City of Culver City, California

Agenda Item Report

Meeting Date: 05/14/12	Item Number: C-13
CITY COUNCIL AGENDA ITEM Approval of a Professional Services Agreement with The Goodyear Tire & Rubber Company for Transit Bus Tire Leasing for Five Years.	
Contact Person/Dept.: Paul Condran, Equipment Maintenance/Fleet Manager	Phone Number: (310) 253-6520
Fiscal Impact: Yes [x] No []	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: []	Attachments: []
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Agenda and Meetings – City Council (05/10/12), (E-Mail) The Goodyear Tire & Rubber Company (04/04/2012).	
Department Approval: Art Ida (05/07/12)	City Attorney Approval: Carol Schwab (by H. Baker) (05/09/12)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (05/10/12)	City Manager Approval: John M. Nachbar (05/10/12)

RECOMMENDATION:

Staff recommends that the City Council approve a five (5) year professional services agreement with the Goodyear Tire & Rubber Company (Goodyear) for Lease Tire Services to the Transportation Department for Transit Bus Tires.

BACKGROUND:

Since 1992, the City has been under contract for Transit Bus Tire Leasing with the Goodyear. Leasing these heavy-duty tires is a very cost effective alternative to purchasing expensive, specially manufactured, transit vehicle tires applicable to the severe duty of these types of vehicles. Leasing this type of tire is a broadly accepted business practice in the transit industry. In 2006, the Transportation Department received City Council approval for a five (5) year contract with three (3) one (1) year extensions. Because of recent Federal Transit Administration (FTA) rule changes, we are not permitted to enter into a contract beyond five (5) years using federal funds.

DISCUSSION:

The current professional services agreement with Goodyear expired September 2011. On February 16, 2012, the Transportation Department issued a Request for Proposal for lease tire services from all qualified proposers. Staff received eleven downloads from the website for the Request for Proposal (RFP). To ensure the possibility of receiving quality proposals, staff sent the RFP directly to Goodyear, The Bridgestone Tire Company and Michelin North America.

Staff received a letter from Michelin North America stipulating they were unable to supply the required tires and therefore would not be able to participate in the RFP process. Staff also received no response from Bridgestone Tire Company, however, we received one qualified proposal from the Goodyear Tire & Rubber Company. Even though we received only one qualified proposal, we still underwent the technical evaluation process. Under the terms of the RFP, in additional to the lease tires, a qualified proposer must also supply the materials, supplies, repair-kits, tire inspection services, and a machine to re-groove the leased tires. They must also provide all of the technical training necessary to ensure maximum service life of the leased tires.

Some benefits of leasing are: 1). No tire investment or inventory. 2). Leasing tires ensures continuity of tire supply. 3). Improved tire warranties. 4). No freight charges. 5). All materials are included with no additional costs or inventory issues. Goodyear is in full compliance in all areas of the RFP.

FISCAL ANALYSIS:

Goodyear quoted a rate of $0.009304 cents per-mile, for one size and a rate of $0.009266 cents per-mile for our second size tires for the first year of service. They provided an escalator cost of 5% annually per-tire type for years four (4) through five (5). For the first three (3) years, the pricing will remain the same. This cost is based on our current inventory of transit buses. Goodyear also met the RFP requirements with a mileage bonus threshold, which can potentially further reduce costs.

The Transportation Department expends approximately $85,000 per-year for leased tires. Leasing versus purchasing tires saves the department an estimated $80,000 per-year. The current cost for a new transit bus tire is approximately $380. The estimated annual cost (after use) of a leased tire is $225. Given the recent trend in raw materials cost, especially rubber and other oil by-products, it has been determined that we received a very competitive proposal.

The Transportation Department has budgeted sufficient funds for this program from Federal Capital Grants, Section 5307. No general fund monies are being used for this contract.

MOTION:

That the City Council:

1. Approve a new five (5) year professional services agreement with the Goodyear Tire & Rubber Company for leased tire services; and,
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute the such documents on behalf of the City.