

**CITY COUNCIL
COMMUNICATION:**

REVISED

ITEM _____

00-286

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:

JUNE 26, 2000

SUBJECT:

FLEET
MANAGEMENT
AND
MAINTENANCE
CONTRACT

SYNOPSIS -

On June 16, 1997, by Roll Call No. 97-2139, the City Council approved a fleet management and maintenance (FMM) contract with Baker Support Services, Inc. (BSSI), (Robert W. Unger President, of Dallas, Texas), at an approved budget of \$3,218,845. The 4-year contract provides for annual adjustment of the approved target budget based on a Cost/Price Index escalation and an escalation of the labor portion of the budget. The labor portion is limited to a maximum equal to the amount given City employees in similar classifications for the same period of time. Only agreement on the annual adjustment of the target bid is required to continue the agreement through June 30, 2001. BSSI has continued to perform in compliance with the terms and conditions of the contract. However, the contractor has revised its method for calculating the annual adjustment to the approved target bid.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

On May 25, 2000, BSSI proposed a target bid of \$3,507,182.35, which is consistent with the method previously used by BSSI in calculating the annual adjustment to the approved target bid. BSSI has now submitted a second proposed adjustment to the target budget in the amount of \$3,784,915.38 based on benefit increases they anticipate in conjunction with labor negotiations that are currently in progress with the Operating Engineers Local 234. Staff believes BSSI's requested amount is not appropriate under its contract with the City and is wholly dependent on their labor negotiations.

SUBMITTED BY:

WILLIAM G. STOWE
PUBLIC WORKS
DIRECTOR
DESIGNEE

FISCAL IMPACT -

The fourth year (Fiscal Year 2001) target budget as originally submitted by BSSI was \$3,507,182.35. This expenditure was calculated consistent with past practice. The expenditure is funded from the Equipment Maintenance Center Internal Service Fund. The overall increase in the target budget is 3 percent on the labor wage-

related portion of the contract and 2.9 percent on all remaining items.

RECOMMENDATION -

Approval of BSSI's initial target budget of \$3,507,182.35.

BACKGROUND -

On January 27, 1997, Council approved a Request for Proposals (RFP) for a fleet management and maintenance contract (FMM). Following a competitive bid procedure, the Council authorized award of an FMM Contract to BSSI on June 16, 1997, by Roll Call No. 97-2139. The contract provides for an annual performance report and allows for an adjustment to the approved target budget for the fourth year of the contract.

The Public Works Department has provided oversight on the FMM Contract with BSSI. Staff reports that BSSI has maintained substantial compliance with the provisions of the contract. Specifically, the contractor has adhered to the standards as specified in the FMM Contract with the City and has maintained an acceptable fleet-wide downtime of no more than 3 percent on an annual basis. In addition, BSSI has performed preventive maintenance, remedial repairs, accident reviews and/or vehicle repairs, paint/body, preparation and disposal, welding/fabrication, parts purchasing and inventory, information systems reporting, emergency support services, vehicle preparation, overhaul, mobile service, towing, tire service, motor pool operations, fleet management vehicle fueling and other services required under the scope of services of the contract.

Pursuant to the FMM Contract, the contractor's fee, as recommended by staff, would be adjusted for the fourth and final period of the contract if approved by Council. BSSI has submitted an initial revised budget for Fiscal Year 01, as shown in Attachment A, in the amount of \$3,507,182.35. The adjusted target bid, as originally submitted by BSSI, is compliant with the terms of the contract and is recommended for approval.

BSSI is currently in negotiations with the International Union of Operating Engineers on a new collective bargaining agreement to be effective July 1, 2000. BSSI now reports that the demands made by the Union necessitate a higher proposed target budget to cover operating costs in the event BSSI is unable to successfully negotiate a less costly wage and fringe package. Hence, BSSI submitted a second

proposed target bid in the amount of \$3,784,915.38.

BSSI has been informed by the Public Works Director Designee that the calculation of their revised target budget in the amount of \$3,784,915.38 is inconsistent with past practice and unacceptable. BSSI has been further informed that staff will be seeking Council approval for the target bid amount of \$3,507,182.35 only for Fiscal Year 2001. It is important to note that the FMM Contract provides for a settlement of disputes via a court of competent jurisdiction. ~~In the event BSSI prevails, staff will be requesting a change order to the approved target bid in an amount not anticipated to exceed \$277,733.03.~~

BSSI has informed staff that its parent company, Michael Baker corporation, has signed an agreement with SKE LLC, an Idaho corporation, to sell Baker Support Services, Inc. Provided all terms and conditions of the agreement are met, the closing will take place during the second quarter of calendar year 2000. The purchase will be a 100 percent stock purchase; therefore, BSSI will be one and the same legal entity. BSSI notes that no intended changes of personnel at its corporate headquarters or here in Des Moines are anticipated.

Attachment