor rate of \$31.25 is perhaps intended to represent the loaded labor rate for a DPW employee. But according to Pete, the rate of \$31.25 accounts only for wages and benefits for the employee. What is not taken into account with that \$31.25 are the costs of overhead and general and administration (G&A) costs. Adding these costs, which are real costs and normally used for cost factoring exercises and formal bid calculations (in fact these cost are required to be included in many Federal contract bid submissions), will likely bring the per hour rate of a Norwich DPW worker close to \$50 per hour. Understand that this is not simply an accounting exercise, but rather it is a recognition that the employee does not supervise himself, pay himself, arrange for his own benefits, work at home, or otherwise complete his employment without a complete infrastructure to support him. It is simply not accurate to present a cost analysis, such as we have seen for this road grader, without properly and fully accounting for the loaded labor rate.
- 3) The suggested replacement road grader, a 2006 John Deere 672D, is not a direct replacement for the older grader. For road graders, it's all about weight and horsepower. To assume that a 2006 JD 672D is a replacement for the 1982 JD 670 is a mistake, the figures comparing the grader specifications in at least one public record analysis are incorrect. The 2006 JD672D directly compares to the other current road grader in our fleet, the 2004 Caterpillar 143H, when you look at weight and horsepower.
- 4) We apparently obtained the second road grader at no cost. It is my guess that had previous selectboards understood that obtaining this second grader, even at no cost, would ultimately result, seven years later, in a capital expenditure of \$133,000 for a replacement, that their collective Yankee wisdom would have given a resounding "no" to obtaining the second grader.

- 5) Several concerned citizens, and our Finance Committee, have expressed legitimate concerns about this purchase. However, the funds have been appropriated, voted on, and otherwise approved. In our Town Manager form of government it is fully proper that this purchase proceed even if there is substantial, and legitimate objection from the citizens who provide the funding. I can only suggest that the opinions of those opposed to the purchase of this \$130,000 road grader, our second road grader when it is likely that no other town in Vermont has two road graders, be fully appreciated and respected.
- 6) The discussion about “level of service” needs to go forward. Much can be made about providing a particular level of service, but who determines that level? Is it up to a few vociferous residents to determine the level? Is it an implied or assumed level? Is it an historical level? Is the level determined by Town employees wishing to short stop any complaints about the service level? Where is the “level of service” determination coming from? One thing is certain, if a certain high level of service is provided at some point, it is extremely difficult to later provide a reduced level of service.

Thanks,

A handwritten signature in blue ink, appearing to be 'H. A.', written in a cursive style.