



City Council Report

915 I Street, 1st Floor
Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2019-00926

June 25, 2019

Consent Item 44

Title: Aviation Fuel Agreement (Two-Thirds Vote Required)

Location: Citywide

Recommendation: Adopt a Resolution to: 1) suspend competitive bidding in the best interests of the City; and 2) authorize the City Manager or the City Manager's designee to execute an Agreement with McClellan Jet Services for the purchase of aviation fuel for a term of five years for a total not-to-exceed amount of \$750,000 through June 30, 2024.

Contact: Mark Greenlee, Police Captain, Metro Division, (916) 808-0701, Police Department

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-Agreement

Description/Analysis

Issue: The Sacramento Police Department's (SPD) Air Operations Unit requires fuel to operate its aviation fleet of three helicopters and one fixed-wing airplane. The SPD respectfully requests authorization to suspend competitive bidding and enter into a five-year agreement with McClellan Jet Services in an amount not to exceed \$750,000 through June 30, 2024. Staff research and negotiations with McClellan Jet Services confirm that suspension of competitive bidding is in the best interests of the City.

Policy Considerations: The recommendations contained in this report are consistent with: 1) Sacramento City Code Section 3.56.090 requiring City Council approval for agreements equal to or greater than \$100,000; and 2) City Code section 3.56.230(C) allowing the City Council to suspend competitive bidding for any purchase or contract upon a two-thirds vote when City Council determines that it is in the best interests of the City to suspend the competitive bidding requirements.

Economic Impacts: Not applicable.

Environmental Considerations: This report concerns administrative activities that will not have a significant effect on the environment and does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) Guidelines, Sections 15061(b)(3) and 15378(b)(2).

Sustainability: Not applicable.

Rationale for Recommendation: Since aviation fuel is not available at any City-owned/operated fueling stations, the SPD must purchase aviation fuel from third-party entities such as McClellan Jet Services. McClellan Jet Services is the on-site fuel provider for the Sacramento McClellan Airport, where the SPD stores its Air Operations Fleet. It also provides fuel to other government public safety agencies such as the Sacramento Metropolitan Fire District, the Sacramento County Sheriff's Department, and the California Highway Patrol.

The SPD has negotiated with McClellan Jet Services to obtain aviation fuel at rates which are approximately \$2.95 less per gallon of Jet-A helicopter fuel and approximately \$.50 less per gallon of AvGas fixed-wing airplane fuel compared to local commercial fuel rates. The SPD helicopters consume approximately 42,000 gallons of Jet-A fuel annually. Prices negotiated with McClellan Jet Services provide cost savings to the City of approximately \$123,000 annually. Ignoring the negotiated rates, research of local commercial fuel rates indicates that McClellan Jet Services' commercial rates are still less, on average, than those offered by other fuel providers within the 20-mile radius of where the SPD stores its Air Operations fleet. While

there are providers with comparable commercial rates within the 20-mile radius, it would not be operationally efficient for Air Operations staff to regularly drive its fuel truck offsite to obtain fuel.

Financial Considerations: The SPD has operating grant resources to purchase aviation fuel. No general fund resources are required.

Local Business Enterprise (LBE): McClellan Jet Services is not an LBE. The minimum LBE participation requirement is waived as the City has suspended competitive bidding and utilized an alternate procurement method to select a vendor.

RESOLUTION NO.

Adopted by the Sacramento City Council

[DATE]

AVIATION FUEL AGREEMENT

BACKGROUND

- A. The Sacramento Police Department's Air Operations Unit requires fuel to operate its aviation fleet of three helicopters and one fixed-wing airplane. Since aviation fuel is not available at any City-owned/operated fueling stations, the SPD must purchase aviation fuel from third-party entities.

- B. SPD has negotiated with McClellan Jet Services to obtain aviation fuel at rates comparable to the Defense Logistics Agency's standard fuel rates, which are on average \$2.95 less per gallon compared to local, commercial fuel providers.

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

- Section 1. Competitive bidding is suspended for the purchase of aviation fuel.

- Section 2. The City Manager, or the City Manager's designee, is authorized to execute an Agreement with McClellan Jet Services for the purchase of aviation fuel for a term of five years for a total not-to-exceed amount of \$750,000 through June 30, 2024.

FUEL PURCHASE AGREEMENT

This Fuel Purchase Agreement (“Agreement”) is entered into this ____ day of _____, 2019, between **MCCLELLAN JET SERVICES, LLC** whose address is 3028 Peacekeeper Way, McClellan, CA 95652 (“Seller”), and the **CITY OF SACRAMENTO**, a municipal corporation, whose address for purposes of this Agreement is 2409 Dean Street, McClellan, CA 95652 (“Buyer”).

WHEREAS, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, Fuel (as defined below) at the prices and quantities provided hereinafter.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Product:

Seller agrees to provide Jet A and AvGas 100LL or equivalent fuel (“Fuel”) to Buyer as further set forth in Exhibit A attached hereto.

2. Term:

The term of this Agreement shall be from the date it is executed by the parties until June 30, 2024. The total not-to-exceed amount through June 30, 2024 will be seven hundred fifty thousand dollars (\$750,000). Notwithstanding the foregoing, the Agreement may be cancelled by either party by providing the other party with at least thirty (30) days written notice of termination.

3. Quantity:

Up to approximately forty-two thousand (42,000) gallons per year, subject to the availability to Seller of the Fuel and the not-to-exceed amount. If the amount of fuel purchased exceeds \$750,000 at any time through June 30, 2024, this Agreement may be terminated by either party with five (5) days prior written notice.

4. Rate: The rate for the Fuel shall be as set forth in Exhibit B attached hereto.

5. Payment: The timing of payment for the Fuel shall be set forth in Exhibit A attached hereto.

If, at any time, Seller has not received payment from Buyer for a shipment of Fuel within thirty (30) days after the time period set forth in Exhibit A (the “Payment Period”) or if Buyer is delinquent in its payment for Fuel within the above-stated Payment Period more than two (2) times in any one calendar year, Seller may, in its sole discretion, either terminate this Agreement in writing upon thirty (30)

days written notice to Buyer or require Buyer to pay for all subsequent deliveries of Fuel at the time of delivery. Except as expressly provided for herein, nothing in this Agreement shall be construed as obligating Seller to extend any credit to Buyer.

6. Notices:

All notices, demands, or other communications to be delivered or given hereunder shall be in writing and shall be deemed to be duly given upon personal delivery or upon mailing if sent by certified or registered mail, or express service, as follows:

If to Buyer: City of Sacramento Police Air Support
2409 Dean Street
McClellan, CA 95652
Attn: Randy Van Dusen

If to Seller: McClellan Jet Services, LLC
3028 Peacekeeper Way
McClellan, CA 95652
Attn: Scott Owens

Either party may change the address where such communications are to be directed and the person to whose attention such communications are to be delivered, by giving written notice to the other party.

7. Assignment:

This Agreement may not be assigned by either party without the prior written consent of the parties and any such attempted assignment shall be void.

8. Entire Agreement:

This Agreement represents the entire agreement between the parties, supersedes any prior oral or written understanding concerning the subject matter and may be modified only by written instrument signed by an authorized representative of the parties.

9. Dispute Resolution:

In the event there are matters related to this Agreement in dispute between the parties, the parties' representatives will meet to attempt to resolve such dispute(s) in good faith prior to implementing any litigation or dispute resolution mechanism. Disputes arising hereunder which are not resolved informally between the parties' representatives may be resolved by initiating a lawsuit in state or federal court located in Sacramento County. Should the parties agree in

writing, the matter may be resolved through binding arbitration under the commercial arbitration Rules of the American Arbitration Association.

10. Governing Law:

This Agreement and any dispute arising hereunder shall be governed by the laws of the State of California, without regard to the rules of conflict of laws of the State of California or any other jurisdiction.

