



Agenda Date: _____

Board Briefing Report

DATE: September 11, 2009

TO: Board of Supervisors

FROM: Arpi K. Apkarian, Deputy Director of General Services

SUBJECT: Fuel Charges and Services

EXECUTIVE SUMMARY

During the FY 2009-10 Budget Hearings, your Board requested additional information regarding fuel charges to County departments. In addition, at the September 1, 2009 Internal Service Fund Workshop, your Board requested information concerning the feasibility of purchasing fuel countywide by issuing credit cards to user departments. Following is a brief history and status of the fuel tank replacement program, reserve, and surcharge, as well as factors to consider in purchasing fuel using credit cards.

HISTORY/STATUS

Fuel Tank Replacement Reserve Surcharge

Currently, the County operates 19 fueling sites (see Exhibit A), with a total of 23 fuel tanks. The surcharge for the fuel tank replacement reserve was implemented in 1997 to provide for the replacement and maintenance of the County fuel tank infrastructure to include annual fees and services required to maintain, support, and keep the system in compliance with Federal and State regulations.

The \$.20 per gallon surcharge was charged to all County departments, as well as outside agencies to which fuel was dispensed. The reserve is for the benefit of the County as a whole to support the County fuel tank system and not specific to any one department or agency. In FY 2004-05 and FY 2005-06, the surcharge was reduced to \$.10 per gallon due to budget constraints. As a result of the County's current budget situation, the surcharge to user departments was eliminated for FY 2009-10. Exhibit B identifies the total gallons dispensed and the total surcharge collected by fiscal year.

On June 30, 2009, the reserve was \$1,422,878. During Budget Hearings, your Board was informed that the reserve would be reduced by \$400,000 in FY 2009-10. This is currently being accomplished in the form of a credit to County departments based on fuel consumption. The balance of \$1,022,878 will remain as a reserve to be used for the replacement and maintenance of the County fuel tank infrastructure.

Purchasing Fuel with Credit Cards

During the September 1, 2009 Internal Service Fund Workshop, your Board directed staff to look into the feasibility of purchasing fuel countywide by issuing credit cards to user departments. For your Board's information, several factors that should be taken into consideration when determining the cost-effectiveness of utilizing credit cards are outlined below.

Cost of fuel – It is more expensive to purchase fuel through a credit card system. Currently, the County purchases fuel through a contract with Falcon Fuels. This contract was entered into in 2007 upon

completion of a formal bid. The County's cost is based on the cost of fuel (including taxes), which varies daily with market conditions, and the differential cost, which is the vendor's cost to deliver the product to County fueling sites.

Fleet Services is continually comparing retail fuel prices to the County's fuel contract costs. Some examples of comparisons to recent County unleaded fuel invoices are shown below:

<u>Date</u>	<u>County Cost per Gallon</u>	<u>Avg. Retail Cost per Gallon (Fresno)*</u>	<u>Cost Advantage per Gallon</u>
3/6/09	\$1.9917	\$2.3053	\$.3136
7/2/09	\$2.4658	\$2.9955	\$.5297
8/24/09	\$2.6198	\$3.0729	\$.4531
	\$.4321	average cost advantage per gallon	
	<u>1,182,102</u>	gallons purchased in FY 2008-09	
	\$510,786	annual cost advantage (utilizing the figures above)	
	<u>\$66,286</u>	less salary and benefits cost of Fuel Site Compliance Specialist position	
	\$444,500	total annual cost advantage	

** includes federal excise tax that may be excluded for qualifying agencies when using credit cards*

The only cost applied to the County's contract fuel costs is the Fuel Site Compliance Specialist position, which was established in 2004 to ensure compliance with Federal and State regulations; all other fuel tank infrastructure costs are offset by the fuel tank replacement reserve. Based on the figures above, the cost advantage of using the County fueling system vs. fuel credit cards is approximately \$444,500 annually.

Exhibits C and D are an actual invoice and receipt, respectively, for fuel purchased by the County last week. Exhibit C is the invoice from Falcon Fuels, the County's fuel contractor. With all taxes applied, the total cost per gallon was \$2.838. Exhibit D is a receipt from an outside fueling station in Fresno for fuel purchased on the same date. The cost per gallon was \$3.199. Fuel purchased from the outside fueling station was \$.36 per gallon more expensive than fuel obtained from the County's fueling site.

Exhibit E provides a comparison of unleaded fuel charges to the Sheriff's Office by the County, Chevron and Shell based on information provided to the County Administrative Office. *It should be noted that the County charges for March 2009 through June 2009 include a \$.20 per gallon surcharge.* In addition, the County charges to the Sheriff may be above the County average cost indicated in the chart above because the Department's cost is based on the fueling sites from which fuel is dispensed.

Cost increases – Currently, fuel costs are estimated based on several variables (historical data, market fluctuations, etc.) and projections are provided to user departments to include in their annual budgets. When fluctuations in costs occur, projections are not changed; instead rates are adjusted in the subsequent year to produce a smoothing effect. If fuel is purchased by issuing credit cards, departments would become fully responsible for budgeting for fuel costs and appropriations for departments' fuel requirements would need to be budgeted separately in each of their budgets based on the departments' projected miles driven/usage. As fuel costs increase, departments would experience spikes in their fuel charges. With a fixed budget, it would be difficult to absorb any increases.

Potential fraud, waste, and abuse – There could be fraud, waste, and abuse as departments do not have systems in place to properly track fuel purchases by vehicle and employee.

No tracking for rate development and service intervals – Fleet Services would not have departmental vehicle and fuel information to be able to track odometers/hour meters, which determine the vehicle rental rates charged to user departments. Additionally, without daily odometer readings, Fleet Services would not be able to track vehicles for service intervals. Lack of routine maintenance will result in costly repairs at a later time.

