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Committee: Transit Commission	Date: 5/9/2024
Common Council Item Number: ID#24-9608	Date: 5/21/2024
Submitted By: Alex Damien, Director of Public Works	City Administrator Approval: Anthony Brown, City Administrator AB
Finance Department Review: Joseph Ciurro, Finance Director	City Attorney's Office Review: Brian Running, City Attorney
Subject: Review and Act on 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, 2024. Goodyear has been the tire lease vendor for the past 15 years.

The Waukesha Transit Commission, like the majority of other transit systems, lease vs. purchase tires because it is more cost effective. 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, 2024 and staff conducted an invitation to bid. 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 were sent the bid notice but did not provide a bid. Bridgestone expressed interest in the bid but would not commit to the minimum insurance requirement which were the same insurance requirements as the current contract. Since there were no other bids to compare, we compared the bid against the Producer Price Index (PPI) for the time period since the last bid, March 2019 to February 2024, for Tire Manufacturing. The total cost of the Goodyear bid for the 5 year period based on current mileage is estimated at \$288,343 and the PPI amount was estimated at \$299,933 so the bid was \$11,590 under the PPI which is 3.9% less. The annual increase in price varied from 0% in Year 2 to 2.0% - 3.0% in Years 3-5. Given this analysis, the Goodyear bid submitted was reasonable. It is very likely that the actual costs paid in this next 5 year contract will be less than the estimated costs due to future approved and potential service changes that will reduced miles operated.

Options & Alternatives:

The only alternative would be to purchase the tires out right which would cost considerably 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 \$56,073.07 annually, Year 3 \$57,195.36, Year 4 \$58,619.42 and Year 5 \$60,382.18 for a total estimated cost of \$288,343.10 for the 5 years based on current mileage. 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.