

Council Meeting of
September 25, 2007

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

Members of the Council:

SUBJECT: General Services & Transit – Recommendation to renew an annual purchasing agreement for gasoline and diesel fuels, and to approve a cooperative purchasing agreement with the City of Inglewood for B20 biodiesel

Expenditure: \$3,055,000.00 annually.

**Ref: a) City of Torrance Bid No. B2005-46
b) City of Inglewood Contract No. 6080-0000208**

RECOMMENDATION

The General Services Director and Transit Director recommend that the City Council award an annual purchasing agreement to SC Fuels of Orange, California, in a total amount not to exceed \$3,055,000.00 as follows:

- a) Approve renewal of an existing purchasing agreement with SC Fuels for California Air Resources Board (CARB)-approved Ethanol-blended (no MTBE) 87-Octane unleaded gasoline, diesel fuel #2, and ultra-low sulfur diesel fuel (ULSD), based on the City of Torrance Bid No. B2005-46.
- b) Award an annual purchasing agreement to SC Fuels for B20 blend biodiesel (B20), as a cooperative purchase with the City of Inglewood. The term of the agreement will run from October 1, 2007, through September 30, 2008.

Funding

Funding for gasoline and diesel fuels is available in each department's respective FY2007-2008 operating budget and will be available in their FY 2008-2009 budgets as well.

BACKGROUND/ANALYSIS

The purchase of gasoline and diesel fuels is required to support the operational needs of the City's various 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 records of actual fuel usage.

In conjunction with award of this year's fuel contract, staff is also recommending that the City begin using B20 blended biodiesel in all of the City's diesel-fueled equipment, with the exception of Transit Buses and Emergency Vehicles (Fire Trucks, Paramedic Trucks). B20 consists of a blend of 20% biodiesel and 80% regular ultra low sulfur diesel (ULSD).

The Transit and Fire Departments will conduct a limited evaluation of B20 biodiesel in a select few of their respective vehicles and report back to the City Manager after 90 days with a recommendation for or against introducing B20 into their entire fleets.

Staff's recommendation to switch to biodiesel stems from results achieved during a recent ninety-day test of B20 biodiesel in two of the City's Street Sweepers. This test revealed negligible operational differences between B20 and 100% ULSD, and virtually no fuel-related maintenance problems. Fuel economy is slightly reduced with B20; the industry fuel economy average demonstrates an approximate 2% loss in fuel economy using B20, compared to fuel economy results achieved using ULSD. However, staff feel that the environmental benefits of using biodiesel outweigh the loss in fuel economy by further reducing diesel particulate matter (soot) normally associated with diesel-fueled vehicles.

Projected fuel costs for the volume of fuel that the City anticipates purchasing in the coming year are based on pricing forecasts provided in a weekly report published by the Oil Price and Information Service (O.P.I.S.). This report lists average weekly fuel prices in all regions throughout the United States. O.P.I.S. pricing takes into account available fuel supplies and current fuel demands within the region where fuel is being sold. The O.P.I.S. report is the most widely-recognized reference for fuel contracts. The City of Torrance, 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 (premium or discount), depending on the volume of fuel purchased per transaction.

A bid opening was held on August 25, 2005, for the City's annual requirement of California Air Resources Board (CARB) approved Ethanol-blended (no MTBE) 87-Octane unleaded gasoline, diesel fuel #2 and ultra-low sulfur diesel fuel (Bid B2005-46). 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 purchasing agreement for an additional two (2) years, with terms and conditions unchanged. Last year, on August 22, 2006, your Honorable Body approved the second year renewal of this purchasing agreement. Staff is now recommending that Your Honorable Body award a third year renewal of the subject purchasing agreement.

That same vendor, SC Fuels of Orange, California was recently awarded a purchase order by the City of Inglewood to provide B20 blend biodiesel. The City of Inglewood contract was based on a formal bid and the vendor has agreed to extend the same pricing, terms and conditions to the City of Torrance. Staff compared the pricing offered under the City of Inglewood's contract with pricing paid by other agencies using B20 and Inglewood's contract is very competitive; they receive a minus three point five cents per gallon (-.035) discount from the weekly O.P.I.S. "B20 Rack Average", versus the premium we currently pay for ULSD, which is plus two point three eight cents per gallon (+.0238) above the weekly O.P.I.S. "Carb Ultra Low Sulfur Index".

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 and to other governmental agencies.

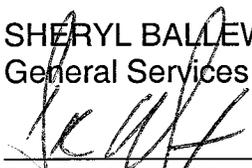
The Torrance Municipal Code, SECTION 22.3.15. EXCEPTION; COOPERATIVE PURCHASES states:

"a) The provisions of this Article will not apply to purchases made pursuant to any cooperative governmental purchase program, which purchases will be made in accordance with such procedures and regulations as will be established by the City Manager.

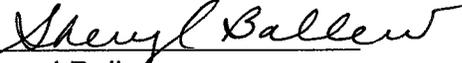
b) For the purposes of this Section, the term cooperative governmental purchase program means any combination between the City of Torrance and any other public agency or public agencies for the joint purchase of property or services".

Respectfully submitted,

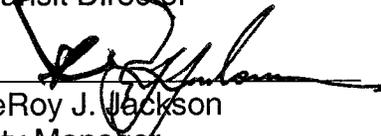
SHERYL BALLEW
General Services Director


By David K. Winnett, Jr.
Fleet Services Manager

CONCUR:


Sheryl Ballew
General Services Director


Kim Turner
Transit Director


LeRoy J. Jackson
City Manager