



## Innovation Task Force

April 10, 2014

## Item #14-4-2B Information

### Pooled Purchasing

**Issue:** Staff will present an update on pooled purchasing, specifically, fuel procurement, one of the original member/shared service concept proposals.

**Discussion:** In 2012, pooled purchasing of goods and services was identified by SACOG member agencies as a high priority. In 2013, staff was approached by the City of Sacramento to explore a regional joint procurement of fuel. Over the last several months, staff has surveyed public agencies in the SACOG region, as well as bordering counties, about their interest in participating in a joint procurement of vehicle fuel, oils and lubricants (for simplicity, “fuels”).

Of those surveyed, 28 public agencies are interested in participating in a joint procurement of fuels. These include cities, counties, and special districts. The intent of the procurement is to have a contract that saves money for all participating agencies. Currently, agencies pay between \$2.26 to \$3.77 per gallon for unleaded fuel. While some cost difference is based on location, volume is another factor. By purchasing a large amount of fuel for the entire region, the volume discount could be passed on to all agencies.

Staff intends to ask the SACOG Board in May to release a Request for Proposals (RFP), with a final contract award in August. The RFP would be structured so that each agency uses the general contract terms, and then signs a separate agreement establishing quantities and other terms specific to their needs. Given the scope and complexity of this RFP, staff will work with procurement officers from participating agencies to review proposals and offer a significant time period for bidders to respond.

The potential savings to individual public agencies from participating in a joint procurement could be significant. SACOG has spent approximately 200 staff hours to date to develop a list of procurement officials, convene meetings, meet with procurement staff, research fuel procurement best practices, and survey interested public agencies. Staff anticipates spending another 200 hours between now and the end of the calendar year on developing the fuel procurement RFP, screening applicants, awarding the contract, and designing an administrative fee. Staff and potential participants in the joint fuel procurement are designing the administrative fee to cover the costs of future joint procurement endeavors, with segregated funds to be used for the benefit of participating agencies, potentially including legal costs for developing procurements, program administration, and other related costs. SACOG is working on a proposal that it will share with other agencies as part of the RFP development. Estimated staff time is covered by the existing budget for shared services in the adopted 2013/14 and proposed 2014/15 Overall Work Programs.

Staff will provide updates to the Task Force as the fuel procurement progresses, assess the transferability to future procurements, and report back by the end of the calendar year.

Approved by:

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