

**Council Meeting: January 27, 2009**

SUBJECT: Authorization to Modify an Existing Contract for Vehicle Fuel (F0801-48)

REPORT IN BRIEF

Authorization is requested to modify an existing contract with Petro-Diamond, Inc., of Irvine for unleaded gasoline for City vehicles by extending the contract end date to June 30, 2009.

BACKGROUND

Vehicle fuel is stored in several underground storage tanks within the boundaries of the City of Sunnyvale and monitored by Central Stores staff. Fuel is ordered on a weekly basis, as required.

The current supplier was selected through a cooperative purchase in FY 2003/2004 which included the County of Santa Clara and the Cities of San Jose, Santa Cruz and Sunnyvale with a combined purchase volume of more than 4 million gallons (cooperative purchase agreements are allowable under Section 2.08.220 of the Sunnyvale Municipal Code). The procurement was an online reverse auction. This type of auction takes place in real time (live) on the Internet. In contrast to a traditional sealed bid, both the buyer and seller can see each bid as it is placed. Bidders can reevaluate and adjust their bids in response to other bids. Auctions are commonly scheduled for one-half hour.

The low bidder in the reverse auction for Sunnyvale's unleaded fuel requirements was Petro-Diamond with a bid of .13% below Oil Price Information Service (OPIS) San Jose average. OPIS is the world's most comprehensive source for petroleum pricing and provides spot price assessments for all refined products. OPIS' refinery prices are considered a preferred benchmark by many United States and international traders. They receive daily gasoline and diesel prices for retail outlets in the U.S. and Canada. The client list for OPIS is oil companies, distributors, traders, government and commercial buyers of petroleum products.

DISCUSSION

On February 10, 2004, Council awarded a three-year contract, with an option to extend the contract for two additional one-year periods, to Petro-Diamond,

Inc., to provide unleaded gasoline for City vehicles (RTC 04-047); on January 23, 2007, Council authorized the first one-year extension (RTC 07-013) and on February 12, 2008 Council authorized the second one-year extension (RTC 08-034), which will expire on January 31, 2009.

The County of Santa Clara is expected to advertise bids for a cooperative purchase of vehicle fuel in which the City of Sunnyvale will be included. The County's target date for completion of this competitive bid is June 30, 2009. If the results are favorable for Sunnyvale, staff will return to Council to request an award of contract. Until this process is completed, Council approval is necessary in order to continue the purchase of unleaded fuel for the City fleet through the end of the current fiscal year. Petro-Diamond has agreed to retain its current pricing structure during the extended contract period.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

FISCAL IMPACT

Funds are available for vehicle fuel purchases in Department of Public Works Fleet Maintenance Operating Account No. 763120, Provide Fuel and Petroleum Products. This action does not modify the budget, but only extends the term of the existing contract with Petro-Diamond, Inc. through June 30, 2009.

RECOMMENDATION

It is recommended that Council authorize modification of an existing contract with Petro-Diamond, Inc., in substantially the same form as the attached draft change order, by extending the contract end date to June 30, 2009 for the purchase of unleaded gasoline for City vehicles.

Reviewed by:

Mary J. Bradley, Director of Finance

Prepared by: Pete Gonda, Senior Management Analyst, Finance

Reviewed by:

Marvin Rose

Director, Public Works

Approved by:

Gary M. Luebbers
City Manager

Attachments

A. Draft Purchase Order Change Order No. 3



City of Sunnyvale
California

Draft Revised Blanket Purchase Order NC BL000496

ORDERED FROM 15624 - 001 Petro Diamond Inc 18401 Von Karman Ave Ste 300 Irvine, CA 92612-0535 (877) 734-3835	ORDER DATE 	BILL TO: City of Sunnyvale Finance Department Accounts Payable PO Box 3707 Sunnyvale, CA 94088-3707
	EFFECTIVE DATE 2/11/2004	
	EXPIRATION DATE 6/30/2009	
	CONTRACT AMOUNT Not to Exceed Budgeted Amount	
REQUISITIONING DEPARTMENT (3450) Finance/Stores	FOB DEST	FREIGHT CHARGES Destination, freight included in price
	PAYMENT TERMS N/30	BID NO

ITEM	DESCRIPTION	UNIT	UNIT COST
1	<p>Blanket order to provide unleaded gasoline as required by the City of Sunnyvale for a three-year period in accordance with the specifications, terms and conditions set forth in that document entitled "Reverse Auction #F0301-40 for Fuel" and supplier's written bid response. Contract may be extended for additional periods, up to a maximum of two years, at the option of the City.</p> <p>Price per gallon of fuel shall be 99.87% of OPIS San Jose at the time of delivery.</p> <p>Sunnyvale Fuel Tank Locations: 1. Civic Center, 605 All American Way 2. Corporation Yard, 221 Commercial 3. Sunnyvale Golf Course, 605 Macara Avenue</p> <p>Contract awarded by Council 02/10/2004 (RTC 04-047). Rev #1: Extend Contract awarded by Council 01/23/2007 (RTC 07-013) Rev #2: Extend Contract awarded by Council 02/12/2008 (RTC 08-034) Rev #3: Extend Contract awarded by Council 01/27/2009 to June 30, 2009 (RTC _____).</p>	DLR	\$1.0000

AUTHORIZED DEPARTMENT(S)		
NO	DEPT NAME	RELEASE AMT
3450	Finance/Stores	\$15,000.00
7005	P&R/Golf Division	\$5,000.00
9033	PW/Fleet Maintenance	\$5,000.00



BUYER:

Howard, Dreama

PHONE (408) 730-7396

FAX (408) 730-7710