

CONSENT AGENDA
ITEM NO. 13

**CITY OF SAN ANTONIO
PURCHASING & GENERAL SERVICES DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Janie B. Cantu, Director of Purchasing & General Services

SUBJECT: Annual Contract for Diesel Fuel

DATE: December 9, 2004

SUMMARY & RECOMMENDATION

This ordinance authorizes the Purchasing & General Services Department to accept the low responsive bid submitted by Valero Marketing & Supply Co. to provide the City of San Antonio with an annual contract for diesel fuel for an estimated cost of \$3,122,730.12 annually.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

A request for sealed bids was issued to purchase diesel fuel on an annual contract basis for the City of San Antonio. A total of three bids were received. The bids submitted by Mansfield Oil Company failed to meet City specifications by not providing ultra low sulfur diesel fuel. The low responsive bid was submitted by Valero Marketing & Supply Co. This bid was advertised in the Daily Commercial Recorder, La Prensa, the San Antonio Observer, the City of San Antonio Purchasing Website, Public Access Channel 21 and Demandstar.com.

This contract will provide ultra low sulfur diesel fuel for the City's fleet on an annual contract basis. Shipments under this contract will be in larger transport sizes and will be delivered to ten City-owned underground storage tanks with capacities of approximately 10,000 gallons or more. The City's fleet has approximately 980 vehicles that will use this type of fuel. These include heavy duty garbage trucks, recycling trucks and off-road heavy equipment, including tractors and bulldozers.

This contract also requires that the fuel be transported on the City recommended hazmat routes.

The per gallon contract price is based on an index of average oil refinery prices for the San Antonio area plus the vendor's fixed markup and state fuel taxes. The contract price fluctuates weekly as the index is recalculated by the Oil Price Information Services (OPIS).

The contract begins January 1, 2005 and terminates December 31, 2005, with two (2) additional one (1) year extension options upon mutual consent of the City of San Antonio and the contractor.

POLICY ANALYSIS

Ultra Low Sulfur Diesel (ULSD) and Texas Low Emission Diesel (TxLED) are specially refined diesel fuels that dramatically lower sulfur content compared to regular diesel fuel and can be used in any diesel engine. Additionally, the conversion to ULSD or TxLED will not require any special storage systems.

The mandatory use of these fuels is due to the US Environmental Protection Agency (EPA) and Texas Commission for Environmental Quality (TCEQ) mandates that will take effect shortly.

At the state level, TCEQ has mandated the use of a more refined version of ULSD called TxLED in all off road and on road equipment in non attainment and near non attainment areas in portions of eastern Texas, including Bexar and its surrounding counties. This mandate, originally scheduled to begin in April 2005, has been recently extended to October 1, 2005.

At the federal level, the EPA has mandated the use of ULSD beginning in June 2006, in connection with its cleaner diesel engine mandate beginning with manufacturers' 2007 models. These newer diesel engines will be built to only take a lower sulfur diesel. The combination of the cleaner burning engines and fuel will significantly lower harmful diesel emissions.

The fuel being purchased under this contract will meet or exceed the EPA required fuel that is required for 2006. It will drop the sulfur content from our current contract from 200-300 ppm to less than 15 ppm (the 2006 EPA required level). Additionally, it will contain lower levels of aromatics and a lower cetane number. These will help lower NOX emissions, a major contributor to ground level ozone formation and Texas's poor air quality.

TxLED fuel is currently being used by TxDOT, Bexar County, VIA, North East ISD, City of Dallas, and City of Austin.

The vendor currently produces TxLED at its Three Rivers refinery. At this time a portion of the additional cost is due to transportation, which involves transport by truck instead of by pipeline.

FISCAL IMPACT

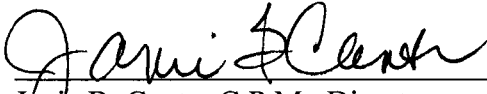
The estimated cost of this contract is \$3,122,730.12 annually. Funds will not be encumbered by this ordinance. In anticipation of the mandated use of TxLED in 2005, the FY 2005 budget includes approximately \$230,000 to support the incremental cost of the fuel. All expenditures will be in accordance with the FY2004-2005 Budget approved by City Council.

SUPPLEMENTAL INFORMATION

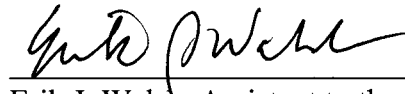
The City of San Antonio Purchasing Department advertises bids in the Daily Commercial Recorder, La Prensa, The San Antonio Observer, and the San Antonio Express-News. This office also advertises bids on Public Access Channel 21, the Purchasing Website and utilizes the services of Demandstar.com to notify registered vendors of City bids.

Additionally, agencies including local school districts, Bexar County and San Antonio Water System (SAWS) participate as riders on this contract.

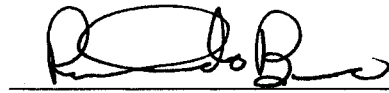
This contract was developed utilizing the formal competitive bid process; therefore, an Ethics Disclosure Form is not required.



Janie B. Cantu, C.P.M., Director
Purchasing & General Services



Erik J. Walsh, Assistant to the City Manager
City Manager's Office



J. Rolando Bono
Interim City Manager

City of San Antonio Bid Tabulation

Opened: November 24, 2004			BID #1		BID #2
For: Annual Contract for Diesel Fuel			Mansfield Oil Company		Valero Marketing & Supply Co.
A297-05 PR			1025 Airport Parkway, S.W.		PO Box 696000
	Description	Estimated Gallons	Gainsville GA 30501	Gainsville GA 30501	San Antonio TX 78269
1	Ultra Low Sulfur Diesel	2,053,347	NAS	NAS	
	Upcharge per Gallon		\$0.0126	\$0.0215	\$.1167
	OPIS Average Price for 11-24-04		\$1.4041	\$1.4041	\$1.4041
	Effective Price for 11-24-04		\$1.4167	\$1.4256	\$1.5208
	Brand Names		Unbranded/Various	Unbranded/Various	Valero
	Estimated Annual Award				\$3,122,730.12