



**STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS**

1. TO: Chief Procurement Officer
2. FROM: Frank J. Lopez, Interim Director Department of Public Safety

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:
Correctional Industries requests an exemption to purchase (2) High Cube Trucks, 2006 Chevy Express, 6.0 8 cylinder, gas with 2000 lbs power lift gate.

| | |
|---|---------------------------------|
| 4. Name of Vendor: Wholesale Motors, Inc. Address: 2999 Nimitz Highway, Honolulu, HI 96819 Phone: (808) 831-2701, Facsimile: (808) 831-2702 | 5. Price: \$80,944.04 |
|---|---------------------------------|

| | |
|---|--|
| 6. Term of Contract: <u>Date of Approval</u> From: <u>NA</u> To: <u>NA</u> | 7. Prior Exemption Ref. No. <u>NA</u> |
|---|--|

8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State:
See Attached

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
Through the yellow page advertisements, (25) vendors were identified and called to verify if they could provide the vehicles according to basic specifications (vehicle type, availability, price). Each vendor received either verbal or faxed specifications. (12) vendors provided **written quotes** with extended specifications within 10 days. Follow up calls were made to the vendors who did not respond to verify receipt of request for quote and to assure no bid status. Final prices and specifications from vendors were required to be in writing.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
Previous to the Director of Public Safety signing any agreement, it must be reviewed by the Correctional Industries Business Manager, the Correctional Industries Assistant Administrator, the Correctional Industries Administrator, and the Department of Public Safety Deputy Director for Corrections.

The original executed contract is maintained in the Correctional Industries Business office.

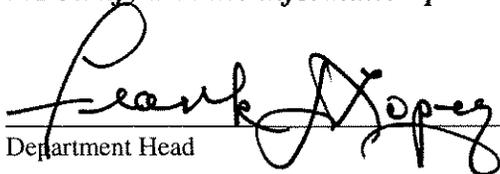
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

| 12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract: | | |
|---|--|---|
| Name | Position | Involvement in Process |
| N/A | PSD Deputy Director for Corrections | <input type="checkbox"/> Approval <input type="checkbox"/> Administration |
| Jonah Kaaui | Correctional Industries (CI) Administrator | <input type="checkbox"/> Approval <input type="checkbox"/> Administration |
| Dave Rivers | CI Assistant Administrator | <input type="checkbox"/> Approval <input type="checkbox"/> Administration |
| Gayle Kawamura | CI Business Manager | <input type="checkbox"/> Approval <input type="checkbox"/> Administration |
| | | <input type="checkbox"/> Approval <input type="checkbox"/> Administration |
| | | <input type="checkbox"/> Approval <input type="checkbox"/> Administration |

13. Direct inquiries to: Department: Department of Public Safety, Correctional Industries Division
 Contact Name: Dave Rivers, CI Assistant Administrator
 Phone Number: 808 486-4883
 Fax Number: 808 488-4999

Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*


 Department Head

5-4-06
 Date

Reserved for SPO Use Only

15. Date Notice Posted 5/09/06

The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to:

Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

Chief Procurement Officer's comments:

This approval is for the solicitation process only, section 103D-310(c), HRS, and section 3-122-112, HAR, shall apply.

16. APPROVED DISAPPROVED


 Chief Procurement Officer 5/16/06
 Date

STATE OF HAWAII
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

SPO-7 FORM: 8.

Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:

Background

Correctional Industries (CI) is a Department of Public Safety (PSD) program in which inmates may learn vocational skills, receive monetary awards for good work habits through inmate wages, and prepare themselves for return to civilian life. The program is unique among the rehabilitation programs in that it must be self-sufficient. All monies earned by the sale of goods or services are deposited into a revolving fund, which is used to pay for administrative employees, inmates, raw materials, and overhead. If there is not enough money in the revolving fund, the program will terminate.

In December 2005, PSD and the State Department of Transportation (DOT) entered into a memorandum of agreement (MOA) for PSD to supply DOT with at least (3) inmate worklines for landscaping and cleaning the State's highways for (10) years. These worklines were to commence as soon as possible. The variables for starting the program came down to three (3) main areas: Hiring of personnel, DOT funding, and procurement of vehicles. As of April 14th, funding was made available and on April 17th, (2) of the (3) supervisors cleared the PSD personnel process. All that remains, is the procurement of the work line vehicles.