11. Licenses; Permits; Approvals; Etc.

Seller represents and warrants that Seller has all licenses, permits, qualifications, and approvals that are legally required for Seller to furnish any fuel or goods under this Agreement. Seller represents and warrants that Seller shall, at its own cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to furnish the fuel or goods.

12. Public Records Act Requests:

As a public entity, the City of Sacramento is subject to various regulations and requirements that can make certain documents generated in the course and scope of business accessible for review and inspection the public. The parties acknowledge this Agreement can be made available to a person upon a properly made California Public Records Act Request.

13. Limitation on Liability:

Buyer agrees that the obligations incurred by Seller with respect to this Agreement shall not constitute personal obligations of the members, partners, joint ventures, directors, officers, trustees, employees, policyholders or any other principals or representatives of Seller.

14. Authority of Signatories:

All individuals signing below on behalf of the parties warrant and represent that they have full authority to execute this Agreement on behalf of the entities for which they have signed. Furthermore, neither Seller nor Buyer's obligations shall arise under this Agreement until this Agreement is approved by the Sacramento City Manager or City Manager's authorized designee, or by the Sacramento City Council, as required by the Sacramento City Code.

15. Counterparts:

The parties may execute this Agreement in counterparts which shall, in the aggregate, be signed by all the parties.

Executed as of the day and year first above stated.

SELLER:

McCLELLAN JET SERVICES, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

By: LK McCLELLAN, LLC, a California limited liability company, its member

By: _____
Larry D. Kelley

Date: _____

BUYER:

CITY OF SACRAMENTO
a municipal corporation

By: _____
Print name: _____
Title: _____

For: Howard Chan, City Manager

APPROVED TO AS FORM:

City Attorney

ATTEST:

City Clerk

**EXHIBIT A
SCOPE OF WORK**

City of Sacramento, Police Air Operations Team, has an ongoing requirement for Jet-A and AvGas 100LL aviation fuel. Approximately 42,000 gallons of fuel are necessary annually.

Responsibilities

Buyer will:

- Provide operational and clean fuel tank trucks and/or aircraft, as appropriate, for Jet-A and AvGas 100LL aviation fuel. Such fuel trucks and aircraft shall comply with all applicable laws for uplifting fuel at Seller’s facilities. Buyer acknowledges that fixed wing aircraft shall uplift its fuel at Seller’s self-serve facilities when practical.
- Provide adequate advance notice of fuel requirements
- Provide billing information necessary
- Pay Net 30 days

Seller will:

- Upon request, provide copies of fuel sample
- Subject to availability, (i) fill all City of Sacramento provided fuel trucks at Seller’s facility with Jet-A fuel and (ii) fill appropriate City of Sacramento aircraft with AvGas 100LL aviation fuel
- Provide access for disposal of sump fuel
- Provide aviation fuel that meets all applicable laws
- Bill monthly in arrears with terms of Net 30 Days

Points of Contact

Sacramento Police Air Support
2409 Dean Street
McClellan, CA 95652
Sergeant Randy Van Dusen,
(916) 566-4264 phone
rvandusen@pd.cityofsacramento.org

McClellan Jet Services
3028 Peacekeeper Way,
McClellan, CA 95652
William Appleton, Operations Manager
(916) 641-8970 phone
bappleton@mccllellanjetservices.com

Billing and Correspondence

All invoices and correspondence are to be sent to:

City of Sacramento Police Air Support
2409 Dean Street
McClellan, CA 95652
Attn: Randy Van Dusen
rvandusen@pd.cityofsacramento.org

EXHIBIT B

RATE

Fuel Rates

Seller will provide the Buyer into truck Jet-A, into aircraft Jet-A and into plane Avgas/100LL at the following pricing (Pricing changes every Tuesday):

- Jet-A Into Truck- Inventory cost plus \$.40
- Jet-A Into Aircraft-Inventory cost plus \$1.50
- Avgas/100LL Into Plane- Inventory cost plus \$.95

Billing and Correspondence

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