

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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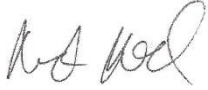
TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: October 2, 2024 Budget and Finance Committee Meeting

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| Item 2 File 24-0827 | Department: Public Utilities Commission |
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the San Francisco Public Utilities Commission to execute Amendment No. 1 to the contract with AECOM Technical Services, Inc., increasing the contract spending authority by \$9 million, for a total not-to-exceed amount of \$20 million, while maintaining the original contract term ending April 15, 2031. This amendment allows AECOM to continue providing planning, design, and engineering support for improvements to various dam and reservoir facilities, advancing projects from the needs assessment phase to detailed engineering design.

Key Points

- In response to state regulations, SFPUC has developed plans to assess the condition of various dams and reservoirs under its jurisdiction. SFPUC selected AECOM Technical Services (AECOM) and two other consulting firms to provide engineering and design services through a competitive process. In February 2020, the Board of Supervisors approved a contract between the SFPUC and AECOM for planning, design, and engineering support services with a not-to-exceed amount of \$11 million and a maximum term of 11 years (File 20-0063). The contract’s scope of work was limited to reviewing background materials and for eleven dam safety projects to inform the SFPUC’s dam safety needs assessments. Based on the needs assessment, SFPUC has defined project scopes and increased capital program budgets to reflect identified needs. The proposed amendment provides funding for certain projects to progress into the design phase.
- The proposed amendment broadens AECOM's scope to provide civil, electrical, mechanical, structural, geotechnical, and other engineering services, along with risk assessments and technical support for prioritized dam projects.

Fiscal Impact

- The proposed \$9 million increase in contract spending authority will be funded by the individual projects within the Hetch Hetchy and Water Enterprise 10-Year Capital Improvement Programs, which have allocated \$208.9 million for these projects through FY 2033-34. Projects are funded by Water Enterprise capital revenues, which include revenue bonds and customer revenues.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) any modification to such contracts of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In 2017, following the Oroville Dam spillway failure, then-Governor Jerry Brown directed the California Division of Safety of Dams to identify high-hazard dam spillways that could pose significant risks to the public in the event of a similar incident. In response, the Division of Safety of Dams mandated that the San Francisco Public Utilities Commission (SFPUC) conduct condition assessments of the dams and reservoirs under its jurisdiction. The SFPUC has developed a 10-year capital plan to address the Division’s orders.

SFPUC selected AECOM Technical Services (AECOM) and two other consulting firms to provide specialized dam and reservoir design services through a competitive process. The Request for Proposals (RFP) specified that contracts would each have a maximum term of 11 years and an amount not to exceed \$11 million.

In February 2020, the Board of Supervisors approved a contract between the SFPUC and AECOM for planning, design, and engineering support services with a not-to-exceed amount of \$11 million and a maximum term of 11 years (File 20-0063). The term commenced on June 2, 2020, and will expire May 19, 2031. As of September 2024, the SFPUC has spent \$9,985,125 on this contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes Amendment No. 1 to the contract with AECOM Technical Services, Inc., increasing the contract amount by \$9,000,000, for a total not-to-exceed amount of \$20,000,000, while maintaining the original contract term of 11 years from April 16, 2020, through April 15, 2031, to allow AECOM to continue providing planning, design, and engineering support for improvements to various dam and reservoir facilities.

The original contract amount was based on the 10-Year Water Enterprise Regional and Local Capital Improvement Program, which included funding for a needs assessment of dam and reservoir facilities. The contract’s scope of work was limited to reviewing background materials and for eleven dam safety projects to inform the SFPUC’s dam safety needs assessments. Based on the needs assessment, SFPUC has defined project scopes and increased capital program budgets to reflect identified needs. The proposed amendment provides funding for certain projects to progress into the design phase.

In addition, state legislation now requires the Division of Safety of Dams to update its inspection and reevaluation protocols, according to SFPUC staff. SFPUC anticipates that these updates may

necessitate additional actions, including new stability and potential failure mode analyses that were not previously included in project budgets.

Scope of Services

Under the amended contract, AECOM will provide a range of services for SFPUC projects, including civil, electrical, mechanical, structural, pipeline, geotechnical, and tunnel engineering, along with cost estimating, utility mapping and coordination, surveys, materials testing, quality assurance, peer reviews, risk assessments, and technical support. AECOM will work on projects such as the Regional Dam Safety Upgrades, Pilarcitos Dam and Reservoir Improvements, San Andreas Dam Facility Improvements, Turner Dam and Reservoir Improvements, and various other reservoir and dam facilities. According to PUC staff, prioritization of projects is based on criticality and need.

Contract Monitoring

PUC completed a performance evaluation of this contract for FY 2023-24 and provided an overall score of “excellent” (the rating scale has four categories: excellent, good, fair, and unsatisfactory).

Community Benefits Commitments

Under its community benefits proposal, AECOM committed to providing \$99,000 in financial contributions and 220 volunteer hours. As of the writing of this report, AECOM has not yet begun providing its community benefits. The contributions are due at the time the contract expires.

FISCAL IMPACT

The proposed amendment provides \$9,000,000 in additional spending authority for a total not to exceed amount of \$20,000,000. The project budgets are shown in Exhibit 1 below.

Exhibit 1: Current and Proposed AECOM Budget

| Project Name | Current Phase | Current Budget | Proposed Amendment 1 Modifications | | Proposed Total Amount |
|--|---------------|---------------------|------------------------------------|--------------------|-----------------------|
| | | | Task | Amount | |
| Regional Dam Safety Upgrades | Various | \$452,923 | | | \$452,923 |
| San Andreas Dam Facility Improvements | Planning | \$4,695,364 | Planning | \$1,500,000 | \$6,195,364 |
| Turner Dam and Reservoir Improvements | Planning | \$4,263,137 | Planning | \$2,400,000 | \$6,663,137 |
| Pilarcitos Dam and Reservoir Improvements | Planning | \$388,281 | Design / ESDC* | \$3,900,000 | \$4,288,281 |
| Merced Manor Reservoir Facilities Repairs | Planning | \$431,152 | | | \$431,152 |
| Stanford Heights Reservoir | Not Started | | | | \$0 |
| Summit Reservoir | Not Started | | | | \$0 |
| Sunset South Basin | Not Started | | NAR/AAR | \$700,000 | \$700,000 |
| University Mound South Basin | Not Started | | NAR/AAR | \$500,000 | \$500,000 |
| Local (San Francisco) Tanks/Reservoir Improvements | Not Started | | | | \$0 |
| College Hill Reservoir Outlet | Not Started | | | | \$0 |
| Unencumbered | n/a | \$769,143 | | | \$769,143 |
| Total | | \$11,000,000 | | \$9,000,000 | \$20,000,000 |

Source: SFPUC

*ESDC – Engineering Services During Construction

*NAR/AAR – Needs Assessment Report/ Alternative Analysis Report

Costs for the tasks above are based on billing rates established in the contract, up to a maximum of \$250 per hour, adjusted each year by inflation.

SFPUC plans to request additional contract spending authority through a subsequent amendment to the contract as project needs are better defined. Funding for this contract is included in the SFPUC Ten-Year Capital Plan through FY 2033-34. The total cost of the eleven projects is \$208.9

million in that capital plan, which is funded by Water Enterprise revenue bonds and customer revenues.

