

**CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**

**Council Meeting Date: 06/09/2016
Agenda Item: 6A1**

ACTION: Approve the utilization of one-year State of Arizona contracts with Bill Luke Chrysler Jeep & Dodge, Courtesy Chevrolet, Don Sanderson Ford, Larry Miller Toyota, Midway Chevrolet, Chapman Ford, PFVT Motors, and San Tan Auto Partners for the purchase of seventy-four vehicles.

FISCAL IMPACT: Total combined cost of these contracts will not exceed \$2,950,000. Sufficient funds have been budgeted in various cost centers in the General, Water/Wastewater, Performing Arts, and Highway User Funds for the anticipated expenditures in fiscal year 2016/2017.

RECOMMENDATION: Approve the utilization of the contracts.

BACKGROUND INFORMATION: (State of Arizona Contracts; ADSP012-016663, ADSP014-063243, ADSP014-063239 & ADSP014-063237) The State of Arizona solicited bids and awarded contracts to Bill Luke Chrysler Jeep & Dodge, Courtesy Chevrolet, Don Sanderson Ford, Larry Miller Toyota, Midway Chevrolet, Chapman Ford, PFVT Motors, and San Tan Auto Partners for the purchase of sedans, light duty, medium duty and heavy duty vehicles that contain cooperative language allowing their use by other governmental agencies.

The State of Arizona utilized a competitive bid process that established pricing based on purchase volumes anticipated for the State and other utilizing governmental agencies. The quantity of vehicles purchased under the State contract far exceeds the number of vehicles that would be purchased individually by any utilizing entity thereby leveraging cost savings for the City.

Municipal Fleet Industry Best Practices

In keeping with municipal fleet industry best practices, the City’s vehicle replacement strategy is centered on asset protection and lifecycle cost analysis for each category of vehicle and equipment. This lifecycle analysis involves capital costs, depreciation costs, operating and maintenance costs, and residual value at auction. Fleet Services determines the lowest annualized cost of equipment by category to establish replacement guidelines that provide the lowest overall cost of the City’s fleet. The replaced vehicles will be sold at auction to recover residual value

Analysis of Tempe Fleet

The overall cost of Tempe’s fleet is affected by its size, composition, and age. Tempe is currently operating an older fleet than recommended based on ‘Municipal Fleet Industry Best Practices’ standards.

	Industry Best Practice	Tempe Fleet
Average fleet Age	5.5 to 6.0 Years	7.1 Years

It has been proven that as a vehicle or piece of equipment ages, the labor and replacement part costs associated with maintenance increases and residual value at auction decreases, therefore, the timely replacement of vehicles is the most cost effective approach to containing overall vehicle costs. The most often overlooked element in vehicle cost is maintenance. Estimated labor hours for maintenance of vehicles can be computed based on industry standardized information for each vehicle class – overall, these computed estimates closely mirror actual labor hours. Because of the age of the current Tempe fleet, more maintenance hours are required than the available techs are able to supply.

Fleet Services has implemented a program to address these issues. They are actively working with departments to 'right size' the fleet, implemented a timely vehicle replacement schedule and removing or repurposing vehicles that have been identified as underutilized. Utilizing this program, along with other internal controls, Fleet Services is working to achieve the most cost effective approach to reducing overall vehicle costs.

Budgeted Vehicles

It is expected that these contracts will be utilized for the purchase of the vehicles as shown in the following tables that have been budgeted in fiscal year 2016/2017. The exact vehicle mix (pickups, sedans, etc.) and dollar estimates for a given department may vary as final decisions as to the exact vehicle and needed options are made. However, the total spending will not exceed the requested amount.

Procurement and Fleet Services staff will continue to research and identify alternatively fueled vehicles for incorporation into the fleet using available State contracts or through separately issued competitive solicitations that will be presented to Council for consideration.

Class of Vehicle	Quantity to Purchase
SUV's	21
Sedans	17
Truck/Pickup	14
Vans	12
Cab and Chassis	10

Department/Division	Quantity	Estimated Cost
Police	42	\$ 1,813,000
Public Works – Parks	7	\$ 264,000
Public Works – Fleet Maintenance	6	\$ 182,000
Internal Services – Facility Maintenance	4	\$ 150,000
Public Works – Transportation	3	\$ 135,000
Fire-Medical-Rescue	3	\$ 92,000
Public Works – Water/Wastewater	2	\$ 90,000
Internal Services – Information Technology	2	\$ 65,000
Community Development	2	\$ 55,000
Performing Arts – TCA Art Park	1	\$ 44,000
Internals Services – Custodial	1	\$ 34,000
Internal Services – Customer Service	1	\$ 26,000

ATTACHMENTS: None

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Legal review by: David Park, Assistant City Attorney

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