



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 18, 2019

FROM: GENERAL SERVICES WARDS: ALL

SUBJECT: APPROVE CHANGE ORDER NO. 2 IN THE AMOUNT OF \$235,000 FOR PURCHASE AND DELIVERY OF FUEL PRODUCTS FOR CITY OF RIVERSIDE VEHICLES AND EQUIPMENT WITH THE SOCO GROUP INC. IN ACCORDANCE WITH PURCHASING RESOLUTION 23256, SECTION 602 (G) FOR A TOTAL AMOUNT OF \$1,665,000 THROUGH JUNE 30, 2019 WITH TWO OPTIONAL ONE-YEAR RENEWAL PERIODS THROUGH JUNE 30, 2021

ISSUE:

Approve change order no. 2 in the amount of \$235,000 for the purchase and delivery of fuel products for City of Riverside vehicles and equipment with The SoCo Group Inc. of Riverside, California in accordance with Purchasing Resolution 23256, Section 602 (g) for a total amount of \$1,665,000 for the period of July 1, 2018 through June 30, 2019 with two additional one-year optional renewal periods through June 30 2021.

RECOMMENDATIONS:

That the City Council:

1. Approve change order no. 2 to purchase order number 193885 in the amount of \$235,000 for the purchase and delivery of fuel products for City of Riverside vehicles and equipment with The SoCo Group Inc., Riverside, California in the amount of \$235,000 for a total revised amount of \$1,665,000 for the period of July 1, 2018 through June 30, 2019;
2. Approve two optional one-year renewal periods with The SoCo Group Inc. for the purchase and delivery of fuel products in the amount of \$1,831,500 for FY 2019/20 and \$2,014,650 for FY 2020/21; and
3. Authorize the City Manager, or his designee, to execute all documents necessary to approve the change order and renewal of the purchase and delivery of fuel products with The SoCo Group Inc., including making minor and non-substantive changes.

BACKGROUND:

The General Services/Fleet Division maintains a variety of light and heavy-duty vehicles for multiple City departments that require fuel products. On September 13, 2011, Riverside County Department of Purchasing and Fleet Services issued Request for Proposal (RFP) #PUARC-1380 for Unleaded Fuel and Ultra Low Sulfur Diesel Fuel. The County of Riverside entered into a

contract with The SoCo Group Inc., RIVCO-40500-002-10/12, for a five year term renewed annually and expired September 30, 2016.

On August 22, 2016, the Riverside County Board of Supervisors approved Contract Amendment No. 6 to The SoCo Group, Inc. and another contractor for five years, through October 1, 2021, to provide fuel supply continuity for the Riverside County's fleet.

Purchasing Resolution 23256, Section 602 (g) states that competitive procurement shall not be required when goods can be procured from a contractor who offers the same or better price, terms and conditions as the contractor previously offered as the lowest responsive bidder under competitive procurement provided that, in the opinion of the City's Purchasing Manager, it is in the best interests of the City to do so. The SoCo Group Inc. has agreed to maintain the terms, conditions and pricing awarded under the County of Riverside contract based on RFP #PUARC-1380 and Amended Contract RIVCO-40500-002-10/21.

DISCUSSION:

On June 12, 2018, the City Council approved the purchase and delivery of fuel products for City vehicles and equipment with the SoCo Group Inc. for a total amount of \$1,300,000, plus 10% change order authority in the amount of \$130,000 for a total amount of \$1,430,000 for the period of July 1, 2018 through June 30, 2019, with two additional one-year renewal periods through June 30, 2021.

Fuel prices increase when the available supply of gasoline decreases relative to real or expected demand or consumption. Fuel prices can change rapidly due to disruptions in crude oil supplies, refinery operations, or gasoline pipeline deliveries. Even when crude oil prices are stable, gasoline prices fluctuate hourly due to global market conditions, and because of seasonal changes in demand and in gasoline specifications.

City fuel usage and costs per gallon, for both unleaded and diesel fuels, has been steadily trending upwards for the last several years, as shown below.

| FUEL PRODUCT | GALLONS CONSUMED | AVG COST PER GALLON |
|------------------------|-------------------------|----------------------------|
| FY 2018/19 (estimated) | | |
| Unleaded | 552,142 | \$ 3.49 |
| Diesel | 53,176 | \$ 3.70 |
| <i>Total:</i> | 605,318 | |
| FY 2017/18 | | |
| Unleaded | 523,492 | \$ 3.15 |
| Diesel | 55,711 | \$ 3.16 |
| <i>Total:</i> | 579,203 | |
| FY 2016/17 | | |
| Unleaded | 489,318 | \$ 2.88 |
| Diesel | 60,807 | \$ 2.75 |
| <i>Total:</i> | 550,125 | |

The three-year trend shows a 10% increase in fuel consumption, a 21% increase in the cost per gallon of unleaded fuel, and a 34% increase in the cost per gallon of diesel fuel.

Due to rising fuel usage and recent fuel market volatility, the 10% change order authority in the amount of \$130,000 for FY 2018/19 was exercised. However, with fuel prices continuing to rise, a second change order in the amount of \$235,000 is required to cover City fuel invoices received through May 2019, as well as estimated fuel deliveries for the remainder of FY 2018/19. This second change order brings the total change order authority to 28%.

| | |
|--|---------------------|
| Original Amount: | \$ 1,300,000 |
| Change Order No. 1 (10%): | \$ 130,000 |
| Subtotal | \$ 1,430,000 |
| Change Order No. 2 (18%) | \$ 235,000 |
| Total Year 1 | \$ 1,665,000 |
| | |
| Year 2 (including 10% volatility) | \$ 1,831,500 |
| Year 3 (including 10% volatility) | \$ 2,014,650 |

To ensure sufficient funds are available to cover any future fuel market volatility over the course of the two additional one-year renewal periods through June 30, 2021, Council authorization is requested to increase the annual appropriations for City fuel usage from \$1,300,000 annually to \$1,831,500 for FY 2019/20, and \$2,014,650 for FY 2020/21.

The Purchasing Manager concurs that the recommendations comply with Purchasing Resolution 23526.

FISCAL IMPACT:

Sufficient funds are available in General Services – Central Garage Fund 650-141100 for the purchase and delivery of fuel and lubricants. Funds will be budgeted accordingly in future operating budgets for fuel.

Prepared by: Carl Carey, General Services Director
 Certified as to
 availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Moises Lopez, Deputy City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachment: Riverside County Contract with The SoCo Group, Inc.