



REPORT TO COUNCIL

City of Sacramento 12

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

STAFF

January 26, 2010

Honorable Mayor and
Members of the City Council

**Title: Agreement: Award of Interim Fuel Contract – Two Thirds Vote
Required**

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) suspending competitive bidding in the best interests of the City for the purchase of diesel and unleaded fuel for the City's fleet; 2) rescinding the original award by City Council on August 19, 2008 (Resolution No. 2008-583) authorizing the City's participation in County contract no. WA000235762); 3) awarding a seven-month contract with a one-year renewal option to Hunt and Sons, Inc. in an amount not to exceed \$20 million; and 4) authorizing the City Manager or the City Manager's designee to execute the contract and renewal option specified above provided that sufficient funds are available in the budget adopted for the applicable fiscal year(s).

Contact: Christopher Stewart, Procurement Manager, 808-6202; Marc Robles, Program Analyst, Procurement Services, 808-6343

Presenters: Not applicable

Departments: General Services

Divisions: Fleet Management

Organization Nos: 13001311

Description/Analysis

Issue: The current contract for diesel and unleaded fuel is shared by the City of Sacramento and County of Sacramento through the cooperative contracting process. The County conducted the bid and manages the contract for fuel and allows other government agencies to "piggy-back" on its contract. This process of "piggy-backing" allows the contractor to provide the contract services to the City at the same terms and pricing offered to the County, based on the initial solicitation requirements.

However, as a result of its financial condition, the County has imposed a \$0.042 per gallon surcharge effective January 1, 2010 for the users of the contract. This untimely and unwelcomed action by the County imposes an unanticipated financial burden on the City, and does not provide adequate time to solicit competitive bids for such essential services. As a result, the City of Sacramento must seek options outside of the normal competitive bid process to secure a fuel supply contract with competitive pricing. Hunt and Sons, Inc. has agreed to sell fuel directly to the City, at the current contract price.

Policy Considerations: The recommendations in this report are in accordance with the provisions of City Code Section 3.56.

Committee/Commission Action: Not applicable

Environmental Considerations:

California Environmental Quality Act (CEQA): The current proposal involves the purchase of diesel and unleaded fuel for the City's fleet. Continuing purchases of supplies are not a 'project' and are not subject to CEQA, in accordance with Section 15378(b)(2) of the CEQA Guidelines. Therefore, as determined by the City's Environmental Services Planning Manager, no environmental review is necessary.

Sustainability Considerations: This purchase is consistent with the City's Fleet Fuel Strategies Policy (Resolution No. 2005-454).

Rationale for Recommendation: The City of Sacramento requires both diesel and unleaded fuel to maintain and support its daily operational and public safety requirements. In July 2008, the County solicited bids for diesel and unleaded fuel, which named the City as a participant and included the City's fuel requirements. On August 19, 2008, City Council adopted Resolution No. 2008-583 awarding Hunt and Sons, Inc. a contract for diesel and unleaded fuel. Since this period, the City has obtained its fuel supply from the awarded contractor. On December 22, 2009, the County advised that it would assess a \$0.042 per gallon surcharge effective January 1, 2010 for using the contract. Based on current usage estimates, this surcharge would amount to approximately \$85,000 per year in additional cost to the City.

The future financial impact of this additional cost prompted the Procurement staff to initiate discussions with Hunt and Sons, Inc. to secure fixed pricing independent of the County contract. These discussions were successful and resulted in an e-mail from Hunt and Sons that expressly stated its offer to sell diesel and unleaded fuel directly to the City at the same cost, terms and conditions as the existing County contract, which is valid through August 31, 2011. Staff will explore the possibility of combining requirements with the

Sacramento City Unified School District (which also participated in the County's contract and is now also subject to the surcharge) and SMUD. The proposed recommended action will avert the payment of several thousand dollars in additional fees, and will allow the City to maintain a continuous supply of fuel at its current pricing structure for the maximum allowable period under the terms and conditions of the current contract. Should staff determine that competitive bidding is in the best interests of the City, it will be done prior to the expiration of the City's contract.

Staff's survey of other regional government fuel contracts indicates that pricing offered by Hunt and Sons, Inc. is fair and reasonable. Therefore, staff recommends suspension of the formal competitive bidding process to award a contract to Hunt and Sons, Inc. in a total amount not to exceed \$20 million through August 31, 2011. The total dollar value of this proposed contract is based on estimated usage for the period stated.

Financial Considerations: Sufficient funds are available for the purchase of fuel in the operating budget of Fleet Management.

Emerging Small Business Development (ESBD): Hunt and Sons, Inc. is not certified as an Emerging/Small Business Enterprise.

