



Office of the City Manager

CONSENT CALENDAR
April 25, 2023

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Liam Garland, Director, Public Works
Subject: Purchase Order Amendment: Diesel Direct West, Inc. to Purchase Fuel for City Vehicles and Equipment

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to amend the multi-year purchase orders with Diesel Direct West, Inc. for the purchase of fuel for City vehicles and equipment, increasing the combined amount by \$750,000 for a total amount not to exceed \$11,494,000.

FISCAL IMPACTS OF RECOMMENDATION

Funding to pay for continued fuel purchases is available in the FY 2023 Equipment Maintenance Fund (Fund 672) and Fire Department (General Fund 011) Budgets. Individual departments are charged by the Equipment Maintenance Division for actual usage. If necessary, additional appropriations to the fuel budget may be added subject to Council approval of the Second Amendment to the Annual Appropriations Ordinance for FY 2023 Update or will be covered by the FY 2024 Baseline Equipment Maintenance budget for fuel.

Department	Estimated Amount
Public Works	\$650,000
Fire	\$100,000

CURRENT SITUATION AND ITS EFFECTS

Fuel is purchased by Public Works Equipment Maintenance Division for use by the City's vehicles and equipment including emergency generators. The previously approved City Council total not to exceed amount with Diesel Direct is nearing the end of its authorized funding limit faster than anticipated due to the high cost of fuel. To continue the uninterrupted delivery of fuel for the City's fleet, staff recommends the approval of the proposed contract amendment, increasing the total by \$750,000 for a not to exceed amount of \$11,494,000.

Public Works Equipment Maintenance endeavors to procure the most fuel-efficient vehicles and equipment that are suitable for the required tasks. For every fleet purchase, staff researches the feasibility and availability of fully electric vehicles and

hybrid-electric powertrains to support the City's transition from fossil fuels to renewable energy resources. However, for most heavy and medium duty applications that support Public Works operations and others, staff research finds that there are no viable electric vehicles or equipment for consideration at this time. The current need for conventional and alternative fuel aligns with the 2020 Municipal Fleet Electrification assessment that recognizes the lack of commercially available and viable fully electric medium and heavy-duty vehicles.

This Purchase Order amendment supports the Strategic Plan Priority goal of creating a resilient, safe, connected, and prepared city.

BACKGROUND

In January, 2016, City Council approved, Resolution No. 67,363-N.S. for a four (4) year contract with three (2) year options to extend, for a total maximum period of ten years, with Golden Gate Petroleum (now Diesel Direct) for fuel for City vehicles and equipment in the amount not to exceed \$7,444,000.

In 2018 Diesel Direct West, Inc. notified the City of Berkley that the company had acquired Golden Gate Petroleum's fuel delivery business and would continue to offer the City the same in terms of pricing, delivery, and schedule.

The City Manager signed an Extension to Term of Contract extending the multi-year purchase order authorization term with Diesel Direct West, Inc. from June 30, 2020 to June 30, 2021 and again extending the term through September 30, 2021.

City Council approved Resolution No. 70,026 N.S. authorizing the City Manager City Manager to execute a purchase order extension with Diesel Direct, Inc. for fuel for City vehicles and equipment, increasing the combined amount by \$1,400,000 for a total amount not to exceed \$8,844,000, and extending the term through June 30, 2022.

City Council approved Resolution No. 70,428 N.S. authorizing the City Manager City Manager to execute a purchase order extension with Diesel Direct, Inc. for fuel for City vehicles and equipment, increasing the combined amount by \$1,900,000 for a total amount not to exceed \$10,744,000, and extending the term through December 30, 2023.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The City currently uses a combination of renewable diesel, gasoline, and electricity to power its fleet and equipment. The City has used renewable diesel exclusively for diesel vehicles and equipment since 2016. The City is urgently transitioning its light duty fleet to electric but will need to continue to purchase fuel as commercially available and viable fully electric medium and heavy-duty vehicles are not available at this time.

