



Metro

Metropolitan Transportation Authority

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**OPERATIONS COMMITTEE
JULY 20, 2006**

**SUBJECT: CONTRACT NO. OP31201845, BUS TIRE LEASING AND
MAINTENANCE SERVICES, MICHELIN NORTH AMERICA, INC.**

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

Authorize the Chief Executive Officer to award a Firm Fixed Unit Rate contract, Contract No. OP31201845, to Michelin North America, Inc. of Greenville, SC, for bus tire leasing and maintenance services in an amount not to exceed \$25,229,803, including \$500,000 in estimated sales/use taxes, for a four-year period, inclusive of a one-year option, effective September 1, 2006.

RATIONALE

This procurement pertains to leased tires for the revenue fleet as well as tire maintenance service for both the revenue and non-revenue fleets. Non-revenue tires are purchased under a separate procurement, but are maintained and serviced under the subject contract.

Based on an extensive study of mileage rates conducted in May of this year, the MTA Estimating Department has determined that it is more cost effective, efficient and presents an overall reduction in risk for Metro to contract for tire maintenance services rather than perform them in-house. The study also demonstrated that the same is true for Metro to lease bus tires rather than purchase them. To that end, the study concluded that Metro's long standing practice of contracting for bus tires on a lease/service basis is a more cost effective and prudent approach to providing a quality bus tire program. Moreover, a lease agreement greatly reduces the risk of potential tire disposal-related fines and product liability issues.

Associated costs to Metro are based on actual bus (tire) mileage plus a fixed monthly service rate and a per tire sales/use tax. Included in the cost is the remediation of all spent tire casings and all elements of a tire maintenance program. The maintenance program includes tire rotation, mounting, regrooving, recapping, balancing, airing and wheel refurbishing which includes powder coating for steel wheels and polishing for aluminum wheels. The monthly service rate also includes tire maintenance and service for Metro's non-revenue fleet; however, non-revenue tires are not procured under this contract.

FINANCIAL IMPACT

Funding in the amount of \$5,686,239 for this service is included in the FY07 budget in Cost Center 3120, under Project Number 301008, 302008, 303008, 304008 and 305008, Line Item Number 50421. During FY06, approximately \$5,200,000 was expended for tire leasing services.

ALTERNATIVES CONSIDERED

One alternative to the current tire lease program would be to purchase the tires, rather than lease them and have Metro personnel provide the required tire service. This is not a desirable or recommended alternative because of the increased labor cost to Metro and the added responsibility of properly disposing thousands of spent tire casings.

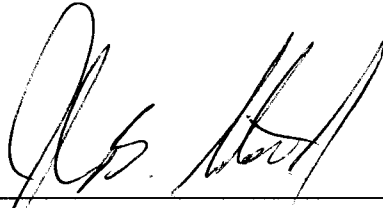
A second alternative would be to lease the tires and have Metro personnel provide the required tire service. This is not a desirable or recommended alternative because of more costly Metro labor rates as well as product liability issues that are currently the responsibility of the contractor.

The proposed contracting method greatly reduces Metro's risk and eliminates "cradle to grave" responsibility of hazardous waste disposal of tires.

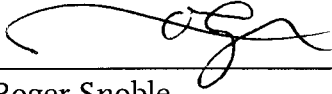
ATTACHMENTS

- A Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors
- A-3 LACMTA Bid Tabulation

Prepared by: Mike Stange, Superintendent, Quality Assurance
Robert Vasquez, Sr. Contract Administrator



John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

BUS TIRE LEASING AND MAINTENANCE SERVICES

1.	Contract Number: OP31201845		
2.	Recommended Vendor: Michelin North America, Inc.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$24,729,803	Recommended Price: \$25,229,803 (including taxes)	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: 04/12/06		
	B. Advertised: 04/12/06		
	C. Pre-proposal Conference: 04/25/06		
	D. Proposals Due: 05/25/06		
	E. Pre-Qualification Completed: 06/01/06		
	F. Conflict of Interest Form Submitted to Ethics: 06/06/06		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: N/A	
	B. Small Business Commitment: 0% (Details are in Attachment A-2)		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 3	Bids/Proposals Picked up: 6	Bids/Proposals Received: 2
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	<u>Bid/Proposal Amount:</u>	<u>Best and Final Offer Amount:</u>
	Michelin North America, Inc.	\$24,729,803	\$N/A
	Goodyear Tire & Rubber Co.	\$28,671,634	\$N/A
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: 07/25/06		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Robert Vasquez	Telephone Number: 213-922-1044	
11.	Project Manager: Mike Stange	Telephone Number: 213-922-5751	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

BUS TIRE LEASING AND MAINTENANCE SERVICES

A. BACKGROUND ON CONTRACTOR

Michelin North America, Inc. (Michelin) is located in Greenville, South Carolina and has been in the tire industry for over 100 years. The company has contracts for similar services with MARTA (Atlanta), Denver RTD, San Diego Transit, and other sizeable transit agencies throughout the United States. Reference checks revealed that Michelin has performed well for the clients listed in its bid submittal.

