

Town of Lake Park, Florida
Department of Public Works
COST ANALYSIS
Early Replacement of Front-End Loader Unit 56



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Prepared for: Town Commission
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Purpose

This analysis evaluates whether the Town should proceed now with the purchase of a replacement front-end loader for Unit 56, rather than continue with the current Capital Improvement Program schedule that anticipates replacement in Fiscal Year 2028.

Background

Unit 56 is a 2019 front-end loader currently assigned to sanitation operations (for dumpster services). The Town's current Capital Improvement Program schedule identifies this unit for replacement in Fiscal Year 2028, with annual funding programmed beginning in Fiscal Year 2026.

A replacement unit is currently available for immediate purchase at a delivered cost of \$403,723. This amount is higher than the earlier planning estimate previously discussed for this replacement; however, the current opportunity provides the Town with immediate unit availability and price certainty.

Historical Cost Experience for Unit 56

From October 2023 through the present date, Unit 56 has incurred at least \$99,720.09 in tracked operating and repair-related costs, including in-house repairs, dealer repairs, and fuel.

This total is comprised of the following:

- In-house repair cost, parts, and labor: \$31,360.54
- Dealer repair cost, parts, and labor: \$49,052.17
- Fuel cost: \$19,307.38
- Total tracked cost: \$99,720.09

This results in an updated tracked cost total of \$99,720.09, excluding the current Nextran repair cost, which has not yet been estimated.

This total includes recent repair activity after June 2025, including \$5,666.62 for the replacement of the main hydraulic pump.

The current total does not include the outstanding Nextran repair cost associated with the unit's present out-of-service condition.

In addition, Unit 56 is currently out of service due to repairs, creating a direct operational risk and further supporting the need to evaluate accelerated replacement.

The Town's WebTMA system also reflects 90 work orders, 292.75 labor hours, and a life-to-date internal tracked cost of \$52,815.26 associated with this unit.

These figures demonstrate that Unit 56 has already required substantial maintenance attention and cost support. While maintenance cost alone does not automatically justify immediate replacement, it is a strong indicator that continued deferral of replacement may expose the Town to additional repair expense, reduced reliability, and operational disruption.

Current Replacement Cost

The currently available replacement unit is quoted at \$403,723 delivered.

Based on the vendor quote, the cost is comprised of the following:

- Chassis total: \$194,068
- Body total: \$209,655
- Total delivered cost: \$403,723

Financial Comparison

The Town's current Capital Improvement Program funding plan sets aside approximately \$127,338 annually beginning in Fiscal Year 2026 in anticipation of replacement in Fiscal Year 2028.

If the Town waits until Fiscal Year 2028, the strategy assumes that three years of programmed set-asides will be adequate to meet the replacement cost. That strategy is reasonable only if the purchase price remains relatively stable.

If the Town proceeds now and finances the current replacement cost of \$403,723 over three years at 3.26 percent interest, with semiannual payments, the estimated financing impact is as follows:

- Semiannual payment: approximately \$71,177.61
- Total repayment over three years: approximately \$427,065.68
- Total interest cost: approximately \$23,342.68
- Annual cash flow equivalent: approximately \$142,355.23

This annual cash flow is approximately \$15,017.23 higher than the current annual Capital Improvement Program set aside of \$127,338.

Break-Even Escalation Consideration

The financing premium over the current quoted price is approximately 5.78 percent for the three-year term. When annualized, the break-even escalation rate is approximately 1.89 percent per year.

This means that if the cost of this equipment rises by more than approximately 1.89 percent annually, the additional purchase cost of waiting until Fiscal Year 2028 would exceed the cost of financing the replacement now.

Illustrative future cost scenarios using the current quote of \$403,723 are as follows:

- At 3.0 percent annual escalation, estimated Fiscal Year 2028 cost: approximately \$441,159
- At 4.7 percent annual escalation, estimated Fiscal Year 2028 cost: approximately \$463,365
- At 6.0 percent annual escalation, the estimated Fiscal Year 2028 cost is approximately \$480,841

Under each of these scenarios, the Town would likely face a funding gap beyond the amount currently programmed, unless additional annual contributions or supplemental funding are identified.

Operational Risk Considerations

In addition to the financial analysis, there are operational factors that support advancing the purchase now.

First, Unit 56 is currently out of service due to repairs. This means the Town is already experiencing service reliability risk, not merely anticipating it.

Second, the unit has continued to generate repair costs beyond the earlier analysis period, including a major hydraulic pump replacement and an additional unquantified repair exposure at Nextran.

Third, every additional dollar invested in significant repair of a unit already scheduled for replacement in Fiscal Year 2028 reduces the value of waiting, especially when a suitable replacement unit is available now.

Fourth, the Town has an opportunity to secure a replacement unit (available now) at a known cost today rather than face continued repair exposure, an unknown current repair cost, future escalation, manufacturer surcharges, and procurement lead-time uncertainty.

Conclusion

Although the currently available replacement unit is priced higher than the earlier planning estimate, the overall analysis supports advancing the purchase now rather than waiting until Fiscal Year 2028.

The current quote provides an opportunity to secure a known replacement unit at a known price. Waiting increases the Town's exposure to additional maintenance costs for Unit 56, future equipment price escalation, possible manufacturer surcharges, procurement delays, and operational disruption.

Professional Recommendation

Based on the cost history, current quote, financing terms previously evaluated, and the operational importance of this equipment, the recommended course of action is to advance the replacement of Unit 56 and authorize staff to proceed with the purchase of the currently available replacement unit for \$403,723, subject to confirmation of funding and completion of the required procurement and financing steps.