



ADMINISTRATIVE REPORT

Report Date: May 29, 2012
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VanRIMS No.: 08-2000-20
Meeting Date: June 12, 2012

TO: Vancouver City Council

FROM: General Manager, Engineering Services, and Director, Supply Chain Management

SUBJECT: Contract Award for the Supply & Service Contract for Fleet Tires

RECOMMENDATION

- A. i. THAT, subject to the conditions set out in Recommendations B, C, and D, an agreement be entered into with Kal Tire for the supply of tires and related products and services for light duty, heavy duty, and Off-The-Road ("OTR") vehicles, for a period of three years with two subsequent renewal options of one year each, at an estimated total amount of \$1,603,039.50 (plus applicable taxes) over the three-year agreement on terms and conditions satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official.
- ii. THAT, subject to the conditions set out in Recommendations B, C, and D, an agreement be entered into with Fountain Tire (Vancouver Marine Drive) Ltd. ("Fountain Tire") for the supply of tires and related products and services for lawn and turf equipment for a period of three years with two subsequent renewal options of one year each, at an estimated total amount of \$39,584.13 (plus applicable taxes) over the three-year agreement on terms and conditions satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official.
- iii. THAT, subject to the conditions set out in Recommendations B, C, and D, an agreement be entered into with Michelin North America (Canada) Inc. ("Michelin Tire") for the supply of re-tread/recaps tires and related products and services for a period of three years with two subsequent renewal options of one year each, at an estimated total amount of \$1,802,979.75 (plus applicable taxes) over the three-year

agreement on terms and conditions satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official.

- iv. THAT, subject to the conditions set out in Recommendations B, C, and D, an agreement be entered into with Dalee Enterprises Ltd., dba B-Line Tire & Auto Supply (BC) ("B-Line Tire") for the supply of tire repair supplies and related services for a period of three years with two subsequent renewal options of one year each, at an estimated total amount of \$175,380.90 (plus applicable taxes) over the three-year agreement on terms and conditions satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official.
- B. THAT all legal documentation be in a form which is satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official.
- C. THAT upon approval of the legal documentation, the Director of Legal Services, the General Manager and the Chief Purchasing Official be authorized to execute and deliver the necessary agreements on behalf of City Council.
- D. THAT no legal rights or obligations shall arise hereby and none shall arise or be granted hereafter unless and until all contemplated legal documentation has been executed and delivered by all parties.

CITY MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing which will provide estimated annual savings based on current volumes of \$186,140.34 for a total estimated savings of \$558,421.02 over the three-year period of the agreements as compared to current costs.

The City Manager, General Manager of Engineering Services, Director of Financial Services and Chief Purchasing Official (collectively "The Bid Committee") have reviewed and endorsed these awards.

COUNCIL POLICY

It is Council policy to enter into contracts for the purchase of equipment, supplies and services that will give the best value based on quality, service and price.

Council approval is required for contracts with a value over \$2 million.

SUMMARY

The agreements with the City's existing tire suppliers, which were in place after going to market in December 2003, have expired.

The City conducted Request for Proposals PS20110300: Supply and Service Contract for Fleet Tires (the "RFP") which provided an opportunity to evaluate the current market place and ensure the City is receiving quality tire products and efficient delivery services at a competitive price, reducing inventory, and consolidating vendors, wherever possible.

The evaluation team consisted of four staff members: three from Equipment Services and one from Supply Chain Management.

The recommendations of the evaluation team which were subsequently approved by the Bid Committee were for the City to engage four tire suppliers providing six different categories of tires and supplies at a competitive cost.

Subject to Council approval, the recommendations of the evaluation team will save the City an estimated \$186,140.34 annually (based on current volumes) for a total estimated savings of \$558,421.02 over the three-year period of the agreements as compared to current costs.

PURPOSE

The purpose of this report is to recommend that Council authorize staff to enter into agreements with the proponents to supply tires and related services to the City as identified in this report. These recommendations which have been approved by the Bid Committee are based on the evaluation of responses to a public process through the RFP.