Additional staff/resources – Additional staff and resources may be required for monthly reconciliation and payment of invoices. This would be accomplished at the user department level.

Fuel tank compliance/removal – The existing fuel tanks would need to be monitored for compliance with state and federal regulatory requirements or removed altogether. Either option would result in costs to the County.

Emergency situations – If gas rationing occurs, County user departments would compete with the general public to purchase fuel. Fire departments and first responders would not be able to fuel at the County's remote fueling sites. During power grid failures, County user departments may not be able to obtain fuel from outside sources. It should be noted that all County fueling sites use generators and would remain operational.

Based on the factors mentioned above, General Services' findings indicate that it is neither cost-effective nor beneficial to the County to purchase fuel countywide through a credit card system.

CONTACT PERSON

For additional information, please contact me at 488-1721.

Exhibit A

County of Fresno Fueling Sites

American Ave Disposal
18950 W. American Ave
Kerman, CA 93630
559-845-6138

Auberry Public Works Yard
33148 Auberry Road
Auberry, CA 93602
559-855-2626

Avocado Lake
3625 N. Piedra Rd
Sanger, CA 93657
559-787-2374

Barton Motor Pool
500 S. Barton
Fresno, CA 93702
559-453-4846

Biola Public Works Yard
12856 W. 'G' Ave
Biola, CA 93606
559-843-2474

Caruthers Public Works Yard
2544 W. Mountain View
Caruthers, CA 93609
559-864-3172

Clovis Public Works Yard
9400 N. Matus Ave.
Fresno, CA 93720
559-299-3818

Coalinga Public Works Yard
740 E. Polk St.
Coalinga, CA 93210
559-935-3034

Courthouse B1 Level
1155 'M' Street
Fresno, CA 93721
559-488-3547

Del Rey Public Works Yard
3633 S. Del Rey
Sanger, CA 93657
559-875-6120

Dunlap Public Works Yard
40315 Dunlap Rd
Dunlap, CA 93675
559-338-2531

Firebaugh Public Works Yard
38835 W. Nees Rd
Firebaugh, CA 93622
559-659-2323

Hamilton Yard
4551 E. Hamilton
Fresno, CA 93702
559-456-7530

Juvenile Justice Campus
3333 E. American Ave
Fresno, CA 93725

Kearney Park
6725 W. Kearney Blvd
Fresno, CA 93706
559-441-1443

Reedley Public Works Yard
17626 W. Manning
Reedley, CA 93654
559-638-3328

Sanger Public Works Yard
9525 E. Olive
Sanger, CA 93657
559-252-1071

Shaver Lake Public Works Yard
41686 Dinkey Creek Road
Shaver Lake, CA 93664
559-841-7171

Tranquility Public Works Yard
25411 W. Silveria
Tranquility, CA 93668
559-698-7278

Exhibit B

County of Fresno
Fuel Dispensed & Surcharge Collected by Fiscal Year

FY	Total Gallons Dispensed	Surcharge Rate	Surcharge Amount Collected
1997-98	1,589,516.30	\$0.20	\$317,903.26
1998-99	1,532,429.60	\$0.20	306,485.92
1999-00	1,461,587.45	\$0.20	292,317.49
2000-01	1,865,493.00	\$0.20	373,098.60
2001-02	2,018,293.60	\$0.20	403,658.72
2002-03	1,933,064.20	\$0.20	386,612.84
2003-04	2,081,190.20	\$0.20	416,238.04
2004-05	1,813,633.70	\$0.10	181,363.37
2005-06	1,860,359.10	\$0.10	186,035.91
2006-07	1,822,443.05	\$0.20	364,488.61
2007-08	1,768,480.30	\$0.20	353,696.06
2008-09	1,604,129.00	\$0.20	320,825.80
	21,350,619.50		\$3,902,724.62

Expenditures (July 1997 - June 2009)	<u>(\$2,479,846.17)</u>
Balance (June 30, 2009)	\$1,422,878.45
Credit to Departments (FY 2009-10)	<u>(\$400,000.00)</u>
Total Reserve Fund After Credit	<u>\$1,022,878.45</u>

FREEBIE

Alt. Karu
559-456-0483

REMIT TO:
P.O. BOX 347
PARAMOUNT, CALIFORNIA 90728

SOLD TO:

BIDLA PUBLIC WORKS YARD
ATTN: FLEET SERVICES
4551 E. HAMILTON
FRESNO, CA 93702

ACCOUNT NUMBER: 02490

SHIP TO: BIOLA PUBLIC WORKS YARD
12855 WEST G STREET
BIOLA, CA

NUMBER 115349

DATE 09/04/79

ORIGINAL

2.83.8. PER GALLON

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EXHIBIT D

MAGUIRE'S FOODMART
4151 E VENTURA
FRESNO, CA
STN 00096101

09/04/09 13:11:36

E/CTBUSINESS
XXXXXXXXXXXX 0073
Invoice# 8111005
Auth# 959289

Pump#: 1
10.632 G @ \$ 3.199
Unit/Self \$ 34.01

Total \$ 34.01

NY0,8975730 NA,FR
ESNO CO FLT SRVS

20# 813 51
card 0073

THANK YOU FOR
CHOOSING CHEVRON

EXHIBIT E

Sheriff Charges Unleaded Fuel
Average Cost per Gallon

<u>Sheriff Charges</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09**</u>
County*	2.18	2.18	2.29	2.59	2.47
Chevron	2.11	2.17	2.31	2.75	2.77
Shell	2.18	2.26	2.57	3.11	2.87

* This cost may vary from the County average because the Department's cost is based on the fueling sites from which fuel is dispensed.

** Note: The \$.20 per gallon surcharge was eliminated beginning July 1, 2009.