

Agenda Report

TO: CITY COUNCIL

DATE: September 10, 2007

FROM: CITY MANAGER

SUBJECT: AUTHORIZE A CONTRACT WITH GENERAL PETROLEUM RESOURCES, INC. FOR FLEET FUEL IN AN AMOUNT NOT TO EXCEED \$2 MILLION ANNUALLY FOR A TWO-YEAR PERIOD WITH THREE OPTIONAL ONE-YEAR EXTENSIONS

RECOMMENDATION

It is recommended that the City Council:

- 1) Authorize the issuance of a contract to G.P. Resources, Inc. in an amount not to exceed \$2 million per year to meet the City's annual purchase of fuel for the City's fleet vehicles. The contract is for a two-year period with three optional one-year extensions; and
- 2) Grant the proposed purchase order an exemption from competitive bidding pursuant to City Charter section 1002(H), contracts with other governmental entities or their contractors for labor, material, supplies or services.

BACKGROUND

This contract covers the purchase of approximately 900,000 gallons of unleaded and diesel fuel annually. The California Air Resources Board (CARB) has established unleaded fuel as a low emission fuel and mandates the use of ultra low sulfur diesel to decrease pollutants released into the atmosphere. In November of 2006, the City began using a bio-diesel mix known as B-20, with an increase to B-30 expected during FY2008. Bio-diesel burns cleaner while reducing the use of fossil fuels.

In November of 2003 the County of Los Angeles, California undertook a competitive bidding process for Ultra Low Sulfur Diesel and Bio Diesel fuel and in April of 2007, the County of Orange, California, undertook a competitive bidding process for the purchase of unleaded fuel. As a result of the bidding process multi-year contracts were awarded to G.P Resources Inc. and are currently in effect. G.P. Resources has agreed to extend the bid pricing agreements to the City of Pasadena which include fuel pricing based on the Oils Price Information Sheet (O.P.I.S.) market index for the Los Angeles and Orange County areas. The current contract terms have established a fixed mark-up/discount rate that is linked to the O.P.I.S., which rises and falls as a function of the oil market. Purchasing the requested fuels from G.P. Resources Inc would be in the City's best interest for the following reason: The volume discounts offered by G.P.

Resources to both Los Angeles and Orange Counties would not be available to the City of Pasadena due to the comparatively small size of the City's fleet and amount of fuel the City purchases on an annual basis.

Therefore, it is recommended that the City Council authorize the issuance of a purchase order contract to G.P. Resources for a two-year period. 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.

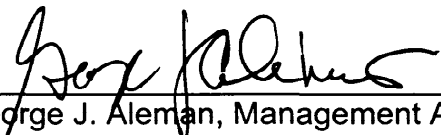
FISCAL IMPACT

Funds in the amount of \$2 million for the purchase for fuel are budgeted for in the FY 2008 Fleet Maintenance operating budget. In subsequent years, funds will be appropriated to cover the costs of the contract renewals. The amount of fuel purchased is a function of the City's needs.

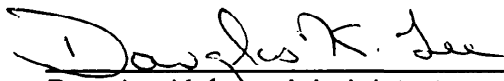
Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

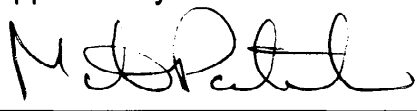
Prepared by:


George J. Aleman, Management Analyst
Building Systems and Fleet Management

Reviewed by:


Douglas K. Lee, Administrator
Building Systems and Fleet Management

Approved by:


Martin Pastucha
Director of Public Works