RECOMMENDATION

Approve the proposed resolution.

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| <p>Item 3 File 24-0862</p> | <p>Department: Sheriff’s Department (Sheriff)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve a third amendment to the food service contract between the Sheriff’s Department and Aramark, increasing the not-to-exceed amount by \$4,783,723, from \$20,000,000 to \$24,783,723, and exercise the final option to extend the term by 12 months for a total contract term of seven years, from November 1, 2018 through October 31, 2025. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Aramark was selected to provide jail food services based on a competitive solicitation in July 2018. In October 2018, the Board of Supervisors approved a food service contract between the Sheriff’s Department and Aramark for a five-year term from November 1, 2018 through October 31, 2023 and an amount not to exceed \$20 million, with two one-year options to extend the contract (File 18-0906). The Sheriff’s Department approved two amendments to the contract that increased the inmate and staff meal unit prices in response to food price inflation. The contract amount of \$20,000,000 was unchanged for both amendments due to the decrease in the jail population and lower than expected expenditures, and therefore, the amendments did not require Board approval. On July 26, 2024, the Board of Supervisors approved the Controller’s certification that food service at the County Jails can be performed by a private contractor at a lower cost than if performed by City employees, pursuant to Proposition J (1976) (File 24-0612). Aramark would continue providing three inmate meals and three staff meals daily at the Hall of Justice and San Bruno jail facilities, as well as coffee service and garbage service. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed third amendment increases the not-to-exceed amount of the contract by \$4,783,723 to a total of \$24,783,723, which includes an approximately 14.6 percent contingency. Meal unit prices increase by four percent in year seven of the contract. Meal costs for the proposed extension year assume a five percent jail and staff population increase over the highest levels in CY 2023 and include a cost inflation factor. The contract is funded by the General Fund. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

Competitive Solicitation Process

In January 2018, the San Francisco Sheriff's Department issued a Request for Proposals (RFP) soliciting vendors to deliver food service at the County Jail facilities for an anticipated term of five years with two options to extend the term for one year each. ARAMARK Correctional Services, LLC (Aramark) was selected to receive funding based on a review by a selection panel.¹ Proposals were evaluated based on project approach (30 points), assigned project staff (15 points), experience and expertise of firm (15 points), vendor presentation and interview (5 points), and financial proposal (35 points) for a total possible score of 100 points. Aramark was one of two vendors² to submit proposals in response to the RFP and received the highest average score of 83.0 out of 100 possible points.

Contract History

In October 2018, the Board of Supervisors approved a food service contract between the Sheriff's Department and Aramark for a five-year term from November 1, 2018 through October 31, 2023 and an amount not to exceed \$20 million, with two one-year options to extend the contract (File 18-0906). In November 2022, the Sheriff's Department approved a first amendment to the contract, modifying the inmate meal prices from a fixed unit price of \$1.615 to a range of \$1.715 to \$2.165 (corresponding to the jail population), increasing the staff meal unit price from \$2.99 to \$3.125, increasing the coffee and garbage services from \$3,900 to \$4,077 per month, and adding a provision for a Contractor Vaccination Policy. The price changes were retroactive to November 2020. According to the Sheriff's Department, the average daily jail population fell because of the pandemic and Aramark was impacted by the supply chain shortage and inflation. ARAMARK requested the change to a variable pricing structure that had higher unit costs as the population decreased. The jail population has fluctuated since the contract was executed, from

¹ The selection panel consisted of a Captain at the Sheriff's Department, a Principal Administrative Analyst at the Juvenile Probation Department, and the Executive Director of a nonprofit that focuses on the procurement of food for public institutions. The panelists reviewed and scored proposals based on the following criteria: project approach, assigned project staff, the experience and expertise of the firm, vendor presentation and interview, and the financial proposal.

² The other vendor was Trinity, which scored 77.0 points out of 100.

1,343, on average, in October 2018, to approximately 750 during the second half of 2020, to 1,119 in August 2024.³

In November 2023, the Sheriff's Department approved a second amendment to the contract, exercising the first one-year option to extend the contract to October 31, 2024. The amendment also increased the inmate meal price from \$1.715 to \$2.185 at an average daily jail population of 1100 to 1199 and increased the inmate meal price from \$1.715 to \$2.115 at an average daily jail population of 1200 to 1299+. The staff meal unit price increased by 7.97 percent from \$3.125 to \$3.374. The coffee and garbage service also increased from \$4,077 to \$4,402. The average unit price for an inmate meal increased by 24.3 percent (from \$1.89 to \$2.35), similar to the inflation for food at the time. Under the contract, either Aramark or the City may request a renegotiation of the unit price per meal up to the amount of the CPI. Aramark provided market analysis of the inflation and supply chain to support the price increases. The contract amount of \$20,000,000 was unchanged for both the first and second amendments due to the decrease in the jail population and lower than expected expenditures, and therefore, the amendments did not require Board approval.

On July 26, 2024, the Board of Supervisors approved the Controller's certification that food service at the County Jails can be performed by a private contractor at a lower cost than if performed by City employees, pursuant to Proposition J (1976) (File 24-0612).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a third amendment to the food service contract between the Sheriff's Department and Aramark, increasing the not-to-exceed amount by \$4,783,723, from \$20,000,000 to \$24,783,723, and exercise the final option to extend the term by 12 months for a total contract term of seven years, from November 1, 2018 through October 31, 2025.

Services

Under the proposed amendment, Aramark would continue providing three inmate meals and three staff meals daily at the Hall of Justice and San Bruno jail facilities, as well as coffee service and garbage service. The unit prices of an inmate meal at various average daily populations, as well as the staff meal unit price, increased by approximately four percent⁴, while the monthly unit price for garbage service remains the same at \$4,402. The monthly coffee service for staff increased by 95.4 percent from \$4,402 to \$8,602. According to the Sheriff's Department, this is due to the implementation of enhanced coffee services in the jails.

Performance Monitoring

While the contract does not include specific performance measures, it requires Aramark to adhere to specifications that address quality levels, size, grade and other issues when purchasing

³ Jail population data is compiled by the Controller's Office: <https://www.sf.gov/data/county-jail-population>

⁴ According to the Sheriff's Department, this is below the Controller's Office recommended CPI price increase 4.63 percent.

all food products and disposable service ware and packaging. Aramark is also required to provide written menus to the Sheriff’s Department at least ten days in advance that meet minimum nutritional and serving requirements and ensure adequate food preparation, quality and presentation, and sanitation standards. Finally, Aramark is required to provide monthly meal count reports that detail actual meals served by location to inmates and staff and all preventative maintenance and repairs performed on equipment, to support monthly invoices.

FISCAL IMPACT

The proposed third amendment increases the not-to-exceed amount of the contract by \$4,783,723 to a total of \$24,783,723, which includes an approximately 14.6 percent contingency. The actual and projected expenditures breakdown from November 1, 2018 to October 31, 2025 are shown in Exhibit 1 below.

