

**SUBJECT***Tire Lease Contract***RECOMMENDED ACTION**

*To authorize the President and CEO to exercise the first one-year option for the leasing and servicing of tires with Michelin North America, Inc., at a cost of \$621,029 with a five percent contingency, for a total authorization amount not to exceed \$652,080.*

**BACKGROUND**

On June 24, 2013, Long Beach Transit's (LBT) Board of Directors authorized the President and CEO to enter into a five-year contract with Michelin North America, Inc., (Michelin) for the leasing and servicing of tires on LBT's bus fleet with three, one-year options.

LBT contracts with a third-party supplier for the leasing and servicing of tires for its bus fleet. The supplier provides three service technicians at LBT1 and LBT2 that inspect, maintain, provide and replace the tires.

It is LBT's policy to review contracts prior to the end of their term and determine whether or not to continue service. Approaching the conclusion of the initial five-year contract, LBT deemed that Michelin's performance was satisfactory. Hence, negotiations ensued to arrive at a fair and reasonable price for the option year, as the original contract was negotiated in 2013.

Due to the nature of the negotiations and LBT's need to exercise financial accountability, the negotiations exceeded the time frame originally anticipated by staff. Michelin and LBT agreed to a 30-day extension honoring the tenets of the original contract until negotiations were completed.

LBT's service area has expanded over the course of the contract's term (e.g., service to the City of Carson; California State University, Dominguez Hills; StubHub Center and the Route 22 Extension to the Metro Green Line Lakewood Station in Downey), which has resulted in more service miles, thus more wear and tear on the buses' tires.

A new rate was negotiated with Michelin that yielded LBT a cost avoidance, as the base tire rate has a cost reduction of 20 percent.

There are three, one-year options available for LBT to exercise. Staff recommends exercising the first one-year option.

**PROCUREMENT**

LBT's Purchasing department conducted a tire industry analysis to determine the current market rate for tires. Staff was able to net a base tire rate reduction of 20 percent from the original option year one rate negotiated in 2013, for a cost of \$621,029 with a five percent contingency, for a total authorization amount not to exceed \$652,080.

**DBE/SBE PARTICIPATION**

A Disadvantaged Business Enterprise (DBE) goal was not identified at the time of the original contract. Through negotiations, LBT requested Michelin to include DBE subcontractors for option year one. Michelin agreed and will use Big Apple Tire, a DBE-certified subcontractor, for tire disposal.

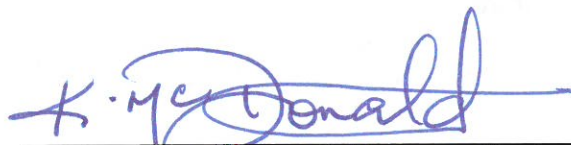
**ALTERNATIVES CONSIDERED**

The Board may choose not to award this contract, resulting in the current supplier contract expiring. However, staff does not recommend this option as LBT would be unable to service the tires on its bus fleet and would need to purchase new tires, incurring unanticipated expenditures.

**BUDGETARY/FISCAL IMPACT**

Staff is requesting LBT's Board of Directors to authorize the President and CEO to exercise the first one-year option for the leasing and servicing of tires with Michelin North America, Inc., at a cost of \$621,029 with a five percent contingency, for a total authorization amount not to exceed \$652,080.

Funds for this contract were included in the previously approved Fiscal Year 2019 Capital Budget.



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Kenneth A. McDonald  
President and Chief Executive Officer