

T Transportation Committee

Meeting date: November 26, 2007

For the Metropolitan Council Meeting December 12, 2007

ADVISORY INFORMATION

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| Date: | November 19, 2007 |
| Subject: | Authorization to Award Contract for Transit Vehicle Tire Lease and Service |
| District(s), Member(s): | All |
| Policy/Legal Reference: | Council Procurement Policy |
| Staff Prepared/Presented: | Brian Lamb, General Manager, 612-349-7510 Julie Johanson, Assistant General Manager-Admin, 612-349-7514 Vince Pellegrin, Chief Operating Officer, Bus & Rail, 612-341-5612 Jan Homan, Director of Maintenance, 612-349-5000 Chris Gran, Director of Purchasing, 612-349-5060 |
| Division/Department: | Metro Transit Vehicle Maintenance |

Proposed Action/Motion

That the Metropolitan Council authorize the Regional Administrator to execute a contract with Michelin North America, Inc. for tire lease and service for a five-year term in accordance with the Council's specifications and Michelin's bid dated October 24, 2007.

Issue

Metro Transit requires a new contract for tire lease and service to replace the current tire contract, which expires December 31, 2007.

Overview and Funding

Metro Transit contracts for the lease and service of approximately 7,700 tires used on its fleet of 973 transit buses. The contractor provides tire service at each of the five Metro Transit service garages, including mounting and dismounting tires, wheel painting, tire inspection, and record keeping.

The current contract with Goodyear contains a "run-out" clause, which states that, if there is a new tire contractor on January 1, 2008, Metro Transit may run-out Goodyear's tires over a 36-month period and will pay Goodyear at the current lease rates. As Goodyear tires wear out, the new contractor will supply their tires at the new rates. The run-out cost is included in determining total cost to the Council for the new tire contract.

Metro Transit publicly solicited sealed bids for a five-year contract for tire lease and service. Bids were solicited for lease rates on a per tire-mile basis and for monthly tire service.

Bids were submitted by The Goodyear Tire & Rubber Company and by Michelin North America. Applying the projected tire miles and the cost of running out Goodyear tires, the Michelin bid is the lowest total cost to the Council at \$8,561,661. The Goodyear bid is \$8,747,753. (Actual costs will depend on miles operated.)

These bid prices are significantly higher than the current contract cost, which is projected to be \$5,300,000. The higher prices are due to increased costs for tire raw materials and energy costs. Metro Transit will ensure adequate funds are available in future operating budgets cover tire costs.

The Office of Diversity established a Disadvantaged Business Enterprise goal of one percent for this contract. The Office of Diversity determined that Michelin meets the DBE goal.