



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: 2016-0528

TO: Mayor and City Council Members

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

DATE: December 12, 2016

SUBJECT: Purchase Authorization for Replacement Vehicles for 2017

REQUEST:

City Council is requested to authorize the purchase of eight (8) new vehicles (replacements for 39-053, 39-154, 39-278, 39-279, 39-280, 39-288, 39-290 & 39-291) from Todd Wenzel Buick GMC, Westland, Michigan in the amount of \$196,623.00, and one (1) new vehicle (replacement for 39-285) in the amount of \$21,692.00 from Berger Chevrolet, Grand Rapids, Michigan for a total purchase cost not-to-exceed \$218,315.00.

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 and the State of Michigan MIDEAL extended purchase program. Additional cooperative contracts available for the City's use were reviewed to verify that the Oakland County and State of Michigan's Cooperative Purchase Programs continue to offer vehicles to meet the City's needs at the lowest available cost. Vehicles are purchased through the Oakland County Cooperative Purchase program and State of Michigan's MIDEAL program at a cost significantly lower than retail.

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.

PROCESS:

Vendor Name and Address:

Todd Wenzel Buick GMC
35100 Ford Road
Westland, MI 48185

Berger Chevrolet
2525 28th SE
Grand Rapids, MI. 49512

Reason for Selection:

Oakland County Cooperative Purchasing Program
Michigan MIDEAL Cooperative Purchasing Program

Method of Purchase:

Purchase Order

BUDGET:

Funding included in the FY 2017 Adopted Budget. The City will not take delivery of these vehicles until after the beginning of 2017.

| Fund Name | Department Account No | Account No. Description | Budget Amount | Cost | Remaining Budget |
|-----------|-----------------------|-------------------------|---------------|-----------|------------------|
| Fleet | 661.981000 | Capital - Vehicles | \$272,850 | \$218,315 | \$54,535 |

RECOMMENDATION:

City Council is requested to authorize the purchase of eight (8) new vehicles (replacements for 39-053, 39-154, 39-278, 39-279, 39-280, 39-288, 39-290 & 39-291) from Todd Wenzel Buick GMC, Westland, Michigan in the amount of \$196,623.00, and one (1) new vehicle (replacement for 39-285) in the amount of \$21,692.00 from Berger Chevrolet, Grand Rapids, Michigan for a total purchase cost not-to-exceed \$218,315.00.

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