TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS

DATE: NOVEMBER 10, 2008 CMR:432:08

REPORT TYPE: CONSENT

SUBJECT: Approval of Amendment No. 1 to Purchase Order C08124799 With Western States Oil for an Additional Amount of $250,000 Per Year for a Three Year Term in a Total Not to Exceed $3,582,000 for Provision of Automotive Fuel

RECOMMENDATION
Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to execute Amendment No. 1 to Purchase Order C08124799 with Western States Oil in the amount of $250,000 for the provision of automotive fuel for a one-year period from December 17, 2007 to December 16, 2008; and

2. Authorize the City Manager or his designee to exercise the option to renew the purchase order in the amount of $1,194,000 for the second year and $1,194,000 for the third year, for a total not to exceed contract amount of $3,582,000 provided the contractor is responsive to the City's needs, and the quality of the contractor's products and services is acceptable during the first year of the contract.

DISCUSSION
On December 10, 2007, Council approved Purchase Order C08124799 with Western States Oil (CMR 442:07) to provide unleaded gasoline, diesel, and biodiesel fuel, in accordance with City specifications, and at the Oil Price Information Service (OPIS) San Jose “rack average” price in effect on the date of delivery. Fuel is delivered into tanks located at the Municipal Services Center, Landfill, Golf Course, Fire Stations One, Two, and Four, the Water Quality Control Plant, Foothills Park, Civic Center, and several standby generator sites. A Request for Quotation (RFQ) was sent to six vendors on October 31, 2007 with four vendors responding. Staff reviewed all bids submitted and recommended that the bid submitted by Western States Oil be accepted and Western States Oil was declared the lowest responsible bidder.

The purchase order amount is based on transportation costs including overhead plus estimated fuel costs determined by the OPIS index, which changes on a daily basis. The actual cost may be higher or lower than the estimate as it is subject to fuel market trends. The original contract
value of $944,000 was determined by multiplying the delivered cost of the fuel (based on the November 7, 2007 OPIS index) by the estimated quantity required at each site. Due to the fluctuation in fuel prices over the past 12 months and based on the OPIS, the purchase order amount of $944,000 is insufficient to provide fuel for the 12-month term ending December 16, 2008. The request of an additional $250,000 will ensure uninterrupted delivery to City fueling sites. Although fuel prices are currently trending downward, the market remains very volatile. Because of this volatility, it is requested that the purchase order amount for the optional second and third years be increased by $250,000 each year as well.

RESOURCE IMPACT
Funding in the amount of $900,000 has been budgeted for fuel costs in the FY 2008-09 Public Works Department Equipment Management Operations and Maintenance budget. In order to insure that adequate funding is available for this contract, the budget will be amended at midyear for an additional $250,000. This additional amount will be recovered from departments via a corresponding increase in allocated charges. Due to the current fluctuation in fuel pricing the fuel budget and corresponding allocations will also be re-evaluated during the FY 2009-10 budget process.

POLICY IMPLICATIONS
Authorization of the contract does not represent any change to the existing policy.

ENVIRONMENTAL REVIEW
Contractor is required to comply with all federal, state and local environmental laws and regulations applicable to the transportation and delivery of automotive fuels.

ATTACHMENTS
Attachment A: CMR:442:07

PREPARED BY:

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CITY MANAGER APPROVAL:

JAMES KEENE
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