B. PROCUREMENT BACKGROUND

This is a competitive sealed-bid procurement under IFB No. OP31201845. The base contract period is for 3 years, with an option for an additional year, for a total potential contract term of 4 years.

C. EVALUATION OF PROPOSALS

This procurement was conducted in accordance, and complies with, standard Metro Procurement Policies and Procedures for a competitive sealed bid. Bids were received from Michelin and Goodyear. Both bidders were found to be responsive and responsible, and both firms were determined to be qualified to provide the required services based on a technical evaluation performed by the Metro project manager. References for both bidders were checked and both of the bidders were rated excellent.

D. COST/PRICE ANALYSIS EXPLANATION OF ANALYSIS

The recommended price has been determined to be fair and reasonable based upon adequate competition and an Independent Cost Estimate. The recommended amount of \$25,229,803 is \$1,728,927 or approximately 6.4% lower than the estimated amount of \$26,958,730 over a 4-year contract period.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

BUS TIRE LEASING AND MAINTENANCE SERVICES

PRIME CONTRACTOR – Michelin North America, Inc.

Small Business Commitment

Other Subcontractors

No goal recommended.

None

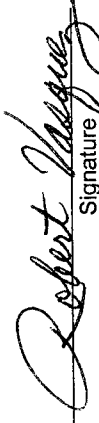
Total Commitment 0%

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY BID TABULATION
Bid No: OP31201845 Bus Tire Leasing Services

Bids Out: 04/12/06 Total 6
 Bids Opened: 05/25/06 Total 2
 No Bid: 1
 Advertisement Date(s): 04/12/06
 Newspaper: Daily News and APTA (Passenger Transport)

PART 1 TIRE MILEAGE RATES		Michelin		Goodyear Tire & Rubber Co.	
Contract Year	Est. Annual Tire Year	Mileage Rate	Annual Mileage Cost	Mileage Rate	Annual Mileage Cost
1A Standard Tire (24.5) Mileage Rates					
1	424,500,000	\$0.00443	\$1,880,535.00	\$0.00470	\$1,996,848.00
2	373,500,000	\$0.00443	\$1,654,605.00	\$0.00470	\$1,756,944.00
3	335,100,000	\$0.00477	\$1,598,427.00	\$0.00482	\$1,615,852.20
3-Year Base Contract Total					
4 Option 1	291,000,000	\$0.00500	\$1,455,000.00	\$0.00494	\$1,438,122.00
4-Year Totals Standard Tire					
1B Low Floor Tire (22.5) Mileage Rates					
1	334,800,000	\$0.00598	\$2,002,104.00	\$0.00693	\$2,320,164.00
2	427,400,000	\$0.00598	\$2,555,852.00	\$0.00693	\$2,961,882.00
3	471,000,000	\$0.00643	\$3,028,530.00	\$0.00710	\$3,345,513.00
3-Year Base Contract Total					
4 Option 1	521,000,000	\$0.00675	\$3,516,750.00	\$0.00728	\$3,793,401.00
4-Year Totals Low Floor Tire					
1C Total Annual Mileage Costs All Tires					
			\$11,103,236.00		\$12,420,960.00
			\$17,691,803.00		\$19,228,726.20
PART 2 TIRE SERVICE FEES (BUS/REVENUE FLEET)					
1		Monthly Svc. Fee	Annual Svc. Fee	Monthly Svc. Fee	Annual Svc. Fee
2		\$138,300.00	\$1,659,600.00	\$176,414.00	\$2,116,968.00
3		\$146,200.00	\$1,754,400.00	\$191,469.00	\$2,297,628.00
3-Year Base Contract Total					
4 Option 1		\$141,000.00	\$1,692,000.00	\$197,960.00	\$2,375,520.00
Total 4-Year Non-Revenue Fleet Tire Service Fee					
			\$5,106,000.00		\$6,790,116.00
			\$1,780,800.00		\$2,461,992.00
			\$6,886,800.00		\$9,252,108.00
PART 3 NON-REVENUE FLEET TIRE SERVICE FEES					
1		Monthly Svc. Fee	Annual Svc. Fee	Monthly Svc. Fee	Annual Svc. Fee
2		\$3,200.00	\$38,400.00	\$3,900.00	\$46,800.00
3		\$3,300.00	\$39,600.00	\$3,900.00	\$46,800.00
3-Year Base Contract Total					
4 Option 1		\$3,000.00	\$36,000.00	\$4,000.00	\$48,000.00
Total 4-Year Non-Revenue Fleet Tire Service Fee					
			\$114,000.00		\$141,600.00
			\$37,200.00		\$49,200.00
			\$151,200.00		\$190,800.00
			\$24,729,803.00		\$28,671,634.20
TOTAL ALL CONTRACT COSTS					

I hereby certify MICHELIN as being the lowest responsive, responsible bidder and recommend the award to them for total price, including sales tax, of \$25,229,803 *NOTE: SALES/TAX ESTIMATED AT \$500,000. *Can*


 Signature
 06/08/06
 Date

