

**Item 12**



Date: December 4, 2013

To: GCT Board of Directors

From: Marlena Kohler *MK*  
Purchasing Manager/ DBE Officer

RE: CONSIDER APPROVAL OF A CONTRACT WITH DANIELS TIRES FOR TIRES AND TIRE MAINTENANCE

## I. EXECUTIVE SUMMARY

An Invitation for Bid (IFB) was issued on October 21, 2013 through the use of the Public Purchase website to provide Gold Coast Transit with Tires and Tire Maintenance for a one-year period beginning January 1, 2014 plus options for two additional one-year periods. It is an indefinite quantity contract that will provide Tires and Tire Maintenance (new and recap tires) on a firm fixed price basis, as they are ordered throughout the term of the contract, with a price escalation provision in the option years.

A public bid opening was held on November 18, 2013 at 3:00 pm (pst). There were two (2) bid submitted; one from Daniels Tires and one from Parkhouse Tires. Each had a representative in attendance. Bids were opened, read and documented by Tanya Hawk, Buyer.

Since this was a "Brand Name or Equal" procurement, bids were evaluated on new tires and two types of recap tires that were proposed by the contractors.

Of the two bids received, Daniels Tires price for recap tires was the lowest. They also proposed two (2) types of tread, both acceptable to GCT's Maintenance Department. Pricing for recap tires was figured by adding the combination of the yearly cost for both tread types, and then divided by two, since it is anticipated that both types of tread will be used evenly throughout the year. Therefore, because they were the lowest and they proposed two tire tread types that were acceptable to GCT'S Maintenance Department, it is recommended that the award be made to Daniels Tires for recap tires.

The lowest new tire bid came from Parkhouse. However, they proposed a Michelin brand tire that, according to GCT's Maintenance Department, was previously tested and found to not be compatible with GCT's buses. As stated in the IFB, it is at the discretion of GCT to accept substitutions. Therefore, Parkhouse's "or equal" bid for new tires is unacceptable based on the brand they proposed. Parkhouse did not propose any other brand. Daniels Tires proposed a Goodyear Metro Miler tire, which was the brand stated in the bid as an acceptable brand. Daniels proposed price of \$591.00 per tire is the same price they are currently charging GCT for new tires. Therefore, because their price has not changed from their current price and they are proposing an acceptable new tire brand, it is recommended

that award be made to Daniels Tires for new tires.

Based on adequate competition, the submitted bid prices from Daniels Tires are considered fair and reasonable. In addition, Daniels Tires is considered a responsible contractor. They are the incumbent contractor and GCT has had no issues with their current performance. Also, they are not listed in the System for Award Management (SAM) maintained by the Federal Government. The company has over 102 years of experience in the industry and currently operates 5 commercial truck tire centers, 8 automotive service centers, and a Goodyear retread plant.

**IT IS RECOMMENDED that the Board of Directors authorize a contract award to Daniels Tires for Tire and Tire Maintenance Services (Recap and New) for a one-year period starting January 1, 2014 with two one-year options for an estimated amount of \$185,232.00. If all two options are exercised increase will be based on the CPI-U.**

## **II. BACKGROUND**

a. Basic Requirements and History. GCT currently operates 54 buses in their fleet, with exception of the eight (8) replacement units; each bus using 307 70R22.5 transit bus tires. We currently use tires that are for conventional highway with a minimum tread of 16/32". Each bus has six tires a piece with a total of 324 tires per 54 buses. When tire replacement is need for the buses they will be replaced with new and recapped tires. Tires are replaced more than once per year, which will make the purchase of tires more than 324 per year. GCT uses approximately 400 recap tires per year and 175 new tires per year.

In addition, GCT has spare tires, wheels, and accessories pertaining to its buses which shall be maintained and inventoried by the contractor. We require quarterly usage reports from the Contractor so; GCT can keep stock levels of spare tires with and accurate inventory.

With the expiration of each individual contract for new and recap tires GCT decided to go out to IFB with both new and recap on the same IFB. By having both new and recap tires on the same IFB, this gives GCT the opportunity to have firm fixed pricing for the first year, along with the options for two (2) additional one-year periods.

b. Price Evaluation. GCT evaluated on new tires and two types of recap tires that are acceptable for GCT use. Of the two bids received, Daniels Tires price for recap tires was the lowest. They also proposed two (2) types of tread, both acceptable by GCT's Maintenance Department. Price for recap tires was figured by adding the combination of the yearly cost for both tread types, and then divided by two, since it is anticipated that both types of tread will be used evenly throughout the year. Therefore, because they were the lowest and they proposed two tire tread that were acceptable to GCT Maintenance Department, it is recommended that award be made to Daniels Tires for recap tires.

While the quantities provided were GCT's best estimate of what was needed, actual quantities will be provided and prices will be as agreed in the contract for items listed even if the final quantities are different from those listed.

Based on the final award value for the base year, GCT agreed to order at least 50%, but not more than 100% more, of that amount. For each option year exercised, if any, and based on

the final award amount for each option year, GCT agrees to order at least 50%, but not more than 100% more, of the applicable award amount for the applicable option year.

