

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
4	02/13/12	Open	Action	02/06/12

Subject: Awarding a Revenue Vehicle Tire Lease and Services Contract to Michelin North America, Inc.

ISSUE

Whether or not to award a Revenue Vehicle Tire Lease and Services Contract to Michelin North America, Inc.

RECOMMENDED ACTION

Adopt Resolution No. 12-02___, Awarding a Revenue Vehicle Tire Lease and Services Contract to Michelin North America, Inc.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	468,127.72
Budget Source:	Operating	Next FY:	\$	496,420.97
Funding Source:	Local			
Cost Cntr/GL Acct(s) or	GL 630024	Total Amount:	\$	2,640,241.51*
Capital Project #:	CC 34			
Total Budget:	\$ 3,024,102.00*			

*The Total Budget amount was the operating assumption for the 5 year budget. The Total Amount represents the bid amount, which is based on RT's assumption of use over 5 years. The lower than expected bid results in an anticipated savings of \$383,860.49 from the original total budget estimate

DISCUSSION

On October 24, 2011, the RT Board authorized staff to release an Invitation to Bid (ITB) for a 5-year revenue vehicle tire lease and services contract. RT currently has such a contract with Goodyear Tire and Rubber Company; that contract expires on March 29, 2012.

Studies continue to indicate that tire lease programs provide the lowest cost per mile. Staff has recommended the continued practice of tire lease agreements. To the best of staff's knowledge, there are only three vendors in the transit tire industry capable of entering into a tire lease and service contract with RT. The three vendors are: Bridgestone Americas Tire Operations, LLC ("Bridgestone"), Goodyear Tire and Rubber Company ("Goodyear"), and Michelin North America, Inc. ("Michelin").

Approved:

Presented:

Final 2/8/12

General Manager/CEO

Acting Director, Bus Maintenance

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Staff released the ITB on October 25, 2011. The solicitation was advertised in publications of general circulation and posted on RT’s website under Contracting Opportunities. Pursuant to RT’s Disadvantaged Business Enterprise (DBE) and Small and Local Business (SB/LB) Program, no DBE and/or SB/LB participation goals were established for this contract. A pre-bid meeting was held on November 15, 2011. Three Addenda and one Letter of Clarification were issued. Bids were based on a cost per mile driven and the estimated annual miles (bid multiplier) were based on RT’s current projected route miles over the 5-year contract period. RT’s current fleet includes four tire groups: (A) Orion V Coaches; (B) Orion VII Coaches; (C) El Dorado Coaches; and (D) Replica Trolleys. The contract’s total consideration is subject to change pursuant to RT’s route expansions or reductions.

A public bid opening was held on January 11, 2012 and three bids were received; in rank order starting with the apparent low bidder, the bidders were Bridgestone, Michelin, and Goodyear. The table below reflects the pricing proposed by all bidders for years 1 through 5:

YEAR	BRIDGESTONE Apparent Low Bidder [elected not to execute contract]	MICHELIN Second Low Bidder	GOODYEAR Third Low Bidder [non-responsive]
1	\$447,761.32	\$468,127.72	\$578,219.86
2	\$453,170.44	\$468,127.72	\$609,281.48
3	\$477,575.33	\$525,988.87	\$642,057.78
4	\$503,298.55	\$557,868.39	\$676,795.35
5	\$530,432.16	\$591,835.56	\$713,430.05
Totals	\$2,412,237.80	\$2,640,241.51	\$3,219,784.52

After review of the bids, staff determined that both the Bridgestone and Goodyear bids contained irregularities. Bridgestone’s bid contained mathematical errors. Goodyear’s bid did not include signed/dated Bid Form 6.8, Campaign Contribution Disclosure Form, nor did Goodyear fill out Part A of Bid Form 6.13, Certificate of Compliance with Drug and Alcohol Testing and Drug-Free Workplace Act.

In accordance with RT’s Standard Operating Procedure GM-SOP-97-009, Section XI, Rejection of Bids or Proposals/Waiver of Irregularities, and RT’s Procurement Ordinance Section 1.509, Rejection of Bids/Proposals; Waiver of Minor Irregularities, staff consulted with RT’s Chief Legal Counsel regarding the bid irregularities. Counsel concurred with staff’s determination that:

- 1) Bridgestone’s mathematical bid errors are minor irregularities and can be waived. The correct bid amount was determined pursuant to Section 1.10, Mathematical Errors, of the ITB document. This did not change the rank order of the bids and Bridgestone remained the apparent low bidder; and

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- 2) Goodyear’s failure to fill out Part A of Bid Form 6.13 is a minor irregularity and can be waived. However, Goodyear’s failure to fill out, sign, and date Bid Form 6.8 is a material irregularity and therefore Goodyear’s bid is non-responsive and rejected.

Accordingly, staff determined that the bids from Bridgestone and Michelin were responsive and responsible and that Bridgestone was the lowest bidder.

However, RT and Bridgestone were unable to reach agreement regarding contract exceptions submitted by Bridgestone and Bridgestone refused to execute the contract presented by RT. RT nullified its notice of intent to recommend award of a contract to Bridgestone and issued a notice of intent to recommend award of a contract to the second low bidder, Michelin, with a bid price \$228,003.71 higher than the low bid. The Michelin bid is competitive and still offers a cost savings from what was originally budgeted and projected for the 5-year term. In contrast, the Goodyear bid is not competitive: it is \$807,546.72 higher than the low bid and is \$195,682.52 higher than what was originally budgeted and projected for the 5-year term.

The current contract with Goodyear is in its fifth year. The contract costs for year 5 is \$605,136.49. The cost savings, in comparison to what RT is current paying compared to proposed rates for year 1, is as follows:

YEAR 5 COSTS GOODYEAR	YEAR 1 COSTS MICHELIN	COST SAVINGS
\$605,136.49	\$468,127.72	\$137,008.77

The price for this contract has been deemed as fair and reasonable.

Staff recommends the Board award a revenue vehicle tire lease and services contract to Michelin North America, Inc., for an amount not-to-exceed \$2,640,241.51 for a 5-year term.

RESOLUTION NO. 12-02-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

February 13, 2012

**AWARDING A REVENUE VEHICLE TIRE LEASE AND SERVICES CONTRACT TO
MICHELIN NORTH AMERICA, INC.**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Contract between Sacramento Regional Transit District (RT), therein referred to as "RT," and Michelin North America, Inc., therein referred to as "Contractor," whereby Contractor agrees to provide a Revenue Vehicle Tire Lease and Services Contract for a 5-year term for an amount not-to-exceed \$2,640,241.51, plus any applicable sales tax, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Contract.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary