

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: County Executive Office

SUBMITTAL DATE:
February 27, 2004

SUBJECT: Aboveground Fueling System for the Sheriff's Aviation Unit

RECOMMENDED MOTION: That the Board of Supervisors authorize the Purchasing Agent to award contracts to the lowest responsive and responsible bidders for the purchase of a relocatable fuel tank and Jet-A fuel for use by the Sheriff's Department Aviation Unit.

Departmental Concurrence

BACKGROUND: At the request of the Board, on November 4, 2003 the Executive Office reported on the feasibility of a County-owned aircraft fuel tank at Hemet-Ryan Airport, exclusively for the use of the Sheriff's Department Aviation Unit. In compliance with the Board's direction, bids were solicited in December for the purchase of a relocatable fuel tank and in January for wholesale Jet-A fuel. The results of those bids are summarized in two attached charts (Attachments A and B). By owning a tank and purchasing wholesale fuel, the Sheriff's Department could save about \$27,000 per year. However, there would be a perceptible impact on the sole Hemet-Ryan Airport fuel provider, Hemet Ryan Aviation Incorporated (HRA Inc.).

(Continued on Page 2)

Rob Rockwell, Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 87,046	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 87,046	Budget Adjustment:	No
	Annual Net County Cost:	\$ 59,643	For Fiscal Year:	2003-04

SOURCE OF FUNDS: Department Budget

Positions To Be Deleted Per A-30

Requires 4/5 Vote

C.E.O. RECOMMENDATION: **APPROVE**

County Executive Office Signature

Policy Policy

Consent Consent

Dept's Recomm.: Per Exec. Ofc.:

500 PMB - 3 6M15: 02
RECEIVED RIVERSIDE COUNTY

Bid Details

On December 22, 2003, requests for fuel tank price quotations were sent to 4 potential bidders and advertised on the World Wide Web. Before the bid closed on January 15, 2004, a total of 119 hits were recorded on the website. A total of 4 responses were received. Tank price quotes are reflected on Attachment A.

On January 8, 2004, requests for aviation fuel price quotations were sent to 11 vendors and advertised on the World Wide Web. Before the bid closed on January 23, 2004 a total of 59 hits were recorded on the website. A total of 5 responses and one "no bid" from Hemet Ryan Aviation Inc. (the current vendor) were received. Fuel price quotes are reflected on Attachment B.

Actual Bids as compared with Original Estimates

Annual savings to the Sheriff's Department were originally estimated to be over \$28,000. Formal quotes for the purchase of wholesale fuel and the acquisition, including installation, of an aboveground relocatable fuel tank reflect annual savings of around \$27,000, as compared to current retail fuel cost at Hemet-Ryan Airport (Attachment C).

Estimated potential savings of \$546,000 would be realized over the 20-year life expectancy of the tank, apart from acquisition and installation costs. This is approximately \$28,800 less than first reported. By utilizing the \$25,000 received by the Sheriff's Department from the sale of surplus helicopter parts and taking into account the \$27,000 estimated annual savings, a return on this investment could be realized in as few as 18 months, if the lowest tank bid is accepted.

Tank Liability and Capacity

The product liability insurance that the fuel/refiner carries is up to \$75 million; the fuel transporter carries \$27 million worth of liability insurance. The fuel tank has a capacity of 10,800 gallons; 800 gallons is for overfill protection. Most Jet-A fuel trucks carry from 7,500 to 8,000 gallons per load. During critical conditions, with two helicopters in the air, Sheriff fuel consumption is not likely to exceed 500 gallons in a 24-hour period.

Impact on the Current Hemet-Ryan Airport Aviation Fuel Provider

As much as 85% of the Sheriff's current aviation fuel needs are now met at Hemet-Ryan Airport by HRA Inc. It is estimated that up to 50% of HRA Inc.'s Jet-A fuel sales are to the Sheriff's Department. Based on the current fuel retail price and an estimated annual purchase of 38,769 gallons by the Sheriff's Department, HRA Inc. is faced with a potential annual gross loss of \$86,483. Another 20-30% of HRA Inc.'s fuel sales are to the California Department of Forestry, which intends to relocate its aviation function to March Field in early 2005.

The viability of the County's airports is a concern of the County's Economic Development Agency, which owns and operates them. EDA managers have expressed

discomfort with the potential impact on the local vendor of wholesale fuel sales to the Sheriff's Aviation Unit. This concern needs to be weighed carefully against potential savings to the County's General Fund.

While formal bids for fuel were received from five potential vendors, HRA Inc. did not respond with a bid. It is unlikely that HRA Inc. could provide fuel at a price comparable to the wholesalers that did bid. For purposes of comparison, HRA Inc.'s average fuel price was determined from actual invoices provided to the Sheriff's Department in January of 2004.

Conclusion

In discussion at the November 4th Board meeting, the CEO was asked to return with the bid results, minus any recommended awards. Those results are attached and reflect potential cost saving to the Sheriff's Department. Given the severity of the State budget dilemma and the associated countywide impact, this or any other potential cost savings proposal should not be ignored. While the adverse impact on the current fuel provider is unfortunate, the vendor had a 25-day opportunity to bid. Authorizing the Purchasing Agent to award contracts to the lowest responsive and responsible bidders for the purchase of a relocatable fuel tank and Jet-A fuel is the logical next step.

ATTACHMENT A

RFQ# PUARC-330, AST FOR SHERIFF'S AVIATION

CLOSED 1/15/04

BUYER: RITA MEDELLIN

	Miller Brook Envir. 5%20, 60 dys, OC	Gittins Envir N30, -, OC	Fleming Envir Net 30, -, OC	Ami Adinin & Assoc N30, 45 dys, LA
Cost of UST unit	\$ 54,200.00	\$ 47,126.00	\$ 56,769.00	\$ 31,555.00
Misc taxable items	2,500.00	1,639.00	7,500.00	5,100.00
3,273. Sales tax	4,395.00	3,779.00	4,980.85	3,273.00
Freight, off-loading	1,400.00	1,265.00	2,500.00	3,500.00
Misc (non-taxable) items	2,305.00	7,420.00	4,250.00	16,900.00
Labor cost	5,900.00	12,210	6,625.00	30,300.00
GRAND TOTAL	\$ 70,700.00	\$ 73,439.00	\$ 82,624.85	\$ 90,628.00
Local preference	-	-	-	-
Payment discount	5% \$ 67,165.00	-	-	-

REQUEST FOR FUEL QUOTATION #PUARC-00348
 BID COST WORKSHEET (JET-A AVIATION FUEL)

BIDDER	AIR PETRO CORP. LANCASTER, CA	ARROW ENERGY SALINE, MI	AV FUEL CORP. ANN ARBOR, MI	BEST AERONET LTD DENISON, TX	WORLD FUEL SVS MIAMI, FL
COST PARAMETERS					
FUEL BRAND	Chevron	Valero			Valero
a JET FUEL RACK PRICE: OPIS LA SPOT PRICE AS OF 01-20-04	\$1.03550	\$1.05250	\$1.03300		\$1.0500
b DIFFERENTIAL FIXED COST-to include freight Sub-Total	\$0.10000 \$1.13550	\$0.15850 \$1.21100	\$0.10910 \$1.14210	\$1.24420 \$1.24420	\$0.1200 \$1.1700
c CALIF. STATE TAX (Aviation MJ Tax)	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.0200
d CALIF. SPILL FUND TAX (Superfund)	\$0.00119	\$0.00119	\$0.00119	\$0.00119	\$0.0012
Federal Excise Tax*	\$0.21800	\$0.21800	\$0.21800	\$0.21800	\$0.21800
Federal LUST tax	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.0010
Riverside County Sales Tax Rate = 7.75% x (a+b+c+d)	\$0.08960	\$0.09550	\$0.09020	\$0.09810	\$0.0923
Freight					\$0.0410
Pump Charge					\$0.0380
TOTAL COST per gallon:	\$1.46529	\$1.54669	\$1.47249	\$1.58249	\$1.5815

* Possible tax exemption permissible in lieu of filing annually for tax refund.

ATTACHMENT C

Cost Analysis

FUEL ESTIMATES

	Air Petro Corp	AV Fuel Corp	HRA Inc.
Pre-tax Fuel Rack Price*	1.136	1.142	2.080
Federal Excise Tax per unit	0.21800	0.21800	Included
Federal LUST Tax per unit	0.00100	0.00100	Included
CA Aviation M.J. Tax per unit	0.02000	0.02000	Included
CA Oil Spill Recovery Tax per unit	0.00119	0.00119	Included
Sales Tax	0.08964	0.09015	0.161
Annual Fuel Consumption at Hemet-Ryan Airport	38769	38769	38769
Price (includes all taxes)	\$1.465	\$1.472	\$2.241
Total Fuel costs	56,809.51	57,081.04	86,889.08
Tank Maintenance	1,000.00	1,000.00	N/A
Minor fuel truck maintenance	500.00	500.00	Included
EDA Flowage Fee**	1,333.35	1,339.65	Included
Total Annual Sheriff Cost before Excise Tax Refund	\$59,642.87	\$59,920.69	\$86,889.08
Wholesale Fuel Savings over Current Retail Price	\$27,246.22	\$26,968.39	

TANK ESTIMATES

Removable Fuel Tank Projected Costs (inclusive of set up and delivery)

Miller Brook Envir.	\$67,165.00
Gittins Envir.	\$73,439.00
Fleming Envir.	\$82,624.85
Ami Adinin & Associates	\$90,628.00

Cost Recovery Period (years)***

2.47
2.70
3.03
3.33

FEDERAL EXCISE TAX REFUND ESTIMATE

Based on 38,769 gallons \$8,451.64

* All prices reflective of market standings during the month of January, 2004.

** Flowage fee is 2.5%(County) or 5.0%(Public) x price per gallon before sales tax

*** Before applying one time revenues from the sale of surplus helicopter parts (\$25,000).