Respectfully Submitted by:



Chris Stewart
Procurement Services Manager

Approved by:



Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:



RAY KERRIDGE
City Manager

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Attachment 1

Internal Services Agency

Department of General Services
Contract And Purchasing Services
Craig A. Rader, Purchasing Agent



County of Sacramento

Terry Schutten, County Executive
Mark Norris, Agency Administrator
Michael Morse, Department Director

December 22, 2009

City of Sacramento Procurement Services Division
Attn: Chris Stewart
5730 24th St, Building 1
Sacramento CA 95822

Subject: Administrative fee to Fuel Contract

This letter is in follow up to the conversation we had last week regarding your agency's use of the County fuel (unleaded and diesel) contract with Hunt & Sons. As I mentioned in our conversation, the County (like most other agencies) is experiencing unprecedented budget shortfalls. For the past several years, the Sacramento County Contract & Purchasing Services Division has been able to absorb most budget cuts with limited impact to the level of service delivery and staffing.

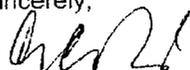
Unfortunately, we have reached a point where additional mandated budget cuts cannot be accomplished without severe cuts to staffing. To alleviate these staffing cuts, the County of Sacramento has embarked on an effort to generate revenue to offset the mandated cuts. Due to the limited time provided to find a solution to the budget dilemma, the only viable solution identified is the implementation of a small (approximately 2%) administrative fee to agencies utilizing the County's fuel contract. This is very similar to the approach historically taken by the State of California (and other agencies) for using State contracts.

Therefore, effective January 1, 2010 through June 30, 2011, the county will include a \$0.042 administrative fee per gallon for all unleaded and diesel fuel your agency purchases utilizing the County's contract. The administrative fee will be included in the per gallon rate charged by Hunt & Sons on each invoice, so the administrative impact will be minimal (if any) to your agency. We have compared the increase in costs to your agency to the current State fuel contract and the per gallon rates on the County contract are still very competitive (approximate \$.10 - .15 per gallon less).

We are still looking for alternate solutions to our budget and if we can implement alternate solutions, we will reduce or eliminate the fuel administrative fee.

If you have any questions or concerns, please contact me at your earliest convenience.

Sincerely,


Craig A. Rader, CPPO
Purchasing Agent

RESOLUTION NO. 2010-XXXX

Adopted by the Sacramento City Council

January 26, 2010

SUSPENSION OF COMPETITIVE BIDDING AND AWARD OF CONTRACT FOR THE PURCHASE OF DIESEL AND UNLEADED FUEL

BACKGROUND

- A. The City of Sacramento has ongoing requirements for diesel and unleaded fuel. In July 2008, the County solicited bids for diesel and unleaded fuel, which named the City as a participant and included the City's fuel requirements. A contract was awarded to Hunt and Sons, Inc. and City Council approved the use of the contract on August 19, 2008 (Reso. No. 2008-583). On December 22, 2009, the County advised that it would assess a \$0.042 per gallon surcharge effective January 1, 2010 for using the contract. Based on current usage estimates, this surcharge would amount to approximately \$85,000 per year in additional cost to the City. The future financial impact of this additional cost prompted the Procurement staff to initiate discussions with Hunt and Sons to secure fixed pricing. These discussions were successful, and resulted in an e-mail from Hunt and Sons that expressly stated its offer to sell diesel and unleaded fuel directly to the City at the same cost, terms and conditions as the existing County contract. Staff's survey of other regional government fuel contracts indicates that pricing offered by Hunt is fair and reasonable; and

- B. In accordance with City Code Section 3.56.230, the City Council may, by a two-thirds vote, suspend competitive bidding for any purchase or contract in the best interests of the City. Staff requests that City Council suspend formal competitive bidding and award a contract with a one-year renewal option to Hunt and Sons, Inc., in an amount not to exceed \$20 million. The total dollar value of this proposed contract is based on estimated usage for the period stated.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. It is in the best interests of the City to suspend competitive bidding, and competitive bidding is hereby suspended for the purchase of diesel and unleaded fuel.

Section 2. The original award by City Council on August 19, 2008 (Resolution No. 2008-583) authorizing the City's participation in County contract no. WA00023576 is hereby rescinded.

Section 3. Hunt and Sons, Inc. of Sacramento, CA is awarded a seven-month contract with a one-year renewal option for the purchase of diesel and unleaded fuel in a total amount not to exceed \$20 million.

Section 4. The City Manager or the City Manager's designee is authorized to execute the contract specified above provided that sufficient funds are available in the budget adopted for the applicable fiscal year(s).