A U S T I N C I T Y C O U N C I L

AGENDA

Thursday, January 31, 2008

Purchasing Office **Item No. 67**

RECOMMENDATION FOR COUNCIL ACTION

Subject: Authorize award and execution of a 36-month requirements supply contract with SUN COAST RESOURCES INC., Houston, TX for automotive gasoline and diesel fuel in an estimated amount not to exceed $59,580,000, with three 12-month extension options in an estimated amount not to exceed $23,958,000 for the first extension option, $26,353,800 for the second extension option, and $28,989,180 for the third extension option, for a total estimated contract amount not to exceed $138,880,980.

Amount and Source of Funding: Funding in the amount of $13,240,000 is available in the Fiscal Year 2007-2008 Operating Budget of the Financial and Administrative Services, Fleet Fund. Funding for the remaining 28 months of the original contract period and extension options is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Roy Rivers, Buyer II/974-6434

Purchasing Language: Overall lowest bid of five bids received.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9D of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

Fleet Services along with Austin Energy's Climate Protection Plan staff, has worked to develop a purchasing plan for vehicles and fuel in progressing towards our citywide goal of carbon-neutral fleet by 2020.

This contract is for the annual supply contract of an estimated 3.15 million gallons of gasoline and/or ethanol and 3.21 million gallons of diesel and/or biodiesel fuel used by multiple City departments to fuel the City's fleet of vehicles and equipment. Based on recent average pricing of $2.705 per gallon for gasoline and $2.823515 for diesel, the City anticipates spending approximately $8,520,750 for gasoline (regular unleaded, E10, and E85)and $9,063,484 for diesel fuel (ultra-low sulfur with Oryxe additive, B20, and B20 with Oryxe additive)for the first year of this contract.

Sun Coast will transport and deliver all loads of both types of fuel to City fuel storage tanks with its own fleet of trucks and drivers. Sun Coast has provided documentation affirming that it has conducted reasonable and necessary screening of its personnel to determine the appropriate personnel for execution of the work and for presence on City property.

Staff analyzed existing fleet, as well as the new vehicles being ordered, for compatibility with alternative fuels that will reduce our carbon footprint. As these new alternatively fueled vehicles go into service and a major portion of the existing fleet converts to alternative fuels, the fuel required to support department operations must be in place. Upon conversion of the fuel sites 51% of fleet vehicles and equipment will be operating on an alternative fuel or hybrid technology. The remaining fleet will operate on E10 (90% gasoline blended with 10% ethanol), which is compatible with most fuel engine systems without modification, until those vehicles are replaced. With most of our existing vehicles able to operate using

E10, the City will quickly move to purchasing primarily E10 for its gasoline-burning vehicles year round. E10 requires no changes to existing fuel infrastructure and can reduce greenhouse gas emissions by 1% compared to gasoline.

E85 (15% gasoline blended with 85% ethanol) can reduce greenhouse gas emissions by approximately 15% compared to gasoline. Use of E85 will require conversions/upgrades at existing fuel sites and can only be used by certain vehicle models equipped to burn E85 (flex fuel). The purchase of 87 flex fuel vehicles was authorized by City Council on December 13, 2007. Fleet Services is currently modifying fuel sites for E85.

B20 (80% ultra-low sulfur diesel blended with 20% bio-content) is planned to be used for all City diesel vehicles and equipment. Because some studies have shown B20 to increase emissions of nitrogen oxides (NOx), which contribute to smog formation, a diesel additive manufactured by Oryxe Energy International and approved by the Texas Commission on Environmental Quality will be used to offset the potential NOx increase. Existing diesel tanks require a one-time cleaning prior to the storage of B20 . As the existing sites are cleaned, B20 will be ordered and delivered. As a site must be shut down during the cleaning process, Fleet plans to implement the use of B20 in phases to minimize the impact on City services and department operations. It is estimated that the full conversion will take place within four months.

Pricing for this contract is based on the bidder’s four- decimal price (differential) added to the average price per gallon listed in the Oil Price Information Service (OPIS) Pad 3 Report for Austin, Texas, issued on a daily basis. The differential remains firm throughout the contract term. The OPIS Pad 3 Report is prepared by United Communications Group, which is an independent private organization that distributes this newsletter nation wide, including Hawaii and Alaska. The information from this report is used as an industry standard to establish the average price per gallon for different type fuels in five separate regions of the United States. This pricing mechanism provides bidders some protection from world events which might drive oil prices up sharply. This contract protects the City in case prices decrease. The City will realize the benefits of pricing decreases and limits the effects of increasing cost of fuel. It is a standard pricing method that has historically been used in the City’s fuel bid documents.

A firm price per gallon contract would result in higher overall prices to the City, since suppliers would try to cover any unforeseen price increases throughout the contract term. Additionally, experience has proven that if prices escalate too dramatically, suppliers will cancel firm price contracts.

MBE/WBE solicited: 2/2 MBE/WBE bid: 0/0

PRICE ANALYSIS
a. Adequate competition.
b. Thirty-two notices were sent, including two MBEs and two WBEs. Five bids were received, with no response from the MBEs/WBEs.
c. The current pricing represents a 3% decrease from the differential for gasoline and 10% decrease from the differential for diesel from the previous contract award in June 2005.

APPROVAL JUSTIFICATION
a. Overall lowest bid received. Sun Coast is the current supplier of all gasoline and diesel fuel.
b. The Purchasing Office concurs with Fleet Services Division’s recommended award.
c. Advertised in the Austin American-Statesman and the Internet.