



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org

Legislative File No: 2013-0039

TO: Mayor and City Council Members
FROM: Allan Schneck, P.E., Director Department of Public Services
DATE: January 17, 2013
SUBJECT: Vehicles

REQUEST:

City Council is requested to authorize the purchase of three (3) new vehicles (replacements for 39-170, 39-172, 39-36) from Red Holman Buick GMC, Westland, Michigan in the amount of \$65,282.00.

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 Purchase Program. Additional cooperative contracts available for the City's use were reviewed to verify that the Oakland County Cooperative Purchase Program continues to offer vehicles to meet the City's needs at the lowest available cost. Vehicles are purchased through the Oakland County Cooperative Purchase program at a cost significantly lower than retail and surplus vehicles are disposed of through the Michigan Intergovernmental Trade Network 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.

PROCESS:

Vendor Name and Address:

Red Holman Buick GMC
35300 Ford Road
Westland, MI 48185

Reason for Selection:

Oakland County Cooperative Purchasing Program

Method of Purchase:

Purchase Order

BUDGET:

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
Fleet	661.981000	Capital - Vehicles	\$71,570.00	\$65,282.00	\$6,288.00

RECOMMENDATION:

City Council is requested to authorize the purchase of three (3) new vehicles (replacements for 39-170, 39-172, 39-36) from Red Holman Buick GMC, Westland, Michigan in the amount of \$65,282.00.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Finance Director		
Purchasing Process: Supervisor of Procurement		
Mayor		
City Council Liaison		