BACKGROUND

The City of Vancouver operates five key garage service centers (National Yard, Landfill Garage, Evans Yard, Fire Hall #1 and Manitoba Yards) to supply and deliver tires and tubes, retread and repair tires, provide service calls and perform related support services for the City's Engineering, Fire and Rescue Services, Vancouver Police Department and the Vancouver Parks Board. Inventory at each center is being held to support the operational needs of each facility.

The previous contracts, which were in place after going to market in December 2003, have expired. By going to market for the purchase of 170 types of tires and a total annual consumption of 82,000 tires, the City was able to take advantage of a weak supply market and use the leverage of a competitive process to secure the procurement savings as described above.

On November 15, 2011, the City issued the RFP for the supply and delivery of tires and related products and services (the "Product Requirements"). The major objectives of the RFP were to obtain the following:

- Cost savings;
- High quality products with prompt on time delivery services; and
- Consolidation of vendors where possible.

The RFP provided that the City, at its option, could separately negotiate and/or award a contract for all, part or any combination of the Product Requirements, which would allow proponents to respond when they could supply only some of the tires requested.

The evaluation team consisted of four staff members: three from Equipment Services and one from Supply Chain Management.

To conduct a fair evaluation and financial analysis, the Product Requirements were broken down into the following six categories and they were evaluated separately:

- 1) Requirement 'A' is for the supply of tires and related products and services for light truck, passenger car and other similar or related light duty vehicles having 17.5" LT tires and smaller;
- 2) Requirement 'B' is for the supply of tires and related products and services for heavy trucks having tires larger than 17.5" LT tires, and equipment and other similar or related heavy duty vehicles;
- 3) Requirement 'C' is for supply of tires and related products and services for lawn and turf Equipment;
- 4) Requirement 'D' is for the supply of tires and related products and services for OTR;
- 5) Requirement 'E' is for retread/recaps; and
- 6) Requirement 'F' is for Tire Repair Supplies.

The City received six proposals which were evaluated for their ability to meet the City's requirements, which consists of service delivery, warranty, product quality, business credibility, and pricing.

Pricing is evaluated based on a common basket of items that all proponents were able to quote either the same as what was requested or a functional equivalent alternative. The common basket of items represents the highest volume and dollars spend.

DISCUSSION

After thorough evaluation of the proposals and negotiations, the evaluation team unanimously recommends the award of the four separate contracts as follows:

Requirements	Contract Value (\$)	Award supplier
Light Duty Tires	\$116,003.35	Kal-Tire
Heavy Duty Tires	\$401,374.34	Kal-Tire
Lawn & Turf Tires	\$13,194.71	Fountain Tire
Off-The-Road Tires	\$16,968.81	Kal-Tire
Re-tread/Recap Tires	\$600,993.25	Michelin
Tire supplies	\$58,460.30	B-Line

Kal Tire, Fountain Tire and B-Line have been the suppliers of these products to the City since 2003. The City of Vancouver is also leveraging Kal Tire's thirty retail locations in the Lower Mainland and one distribution centre in Chilliwack, BC to enable just-in-time delivery thus minimizing inventory in our yards. In addition, as an environmental sustainability initiative, the City will be working with Kal Tire and others to develop better retread/recap quality tires to increase market competitiveness for more affordable prices.

FINANCIAL IMPLICATIONS

The total estimated award is \$3,620,984.28 (\$1,206,994.76 annually), with funding available within existing annual operating budgets. This award represents a projected savings of \$558,421.02 over the three-year period of the agreement, compared to current costs.

The projected annual savings is based on current transaction volumes, and any future increases or decreases in transaction volumes and/or policy changes may impact actual contract savings.

PERSONNEL IMPLICATIONS

There are no personnel implications.

IMPLEMENTATION PLAN

It is anticipated that the implementation of the new contracts will be completed before the end of second quarter of 2012.

CONCLUSION

On the basis of the information provided herein, the adoption of this report is recommended.

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