

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	05/14/12	Open	Action	04/30/12

Subject: Approving the First Amendment to the Revenue Vehicle Tire Lease and Services Contract with Michelin North America, Inc.

ISSUE

Whether or not to approve the first amendment to the revenue vehicle tire lease and services contract.

RECOMMENDED ACTION

Adopt Resolution No. 12-05-____, Approving the First Amendment to the Revenue Vehicle Tire Lease and Services Contract with Michelin North America, Inc.

FISCAL IMPACT

Budgeted:	Yes	Original Contract \$	2,640,241.51
Budget Source:	Operating	1st Amendment: \$	91,294.68
Funding Source:	Federal (Preventive Maintenance)	Total: \$	2,731,536.19
Cost Center/GL Acct(s)	CC 34 GL 630024		
Total Budget:	\$ 91,294.68		

DISCUSSION

RT entered into a revenue vehicle tire lease and services contract with Michelin North America, Inc., on March 30, 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.

After the Contract was in place, staff noticed that the Group D tire size (245/70R19.5) listed in the ITB was incorrect. The correct tire size for Group D is 255/70R22.5. These tires are equipped on 3 of RT's 29' El Dorado MST II vehicles (model year 2006). The estimated annual mileage for these vehicles is 29,628 miles.

Michelin North America, Inc., submitted pricing for the correct tire size that is lower than the pricing submitted in their bid for the original tire size listed in the ITB. This resulted in a cost savings to RT of \$1,381.26 over a 5-year term. Please refer to the tables below:

Original Pricing						
	Year 1	Year 2	Year 3	Year 4	Year 5	5-Year Total
Per Tire Mileage Lease Rate	\$0.01047	\$0.01121	\$0.01199	\$0.01283	\$0.01373	
Year Totals	\$1,861.23	\$1,992.78	\$2,131.44	\$2,280.76	\$2,440.75	\$10,706.97

Approved:

Presented:

Final 5/7/12

General Manager/CEO

Director, Bus Maintenance (Acting)

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Corrected Tire Size Pricing						
	Year 1	Year 2	Year 3	Year 4	Year 5	5-Year Total
Per Tire Mileage Lease Rate	\$0.00913	\$0.00976	\$0.01044	\$0.01117	\$0.01196	
Year Totals	\$1,623.02	\$1,735.02	\$1,855.90	\$1,985.67	\$2,126.11	\$9,325.71

Over a 5-Year Term		
Original Pricing	Proposed Pricing	Cost Savings
\$10,706.97	\$9,325.71	\$1,381.26

An additional tire group and size is also needed for the addition of 6 El Dorado Ford F-550 chassis vehicles to RT's current fleet. These vehicles were procured and received after the receipt of bids for the current contract. The new tire size, to be added as Group "E", is 225/70R19.5. The estimated annual mileage for these vehicles is 294,996 miles.

Michelin North America, Inc., has provided pricing for the addition of Group E as follows:

Per Tire Mileage Lease Rate				
Year 1	Year 2	Year 3	Year 4	Year 5
\$0.00911	\$0.00974	\$0.01042	\$0.01115	\$0.01194

Based on the per mile lease rates above, the total price over the 5-year contract term for the addition of Group E is as follows:

Year 1	Year 2	Year 3	Year 4	Year 5	5-Year Total
\$16,124.48	\$17,239.57	\$18,443.15	\$19,735.23	\$21,133.51	\$92,675.94

The price for this amendment has been determined by staff as fair and reasonable.

RT staff recommends that the Board approve the First Amendment to the Revenue Vehicle Tire Lease and Services Contract for \$91,294.68, which will increase the total contract consideration to \$2,731,536.19, over a 5-year term.

RESOLUTION NO. 12-05-_____

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

May 14, 2012

**APPROVING THE FIRST AMENDMENT TO THE REVENUE VEHICLE TIRE LEASE
AND SERVICES CONTRACT WITH MICHELIN NORTH AMERICA, INC.**

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

THAT, the First Amendment to the Revenue Vehicle Tire Lease and Services Contract between the Sacramento Regional Transit District, herein referred to as "RT," and Michelin North America, Inc., herein referred to as "Contractor," whereby the total consideration is increased by \$91,294.68, from \$2,640,241.51 to \$2,731,536.19, a tire size is corrected and a tire group is added, and all other terms and conditions of the contract remain the same, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute the First Amendment to the Contract with Michelin North America, Inc.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary