

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: April 17, 2019 Budget and Finance Sub-Committee Meeting

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| Item 2 File 19-0332 | Department: Public Utilities Commission (PUC) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the emergency declaration of the San Francisco Public Utilities Commission to repair Hetch Hetchy Water and Power's 230k transmission line near Big Creek Shaft Road in Groveland, California, for a total estimate cost not to exceed \$400,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Groveland Community Services District is a special district that provides water, wastewater, fire, parks and community buildings to an area approximately 25 square miles in southern Tuolumne County. The District is a San Francisco Public Utilities Commission (SFPUC) water customer. • On February 16, 2019, during a large snow storm, a tree fell into Hetch Hetchy Water and Power's 230kV transmission line near Big Creek Shaft Road near Groveland, California. PG&E required SFPUC to repair its transmission line in order to make repairs to PG&E's distribution line. • SFPUC processed a change order to an existing competitively bid contract with Big Valley Electric. The change order included specialty work, requiring Big Valley Electric to hire a subcontractor. The SFPUC required Big Valley Electric to obtain pricing from two subcontractors, and SFPUC selected PAR Electric as the subcontractor. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • A fixed price of \$236,000 was negotiated with Big Valley Electric for the repairs. In addition, the SFPUC spent approximately \$104,000 in city labor costs. • To date, the SFPUC has spent \$335,574 of the total \$400,000. The SFPUC expects to use \$390,000 of the total funds for the project, as the contingency will not be spent. • Funds to pay for the emergency repairs came from the Hetch Hetchy Water and Power Annual Authority Control. The current available balance of the fund is \$6.2 million. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Hetch Hetchy Water and Power right of way area is physically inspected annually for vegetation encroachment. The fallen tree had been previously identified, tagged, and recommended for increased monitoring. However, the tree was healthy and not recommended for removal. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. | |

MANDATE STATEMENT

Administrative Code Section 6.60(D) states that contracts entered into for emergency work that are more than \$250,000 are subject to Board of Supervisors approval. Prior to the commencement of emergency work above the \$250,000 threshold, the Department must also secure approval in writing from the Mayor, the President of the Board, or the Commission.

BACKGROUND

Groveland Community Services District is a special district that provides water, wastewater, fire, parks and community buildings to an area approximately 25 square miles in southern Tuolumne County. The District is a San Francisco Public Utilities Commission (SFPUC) water customer.

On February 16, 2019, during a large snow storm, a tree fell into Hetch Hetchy Water and Power's 230kV transmission line near Big Creek Shaft Road near Groveland, California. The tree was located immediately next to but outside of the SFPUC right of way. The tree damaged about 1,500 feet of conductor and at least one transmission tower. Prior to hitting SFPUC's 230kV transmission line, the tree also fell into Pacific Gas and Energy's (PG&E) distribution line¹ affecting power distribution to customers near Groveland and power to the Groveland Community Services District's Big Creek Shaft facility. PG&E required SFPUC to repair its transmission line in order to make repairs to PG&E's distribution line.

On February 20, 2019, the General Manager of the SFPUC declared an emergency, approved by the Vice President of the SFPUC,² to (1) repair to transmission tower 116S, including repair of structural damage and replacement of insulators; (2) removal and replacement of 230kV conductor as needed; and (3) potential repair of structural damage to adjacent towers 11BS and 114S.

SFPUC processed a change order to an existing competitively bid contract with Big Valley Electric. The change order included specialty work, requiring Big Valley Electric to hire a subcontractor. The SFPUC required Big Valley Electric to obtain pricing from two subcontractors, and SFPUC selected PAR Electric as the subcontractor. According to Ms. Margaret Hannaford, Division Manager for Hetch Hetchy Water and Power at the SFPUC, PAR Electric and the other subconsultant had comparable rates. However, PAR Electric was able to mobilize on the morning of February 20, 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the emergency declaration of the San Francisco Public Utilities Commission to repair Hetch Hetchy Water and Power's 230k transmission line near Big Creek Shaft Road in Groveland, California, for a total estimate cost not to exceed \$400,000.

¹ Both transmission lines and distribution lines transmit power. Transmission lines are higher voltage and therefore require larger safe clearance distances and are supported on tall steel structures. Distribution lines are medium voltage and require less clearance distances and are typically supported by timber power poles.

² The Commission president resigned on February 13, 2019 and the new president was elected on March 12, 2019.

Mountain Tunnel Closure

In accordance with City Administrative Code Section 21.15(c), because the project was declared an emergency, the SFPUC amended an existing contract with Big Valley Electric. The SFPUC determined that there was insufficient time to go through a competitive bid process due to the temporary closure of the Mountain Tunnel.

Normally, Big Creek Shaft facility diverts water from the Hetch Hetchy Regional Water System through the Mountain Tunnel for Groveland Community Services District. However, during the emergency, SFPUC was working on repairs of the Mountain Tunnel, which consisted of a 60-day shutdown period from January 8, 2019 through March 6, 2019. During that time, the Groveland Community Services District was relying on local storage for water customers in the area. According to Ms. Hannaford, the tree knocked out PG&E’s power distribution system in the area, which is necessary to run the pumps for the diversion to meet Groveland Community Services District water supply needs once the water system shutdown was over on March 6, 2019, less than three weeks after the tree fell.

Big Valley Electric and its subcontractor PAR Electric completed the temporary repairs to restore power transmission on February 23, 2019. According to Ms. Hannaford, permanent repairs to the transmission towers will be completed under a separate competitively bid contract. These costs were not included in the emergency declaration.

FISCAL IMPACT

The budget for the emergency repair is shown in Table 1 below.

Table 1: Expenditures for Emergency Repair to Hetch Hetchy Transmission Line

| Purpose | Cost |
|-----------------------------|------------------|
| Construction contract costs | \$236,000 |
| Materials | 50,000 |
| Labor (City staff) | 104,000 |
| <u>Contingency</u> | <u>10,000</u> |
| Total | \$400,000 |

A fixed price of \$236,000 was negotiated with Big Valley Electric for the repairs. In addition, the SFPUC spent approximately \$104,000 in city labor costs. This work included immediate response, reestablishment of safe access for residents, inspection, material specification and ordering, clearances, project management and submittal review. To date, the SFPUC has spent \$335,574 of the total \$400,000. According to Ms. Hannaford, the SFPUC expects to use \$390,000 of the total funds for the project, as the contingency will not be spent.

Funds to pay for the emergency repairs came from the Hetch Hetchy Water and Power Annual Authority Control. The current available balance of the fund is \$6.2 million.

POLICY CONSIDERATION

The Hetch Hetchy Water and Power right of way area which extends through Groveland is physically inspected annually for vegetation encroachment, and encroaching vegetation is treated according to the Transmission Line Vegetation Management Plan. Transmission line inspections include: a) detailed ground inspections that are performed on a five-year cycle, b) aerial patrols that are performed annually, and c) LiDAR³ surveys that have been performed on a five-year cycle, to detect trees which may either grow or fall into the transmission lines. These trees are both on and off the SFPUC's right of way, and trees within the jurisdiction of SFPUC are removed or mitigated. Potential fall-ins are identified and monitored for on-going tree health. According to Ms. Hannaford, the fallen tree had been previously identified, tagged, and recommended for increased monitoring. However, the tree was healthy and not recommended for removal.

RECOMMENDATION

Approve the proposed resolution.

³ LIDAR, which stands for Light Detection and Ranging, is a remote sensing method that uses light in the form of a pulsed laser to measure distance to the Earth. These light pulses—combined with other data recorded by the airborne system— generate precise, three-dimensional information about the shape of the Earth and its surface characteristics.

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| Item 3 File 19-0334 | Department: Office of Contract Administration (OCA) |
| EXECUTIVE SUMMARY | |
| <p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a renewable diesel purchasing contract between the Office of Contract Administration (OCA) and Golden Gate Petroleum, for a three-year term, from April 2019 through March 2022, and an amount not to exceed \$75,000,000, with two one-year options to extend through March 2024. <p>Key Points</p> <ul style="list-style-type: none"> • In January 2019, OCA conducted a competitive solicitation for a new renewable diesel purchasing contract. Cost proposals were based on mark-ups or mark-downs of diesel fuel prices published daily by the Oil Price Information Service (OPIS), a price benchmark widely used by government agencies for fuel purchases. OCA received two proposals, and Golden Gate Petroleum, was deemed the lowest cost proposer. • The proposed resolution would approve a new contract with Golden Gate Petroleum for a term of three years, from April 2019 through March 2022, and an amount not to exceed \$75,000,000, with two one-year options to extend through March 2024. All City departments would be able to purchase renewable diesel through the contract, although the departments with most frequent use are San Francisco Municipal Transportation Agency (SFMTA), San Francisco Public Utilities Commission (SFPUC), San Francisco Fire Department (SFFD), Department of Public Works, and Central Shops. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The total amount of the contract is not to exceed \$75,000,000. Sufficient funding is available in the FY 2018-19 budgets of the departments that purchase renewable diesel. <p>Policy Consideration</p> <ul style="list-style-type: none"> • OCA is seeking approval for the full \$75,000,000 not-to-exceed amount without future Board of Supervisors approval. Also, as the resolution currently reads, the full \$75,000,000 could be spent within the initial three-year term, before the options are exercised. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to (a) require Board of Supervisors approval of each one-year contract extension that increases the contract amount by at least \$500,000, and (b) limit the not-to-exceed amount to \$45,000,000 over the initial three-year term of the contract, with authorization to increase the total not-to-exceed amount to \$60,000,000 upon exercising the first option and \$75,000,000 upon exercising the second option, conditional on future Board of Supervisors approval. • Approve the resolution as amended. | |

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

In October 2015, the Office of Contract Administration (OCA) issued a Request for Proposals (RFP) for suppliers to provide renewable diesel for City department vehicles. Golden Gate Petroleum, which previously had a City contract to provide gasoline, biodiesel, and petroleum diesel, was the only responsive proposer. In March 2016, the Board of Supervisors approved the resolution authorizing a contract with Golden Gate Petroleum for a term of three years, from April 2016 through March 2019, and an amount not to exceed \$60,000,000, with two one-year options to extend through March 2021 (File 16-0046). According to Mr. Daniel Sanchez, OCA Senior Administrative Analyst, the actual contract that was executed did not include the options to extend.

In January 2019, OCA conducted a competitive solicitation for a new renewable diesel purchasing contract. Cost proposals were based on mark-ups or mark-downs of diesel fuel prices published daily by the Oil Price Information Service (OPIS), a price benchmark widely used by government agencies for fuel purchases. Proposed prices vary by fuel type (renewable diesel and red dye renewable diesel)¹, delivery quantity, and user department and location. OCA received the following two proposals:

1. Golden Gate Petroleum – Average markup of \$0.12 over OPIS daily average rack price
2. Western States Oil – Average markup of \$0.40 over OPIS daily average rack price

Golden Gate Petroleum was deemed the lowest cost proposer and was awarded a new contract.² According to Mr. Sanchez, the term of the existing contract was extended by two months, through May 2019, to allow time for Board of Supervisors review of the new contract, with no increase to the not-to-exceed amount of \$60,000,000.

¹ Renewable diesel is produced by hydro-treating fuels (treated at a high temperature) derived from used cooking oil and other vegetable or animal fats; renewable diesel is blended with petroleum diesel but in a higher concentration than traditional biodiesel. Red dye diesel is petroleum-based diesel that is intended for use in off-road vehicles.

² According to Mr. Sanchez, Western States Oil was also awarded a contract as a secondary renewable diesel provider, which would only be used if Golden Gate Petroleum is unable to provide under its contract. The secondary contract does not need Board of Supervisors approval, as the not-to-exceed amount is less than \$10 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a renewable diesel purchasing contract between OCA and Golden Gate Petroleum for a term of three years, from April 2019 through March 2022, and an amount not to exceed \$75,000,000, with two one-year options to extend through March 2024.

According to Mr. Sanchez, the contract would be available for all City departments, but the departments that most frequently use renewable diesel are San Francisco Municipal Transportation Agency (SFMTA), San Francisco Public Utilities Commission (SFPUC), San Francisco Fire Department (SFFD), Department of Public Works, and Central Shops.

FISCAL IMPACT

The contract authorized by the proposed resolution would have a cost of up to \$75,000,000 over the three-year term of the contract.

According to Mr. Sanchez, the \$75,000,000 not-to-exceed amount was based on the average monthly purchase over the most recent year of the previous contract. In 2018, the amount spent was \$14,830,485, which is an average of \$1,235,874 per month. Since the contract has a three-year term with two one-year options to extend, OCA used the average to estimate costs over five years. The \$1,235,874 monthly average was extrapolated over 60 months, coming to a total of \$74,152,423, which was rounded up to \$75,000,000.

According to Mr. Sanchez, sufficient funding is available in the FY 2018-19 budgets of the various departments that purchase renewable diesel.

POLICY CONSIDERATION

According to Mr. Sanchez, OCA is seeking approval of the two future one-year contract extensions and the full \$75,000,000 not-to-exceed amount without further Board of Supervisors approval. The Budget and Legislative Analyst recommends amending the proposed resolution to require Board of Supervisors approval of each one-year contract extension that increases the contract amount by at least \$500,000 to allow for the Board of Supervisors to receive information on the City's purchase of renewable and red dye diesel fuels over the initial three-year contract term. Also, as the resolution currently reads, the full \$75,000,000 could be spent within the initial three-year term. The Budget and Legislative Analyst recommends amending the proposed resolution to limit the not-to-exceed amount to \$45,000,000 over the initial three-year term of the contract, with authorization to increase the total not-to-exceed amount to \$60,000,000 upon exercising the first option and \$75,000,000 upon exercising the second option.

RECOMMENDATIONS

1. Amend the proposed resolution to (a) require Board of Supervisors approval of each one-year contract extension that increases the contract amount by at least \$500,000, and (b) limit the not-to-exceed amount to \$45,000,000 over the initial three-year term of the contract, with authorization to increase the total not-to-exceed amount to \$60,000,000 upon exercising the first option and \$75,000,000 upon exercising the second option, conditional on future Board of Supervisors approval.
2. Approve the proposed resolution as amended.

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| Item 4 File 19-0335 | Department: Office of Contract Administration (OCA), San Francisco Fire Department (SFFD) |
| EXECUTIVE SUMMARY | |
| <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 Office of Contract Administration (OCA) and Ferrara Fire Apparatus, Inc. to purchase triple combination pumper fire engines for the San Francisco Fire Department (SFFD), extending the contract by two years, for a total five-year term from August 26, 2016 through August 25, 2021, and increasing the not-to-exceed amount by \$5,500,000, from \$9,500,000 to \$15,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In June 2016, OCA issued a Request for Proposals (RFP) to solicit vendors to enter a purchasing contract for triple combination pumper fire engines for SFFD. Ferrara Fire Apparatus was deemed the highest scoring responsive and responsible proposer. OCA awarded Ferrara a contract for a term of three years, from August 26, 2016 through August 25, 2019, and a total not to exceed \$9,500,000. • OCA has made two purchases to date from Ferrara for a total of 14 fire engines and a total cost of \$7,973,792, for an average total cost of \$569,557 per engine. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution would increase the not-to-exceed amount of the contract by \$5,500,000, for a total not to exceed \$15,000,000. • Upon approval of the proposed resolution, OCA plans to purchase an additional six fire engines at a total cost of \$3,485,242. Sufficient funding is available in the SFFD FY 2018-19 General Fund budget. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The cost proposal submitted by Ferrara includes a one percent payment discount for payment within 30 days of invoice. The payment discount has not been applied to either purchase to date. Had the discount been applied, SFFD would have saved approximately \$79,736 on the 14 engines that were purchased. The Budget and Legislative Analyst recommends that future purchase orders utilize the one percent payment discount. <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

In June 2016, the Office of Contract Administration (OCA) issued a Request for Proposals (RFP) to solicit vendors to enter a purchasing contract for triple combination pumper fire engines for the San Francisco Fire Department (SFFD). Three proposers responded to the RFP, and a five-member panel evaluated the proposals, as shown in Table 1 below.

Table 1: Proposers and Scores from RFP

| Proposer | Project Approach (out of 15) | Experience of Firm (out of 15) | Technical Proposal (out of 40) | Price Proposal (out of 30) | Total (out of 100) |
|-----------------------------------|------------------------------|--------------------------------|--------------------------------|----------------------------|--------------------|
| Ferrara Fire Apparatus, Inc. | 13.8 | 14.8 | 35.6 | 30.0 | 94.2 |
| Pierce Manufacturing | 8.2 | 8.4 | 11.0 | 29.0 | 56.6 |
| Hi-Tech Emergency Vehicle Service | 3.4 | 6.2 | 8.6 | 28.3 | 46.5 |

Ferrara Fire Apparatus, Inc. was selected as the highest scoring responsive and responsible proposer. Ferrara also had the lowest cost of the three proposers, at a total cost of \$584,816 per fire engine.¹ OCA awarded Ferrara a contract for a term of three years, from August 26, 2016 through August 25, 2019, and an amount not to exceed \$9,500,000, with two one-year options to extend through August 25, 2021, for a total not to exceed \$15,000,000.

In September 2016, OCA ordered eight fire engines from Ferrara. According to Mr. Mark Farley, OCA Supervising Purchaser, the total cost per fire engine was reduced to \$565,295, due to a change order.

In February 2018, OCA and Ferrara executed Modification No. 1 to the contract, modifying specifications and updating the total cost per fire engine to \$575,239. OCA purchased six engines at this price in March 2018.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 2 to the contract between OCA and Ferrara, authorizing the options to extend the term by two years through August 25, 2021, and increasing the not-to-exceed amount from \$9,500,000 to \$15,000,000. According to Mr. Farley, OCA plans to purchase six additional engines at a total cost of \$580,874 per engine.

¹ The total cost includes the base price of \$535,988, 8.5 percent sales tax, and \$14 California tire tax.

FISCAL IMPACT

The Department has previously purchased 14 engines at a total cost of \$7,973,792. The proposed purchase of six additional fire engines would have a total cost of \$3,485,242, bringing the total amount spent on the contract to \$11,459,034. The cost breakdown is shown in Table 2 below.

Table 2: Fire Engine Costs

| Order | Base Price | Sales Tax (8.5%) | Subtotal per Engine | CA Tire Tax | Total Cost per Engine | Engines Purchased | Total Cost |
|----------------------------|------------|------------------|---------------------|-------------|-----------------------|-------------------|---------------------|
| September 2016 | \$520,996 | \$44,285 | \$565,281 | \$14 | \$565,295 | 8 | \$4,522,359 |
| March 2018 | \$530,161 | \$45,064 | \$575,225 | \$14 | \$575,239 | 6 | 3,451,433 |
| <i>Total Spent to Date</i> | | | | | | 14 | \$7,973,792 |
| Future Order | \$535,355 | \$45,505 | \$580,860 | \$14 | \$580,874 | 6 | 3,485,242 |
| Total | | | | | | 20 | \$11,459,034 |

According to Mr. Farley, sufficient funding is available in the SFFD FY 2018-19 General Fund budget for the purchase of six additional fire engines. After the purchase of the six engines, the remaining contract authority would be approximately \$3,540,966 to allow for future fire equipment purchases.

POLICY CONSIDERATION

The cost proposal submitted by Ferrara includes a one percent discount for payment within 30 days. According to Mr. Farley, the payment discount has not been applied to either of the purchases submitted to date, which were ordered by other staff. Had the discount been applied, SFFD would have saved approximately \$79,736 over the 14 engines purchased from Ferrara. The Budget and Legislative Analyst recommends that future purchase orders utilize the one percent discount.

RECOMMENDATION

Approve the proposed resolution.