




Office of the City Manager

CONSENT CALENDAR

January 15, 2008

To:  Honorable Mayor and Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Claudette Ford, Director, Public Works

Subject: Purchase Order: Western States Oil for Fuel for City Vehicles

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a purchase order for Western States Oil for fuel for City vehicles in an amount not to exceed \$682,000 for FY 2008, with a 5% escalation for each fiscal year through FY 2013. Total authorization for purchasing fuel for six years will not exceed \$8,595,809.

FISCAL IMPACTS OF RECOMMENDATION

Funds to pay for fuel are available from the Equipment Maintenance Fund (865-5702-410-5533 and 865-5704-410-5533). The cost is not expected to exceed \$682,000 in FY 2008. It is recommended that Council approve a 5% escalation in price per year based on current trends in the industry. The total authorization will not exceed \$8,595,809 and will be paid for out of the fund cited above.

CURRENT SITUATION AND ITS EFFECTS

Prior to 1981 the City was purchasing fuel from the County of Alameda. The County informed the City in 1981 that there was no advantage to the City to continue its agreement and that the City could get better prices in the open market. On October 6, 1981, the City Council adopted Resolution No. 50,961-N.S. authorizing the purchase of fuel on the open market. The City has been buying fuel as authorized on the open market since that time.

On July 10, 2007 Council adopted Resolution No. 63,772-N.S. authorizing expenditures to Golden Gate Petroleum in an amount not to exceed (NTE) \$1,400,000 for FY 2007, and an amount NTE \$750,000 for the first six months of FY 2008. In October 2007, the Public Works Department released bid specification number 06-10145-C for fuels, oil and lubricants. The responses to this bid were opened on October 23, 2007. Four vendors responded with Western States Oil being the lowest responsible bidder based on a fixed rate of \$0.0225 for regular unleaded gasoline, \$0.135 for ultra low sulfur bio-diesel B20 and \$0.135 for ultra low sulfur bio-diesel B5 over the published Oil Price Information Service (OPIS) price.

BACKGROUND

As mentioned above, prior to 1981 the City purchased its fuel from the County of Alameda. In October 1981, Council adopted Resolution No. 50,961-N.S authorizing the City to buy fuel on the open market. Because the resolution did not have a not to exceed amount, the purchases on the open market were made without any price analysis. Due to fluctuations in fuel prices, it has not been possible to obtain a long-term bid.

The Oil Price Information Service (OPIS) is now available which indexes oil prices and provides cities with an average cost of fuel on a weekly basis. Bidders can then bid on a fixed price or percentage either over or under the weekly cost as published by OPIS. This allows the City to know on a weekly basis what the price of fuel in the San Francisco area is and by applying the bidder's offer be able to monitor prices being charged, and manage expenditures for this commodity.

RATIONALE FOR RECOMMENDATION

Based on the results of bid specification number 06-10145-C, the Public Works Department along with the Finance Department, is confident that the City has obtained the best pricing available for fuel and has done so in an open competitive market. With the availability of the OPIS Price Index, fuel prices can be monitored and the City will know exactly what prices will be on a weekly basis.

ALTERNATIVE ACTIONS CONSIDERED

Continue to buy fuel on the open market without reference to a set weekly price.

CONTACT PERSON

Bill Ivie, Equipment Superintendent, Public Works, 981-6469

Attachment:

1. Resolution

RESOLUTION NO. XXXX N.S.

PURCHASE ORDER: WESTERN STATES OIL FOR FUEL FOR CITY VEHICLES

WHEREAS, fuel is needed for the City fleet and equipment; and

WHEREAS, Resolution No. 50,961N.S., approved by the City Council on October 6, 1981, authorized the purchase of fuel on the open market; and

WHEREAS, on July 10, 2007, Resolution 63,772N.S. was adopted which authorized expenditures not to exceed \$1,400,000 in FY 2007 and \$750,000 for the first six months of FY 2008, while a bid for fuel, oil and lubricants was being prepared; and

WHEREAS, on October 2, 2007 the City issued an Invitation for Bid for fuel, oil and lubricants and Western States Oil submitted the lowest bid; and

WHEREAS, prices will be fixed on a mark up of \$0.0225 for regular unleaded gasoline, \$0.135 for ultra low sulfur bio-diesel B20 and \$0.135 for ultra low sulfur bio-diesel B5 over the weekly published Oil Price Information Service report, which sets for the industry standard; and

WHEREAS, the Western States Oil submitted the lowest responsible bid, and can provide biodiesel fuel, thus contributing to the City's commitment to reduce green house gas emissions and environmental improvement goals; and

WHEREAS, funds for these purchases are available in FY 2008 in the Equipment Maintenance Fund (865-5702-410-5533 and 865-5704-410-5533) and funds for future purchases through FY 2013 will be available in the same fund.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a purchase order for Western States Oil for fuel for City vehicles in an amount not to exceed \$682,000 for FY 2008, with a 5% escalation for each fiscal year through FY 2013. Total authorization for purchasing fuel for six years will not exceed \$8,595,809. Funds to pay for fuel are available from the Equipment Maintenance Fund.