Due to the extensive hiring procedures and several applicants having fallen out of the rigorous background and clearance process required by PSD and CI being profit sensitive, we could not, from a sound business principle, purchase and or lease vehicles without confirmation of staff clearing the hiring process.

CI investigated the potential of leasing because of the instant availability of the lease with end of term buyout option, purchasing used, and purchasing new. Through written quote requests, CI received multiple offers using the various aforementioned procurement types to purchase vehicles to fulfill the DOT MOA.

LEASING VEHICLE WITH END OF TERM BUYOUT (5 YEAR ANALYSIS)

The most comprehensive lease quote was received from Penske for 60 months with term value of over \$59,000.00 or (\$984.00/month) with buy out option of nearly \$6,000.00. Although Penske provides driver training, roadside service, after hour routine maintenance and replacement vehicles, the lease-to-own price would be nearly \$64,000.00.

Other lease competitors such as Cutter Ford Isuzu, Ryder Truck, and HT&T Truck Center, offer competitive pricing for leasing but do not have the same level of servicing as Penske. This was not a fair comparison.

USED VEHICLE PURCHASE

The purchase of used vehicle saw considerable upfront cost savings. After consultation with both PSD automotive staff and potential vehicle maintenance service providers, they all suggested against purchasing used because there is minimal or no information of the vehicle prior to purchase. It is believed that after the first three to five years, the vehicle maintenance cost would increase dramatically. In the long run, the cost of repair will exceed the initial purchase savings. Further, the cost of the downtime when the vehicle is being repaired is an added disadvantage.

NEW VEHICLE PURCHASE

CI canvassed all the in-state vehicle dealers for new vehicle pricing. Four vendors responded with **written quotes**. The most important criteria was **on-island availability** then price. Of the various quotes received, there are two viable options to purchase:

- 1) Wholesale Motor, Inc. -- \$47,272.02
 - a. Availability – (2) ON ISLAND NOW
 - i. High Cube Trucks, 2006 Chevy Express, 6.0 8 cylinder, gas
 - ii. 2000lbs power lift gate
 - b. Total Purchase Price -- **\$40,472.02 each**
 - i. All fees included
 - ii. All Taxes
 - c. Maintenance (5) Year Total -- \$6,800.00
 - i. Regular Scheduled (5) Years – \$5,000.00
 - ii. Tire Change -- \$1,500.00
 - iii. Battery Change -- \$300.00

- 2) McKenna Windward Ford (McKenna)-- \$46,587.54
 - a. Availability – (12) WEEKS, any quantity requested
 - i. High Cube Trucks, 2006 Ford E350, 5.4 8 cylinder, gas
 - ii. Twelve foot slide gate
 - b. Total Purchase Price -- **\$39,787.54**
 - i. Base price per vehicle \$33,615.10
 - ii. Penske (3) Month Vehicle Lease, (\$2,057.48/Month) -- \$6,172.44
 - c. Maintenance (5) Year Total -- \$6,800.00
 - i. Regular Scheduled (5) Years – \$5,000.00
 - ii. Tire Change -- \$1,500.00
 - iii. Battery Change -- \$300.00

The most important specification is immediate availability. Cumulatively, Wholesale Motors, Inc., although \$684.48 more than McKenna, is the best option

because there is vehicle customization such as racking for weed whackers, installation of bench seating for work lines, etc. that has to be done to the vehicles to ready them for the project. With the leased vehicles, CI would be unable to alter these vehicles and meet its requirements.

SUMMARY

In summary, the **first date of these worklines is Monday, May 8, 2006**. An immediate solution is warranted. CI is shifting vehicles from other work lines **and temporarily renting vehicles** until this request is granted. During the course of the DOT MOA, it is projected that CI will need to procure up to (15) vehicles. With your approval, CI will move forward in purchasing (2) new vehicles from Wholesale Motor, Inc.

CI operates using revolving funds generated through the sales of its goods and services. Funding for the initial (3) vehicles has been budgeted. Your favorable response is requested. If there are any questions, please call Jonah Kaauwai, CI Administrator, at 587-3475.