Exhibit 1: Actual and Projected Expenditures of Aramark Contract, November 1, 2018 to October 31, 2025

| Year | Inmate Meals | Staff Meals | Coffee Service | Garbage Service | Taxes | Total |
|--|-------------------|------------------|----------------|-----------------|------------------|-------------------|
| FY 2018-19 (9 mos., actual spending) | 2,274,908 | 274,957 | 31,200 | 31,200 | 220,264 | 2,832,529 |
| FY 2019-20 | 2,255,159 | 397,616 | 46,800 | 46,800 | 233,935 | 2,980,311 |
| FY 2020-21 | 1,813,648 | 356,492 | 46,800 | 46,800 | 189,043 | 2,452,782 |
| FY 2021-22 | 2,366,721 | 297,396 | 48,570 | 48,570 | 241,927 | 3,003,184 |
| FY 2022-23 | 2,400,394 | 394,309 | 48,924 | 48,924 | 253,518 | 3,146,070 |
| FY 2023-24 | 2,894,536 | 569,679 | 72,199 | 51,219 | 312,390 | 3,900,023 |
| Projected Costs, 8/1/24-10/31/24 | 723,634 | 142,420 | 25,806 | 13,206 | 81,193 | 986,258 |
| Subtotal, Current Contract | 14,729,001 | 2,432,870 | 320,299 | 286,719 | 1,532,269 | 19,301,157 |
| Proposed Extension, 11/2024 - 10/2025 | 3,719,678 | 523,218 | 103,224 | 52,824 | 384,779 | 4,783,723 |
| Contingency | 531,994 | 101,332 | | | 65,516 | 698,843 |
| Total | 18,980,673 | 3,057,420 | 423,523 | 339,543 | 1,982,564 | 24,783,723 |

Source: Sheriff’s Department

As noted above, the proposed contract amendment increases meal unit prices by four percent in year seven of the contract. Meal costs for the proposed extension year also assume a five percent jail and staff population increase over the highest levels in CY 2023.

Source of Funding

The proposed amendment will be funded by the General Fund.

RECOMMENDATION

Approve the proposed resolution.

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| <p>Item 4 File 24-0863</p> | <p>Department: Office of Contract Administration (OCA)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the Sixth Amendment to the City’s contract with Recology San Francisco, Recology Sunset Scavenger, and Recology Golden Gate (together “Recology”), increasing the not-to-exceed amount by \$1,500,000, for a total not to exceed \$45,300,000, and extending the term by two months through December 31, 2024. <p>Key Points</p> <ul style="list-style-type: none"> • Recology provides collection, processing, and disposal of refuse (recyclables, compostables, and trash) to commercial and residential customers in San Francisco. In 2020, the Office of Contract Administration (OCA) entered into a contract with Recology for refuse collection at City facilities. The contract has since been amended five times, for a total term of three years and 11 months and an amount not to exceed \$43,800,000. • In 2022, OCA issued a Request for Proposals (RFP) to award a new refuse collection contract at City facilities. Allied Waste was deemed the highest scoring proposer and OCA issued a Notice of Intent to Award a contract to Allied Waste. However, prior to Board of Supervisors approval, Recology submitted a letter to OCA questioning Allied Waste’s pricing, noting that certain collection rates did not increase as container sizes increased. Allied Waste indicated that it could not proceed with its proposed collection rates and withdrew its proposal. OCA then entered negotiations with Recology, the second highest proposer, about a new contract for refuse collection at City facilities. • To ensure that services continued while the contract was being negotiated, OCA and Recology agreed to the Fifth Amendment, extending the term through October 2024, which was approved by the Board of Supervisors in May 2024. Negotiations remain ongoing, and OCA and Recology have agreed to extend the existing contract through December 2024 <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed Sixth Amendment would increase the not-to-exceed amount of the contract by \$1,500,000, for a total not to exceed \$45,300,000. Costs are paid by the various City departments based on the amount of refuse collection services used. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

Recology provides collection, processing, and disposal or refuse (recyclables, compostables, and trash) to commercial and residential customers in San Francisco. In 2020, the Office of Contract Administration (OCA) executed a contract with Recology to collect refuse from City facilities for a term of seven months, from December 2020 through June 2021, with an option to extend by five months through November 2021, and an amount not to exceed \$5,600,000.¹ The contract has since been amended five times, as shown in Exhibit 1 below.

Exhibit 1: Previous Contract Amendments

| Amendment | Date | Approval | Description |
|------------------|---------------|-------------------------------------|--|
| First | June 2021 | OCA | Extended term through November 2021, increased amount to \$9,900,000 |
| Second | November 2021 | Board of Supervisors (File 21-1083) | Extended term through June 2022, increased amount to \$15,622,000 |
| Third | July 2022 | Board of Supervisors (File 22-0422) | Extended term through June 2024, increased amount to \$39,600,000 |
| Fourth | June 2023 | OCA | Amended collection rates |
| Fifth | May 2024 | Board of Supervisors (File 24-0365) | Extended term through October 2024, increased amount to \$43,800,000 |

Source: Previous contract amendments

In June 2022, OCA issued a Request for Proposals (RFP) to award a new refuse collection contract at City facilities. Allied Waste was deemed the highest scoring proposer, and OCA issued a Notice of Intent to Award the contract in January 2023. The proposed Allied Waste contract required California Environmental Quality Act (CEQA) review, which took approximately one year. In February 2024, prior to Board of Supervisors approval of the Allied Waste contract, Recology, the only other proposer, issued a letter to OCA with copies to members of the Board of Supervisors questioning Allied Waste’s pricing on Aggregate 3 (collection of large compactors), namely that collection rates did not increase as container sizes increased. Allied Waste subsequently indicated to the City that it could not proceed with the contract at the proposed rates for Aggregate 3 and

¹ OCA had originally awarded a contract to Recology for a term of six years and an amount not to exceed \$62.5 million (File 20-1213). However, the Board of Supervisors referred the contract back to the Budget and Finance Committee after the U.S. Attorney’s Office charged a Recology executive with bribing the former Public Works Director to raise residential refuse collection rates. OCA then entered into a short-term contract with Recology to continue refuse collection at City facilities.

withdrew its proposal.² OCA then began negotiations with Recology, the second highest-scoring proposer, about a new contract for refuse collection at City facilities. To ensure that services continued while the contract was being negotiated, OCA and Recology agreed to the Fifth Amendment, extending the term through October 2024 (as shown in Exhibit 1 above). Negotiations remain ongoing, and OCA and Recology have agreed to extend the existing contract through December 2024.³

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Sixth Amendment to the City's contract with Recology San Francisco, Recology Sunset Scavenger, and Recology Golden Gate⁴ (together "Recology"), increasing the not-to-exceed amount by \$1,500,000, for a total not to exceed \$45,300,000, and extending the term by two months through December 2024.

Under the proposed Sixth Amendment, collection rates would increase by 3.77 percent based on the increase in the Consumer Price Index (CPI). Recology provides the following services for City Departments under the contract:

- Collection and processing of refuse (recyclables, compostables, and trash) generated by all City departments within San Francisco city limits;
- Refuse bins for both interior and exterior collection;
- Identifying opportunities to reduce the level of refuse service and eliminate secondary charges to decrease costs to departments; and
- Providing reports on recovery rates and non-compliance with proper separation of recyclables, compostables, and trash.

City departments determine the frequency for each site's refuse collection. The contract's scope of services is limited to City departments. Although regulated by the City, Recology's refuse collection for residents and businesses is not impacted by this contract.

According to Gloria Yuen, OCA Senior Purchaser, negotiations on the new Recology contract are continuing to ensure that contract terms are equitable between the City and Recology. OCA and Recology are working to finalize terms related to the recovery discount (with the goal of increasing recovery rates and reducing refuse generation at City facilities), equipment leases, ancillary services, and other items.

² Since the final RFP scores were very close, Recology may have been the higher scoring proposer if Allied Waste had submitted slightly higher rates in its proposal.

³ The solicitation waiver authorizing the original contract on a sole-source basis has been amended to reflect the not-to-exceed amount of the contract amendment.

⁴ Recology Sunset Scavenger and Recology Golden Gate are collection companies that service different areas of the city. Recology San Francisco is the company that owns the transfer station and recyclables processing facility where collected material is handled.

FISCAL IMPACT

The proposed Sixth Amendment would increase the not-to-exceed amount of the Recology contract by \$1,500,000, for a total not to exceed \$45,300,000. Actual and projected contract expenditures are shown in Exhibit 2 below.

Exhibit 2: Actual and Projected Contract Expenditures

| | |
|---|---------------------|
| Actual Expenditures (through 8/26/2024) | \$40,909,889 |
| Average Monthly Expenditures | 912,375 |
| Remaining Months | 4.17 |
| Projected Expenditures (through 12/31/2024) | 3,809,059 |
| <i>Total Actual and Projected Expenditures</i> | <i>\$44,718,947</i> |
| Contingency (15% of Projected Expenditures) | 571,359 |
| Total Not to Exceed (Rounded to Nearest \$100,000) | \$45,300,000 |

Source: OCA

The proposed not-to-exceed amount includes a 15 percent contingency to account for any new refuse collection locations, increased collection frequency, or to allow for a further extension of the contract. The contract is funded by the various City departments based on the amount of refuse collection services used.

Rates for City Services

The City’s original contract with Recology used the Uniform Commercial Rates, which are regulated by the City’s Refuse Rate Board following voter approval of Proposition F in June 2022. In the Third Amendment to the contract, rates no longer tracked the Uniform Commercial Rates but were instead escalated by the regional CPI. The Fifth Amendment did not increase the contract’s rates in FY 2024-25, but the proposed Sixth Amendment would increase the contract’s rates by 3.77 percent, starting on November 1, 2024. The Uniform Commercial Rates are due to increase by 2.55 percent on October 1, 2024. The rates under the proposed Sixth Amendment would be 0.3 percent greater than Recology’s Uniform Commercial Rates after the upcoming increase.

RECOMMENDATION

Approve the proposed resolution.

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| <p>Item 5 File 24-0838</p> | <p>Department: Office of Contract Administration</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to the Office of Contract Administration’s (OCA) industrial supplies purchasing contract with W.W. Grainger, Inc. (Grainger), increasing the total not-to-exceed amount from \$7,000,000 to \$32,000,000, with no change to the contract term, which ends November 8, 2026, with options to extend through November 8, 2028. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • OCA selected Grainger to provide industrial supplies to City departments based on a competitive solicitation managed by Sourcewell, a State of Minnesota local government entity that facilitates procurement for local governments across the U.S. and Canada, as allowed under Administrative Code Section 21.16(b). In addition to Grainger, OCA awarded \$7 million contracts to four other industrial suppliers, including Fastenal Company, White Cap, LP, Sid Tool Co. doing business as MSC Industrial Supply Inc., and Global Equipment Co. However, Grainger has been the most highly utilized contract by City departments. • Individual departments utilize the contract by issuing purchase orders based on their needs. City departments have encumbered 86 percent of the contract funds in seven months, averaging \$851,508 monthly, with 27 months remaining under the original term. The current \$7 million not to exceed amount is projected to be exhausted by October 6th, 2024. • The contract has terms and conditions to hold the vendor accountable for product availability, delivery timeframes, the condition of products, and the inspection of products. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • An additional \$25 million, including a 15 percent contingency, is needed to cover projected spending through November 8, 2026, bringing the total contract amount to \$32 million. Based on historical spending, approximately half of the contract is funded by enterprise departments and half by General Fund Departments. • Monthly spending by City departments has increased to an average of \$851,508 since January 12th compared to the historical average of \$528,391 from 2019 to 2023. According to OCA staff, the 61 percent increase in spending is largely due to rising costs of industrial supplies and higher spending on facility improvement projects following the slowdown during the peak of the COVID-19 pandemic. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 21.16(b) allows City departments to utilize the competitive procurement process of any other public agency or non-profit made up of multiple public agencies to make purchases of commodities or services for the use of the City under the terms established in that agency’s competitive procurement process and as agreed upon by the City and the procuring agency, upon making a determination that (i) the other agency’s procurement process was competitive or the result of a sole-source award, and (ii) the use of the other agency’s procurement would be in the City’s best interests.

BACKGROUND

On January 12, 2024, the San Francisco Office of Contract Administration (OCA) entered into a contract with W.W. Grainger, Inc. (Grainger) for the purchase of industrial supplies, under PeopleSoft Contract ID 1000030381 (OCA Term Contract 74106A). This agreement has a not to exceed amount of \$7 million and an initial expiration date of November 8, 2026, and two one-year options to extend through November 8, 2028. The extension options are contingent upon the extension of the Sourcewell contract (described below).

Selection

OCA selected Grainger (and three other companies) based on a competitive solicitation managed by Sourcewell, a State of Minnesota local government entity that facilitates procurement for local governments across the U.S. and Canada, as allowed under Administrative Code Section 21.16(b). In July 2022, Sourcewell issued a Request for Proposals (RFP) to award an industrial supply purchasing contract. Sourcewell received 20 proposals, and a four-member evaluation panel scored 19 proposals. Of the 19 proposals evaluated through the solicitation, Grainger ranked highest, receiving 871 out of 1,000 points, based on criteria such as pricing, financial stability, and delivery capabilities.

Exhibit 1: Proposers and Rankings from RFP

| Proposer | Score (Out of 1,000) | Rank |
|---------------------------------|-------------------------------------|-------------|
| W.W. Grainger* | 871 | 1 |
| Motion Industries, Inc. | 867 | 2 |
| Fastenal Company* | 852 | 3 |
| White Cap, LP* | 837 | 4 |
| Sid Tool Co.* | 834 | 5 |
| WESCO Distribution, Inc. | 833 | 6 |
| Lawson Products, Inc. | 814 | 7 |
| Winzer Corporation | 812 | 8 |
| Global Equipment Company, Inc. | 810 | 9 |
| Hi-Line Electric Co., Inc. | 799 | 10 |
| 1 Source Holdings, LLC | 791 | 11 |
| Hilti, Inc. | 785 | 12 |
| supplyFORCE | 771 | 13 |
| Kohler Co. | 751 | 14 |
| Best Plumbing Specialties, Inc. | 747 | 15 |
| ATEK Distribution, LLC | 735 | 16 |
| ABCO Industries, Incorporated | 713 | 17 |
| CONTINENTAL Hardware, inc. | 656 | 18 |
| HBM Group, INC. | 620 | 19 |

Source: Sourcewell Proposal Evaluation

*Awarded contract with OCA

In addition to Grainger, OCA awarded \$7 million contracts to four other industrial suppliers, including Fastenal Company, White Cap, LP, Sid Tool Co. doing business as MSC Industrial Supply Inc., and Global Equipment Co. OCA sought to enter into contracts with the top five proposers from the Sourcewell RFP, and four of the companies (all except Motion Industries, Inc., which did not respond to the City’s inquiries) agreed to enter into contracts. Separately, OCA entered into an agreement with Global Equipment Co for industrial supplies. This multi-vendor strategy was implemented to ensure a competitive supply chain that meets the City’s diverse industrial needs. OCA anticipated increasing the contract amounts based on actual usage, according to an August 2024 OCA memo on the proposed contract amendment.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to OCA’s industrial supplies purchasing contract with W.W. Grainger, Inc., increasing the total not-to-exceed (NTE) amount from \$7,000,000 to \$32,000,000, with no change to the contract term, which ends November 8, 2026.

While multiple contracts were executed for industrial supplies, Grainger has been the most highly utilized by City departments. Grainger's usage (\$851,508 in average monthly encumbrances) significantly exceeds that of the other four suppliers, with average monthly encumbrances ranging from as low as \$121 (Global Equipment) to \$224,477 (MSC Industrial Supply Inc.). Given the high demand for supplies from Grainger, the current \$7 million not to exceed amount is projected to be exhausted by October 6th, 2024, well before the contract's initial expiration in November 2026. OCA did not anticipate such variation in utilization across the five contracts when it awarded the contracts. To ensure the availability of industrial supplies to City departments through November 2026, OCA recommends increasing the not to exceed amount of the Grainger contract by \$25 million.

Permitted and Prohibited Goods

Under this contract, City departments can purchase a wide range of industrial materials and equipment, ranging from raw materials such as metals and chemicals to finished products like tools and safety gear. However, certain product categories, such as office supplies, disposable food-ware, and janitorial paper products, are expressly prohibited. City departments must use designated contracts for these items.

Cost-Saving Provisions

The contract with Grainger offers cost-saving measures, providing City departments with discounts ranging from 5 percent to 40 percent off list prices. Additionally, the City qualifies for an extra three percent discount if the City purchases at least \$25,000 or more during the contract year and increases annual spending by 12 percent or more.

Environmental and Emergency Service Provisions

Grainger is required to comply with the Environmentally Preferable Purchasing (EPP) Program, which promotes the acquisition of products that meet environmental, health, cost, and performance criteria. All Grainger products must adhere to the environmental standards established by San Francisco's environmental ordinances and other policies, such as the Resource Conservation Ordinance and the Mayor's Executive Order on Recycling and Conservation. Additionally, the contract includes a Priority 1 emergency service clause, which ensures that Grainger prioritizes the City during emergencies that affect the San Francisco Bay Area, unless preempted by State or Federal laws.

Performance Monitoring and Accountability

The contract has terms and conditions to hold the vendor accountable for product availability, delivery timeframes, the condition of products, and the inspection of products, as described below. Grainger is required to provide annual usage reports detailing all goods delivered under the contract, including items ordered, delivery dates, quantities, and prices. The City has the right to terminate the contract if the contractor fails to submit these reports timely.

All goods delivered by Grainger are subject to the City's inspection, with the right to accept or reject any non-conforming items. In the event of non-compliance, the City can charge storage fees for rejected items or return deliveries and seek a refund.

If Grainger fails to deliver goods as specified in the contract, the City may purchase from an alternative vendor. Should the replacement goods cost more than the contract price, the City can charge Grainger for the difference or terminate the contract. This provision extends to instances where deliveries are late or fail to meet quality standards.

Additionally, Grainger is required to pass on the manufacturer’s warranty for all goods delivered to the City, ensuring protection against defective products. For applicable products, Grainger must provide Safety Data Sheets (SDSs), which are documents that include important information about the properties of chemicals, health and environmental hazards, protective measures, and safety precautions for handling, storing, and transporting hazardous materials.

Actual Spending

Since the Grainger contract took effect in January 2024, a total of 24 City departments have encumbered approximately \$6,046,212 of the total current contract amount of \$7 million, averaging \$851,508 per month in purchase orders. Encumbrances for the seven departments with the most encumbrances are shown in Exhibit 2 below.

Exhibit 2: Purchase Order Encumbrances by Department, As of August 16, 2024

| Department | Encumbrances | % of Total |
|---------------------------------|---------------------|-------------------|
| Airport | \$1,670,793 | 27.6% |
| Public Utilities Commission | 957,353 | 15.8% |
| Emergency Management | 694,810 | 11.5% |
| City Administrator | 582,893 | 9.6% |
| Public Health | 378,963 | 6.3% |
| Police | 330,000 | 5.5% |
| Municipal Transportation Agency | 293,276 | 4.9% |
| All Others | 1,138,124 | 18.8% |
| Total | \$6,046,212 | 100.0% |

Source: OCA

FISCAL IMPACT

The proposed first amendment increases the not to exceed amount by \$25 million for a total of \$32 million. Although the current contract term ends on November 8, 2026, departments have encumbered 86 percent of the total contract amount as of August 15, 2024, with 27 months remaining in the contract. The requested \$25 million increase is, therefore, intended to provide contract spending authority from August 15, 2024, to November 8, 2026, or approximately 27 months at \$851,508 in spending per month. The amendment also includes a 15 percent contingency to account for any unforeseen increases in demand or price increases.

Exhibit 3: Not to Exceed Amount Calculation

| | |
|---------------------------------------|---------------------|
| Current Not to Exceed Amount | \$7,000,000 |
| Encumbrances as of August 15, 2024 | \$6,046,212 |
| Average Monthly Encumbrances | \$851,508 |
| Number of Months to Contract End Date | 27 |
| Projected Additional Spending | \$22,813,255 |
| Contingency (15%) | \$3,421,988 |
| Less Available Contract Balance | (\$1,339,640) |
| Total Additional Funds Needed | \$24,895,604 |
| Projected Spending | \$31,895,604 |
| Proposed Revised NTE (rounded) | \$32,000,000 |

Source: OCA

Note: The contract balance of \$1,339,640 includes purchase orders that have been fully paid out.

Based on historical spending, approximately half of the contract is funded by enterprise departments and half by General Fund Departments.

Increase in Monthly Spend

Monthly encumbrances by City departments under contracts with Grainger for industrial supplies have increased to an average of \$851,508 since January 12th compared to the historical average of \$528,391 from 2019 to 2023. According to OCA staff, the 61 percent increase in spending is largely due to rising costs of industrial supplies and higher spending on facility improvement projects, following the slowdown during the peak of the COVID-19 pandemic. According to the Bureau of Labor Statistics, the industrial commodities index increased by 28 percent between July 2019 and July 2024, or 5.6 percent annually, on average.

We note that if the increase in spending on industrial supplies is temporary, there may be excess contract authority under the proposed amendment.

RECOMMENDATION

Approve the proposed resolution.

| | |
|--------------------------------------|--|
| Item 6 File 24-0864 | Department: Office of Contract Administration (OCA) |
|--------------------------------------|--|

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Modification No. 4 to the contract between the City and Golden Gate Petroleum, increasing the not-to-exceed amount by \$15,595,000, from \$86,750,000 to \$102,345,000, and extending the term by eight months, from October 31, 2024, to June 30, 2025, for a total contract term of six years and one month, from June 1, 2019 through June 30, 2025. The proposed resolution would also authorize OCA to further amend the contract amount up to a maximum of \$108,589,000 and extend the term through October 31, 2025.

