

**Council Meeting: March 10, 2009****SUBJECT: Authorization to Modify an Existing Contract for Diesel Fuel (F0802-54)****REPORT IN BRIEF**

Approval is requested to modify an existing contract with SC Fuels of Orange to extend the contract end date from April 30, 2009 to June 30, 2009, and to increase the total not-to-exceed amount by \$110,000 (to a total of \$410,000) for ultra low sulfur diesel fuel for City vehicles, fire apparatus and motorized equipment, such as lawnmowers and tractors.

BACKGROUND

Diesel fuel is stored in two underground storage tanks: One 6,000 gallon tank at the Civic Center and one 12,000 gallon tank at the Corporation Yard. Tank volume is monitored by Central Stores staff; and fuel is ordered on a periodic basis, as required. The city purchases approximately 60,000 gallons of diesel fuel per year.

The current supplier was selected through a competitive bid that was issued on February 21, 2007 and awarded by Council on April 24, 2007 (RTC 07-126). Bidders were asked to bid using a percentage +/- from the Oil Price Information Service (OPIS) San Jose average price per gallon. The low bidder for Sunnyvale's ultra low sulfur diesel fuel requirements was SC Fuels. 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 includes oil companies, distributors, traders, government and commercial buyers of petroleum products.

DISCUSSION

The current contract, awarded by Council with a not-to-exceed amount of \$300,000 for a two-year period, will expire on April 30, 2009. At the time of award, the contract amount was projected based on the average annual price of \$2.50 per gallon. During the Fall of 2007, diesel prices began to increase dramatically and spiked to just over \$5 per gallon in July 2008. At the same time, the demand for diesel fuel remained constant. As a result, expenditures were encumbered by an additional \$75,000. Fleet management staff anticipates

additional expense of approximately \$35,000 by fiscal year-end, which would bring the total contract amount to \$410,000. Council approval is necessary in order to make the additional payments/purchases through the end of June 2009. Since the peak of July 2008, diesel fuel prices have steadily decreased and are currently less than \$2.00 per gallon.

The County of Santa Clara is expected to solicit 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 diesel fuel for the City fleet through the end of the current fiscal year. SC Fuels has agreed to retain its current pricing structure during the extended contract period.

FISCAL IMPACT

The total cost to the City for this contract will not exceed \$410,000 over the period May 1, 2007 through June 30, 2009. Funds for the recommended increase in contract value are available 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 SC Fuels through June 30, 2009.

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.

RECOMMENDATION

It is recommended that Council authorize modification of an existing contract with SC Fuels, in substantially the same form as the attached draft change order, by extending the contract end date to June 30, 2009 and increasing the not-to-exceed amount from \$300,000 to \$410,000 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 Revision No. 2



ORDERED FROM 17602 - 100 SC Fuels PO Box 4159 Orange, CA 92863 (714) 744-7140	ORDER DATE 	BILL TO: City of Sunnyvale Finance Department Accounts Payable PO Box 3707 Sunnyvale, CA 94088-3707
	EFFECTIVE DATE 5/1/2007	
	EXPIRATION DATE 6/30/2009	
	CONTRACT AMOUNT \$410,000.00	
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	Blanket order to provide ultra low sulfur diesel fuel as required by the City of Sunnyvale for a two-year period in accordance with the specifications, terms and conditions set forth in Invitation for Bids No. F0601-66 and vendor's bid response. Price per gallon of fuel shall be +1.87% of OPIS San Jose (excluding taxes and fees) at the time of delivery. Rev #1: Add 5% biodiesel (B5) fuel - price shall be the same as reference above. Sunnyvale Fuel Tank Locations: 1. Civic Center, 605 All America Way 2. Corporation Yard, 221 Commercial Contract awarded by Council 04/24/2007 (RTC #07-126) Rev#2 Requisition Number: RQ004467 Rev#2: Extend purchase order end date to 6/30/2009 and increase purchase order amount by \$110,000 which will result in a not to exceed amount of \$410,000. Revision approved by City Council 3/10/2009 (RTC #).	DLR	\$1.0000

AUTHORIZED DEPARTMENT(S)		
NO	DEPT NAME	RELEASE AMT
3450	Finance/Stores	\$20,000.00



DOCUMENT TERMS

This purchase order is subject to the City of Sunnyvale Standard Terms and Conditions for the Purchase of Goods, dated 1/15/2000, a copy of which is attached and incorporated by reference (Form #TCBPO-G).

BUYER:

Howard, Dreama

PHONE (408) 730-7396

FAX (408) 730-7710