

Council Meeting of
August 22, 2006

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: General Services – Requesting authorization for change order to purchasing agreement with SC Fuels of Orange, California, providing additional funding for fuel until September 30, 2006. Expenditure: Not to exceed \$535,000.00

RECOMMENDATION

The General Services Director and the Transit Director recommend that the City Council authorize a change order to the City's existing purchasing agreement with SC Fuels of Orange, California, to increase the original contract by \$535,000 for a total amount not to exceed \$2,740,000, for purchases of CARB approved Ethanol-blended (no MTBE) 87-Octane unleaded gasoline, diesel fuel, and ultra-low sulfur diesel fuel.

FUNDING

Funding for gasoline and diesel fuels is available in each user department's respective FY 2006-2007 operating budgets.

BACKGROUND/ANALYSIS

Although the City's fuel usage remains relatively consistent, fuel prices have continued to rise over the past months due to a number of factors affecting market conditions. As a result, staff recently discovered that funding allocated for the existing purchasing agreement will be insufficient to last through the end of the contract term, which will expire on September 30, 2006.

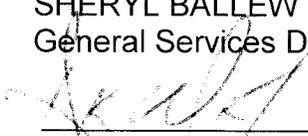
Due to multiple departments using this contract and individual departments ordering and receiving shipments of fuel, there was a lack of communication and delay in the process of recording and payment of invoices. This resulted in an inaccurate remaining available balance in the purchase order. Staff will implement procedures to prohibit this from happening in the future.

Based upon current fuel usage trends, staff estimates that an additional \$535,000.00 (this includes approximately \$87,000 of outstanding invoices) is needed in order to maintain sufficient fuel inventories to last through the end of the purchasing agreement. This estimate includes a ten percent (10%) contingency to account for the possibility of additional near-term price increases.

A related consent item is also before your honorable body this evening, recommending that the City take advantage of an option to renew this same existing purchasing agreement with SC Fuels of Orange. Throughout the term of that purchasing agreement, staff will continue to proactively monitor fuel pricing trends and fuel usage within the City fleet in order to ensure that your honorable body is kept abreast of any changes that could significantly affect the City's overall fuel expenditures.

Respectfully submitted,

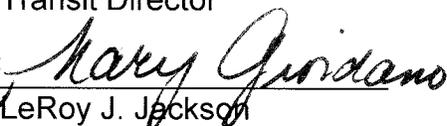
SHERYL BALLEW
General Services Director


By David K. Winnett, Jr.
Fleet Services Manager

CONCUR:


Sheryl Ballew
General Services Director


Kim Turner
Transit Director


for LeRoy J. Jackson
City Manager

Finance Director's Note: The City's budget set aside \$350,000 and \$300,000 to cover increased fuel costs for 2005-06 and 2006-07 fiscal years respectively. Staff will continue to monitor the cost of fuel. If fuel costs are projected to exceed budget expectations an item addressing the cost of fuel will be placed on the agenda at the City's Mid-Year Budget Review.