

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 - Recommendation to Renew a Purchasing Agreement with SC Fuels of Orange, CA, to Provide Gasoline and Diesel Fuels to the City for a period of One (1) Year. Expenditure: \$2,800,000.00 annually. Ref. Bid No. B2005-46

RECOMMENDATION

The General Services Director and Transit Director recommend that the City Council authorize the renewal of a purchasing agreement with SC Fuels of Orange, CA in an amount not to exceed \$2,800,000.00, to provide California Air Resources Board (CARB) approved Ethanol-blended (no MTBE) 87-Octane unleaded gasoline, diesel fuel #2 and ultra-low sulfur diesel fuel. This agreement will cover a period of one (1) year, beginning October 1, 2006 through September 30, 2007.

Funding

Funding for gasoline and diesel fuels is available in each department's respective FY2006-2007 operating budget and will be available in their FY 2007-2008 budgets as well.

BACKGROUND/ANALYSIS

The purchase of gasoline and diesel fuel is essential in order to support the operational needs of the City's departments so that they are able to provide essential public services. Estimates of the City's fuel requirements for each successive contract year are based upon historical records of actual fuel usage in recent years.

Our fuel prices have increased anywhere from 4% to 27% for various fuel types during the term of our current fuel contract, and future trends are uncertain. We have therefore based the anticipated expenditure for the subject purchase agreement on actual prices paid over the past twelve (12) months. Fuel costs for the projected volumes of fuel that the City will purchase are based on pricing forecasts that are provided in a weekly report published by the Oil Price and Information Service (O.P.I.S.). This report lists average fuel prices being charged throughout the United States. The O.P.I.S. report is the most widely used reference for fuel contracts. The City and most other buyers of large quantities of fuel typically pay

the O.P.I.S. average price for the region, coupled with a marketing adjustment (surcharge or discount), depending on the volume of fuel purchased per transaction. O.P.I.S. pricing also takes into account overall fuel availability and current fuel demands within the region where the fuel is being sold.

The City of Torrance went out for formal bid last year (Bid B2005-46) for the City's annual requirement of gasoline and diesel fuels. On September 27, 2005, your Honorable Body awarded a purchasing agreement to SC Fuels based on their bid pricing. The bid included an option to renew the agreement for an additional year, with terms and conditions unchanged. SC Fuels has recently affirmed the additional one (1) year renewal option. Staff continues to be pleased with the quality of services and products provided by SC Fuels as well as the competitive pricing that SC Fuels offers the City.

Respectfully submitted,

SHERYL BALLEW
General Services Director

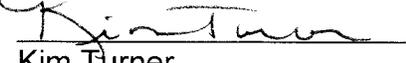


By David K. Winnett, Jr.
Fleet Services Manager

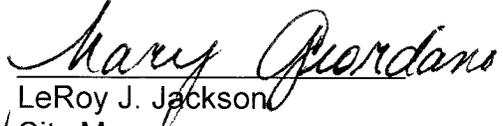
CONCUR:



Sheryl Ballew
General Services Director



Kim Turner
Transit Director



for LeRoy J. Jackson
City Manager

Council Meeting of
September 27, 2005

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

Members of the Council:

SUBJECT: Recommendation to Enter into a Purchasing Agreement with Southern Counties Oil Co., d.b.a. SC Fuels of Orange, CA, to Provide Gasoline and Diesel Fuels to the City for a One (1) Year Period

Expenditure: Not to exceed \$2,205,000.00

Ref. Bid No. B2005-46

RECOMMENDATION

The General Services Director, Acting Transit Director, Chief of Police, Fire Chief, Information Technology Director and Public Works Director recommend that the City Council authorize a purchasing agreement with Southern Counties Oil Co., d.b.a. SC Fuels of Orange, CA in an amount not to exceed \$2,205,000.00, to provide California Air Resources Board (CARB) approved Ethanol-blended (no MTBE) 87-Octane unleaded gasoline, diesel fuel #2, and ultra-low sulfur diesel fuel. This agreement will cover a period of one (1) year, beginning October 1, 2005, and ending September 30, 2006.

Funding

Funding for gasoline and diesel fuels is available in each user department's respective FY 2005-2006 operating budget, and will be available in their FY 2006-2007 budgets as well.

BACKGROUND/ ANALYSIS

The purchase of gasoline and diesel fuel is essential to all of the City's departments and the public services that they provide. Estimates of necessary fuel purchases for each successive contract year have historically been based upon volumes and costs of fuel purchased the prior year.

This year however, the legal mandate to perform upgrades to the vapor recovery systems on our unleaded fuel tanks has meant that we have been unable to receive any gasoline deliveries since the end of March. To facilitate the fueling of Police, Fire and other gasoline-powered City vehicles, your Honorable Body has approved purchase agreements with local fuel stations to supply unleaded fuel until our tanks are again certified for use.