Key Points

- In 2019, the Board approved an initial two-year and ten-month agreement with Golden Gate Petroleum to deliver renewable diesel to Central Shops fueling stations and other Departments. The contract has been amended three times. The City is not obligated to purchase any specific quantity of diesel. The price the City pays for renewable diesel is based on a fixed markup or markdown (depending on the quantity delivered) from the daily price per gallon of renewable diesel
- OCA intends to issue a new solicitation to procure gasoline and diesel vendors in late 2024 and to have new contracts in place by June 2025. The proposed fourth contract amendment is sized to ensure spending authority for diesel purchases during the procurement process. OCA is also requesting additional authorization for subsequent amendments to ensure the City can continue to procure diesel if there are delays in the procurement process.

Fiscal Impact

- The proposed resolution increases the contract’s spending authority from \$86,750,000 to \$102,345,000 and also authorizes OCA to increase the spending authority up to \$108,589,000 and extend the term through October 2025, should procuring a replacement vendor take longer than expected. The proposed increase in spending is based on approximately \$1.5 million per month in purchases, which is generally consistent with spending data provided by OCA to our office and includes a 20 percent contingency. Costs are funded by purchasing departments, primarily MTA (77.4 percent of purchases) and General Fund users (16.5 percent of purchases).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board, or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Office of Contract Administration (OCA) issued an Invitation for Bids (IFB) in December 2018 to procure renewable diesel¹ vendors. The IFB provided for a contract period of three years, with the possibility of extension up to a maximum term of five years. OCA received responses from two vendors and awarded the contract to the lowest bidder, Golden Gate Petroleum, for an initial not to exceed amount of \$45 million and a term of two years and ten months, from June 1, 2019 through March 31, 2022 (File 19-0334).² The contract has been modified three times, as summarized below in Exhibit 1.

Exhibit 1. Modification History of Golden Gate Petroleum Contract

| Modification | Start Date | End Date | NTE Amount | Changes |
|-------------------|------------|-----------|--------------|----------------------------------|
| Original Contract | 6/1/19 | 5/31/22 | \$45,000,000 | |
| No. 1 | | No Change | \$45,000,000 | Emergency delivery provision |
| No. 2 | | 5/31/24 | \$68,000,000 | Extend Term, Increase NTE Amount |
| No. 3 | | 10/31/24 | \$86,750,000 | Extend Term, Increase NTE Amount |

Source: OCA

Note: Modification No.1 added a clause specifying fuel prices and acceptable delivery delays in the event of an emergency.

Under the original contract, the maximum contract term is not to exceed five years. The third modification (File 23-1154) approved a five-month extension beyond five years to allow the diesel contract term to coincide with the contract term of the City’s gasoline contract.³ At the time, OCA stated this would be sufficient time to procure new fuel contracts. However, the solicitation for new vendors has been delayed due to staffing constraints at OCA.

¹ Renewable diesel is produced by from cooking oil and other vegetable or animal fats that is blended with petroleum diesel but in a higher concentration than traditional biodiesel. The contract also provides for red dye diesel which is petroleum-based diesel that is intended for use in offroad vehicles.

² The resolution in File 19-0334 stated that the initial contract term would be three years from April 2019 through March 2022, but the contract as executed by OCA did not take effect until June 2019.

³ The Board approved an extension of the City’s prior gasoline contract in November 2023 through November 19, 2023 (File 23-1037). Pursuant to Administrative Code Section 21.16(b), OCA entered into a successor agreement with Mansfield Oil with a term through November 2024.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 4 to the contract between the City and Golden Gate Petroleum, increasing the not-to-exceed amount by \$15,595,000, from \$86,750,000 to \$102,345,000, and extending the term by eight months, from October 31, 2024 to June 30, 2025, for a total contract term of six years and one month, from June 1, 2019 through June 30, 2025. The proposed resolution would also authorize OCA to further amend the contract amount up to a maximum of \$108,589,000 and extend the term up through October 31, 2025.

OCA states the proposed extension is needed to ensure sufficient time for a competitive solicitation process for new fuel contracts to be initiated at the end of 2024. OCA expects new fuel contracts to be in place by June 30, 2025. However, OCA is requesting additional authorization for subsequent amendments to ensure the City can continue to procure diesel if there are delays during the procurement process.

Services

Under the proposed modification, Golden Gate Petroleum would continue delivering renewable diesel fuel to the San Francisco Municipal Transportation Agency (MTA), Central Shops fueling stations, San Francisco Fire Department, the San Francisco Public Utilities Commission and their East Bay, Peninsula, and Sierra locations. The fuel will be used by departments throughout the City. The City is not required to purchase any specific quantity of diesel. The price the City pays for renewable diesel is based on a fixed markup or markdown (depending on the quantity delivered) from the daily price per gallon of renewable diesel, as published by the Oil Price Information Services (OPIS).⁴ While the markup or markdown price stays fixed, the OPIS price per gallon fluctuates daily. The price also depends on the delivery location, type of diesel, and quantity of gallons ordered.

Performance Monitoring

The contract includes terms and conditions to hold the vendor accountable for product delivery timeframes, product availability, condition and inspection, and reporting requirements. This includes requiring Golden Gate Petroleum to pre-schedule all deliveries to City sites, provide emergency deliveries at no additional cost and maintain adequate stocking levels of all products. Golden Gate Petroleum is also required to provide monthly usage reports to OCA and pay for an annual third-party audit of Renewable Diesel deliveries to the City. OCA states that the department is researching more comprehensive contractor performance specifications, reporting requirements and fuel testing metrics for inclusion in the City’s future fuel delivery contract(s) to better monitor performance.

Contract Spending

As of August 30, 2024, the City had encumbered, or set-aside for spending, \$92,721,074 for this contract. This is higher than the contract’s not-to-exceed amount of \$86,750,000, which provides

⁴ OPIS is a price reporting agency that provides information used for commercial contracts and trade settlement related to gasoline, diesel, petroleum, natural gas, etc.

a hard cap on the amount of money that can spent on this contract. ⁵ Exhibit 2 below summarizes the total spending by department.

Exhibit 2: Golden Gate Petroleum Fuel Contract Total Expenditures by Department, FY 2018-19 to FY 2024-25*

