

**January 12, 2010****SUBJECT: Award of Contracts for the Purchase of Vehicle Fuel Based on Cooperative Reverse Auction No. 1044 (F0912-56)****BACKGROUND**

The City's fleet of vehicles is mainly powered by diesel and unleaded gasoline. The fuel is stored in several underground storage tanks within the boundaries of the City of Sunnyvale and monitored by Central Stores staff. The City has separate contracts for unleaded and diesel fuel, both of which expire on January 31, 2010. These contracts had been extended in anticipation of the County of Santa Clara's bid solicitation for a cooperative, multi-agency fuel purchase (RTC No. 09-131). Cooperative purchase agreements are authorized under Section 2.08.220(a) of the Sunnyvale Municipal Code. Based on favorable results obtained through the County's cooperative purchase process, staff recommends award of separate contracts for unleaded and diesel fuel, as further defined below.

DISCUSSION

The County of Santa Clara's procurement method for vehicle fuel included online reverse auctions conducted by Bidsync (November 23, 2009 for unleaded fuel and November 24, 2009 for diesel), one of the leading providers of online auction services. 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. If a "last minute" bid is received, the auction is automatically extended for an additional five minutes to allow thoughtful reaction by other bidders.

The low bidder for the City of Sunnyvale's unleaded fuel requirements was Petro-Diamond, Inc., of Irvine with a bid of 1.60% below Oil Price Information Service (OPIS) San Jose and the low bidder for the City's diesel fuel requirements was Falcon Fuels, Inc. of San Jose with a bid of 1.00% above OPIS San Jose. Staff recommends award of separate three-year contracts to Petro-Diamond, Inc. for unleaded fuel, and Falcon Fuels, Inc. for diesel fuel, with an option to extend the contracts for two additional one-year periods.

Participating agencies included the Counties of Santa Clara and Santa Cruz, the Cities of Sunnyvale, Gilroy, Mountain View, San Jose, San Leandro, and the Morgan Hill Unified School District and Santa Clara Valley Water District. The combined estimated purchase volume is significant: 3,627,820 million

gallons of unleaded fuel, 677,900 gallons of diesel and 963,633 gallons of bio-diesel.

FISCAL IMPACT

In FY 2009/2010, approximately \$650,000 is budgeted in Department of Public Works Fleet Maintenance Operating Activity 763120, Provide Fuel and Petroleum Products. A small portion of this amount (about 5%) is needed for oil/lubricants, with the remainder reserved for fuel. Funds budgeted in the current fiscal year should be sufficient to cover fuel purchases through June 30, 2010, absent any significant price spikes. Staff is in the process of analyzing historical fuel purchases for the next two-year operating budget in order to recommend an appropriate level of expenditure for the entire contract term.

PUBLIC CONTACT

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

RECOMMENDATION

It is recommended that Council:

1. Award separate three-year contracts based upon the County of Santa Clara's cooperative reverse auction bid to Petro Diamond Inc. for unleaded fuel, and Falcon Fuels Inc. for diesel fuel, in substantially the same form as the attached draft purchase orders, not-to-exceed budgeted amounts.
2. Authorize the City Manager to extend the contracts for two additional one-year periods, provided that pricing and service remain acceptable to the City.

Reviewed by:

Mary J. Bradley, Director of Finance

Prepared by: Pete Gonda, Senior Management Analyst, Finance

Reviewed by:

Robert Walker
Assistant City Manager

Approved by:

Gary M. Luebbers
City Manager

Attachment

- A. Draft Blanket Purchase Order, Petro Diamond, Inc.
- B. Draft Blanket Purchase Order, Falcon Fuels, Inc.



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 1/1/2010	
	EXPIRATION DATE 12/31/2012	
	CONTRACT AMOUNT NTE BUDGETED AMOUNT	
REQUISITIONING DEPARTMENT (3450) FIN/Central 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 fuel as required by the City of Sunnyvale in accordance with the specifications, terms and conditions set forth in that document entitled "Reverse Auction #1044 for Fuel" and supplier's written bid response.</p> <p>Price per gallon of fuel shall be 98.40% (1.60% below) 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 award by Council 01/12/2010 (RTC _____).</p> <p>Requisition Number: RQ005853</p> <p>This purchase order replaces BL001556.</p>	DLR	\$1.0000

AUTHORIZED DEPARTMENT(S)		
NO	DEPT NAME	RELEASE AMT
3450	FIN/Central Stores	
7005	DCS/Golf Division	
9033	OCM/General Services/Fleet Maintenance	



DOCUMENT TERMS

Invoices must be sent directly to Accounts Payable at the address above and must reference the purchase order number. Failure to comply will result in a delay in payment processing.

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



ORDERED FROM 19008 - 001 Falcon Fuels Inc 2150 Kruse Ave San Jose, CA 95101 (562) 272-4226	ORDER DATE	BILL TO: City of Sunnyvale Finance Department Accounts Payable PO Box 3707 Sunnyvale, CA 94088-3707
	EFFECTIVE DATE 1/1/2010	
	EXPIRATION DATE 12/31/2012	
	CONTRACT AMOUNT NTE BUDGETED AMOUNT	
REQUISITIONING DEPARTMENT (3450) FIN/Central 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 ultra sulfur diesel fuel as required by the City of Sunnyvale in accordance with the specifications, terms and conditions set forth in that document entitled "Reverse Auction #1044 for Fuel" and supplier's written bid response.</p> <p>Price per gallon of fuel shall be 101.00% (1.00% above) 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</p> <p>Contract award by Council 01/12/2010 (RTC _____).</p> <p>Requisition Number: RQ005853</p> <p>This purchase order replaces BL000535.</p>	DLR	\$1.0000

AUTHORIZED DEPARTMENT(S)		
NO	DEPT NAME	RELEASE AMT
3450	FIN/Central Stores	
7005	DCS/Golf Division	
9033	OCM/General Services/Fleet Maintenance	



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