

T Transportation Committee
For the Metropolitan Council meeting of December 12, 2007

Item: SW 2007-379

ADVISORY INFORMATION

Date Prepared: December 11, 2007

Subject: Authorization to Award Contract for Transit Vehicle Tire Lease and Service

Proposed Action:

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.

Summary of Committee Discussion / Questions:

Staff presented a summary of the procurement and the recommendation. A representative of The Goodyear Tire & Rubber Company addressed the committee and expressed Goodyear's concerns with the contract award recommendation. Committee members asked several questions related to the tire "run-out" provision, budgeting of tire lease costs, the method of procurement, and the calculation of lowest total cost to the Council.

T Transportation Committee

Meeting date: December 10, 2007

For Metropolitan Council Meeting: December 12, 2007

ADVISORY INFORMATION

Date:	December 6, 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 Julie Johanson, Assistant General Manager-Administration Vince Pellegrin, Chief Operating Officer 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 6,400 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 cost of running out Goodyear tires over the first 36-months of the new contract, the Michelin bid is the lowest total cost to the Council at \$8,512,963. The Goodyear bid is \$8,747,753. These amounts are based on projected miles to be operated during the contract period.

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.