Prices established in the contract are valid for the first contract year. The contract year is from January 1, 2014 through December 31, 2014. Since contract terms provide for additional year(s) to the basic contract and/or option years, prices for specified items for those years may be adjusted to reflect inflationary or deflationary trends in the economy. Since there is no established way to determine in advance what prices will actually be a year or more into the future, an equitable method of determining the maximum contract prices for subsequent contract years is to apply a statistically derived percentage increase or decrease (factor) to existing contract prices. The Bureau of Labor Statistics (BLS) routinely publishes adjustments to the Consumer Price Index (CPI) based on research into various aspects of the economy. Although adjustments are broken down by various commodities, economy sectors, services, sections of the country, etc., no breakdown adequately reflects actual experience for the items being purchased herewith. However, the CPI for All Urban Consumers (CPI-U) for all items is a generally accepted measure of the impact of inflationary and deflationary pressures on the economy and will be used by GCT in calculations identified below.

So that all initial Bidders were treated equitably and at the same time assure GCT prices wouldn't be raised without limits, an adjustment method and criteria was established in advance as follows:

- a. The adjustment factor only applies to Option Year prices for all items.
- b. The CPI-U will be used to determine the maximum price adjustment, up or down, for items for which it is authorized.
- c. The Contractor shall notify GCT by January 20<sup>th</sup> of each contract year of the price it proposes to use effective the start of the following contract year. The notice shall include verifiable documentation (e.g., price list changes from manufacturers/distributors) to justify the proposed price even if it remains unchanged.
- d. GCT shall compare the prices proposed by the Contractor with the figure derived by using the "Not Seasonally Adjusted U.S. City Average" CPI-U percentage increase or decrease applicable for the most recent calendar year. The applicable percent is for "All Items" and is available in the U.S. Department of Labor, Bureau of Labor Statistics website found at [www.bls.gov/cpi](http://www.bls.gov/cpi).
- e. The use of the CPI-U will be cumulative so that over time adjustments can be made to reflect possible industry practices of making larger infrequent price changes rather than frequent smaller price changes.
- f. Price changes, if any, will be made effective the beginning of the contract year and will remain in effect for the contract year. Documentation to justify price changes the Contractor may receive from its suppliers during the year may be provided to GCT the following January to justify a contract price change as explained in this provision.

g. Examples for application of the adjustment factor in determining the actual price for the next year(s):

1). Assume the current price is \$100, the CPI-U for All Items from December 2009 to December 2010 increases by 2% and the Contractor proposes and can justify a price of \$101. Applying the 2% factor to \$100 means the actual price cannot exceed \$102. Therefore, the proposed price of \$101 may be accepted.

2). For the above example, assume it is the following year, the price is \$101, the CPI-U increases by 3% and the Contractor proposes and can justify a price of \$104. Applying the 3% factor to \$101 means the actual price cannot exceed \$104.03. Therefore, the proposed price of \$104 may be accepted.

3). Assume the current price is \$100, the CPI-U is -1% and the Contractor propose and can justify no price increase. Applying the -1% factor means the actual price cannot exceed \$99. Therefore, the proposed price of \$100 is not acceptable and the actual price would be \$99.

4). Assume the current price is \$100, the CPI-U is 2% the second year and 3% the third year and the Contractor proposes and can justify no change the second year and a price of \$104 the third year. Applying the 2% factor the second year means the actual price cannot exceed \$102. However, since no change is proposed, the price remains \$100 for the second year. Applying the 3% factor for the third year to the previous year maximum of \$102 means the actual price cannot exceed \$105.06 for the third year. Therefore, the proposed price of \$104 may be accepted.

Staff will ensure proposed pricing for the option years is fair and reasonable prior to exercising any options. If it is not, a new solicitation will be issued to seek competition.

d. Overall Evaluation Results. The following table indicates the overall results of bids received:

Company	Daniels Tires Recap all services	Daniels Tires New Tire	Parkhouse Recap Tire With all service	Parkhouse New Tire
One Year	\$81,807.50	\$103,425.00	\$86,075.00	\$93,100.00
<b>TOTAL</b>	\$185,232.50		\$179,175.00	

Based on adequate competition, the bid from Daniels Tire for recap tires is determined to be fair and reasonable. Although Parkhouse's bid appears to be the lowest for the new tires, the brand they proposed was determined to be unacceptable. Therefore, Daniel Tire bid, based on current contract pricing, is the lowest acceptable bid and determined to be fair and reasonable.

In addition, Daniels Tires is considered a responsible contractor. They are the incumbent contractor and GCT has had no issues with their current performance. Also, they are not

listed in the System for Award Management (SAM) maintained by the Federal Government. The company has over 102 years of experience in the industry and currently operates 5 commercial truck tire centers, 8 automotive service centers, and a Goodyear retread plant.

e. Funds/Savings/Budget. Adequate funds are budgeted for the first contract year and are anticipated to be available for option years.

### III. SUMMARY AND RECOMMENDATIONS

GCT oversees Tires and Tire Maintenance services to its approximately 54 buses. The recent solicitation for this service resulted in adequate competition. Daniels Tires proposed price is determined to be fair and reasonable based on adequate price competition and current contract pricing and based on current and past performance, Daniels Tires is considered to be a responsible contractor.

**IT IS RECOMMENDED that the Board of Directors authorize contract award to Daniels Tires for Tires and Tire Maintenance (recap and new) for a one-year period starting January 1, 2014 with two one-year options for an estimated amount of \$185,232.00, for the first year. If all two options are exercised increase will be based on the CPI-U.**

General Manager Concurrence: \_\_\_\_\_

