Council Meeting of
December 23, 2008

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

Members of the Council:

SUBJECT: General Services & Transit – Authorize a Purchasing Agreement to furnish Gasoline and Diesel Fuels to the City for a three (3) year term

Expenditure: Not to exceed $3,300,000 annually

Ref. Bid No. B2008-65

RECOMMENDATION

Recommendation of the General Services Director and the Transit Director that City Council authorize a purchasing agreement with Petro-Diamond, Inc. of Long Beach, CA in an amount not to exceed $3,300,000 annually to provide California Air Resources Board (CARB) approved Ethanol-blended (no MTBE) 87-Octane unleaded gasoline and ultra-low sulfur diesel fuel on an as requested basis. This agreement will cover a period of three (3) years, beginning January 1, 2009, ending December 31, 2011.

Funding

Funding for gasoline and diesel fuels is available in each user department's respective operating budget.

BACKGROUND/ ANALYSIS

The purchase of gasoline and diesel fuel is essential to the day-to day operations of all City departments. Fuel requirement projections for each successive contract year have historically been based upon the volume of fuel consumed by the City's fleet the prior year. Current usage equals approximately 1.1 million gallons of fuel annually; 300,000 gallons of unleaded and 800,000 gallons of diesel.

Fuel cost projections for the coming year are based on a weekly report published by the Oil Price Information Service (O.P.I.S.) which lists average fuel prices throughout the United States. The O.P.I.S. report is the reference most widely used for large 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 available fuel supplies and overall demand within the region. Staff has based anticipated fuel expenditures on actual usage over the past twelve (12) months and current price trends which factors in substantial recent declines in fuel prices, as well as the economic outlook for the coming year.

On August 13, 2008, bid number B2008-37 was opened for the City's fuel requirements. During that same period of time the State of California announced pending legislation that might potentially affect the City's ability to store biodiesel in our underground tanks. Due to the uncertainty caused by this announcement staff thought it best to delay the new fuel contract until such time as the biodiesel tank issue was resolved. A decision was made to extend our current contract with SC Fuels for an additional ninety (90) days.

An Agenda item was approved by your Honorable Body on September 23, 2008 for the 90-day fuel contract extension with SC Fuels, with the intention that staff would re-bid the fuel requirements once the biodiesel issue was resolved by the State. Unfortunately by late October the issue still remained unresolved, so in the interests of time, the new bid (B2008-65) was issued. On December 16th, 2008 your Honorable Body authorized rejection of the first fuel bid that had opened in August (bid number B2008-37).

Formal bids received under B2008-65 were opened on November 20, 2008. Bids were received from six (6) vendors. Vendors offered additional discounts for orders of 7,000 gallons or more (bulk), which is the method most utilized by the City. Petro-Diamond, Inc. is the lowest responsible bidder overall. Bid results are as follows:

	Amount Added to or Subtracted from Weekly OPIS Price						
	*** Petro-Diamond, Inc.**	Falcon Fuels	Trans Energy USA	IPC (USA) Inc.	**SC Fuels Proposal A	General Petroleum	**SC Fuels Proposal B
CARB Approved Ethanol-Blended Unleaded-87 (Bulk)	-0.0287	-0.0162	.0125	0.015	0.015	0.039	-0.0177
Additional Fees	0.18408	0.18414	.18409	0.1842	0.18408	0.18409	0.18408
Total OPIS/Fees	**0.15538**	0.16794	.19659	0.1992	0.19908	0.22309	0.16638
CARB Approved Ethanol-Blended Unleaded-87 (Non-Bulk)	-0.0287	0.0449	.0125	0.015	0.015	0.06	0.16
Additional Fees	0.18408	0.18414	.18409	0.1842	0.18408	0.18409	0.18408
Total OPIS/Fees	**0.15538**	0.22904	.19659	0.1992	0.19908	0.24409	0.34408
Ultra Low Sulfur Diesel (Bulk)	0.0067	0.0133	.0125	0.0275	0.06	0.039	0.0088
Additional Fees	0.18332	0.18338	.18332	0.1834	0.18339	0.18332	0.18339
Total OPIS/Fees	**0.19002**	0.19668	.19582	0.2109	0.24339	0.22232	0.19219
Ultra Low Sulfur Diesel (Non-Bulk)	0.0067	0.098	.0125	0.0275	0.06	0.06	0.169
Additional Fees	0.18332	0.18338	.18332	0.1834	0.18339	0.18332	0.18339
Total OPIS/Fees	**0.19002**	0.28138	.19582	0.2109	0.24339	0.24332	0.35239

* Lowest responsible bidder.

** SC Fuels Proposal A = Any size order. Proposal B = Bulk and Non-Bulk Rates.

Although B20 biodiesel was included in the original bid specifications, recent changes in State regulations governing the storage of biodiesel in underground tanks has caused the City to temporarily halt the use of biodiesel in the City fleet, until such time as the State provides further guidance on the matter. Staff therefore recommends that biodiesel be excluded from the recommended purchasing agreement.

In the meantime, staff is exploring the possibility of installing an above-ground biodiesel storage tank at the City Yard. If the cost-benefit of an above ground tank system proves viable, or if the State resolves the underground tank issue in the coming year, staff will return to Council with a separate recommendation for a biodiesel contract.

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