

Agenda Report

August 6, 2012

TO: Honorable Mayor and City Council

FROM: Department of Public Works

SUBJECT: AUTHORIZE A PURCHASE ORDER WITH FALCON FUELS, INC. FOR PURCHASE OF FLEET FUEL FOR A TOTAL OF \$2,740,000

RECOMMENDATION:

It is recommended that the City Council:

1. Find that this action is exempt from the California Environmental Quality Act (CEQA) in accordance with Section 15061 (b) (3), the General Rule that CEQA only applies to projects that may have an effect on the environment;
2. Accept the bid dated June 20, 2012 submitted by Falcon Fuels, Inc.; and
3. Authorize the issuance of a purchase order to Falcon Fuels, Inc. for a one-year period with three additional one-year extensions with the approval of the City Manager. The purchase order amounts will be for \$2,740,000 per year with a total cost of \$10,960,000. The proposed purchase order is in compliance with the Competitive Bidding and Purchasing Ordinance P.M.C. 4.08.

BACKGROUND:

To strengthen purchasing power and achieve economies of scale, the cities of Pasadena, Glendale and Burbank developed a bid specification for the purchase of bulk unleaded and diesel fuel. The value of the contract for the three cities will exceed \$10,000,000 annually. The tri-cities bid gives the cities the opportunity to benefit from lower pricing only available through a large volume contract. Burbank coordinated the bid process. Pasadena took an active role in the process to ensure the pricing structure and fuel delivery standards meet its financial and operational needs. Pasadena's current fuel contract expires in September 2012.

The bid document includes the same contract pricing terms for each participating city. Fuel pricing is based on the Oils Price Information Service (OPIS) market index for the Los Angeles area. The current contract terms have established a fixed mark-

up/discount rate that is linked to the OPIS, which rises and falls as a function of the oil market.

On May 1, 2012, the City of Burbank listed a Notice Inviting Bids on line via Planet Bids. At the bid opening on June 20, 2012, the bids were ranked by fuel price per gallon. The vendor bids were ranked as follows:

<u>BIDDER</u>	<u>AMOUNT</u>
Falcon Fuels, Inc., Paramount, CA	\$ 5,720,789
Southern Counties, Orange, CA	\$ 5,727,155
Mansfield Oil Co., Gainesville, GA	\$ 5,761,435
Petroleum Traders Corp., Fort Wayne, IN	\$ 5,775,809
General Petroleum, Santa Fe Springs, CA	\$ 5,800,260
Pinnacle Petroleum, Huntington Beach, CA	\$ 5,848,599

On July 25, 2012, the City of Burbank notified Falcon Fuels, Inc. of its intent to issue a purchase order. The Department of Public Works recommends that Falcon Fuels, Inc. be awarded this purchase order for a one year period, as they are the lowest responsive and responsible bidder. The contract may be extended for a period of up to three additional one year periods, with the approval of the City Manager and without further City Council approval provided that the contract pricing terms remain the same.

COUNCIL POLICY CONSIDERATION:

Approving this request meets the City of Pasadena Strategic Plan Goals of maintaining fiscal responsibility and stability and ensuring public safety.

ENVIRONMENTAL IMPACT:

This purchase complies with all South Coast Air Quality Management District (SCAQMD) rules and regulations.

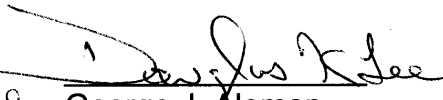
FISCAL IMPACT:

The total cost of this action is \$2,740,000. Funding for this fiscal year will be addressed by utilization of existing budgeted Fleet Maintenance funds in operating budget account 8137-503-766200. The remainder of the cost will be spent over the next three fiscal years.

Respectfully submitted,


for SIOBHAN FOSTER
Director of Public Works

Prepared by:


for George J. Aleman
Management Analyst

Approved by:


MICHAEL BECK
City Manager