| Dept | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY2024 | FY 2025 | Total | % |
|------------------------------|------------------|---------------------|--------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------|
| Airport | \$43,190 | \$204,199 | \$182,864 | \$310,019 | \$392,531 | \$230,697 | \$125,000 | \$1,488,500 | 1.6% |
| MTA | - | 20,219,866 | - | 27,419,473 | - | 15,420,459 | 8,731,494 | 71,791,292 | 77.4% |
| PUC | 221,666 | 700,763 | 235,029 | 970,107 | 1,092,967 | 775,227 | 164,698 | 4,160,458 | 4.5% |
| <i>Enterprise Subtotal</i> | <i>\$264,856</i> | <i>\$21,124,828</i> | <i>\$417,893</i> | <i>\$28,699,599</i> | <i>\$1,485,498</i> | <i>\$16,426,383</i> | <i>\$9,021,192</i> | <i>\$77,440,250</i> | <i>83.5%</i> |
| City Administrator | 132,569 | 1,309,818 | 1,312,476 | 2,197,281 | 2,050,241 | 2,280,851 | 1,100,000 | 10,383,236 | 11.2% |
| Public Health | - | 43,400 | 31,411 | 6,133 | 73,173 | 27,928 | - | 182,045 | 0.2% |
| Fire | - | 545,704 | 662,504 | 628,385 | 1,286,066 | 708,208 | 500,000 | 4,330,868 | 4.7% |
| Recreation & Parks | - | 65,000 | 40,486 | 71,316 | 102,221 | 66,773 | 25,500 | 371,295 | 0.4% |
| Juvenile Probation | - | - | 2,456 | - | - | - | - | 2,456 | 0.0% |
| Sheriff | - | 10,925 | - | - | - | - | - | 10,925 | 0.0% |
| <i>General Fund Subtotal</i> | <i>\$132,569</i> | <i>\$1,974,847</i> | <i>\$2,049,332</i> | <i>\$2,903,115</i> | <i>\$3,511,700</i> | <i>\$3,083,760</i> | <i>\$1,625,500</i> | <i>\$15,280,824</i> | <i>16.5%</i> |
| Total | \$397,426 | \$23,099,675 | \$2,467,225 | \$31,602,714 | \$4,997,199 | \$19,510,143 | \$10,646,692 | \$92,721,074 | 100.0% |
| Avg./Month | 33,119 | 1,924,973 | 205,602 | 2,633,560 | 416,433 | 1,625,845 | 887,224 | | |

Source: OCA

* Note: Purchase Order Encumbrance data is from June 1, 2019 to August 30, 2024. This is not representative of all the City’s fuel spending, which is spread among multiple contracts.

MTA accounts for a majority (\$71,791,292, or 77.4 percent) of contract expenditures. The General Fund Department with the largest contract expenditure is the City Administrator’s Fleet Management Division⁶ (\$10,383,236 or 11.2%). The Fire Department has the second highest contract expenditure amongst General Fund Departments (\$4,330,868 or 4.7%).⁷ According to OCA, what appears to be a high variance year to year in total spending is due to departments submitting purchase orders to cover estimated expenditures for multiple years. Invoices are then paid against these purchase orders until the purchase order balance is depleted. OCA states that

⁵ According to OCA, the contract balance reflected in PeopleSoft does not account for applicable taxes, shipping, freight and other charges that may be associated with the purchase order. Therefore, they system may show higher balance than is actually available on the contract, which can result in departments unintentionally over-encumbering a contract, as occurred in this case.

⁶ FMD purchases gasoline and diesel from the citywide contracts to supply three City-owned and operated gas stations and one emergency tanker truck that resides at Central Shops and is used to fuel diesel trucks (such as fire trucks) during an emergency.

⁷ Fire uses diesel to fuel fire engines and trucks and has 20 fuel tank locations throughout the City and on Treasure Island for refueling purposes.

MTA submitted purchase orders beginning in FY 2019-20 to cover two years of expenses, thus resulting in high total annual encumbrances in those years. This has since been resolved and MTA currently issues annual purchase orders.

FISCAL IMPACT

As noted above, the proposed resolution approves the fourth amendment to the contract, which increases the contract’s spending authority from \$86,750,000 to \$102,345,000 and extends the term through June 2025. The resolution also authorizes OCA to increase the spending authority up to \$108,589,000 and extend the term through October 2025, should procuring a replacement vendor take longer than expected. The proposed increase in spending is based on approximately \$1.5 million per month in purchases, which is generally consistent with spending data provided by OCA to our office. The fourth contract amendment includes a 20 percent contingency. The contingency amount for the proposed subsequent modifications is approximately five percent. The basis for the requested spending authority is summarized below in Exhibit 3.

Exhibit 3: Projected Spending

| | |
|--|----------------------|
| <i>Fourth Amendment to Contract</i> | |
| Current Agreement | \$86,750,000 |
| Projected Spending (10 months) | \$14,703,811 |
| Available Contract Balance | (\$2,049,709) |
| Contingency (20%) | \$2,940,762 |
| Total Projected Spending | \$15,594,865 |
| Proposed Not To Exceed Amount, Fourth Amendment (Rounded) | \$102,345,000 |
| <i>Subsequent Amendments Authorized by Proposed Resolution</i> | |
| Projected Spending (4 months) | \$5,949,240 |
| Contingency | \$294,270 |
| Total Projected Spending | \$6,243,509 |
| Proposed Fourth Modification Not to Exceed | \$102,345,00 |
| Maximum Proposed Not To Exceed Amount (Rounded) | \$108,589,000 |

Source: OCA

Funding Sources

Funding for the proposed modification was included in the FY 2024-25 adopted budgets of the City departments that use diesel, as previously appropriated by the Board of Supervisors. For the three enterprise departments (MTA, SFPUC, and the Airport) that utilize the diesel from the contract, enterprise revenues pay for contract expenditures.

RECOMMENDATION

Approve the proposed resolution.

| | |
|--|---|
| <p>Item 7 File 24-0865</p> | <p>Department: Office of Contract Administration (OCA)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve Modification No. 2 to the contract between the City and Mansfield Oil Company, increasing the not-to-exceed amount by \$7,538,000, from \$9,975,000 to \$17,513,000, and extending the term by 7.5 months, for a total contract term from November 17, 2023 through June 30, 2025. The proposed resolution would also authorize OCA to further amend the contract amount, if needed, up to a maximum of \$20,768,000 and extend the term through October 31, 2025. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Office of Contract Administration (OCA) relied on the competitive procurement process of another government to procure this gasoline contract. In November 2023, OCA awarded Mansfield a contract for gasoline fuel for an initial not to exceed amount of \$9,000,000 and a one-year term from November 17, 2023 to November 16, 2024. The contract has been amended once. • Under the proposed contract amendments, Mansfield would continue delivering regular unleaded and premium unleaded gasoline to Central Shops fueling stations and other departments. The City is not required to purchase any specific quantity of gasoline. The price the City pays for regular unleaded and premium unleaded gasoline is based on a fixed markup or markdown (depending on the quantity delivered) from the daily price per gallon. • OCA states the proposed extension is needed to ensure sufficient time for a competitive solicitation process for new fuel contracts to be initiated at the end of 2024. OCA expects new fuel contracts to be in place by June 30, 2025. However, OCA is requesting additional authorization for subsequent amendments to ensure the City can continue to procure gasoline if there are delays during the procurement process. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed second contract amendment increases the not to exceed amount of the contract by \$7,538,000 to a total of \$17,513,000. The proposed resolution also authorizes OCA to increase the contract amount up to a maximum of \$20,768,000 and extend the term through October 2025. Funding for these gasoline purchases is primarily from the General Fund (65 percent) and enterprise funds (35 percent). <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board, or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 21.16(b) allows City departments to utilize the competitive procurement process of any other public agency or non-profit made up of multiple public agencies to make purchases of commodities or services for the use of the City under the terms established in that agency’s competitive procurement process and as agreed upon by the City and the procuring agency, upon making a determination that (i) the other agency’s procurement process was competitive or the result of a sole-source award, and (ii) the use of the other agency’s procurement would be in the City’s best interests

BACKGROUND

Procurement Process

Pursuant to San Francisco Administrative Code, Section 21.16(b), the City is allowed to use the competitive procurement process of another public agency to purchase services or commodities for the City. Consequently, the Office of Contract Administration (OCA) used Sourcewell’s¹ competitive procurement results to contract with this gasoline vendor.² Sourcewell issued a Request for Proposals (RFP) in October 2022 for fuel delivery and related services for an anticipated contract term of four years, with an optional one-year extension. Sourcewell received responses from nine vendors, with Mansfield Oil Company (Mansfield) scoring the highest (844 out of 1,000 total points) based on the following evaluation criteria: conformance to terms/conditions to include documentation, pricing, vendor financial condition, industry and marketplace successes, bidder’s ability to sell, bidder’s marketing plan, value added attributes, warranty coverages and information, and availability of products and services offered.

