



CITY OF WAUKESHA

Administration

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Committee: Transit Commission	Date: 5/9/2019
Common Council Item Number: 19-0612	Date: 5/21/2019
Submitted By: Fred Abadi- Public Works	City Administrator Approval: Kevin Lahner, City Administrator KL
Finance Department Review: Rich Abbott, Finance Director RA	City Attorney's Office Review: Brian Running, City Attorney BER
Subject: Approval of Award of Tire Lease Contract to Goodyear Tire and Rubber Company	

Details:

This item is to seek the approval of a five-year tire lease agreement with the Goodyear Tire and Rubber Company. Goodyear would provide leased tires for the buses effective the new contract date of October 1, 2019.

The Waukesha Transit Commission, like the majority of other transit systems, lease vs. purchase tires because it is more cost effective. Our analysis from this bid has found that the Transit Commission would save 30-40% per type of tire by leasing. In addition, the leasing company provides many value added services such as repair supplies and disposal of used tires that would be additional costs incurred with a purchase of tires. The tire lease is eligible for 80% federal assistance as it can be considered a capital lease.

The current tire lease contract expires September 30, 2019 and staff conducted an invitation to bid for a five year period starting October 1st. As with past tire lease bids, bidders were asked to provide a per mile lease rate per tire for the five years of the agreement for each of the three tire types the Transit Commission uses. The per mile rates received in the bids were then calculated by the anticipated monthly total number of miles each tire type will be operated. A yearly total per tire type and a five year grand total cost was also calculated.

The Transit Commission only received a bid from Goodyear. Michelin and Continental took out the bid but neither provided a bid. Bridgestone expressed interest in the bid but due to some miscommunication never took the bid out. Since there were no other bids to compare, we requested the winning bids from the Valley Transit (Appleton) Tire Lease which was conducted in May 2018. Appleton uses two of the same tires as the Transit Commission. Comparing our pricing against Appleton's over roughly the same time period, we found our bid was 1.4%-7.0% less per year than Appleton's for the larger 305/70R22.5 tire. The bid for the smaller LT225/75R16 tire, only used on our three Arboc Metrolift buses, was 4.9%- 9.9% per year higher than Appleton's bid. Appleton, though, uses this type of tire on many more buses than the Transit Commission. Based on estimated miles, the Transit Commission will only run 6.4% of the miles Appleton will on this type of tire thus they will likely receive better economies of scale hence a better price. Comparable bids for our other larger tire, 305/85R22.5, were not available by Appleton, however the price increase for 2019 was 4.6% and



the Producer Price Index (PPI) from March 2018 to March 2019 for Tire Manufacturing was 3.9% so the bid was fairly in line with the PPI. Year 2 there was no change in bid price and Years 3-5 the price increase was 2.0%-3.0% which was below the current PPI. Given this analysis, the bids submitted by Goodyear were reasonable.

Goodyear has been our vendor for this service the past 10 years and we have received very good service from them.

Options & Alternatives:

The only alternative would be to purchase the tires out right which would cost 30-40% more and would not include the other services Goodyear provides through their lease program.

Financial Remarks:

The first and second year of the Tire Lease Bid is estimated to cost \$36,976.61 annually, Year 3 \$37,711.01, Year 4 \$38,649.44 and Year 5 \$39,811.87 for a total cost of \$190,125.53 for the 5 years. Federal grants will pay 80% of the costs and the remaining 20% is from the Transit Commission's Annual Operations City Share.

Executive Recommendation:

Recommend approval.