



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
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Legislative File No: 2019-0472

TO: Mayor and City Council Members

FROM: Allan Schneck, P.E., Director Department of Public Services

DATE: November 11, 2019

SUBJECT: Purchase Authorization for Replacement Vehicles for 2020

REQUEST:

City Council is requested to authorize the purchase of fifteen (15) new vehicles (replacements for 39-160, 39-292, 39-293, 39-298, 39-299, 39-527, 39-528, 39-533, 39-534, 39-535, 39-537, 39-538, 39-544, 39-545, and Battalion 1) from Todd Wenzel Buick GMC, Westland, Michigan in the amount of \$454,444.00.

REASON FOR PURCHASE:

The City's fleet equipment policy, which includes a replacement timetable, was created in 1988 to provide a responsible program and process for the practical maintenance and replacement of the City's vehicles and equipment. Proactive and scheduled replacement addresses the issue of replacing a vehicle having relatively low miles but may have seen severe service and or high engine run hours.

Vehicle manufacturers allot a very small percentage of their order schedules for fleet vehicles. Order cut-off is typically slated for the first quarter of the model year. It is important that the City expedite the purchase of the vehicles to avoid missing the manufacturers order cut-off date. If the cut-off date is missed, the vehicles would have to be purchased at retail, or the vehicles in need of replacement could incur additional repair and or maintenance costs from not being replaced.

The City purchases vehicles through the Oakland County Cooperative Purchasing Program. Vehicles are purchased through the Oakland County Cooperative Purchasing program at a cost significantly lower than retail, and surplus vehicles are disposed of through the Michigan Intergovernmental Trade Network (MITN) on-line auctions by Purchasing. Fleet management best practices identify 20% as a target rate of return to receive from an initial investment of a vehicle. Over the past year utilizing the MITN on-line auction site the City has been realizing a 30% rate of return from the initial investment of the vehicle. Purchasing the vehicles at a significant discount and selling them at auction before significant operating costs are incurred has resulted in relatively low life cycle costs to the City.

In addition to Fleet's request for vehicles, the City needs to include the purchase of a fire department vehicle as well. This past week, the City's Battalion vehicle was involved in an accident while responding to a call. The vehicle was totaled and is unable to be repaired. The battalion vehicle is utilized 24/7/365, and is an integral part of providing emergency services to the public. With the loss of the battalion vehicle, the department is utilizing a backup pool vehicle that is not necessarily equipped for effective battalion response. Fleet, Purchasing and Fire immediately discussed available options, knowing that if a new vehicle needed to be ordered, it would take months to receive due to GM's long production lead times from the strike they recently experienced, as well as their model change over. Based on all available options considered, it was determined to be in the City's best interest to contact Todd Wenzel Buick GMC to see if there was a vehicle available on the lot for purchase. The dealer was able to locate one (1) vehicle for us that would meet our needs, and we are able to utilize the cooperative contract pricing from Oakland County and it is available for immediate delivery upon approval. It is being recommended that the City purchase

the vehicle that is available on the lot, versus that of ordering one, to allow the City to have the battalion vehicle back to road ready within approximately a month versus that of six months if ordered.

The battalion vehicle was scheduled for replacement in 2020. With this request, it would be moving that purchase forward a little sooner than expected by a month in order to continue efficient emergency response operations.

PROCESS:

Vendor Name and Address:

Todd Wenzel Buick GMC
35100 Ford Road
Westland, MI 48185

Reason for Selection:

Oakland County Cooperative Purchasing Program

Method of Purchase:

Purchase Order

BUDGET:

Funding is included in the FY 2020 Adopted Budget. A portion of the remaining budget will be utilized for equipping snow plows on the selected vehicles.

If approved, a 4th Quarter Budgetment will be forthcoming to request \$67,500 be advanced from the FY 2020 budget to the current FY 2019 budget to purchase the new Battalion 1 vehicle, as well as, the equipment and accessories necessary for use.

Fund Name	Department Account No	Account No. Description	FY 2020 Budget Amount	Cost	Remaining Budget
Fleet	661.981000	Capital – Vehicles	\$492,550.00	\$410,447.00	\$82,103.00
Fire	402.981000	Capital - Vehicles	\$67,500.00	\$43,997.00	\$23,503.00

RECOMMENDATION:

City Council is requested to authorize the purchase of fourteen (14) new vehicles (replacements for 39-160, 39-292, 39-293, 39-298, 39-299, 39-527, 39-528, 39-533, 39-534, 39-535, 39-537, 39-538, 39-544, 39-545 and Battalion 1) from Todd Wenzel Buick GMC, Westland, Michigan in the amount of \$454,444.00.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Supervisor of Procurement		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A