In June 2020, the City Council received the Municipal Fleet Electrification Assessment. The assessment proposed to install 51 charging Stations with 100

chargers and upgrade all 129 vehicles in the light-duty fleet to EVs by the year 2030. Public Works (PW) has made significant progress toward the electrification of the City's municipal fleet by installing 31 charging stations with 61 chargers and transitioning the City's existing light-duty fleet. In 2020, there were 46 hybrids and 15 plug-in hybrid vehicles. Since, PW has facilitated vehicle orders/purchases for 48 EVs (sedans and pickups), 26 hybrid SUVs for the Police Department, and 23 renewable diesel vehicles to replace gasoline vehicles. These improvements are moving the City's fleet towards a fossil-free goal and have reduced its consumption of traditional gasoline by 37% from its 2001 peak.

Public Works is on track to complete the conversion of the light-duty fleet to EVs by 2028, two years ahead of the assessment's schedule. Additionally, funding was allocated to the Public Works Capital Improvement Fund to construct charging infrastructure for the Corporation Yard. This project is currently in the design phase with anticipated construction beginning in the Fall of 2023.

Additionally, the City is transitioning away from Compressed Natural Gas vehicles to renewable diesel to further reduce the carbon footprint of the City's fleet.

RATIONALE FOR RECOMMENDATION

With the existing purchase orders and fuel market volatility, backed up by monitoring Oil Pricing Information Service (OPIS) prices, staff finds extension of the current Purchase Orders to be prudent and cost effective. Fuel, primarily renewable diesel, is required for emergency response vehicles, critical equipment, vehicles, and emergency generators.

ALTERNATIVE ACTIONS CONSIDERED

The City can choose to purchase fuel on the open market without indexed price or cost savings from volume considerations. However, this is not recommended since the City will be unable to realize the cost savings.

CONTACT PERSON

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RESOLUTION NO. ##,###-N.S.

PURCHASE ORDER AMENDMENT: DIESEL DIRECT, INC. FOR FUEL FOR CITY VEHICLES AND EQUIPMENT

WHEREAS, fuel is needed for purchase by Public Works Equipment Maintenance for use by City vehicles and equipment including emergency generators, and by the Fire Department for fuel at City fire stations; and

WHEREAS, on January 26, 2016, City Council approved Resolution No. 67,363-N.S. for a four (4) year contract with three (2) year options to extend, for a total maximum period of ten years, with Golden Gate Petroleum (now Diesel Direct) for fuel for City vehicles and equipment in the amount not to exceed \$7,444,000; and

WHEREAS, in 2018 Diesel Direct West, Inc. notified the City of Berkley that the company had acquired Golden Gate Petroleum's fuel delivery business and would continue to offer the City the same in terms of pricing, delivery, and schedule; and

WHEREAS, the City Manager signed an Extension to Term of Contract extending the multi-year purchase order authorization term with Diesel Direct West, Inc. from June 30, 2020 to June 30, 2021 and again extending the term through September 30, 2021; and

WHEREAS, on September 14, 2021, City Council approved Resolution No. 70-026 N.S. authorizing the City Manager to execute a purchase order extension with Diesel Direct, Inc. for fuel for City vehicles and equipment, increasing the combined amount by \$1,400,000 for a total amount not to exceed \$8,844,000, and extending the term through June 30, 2022; and

WHEREAS, on June 28, 2022 City Council approved Resolution No. 70,428 N.S. authorizing the City Manager to execute a purchase order extension with Diesel Direct, Inc. for fuel for City vehicles and equipment, increasing the combined amount by \$1,900,000 for a total amount not to exceed \$10,744,000, and extending the term through December 30, 2023; and

WHEREAS, funding will be appropriated in the FY 2023 budget in General Fund 011 and Equipment Maintenance Fund 672 or will be covered by the FY 2024 Baseline Equipment Maintenance budget for fuel.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to amend the multi-year purchase orders with Diesel Direct, Inc. for fuel for City vehicles and equipment, increasing the combined amount by \$750,000 for a total amount not to exceed \$11,494,000.