Contract History

In November 2023, OCA awarded Mansfield a contract for gasoline fuel for an initial not to exceed amount of \$9,000,000 and a one-year term from November 17, 2023 to November 16, 2024. In September 2024, OCA approved the first modification to the contract, increasing the not to exceed amount by \$975,000 from \$9,000,000 to \$9,975,000. The original contract and the subsequent first modification did not require Board of Supervisors approval because the term did not exceed ten years and the total not to exceed amount was less than \$10 million.

¹ Sourcewell is a State of Minnesota local government unit that performs large public competitive solicitations and issues contract awards for use by federal, state and local governments and other public agencies across the nation.

² OCA received a waiver in August 2023 approving their request to waive competitive solicitation requirements and use the Sourcewell contract for gasoline from Mansfield. OCA also received a waiver in August 2024 approving their request to extend use of the contract to June 30, 2025

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 2 to the contract between the City and Mansfield Oil Company, increasing the not-to-exceed amount by \$7,538,000, from \$9,975,000 to \$17,513,000, and extending the term by 7.5 months, for a total contract term from November 17, 2023 through June 30, 2025. The proposed resolution would also authorize OCA to further amend the contract amount, if needed, up to a maximum of \$20,768,000 and extend the term through October 31, 2025.

OCA states the proposed extension is needed to ensure sufficient time for a competitive solicitation process for new fuel contracts to be initiated at the end of 2024. OCA expects new fuel contracts to be in place by June 30, 2025. However, OCA is requesting additional authorization for subsequent amendments to ensure the City can continue to procure gasoline if there are delays during the procurement process.

Services

Under the proposed modification, Mansfield Oil Company would continue delivering regular unleaded and premium unleaded gasoline to the San Francisco Municipal Transportation Agency (MTA), Central Shops fueling stations, Department of Public Health, Recreation and Park Department, San Francisco International Airport, San Francisco Fire Department, and the San Francisco Public Utilities Commission’s (PUC) Peninsula and Sierra locations. The fuel will be used by departments throughout the City. The City is not required to purchase any specific quantity of gasoline. The price the City pays for regular unleaded and premium unleaded gasoline is based on a fixed markup or markdown (depending on the quantity delivered) from the daily price per gallon of regular unleaded and premium unleaded gasoline, as published by the Oil Price Information Services (OPIS).³ While the markup or markdown price stays fixed, the OPIS price per gallon fluctuates daily. Additional fees may be assessed depending on the gasoline type, delivery location, transport type, and gallons ordered.

Performance Monitoring

While the contract does not include specific performance measures, it includes terms and conditions to hold the vendor accountable for product delivery timeframes, product availability, condition and inspection, and reporting requirements. This includes requiring Mansfield Oil Company to pre-schedule all deliveries to City sites, ensuring gasoline products conform to all applicable federal and state requirements, and maintaining adequate stocking levels of all products. Mansfield Oil Company is also required to provide monthly billing and usage reports to OCA. OCA states that the department is researching more comprehensive contractor performance specifications, reporting requirements and fuel testing metrics for inclusion in the City’s future fuel delivery contract(s) to monitor performance better.

³ OPIS is a price reporting agency that provides information used for commercial contracts and trade settlement related to gasoline, diesel, petroleum, natural gas, etc.

Contract Spending

As of August 30, 2024, the City had encumbered, or set aside for spending, \$7,211,265 on this contract. Exhibit 1 below summarizes the total expenditures, by department, on the City’s contract with Mansfield Oil Company as of August 30, 2024.

Exhibit 1: Mansfield Oil Company Contract Total Expenditures by Department, FY 2023-24 to FY 2024-25*

| Department | FY2024 | FY 2025 | Total | % |
|------------------------------|--------------------|--------------------|--------------------|---------------|
| Airport | \$0 | \$200,000 | \$200,000 | 2.8% |
| MTA | 351,963 | 559,594 | 911,557 | 12.6% |
| PUC | 670,090 | 733,500 | 1,403,590 | 19.5% |
| <i>Enterprise Subtotal</i> | <i>\$1,022,053</i> | <i>\$1,493,094</i> | <i>\$2,515,146</i> | <i>34.9%</i> |
| City Administrator | 2,663,557 | 1,077,100 | 3,740,657 | 51.9% |
| Fire | 478,076 | 318,000 | 796,076 | 11.0% |
| Recreation & Parks | 37,386 | 38,000 | 75,386 | 1.0% |
| Sheriff | 42,000 | 42,000 | 84,000 | 1.2% |
| <i>General Fund Subtotal</i> | <i>\$3,221,019</i> | <i>\$1,475,100</i> | <i>\$4,696,119</i> | <i>65.1%</i> |
| Total | \$4,243,072 | \$2,968,194 | \$7,211,265 | 100.0% |

Source: OCA

Note: Encumbrance data is from November 17, 2023 to August 30, 2024.

The City Administrator, a General Fund department, accounts for a little over half (\$3,740,657, or 51.9 percent) of contract expenditures. The Fire Department has the second highest contract expenditure amongst General Fund Departments (\$796,076 or 11%). PUC has the largest contract expenditure (\$1,403,590 or 19.5%) among enterprise departments. Overall, 65 percent of historical contract spending is from the General Fund and 35 percent is funded by enterprise departments.

FISCAL IMPACT

The proposed second contract amendment increases the not to exceed amount of the contract by \$7,538,000 to a total of \$17,513,000, as shown in Exhibit 2 below. The proposed resolution also authorizes OCA increase the contract amount up to a maximum of \$20,768,000 and extend the term through October 2025. The requested increases assume \$0.77 million in monthly spending, consistent with recent spending on the contract.

The second contract amendment includes a 20 percent contingency. The contingency amount for the proposed subsequent modifications is approximately five percent. The basis for the requested spending authority is summarized below in Exhibit 2.

Exhibit 2: Projected Spending

| | |
|--|---------------------|
| <i>Second Contract Amendment</i> | |
| Current Agreement | \$9,975,000 |
| Projected Spending (10 months) | \$7,690,335 |
| Available Contract Balance | (\$1,690,073) |
| Contingency (20%) | \$1,538,067 |
| Total Projected Spending | \$7,538,329 |
| Proposed Not To Exceed Amount, Second Amendment (Rounded) | \$17,513,000 |
| <i>Subsequent Amendments Authorized by Proposed Resolution</i> | |
| Projected Spending (4 months) | \$3,101,348 |
| Contingency (5%) | \$153,403 |
| Total Projected Spending | \$3,254,751 |
| Proposed Second Modification Not to Exceed | \$17,513,000 |
| Maximum Proposed Not To Exceed (Rounded) | \$20,768,000 |

Source: OCA

Funding Sources

Based on historical spending, funding for these gasoline purchases will be primarily from the General Fund (65 percent) and enterprise funds (35 percent).

RECOMMENDATION

Approve the proposed resolution.