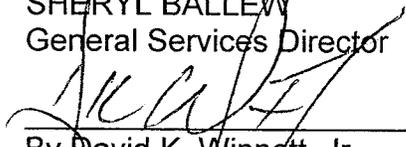
Fortunately, the necessary bid process for the upgrades to our tanks is now complete, the contract for this work has been signed, and work on at least one (1) fueling facility is expected to be completed by the end of October, 2005. We have therefore based our estimates of our gasoline fuel requirements on the volumes purchased in CY 2004 and taken into consideration the one (1) month of the contract during which we will continue to purchase gasoline off-site. Estimates for diesel fuel use are based on actual purchases for the prior twelve (12) months.

Fuel costs for the projected volumes of fuel the City will purchase are based on pricing provided by the Oil Price Information Service (O.P.I.S.) in their weekly report, which lists average fuel prices being charged throughout the United States. The O.P.I.S. report is the reference most widely used for fuel contracts. Buyers such as the City typically pay the average O.P.I.S. price, with a price adjustment (surcharge or discount) factored in, depending on the volume of fuel purchased, also taking into account overall fuel supplies and demands within the region. Our fuel prices have increased from 29% to 44% for various fuel types during the term of our current fuel contract, and future trends are uncertain. We have therefore based the anticipated expenditure for the subject purchase agreement on actual prices paid over the past twelve (12) months.

Formal bids were opened on August 25, 2005. Bids were received from three (3) vendors (Attachment A). Southern Counties Oil Company, d.b.a. SC Fuels, is the overall lowest responsible bidder. SC Fuels offers additional discounts for orders of 7,000 gallons or more per delivery, which is the method most utilized by the City, thereby making their bid the most cost-effective for the City.

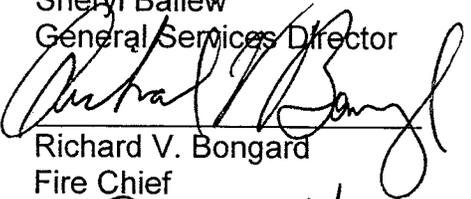
Respectfully submitted,

SHERYL BALLEW
General Services Director

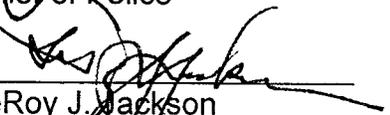

By David K. Winnett, Jr.
Fleet Services Manager

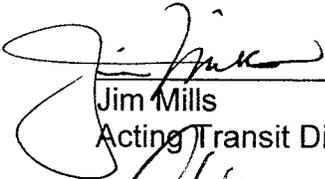
CONCUR:

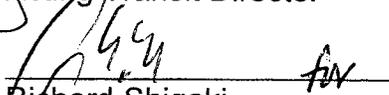

Sheryl Ballew
General Services Director

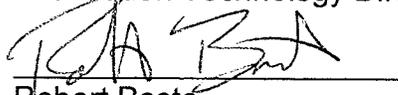

Richard V. Bongard
Fire Chief


James D. Herren
Chief of Police


LeRoy J. Jackson
City Manager


Jim Mills
Acting Transit Director


Richard Shigaki
Information Technology Director


Robert Beste
Public Works Director

Attachment A

B2005-46 Bid Tabulation

	Product Description	Patten Energy (Any Size Order)	Falcon Fuels (Any Size Order)	* Southern Counties Oil Co. d.b.a. SC Fuels (Orders Less Than 7,000 Gals.)	* Southern Counties Oil Co. d.b.a. SC Fuels (Orders of 7,000 Gals. or More.)
A.	Unleaded 87 Octane Gasoline CARB Approved Ethanol-Blended (no MTBE)	0.08	0.069	0.195	0.0018
	Spill Fee	0.0012	0.00119	0.00119	0.00119
	Childhood Lead Poisoning Prevention Fee	0	0.0076	0.00076	0.00076
	Subtotal Lines A	0.0812	0.07779	0.19695	0.00375
B.	CARB Diesel #2 (undyed)	0.08	0.069	0.204	0.0138
	Spill Fee	0.0012	0.00119	0.00119	0.00119
	Subtotal Lines B	0.0812	0.07019	0.20519	0.01499
C.	Ultra-Low Sulfur Diesel	0.08	0.069	0.084	0.0238
	Spill Fee	0.0012	0.00119	0.00119	0.00119
	Subtotal Lines C	0.0812	0.07019	0.08519	0.02499
	*Overall Lowest Responsible Bidder Considering City Most Often Orders 7,000 Gallons or More				