



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: NOVEMBER 1, 2004

ITEM NUMBER: \_\_\_\_\_

**SUBJECT: SOLE SOURCE PURCHASE OF NATURAL GAS VEHICLE FUELING EQUIPMENT**

**DATE: OCTOBER 20, 2004**

**FROM: PUBLIC SERVICES DEPARTMENT**

**PRESENTATION BY: WILLIAM J. MORRIS, PUBLIC SERVICES DIRECTOR**

**FOR FURTHER INFORMATION CONTACT: BRUCE HARTLEY, MAINTENANCE SERVICES MANAGER (714) 754-5164**

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## **RECOMMENDATION:**

Authorize the City Manager to execute an agreement with Gas Equipment Systems, 8930 Center Avenue, Rancho Cucamonga, CA 91730 for the sole source purchase and installation of Fuel Maker Corporation natural gas vehicle fueling appliances, in the amount of \$106,675.

## **BACKGROUND:**

The City of Costa Mesa Public Services Department, Maintenance Services Division applied for and was awarded a grant from the South Coast Air Quality Management District's Mobile Source Air Pollution Reduction Review Committee (MSRC) in November 2003. The grant co-funded the purchase of three compressed natural gas (CNG) powered pickup trucks at \$10,000 each. The total cost of the vehicles was approximately \$75,000, less the \$30,000 reimbursement, resulting in a net cost to the City of approximately \$15,000 each for the three pickup trucks. The vehicles were included in the FY 2004-05 budget. They have been received and were placed into service in October 2004.

The second portion of the MSRC grant will co-fund the purchase and installation of the necessary fueling appliances (manufactured by Fuel Maker Corporation) to provide for on-site fueling of the three vehicles and an additional five CNG vehicles that the City already has in service. The MSRC grant will provide a reimbursement of \$35,000 towards the total cost of \$106,675 for the two fueling systems to be installed at the City Corporation Yard, located at 2310 Placentia Avenue. The City's share of the purchase will be from A.B. 2766 Subvention Funds, resulting in no outlay of General Funds to purchase and install the equipment.

## **ANALYSIS:**

The City Council has supported the purchase and integration of alternative fuel vehicles into the City vehicle fleet. Additionally, Council has supported the application for and the receipt of the MSRC grant towards that end. Maintenance Services has received and

placed into service several alternative fuel vehicles. The next phase of the grant is to purchase and install the fueling appliances necessary to support those vehicles and future alt-fuel vehicle purchases.

The fueling appliances are only manufactured by one company, Fuel Maker Corporation, McKinney, Texas. The sole source distributor/installer in California is Gas Equipment Systems Incorporated (G.E.S.I.), Rancho Cucamonga, CA. See Attachment 1.

G.E.S.I. has evaluated the project site and has provided a quote in the amount of \$106,675 to provide and install all the required equipment. See Attachment 2. Staff has evaluated the cost quote for the project and found that the equipment cost of \$63,580 and the \$13,590 for the cost of the materials necessary to complete the installation are reasonable and consistent with projects of similar scope completed for other agencies. The shipping and sales tax are appropriate. The remaining charges for the engineering, plan development and labor to install the necessary electrical infrastructure, natural gas connections and fueling equipment are consistent with the time and costs anticipated for the completion of the project.

### **ALTERNATIVES CONSIDERED:**

One alternative to purchasing this equipment would be the continued use of commercial off-site fueling stations located in Fountain Valley and Santa Ana to fuel City-owned natural gas powered vehicles. However, this alternative requires significant travel time on a regular basis, and higher fueling costs as compared to on-site fueling systems. The natural gas used for on-site fueling is billed through a separate meter at a much lower billing rate, saving approximately \$0.75 to \$1.00 per gasoline gallon equivalent.

A second alternative, and one that was pursued without success, would be to construct a larger, fast-fill CNG fueling station available for other agency and public use. However, a station of this type typically costs \$500,000 or more to construct, and requires a significant number of users over and above the city fleet to provide a positive cost/benefit over the long term

### **FISCAL REVIEW:**

Funding for the purchase and installation of the Fuel Maker Corp. vehicle fueling appliances is included in the in the Public Services Department fiscal year 2004-2005 budget, and is partially off-set by an AQMD – MSRC grant funds in the amount of \$35,000. Additionally, A.B. 2766 funds are available for the remaining portion of the purchase.

The MSRC is aware that Fuel Maker Corporation and Gas Equipment Systems, Inc. are the sole source manufacturer and installer respectively, of the fueling appliance systems being purchased by the City and grant funds are not jeopardized by the award as long as it is consistent with established City purchasing policies.

### **LEGAL REVIEW:**

The City Attorney's Office has reviewed and approved the sole source purchase and installation process as proposed.

**CONCLUSION:**

The Public Services Department FY 2004-05 budget includes funding for the purchase and installation of natural gas fueling appliances in support of the alternative fuel vehicles in the City's vehicle fleet. Fuel Maker Corporation is the sole source manufacturer and Gas Equipment Systems, Inc. is the sole source distributor/installer of the fueling systems in California. Therefore, it is recommended that the City Council authorize the City Manager to execute an agreement with Gas Equipment Systems, 8930 Center Avenue, Rancho Cucamonga, CA 91730 for the sole source purchase and installation of Fuel Maker Corporation natural gas vehicle fueling appliances, in the amount of \$106,675.

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BRUCE A. HARTLEY  
Maintenance Services

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WILLIAM J. MORRIS  
Public Services Director

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MARC R. PUCKETT  
Director of Finance

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TOM WOOD  
Acting City Attorney

- ATTACHMENTS:
- 1 [Justification for Sole Source Request](#)
  - 2 [Letter Supporting Sole Source Vendor Status](#)
  - 3 [Cost Information for Requested Equipment](#)
  - 4 [Agreement](#)

DISTRIBUTION: City Manager  
City Attorney  
Deputy City Clerk  
Public Services  
Director  
Staff  
File

C: Larry Ozier, President  
Gas Equipment Systems, Inc.  
8930 Center Drive  
Rancho Cucamonga, CA 91730