

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

**CONSENT AGENDA
ITEM NO. 11**

TO: Mayor and City Council

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

SUBJECT: Gasoline Transport Loads

DATE: May 19, 2005

SUMMARY & RECOMMENDATION

This ordinance authorizes the Purchasing & General Services Department to accept the low responsive bid submitted by Valero Marketing and Supply Company to provide the City of San Antonio with gasoline transport loads for an estimated annual cost of \$4,397,560.00. Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

On November 18, 2004, on Ordinance No. 100026, a contract was awarded to Mansfield Oil Company to provide the City of San Antonio with an annual contract for gasoline transport loads. Recently, Mansfield Oil Company contacted the City of San Antonio and gave 60 day notice of their intent to cancel their contract citing an inability to honor pricing based on insufficient supply. Mansfield Oil Company depends on service agreements which allocate limited amounts of unbranded fuel therefore Mansfield is unable to supply the necessary quantities at the price bid.

The Purchasing Department contacted the next lowest bidder from the original bid which is Valero Marketing & Supply. They agreed to honor their pricing and provide service for this contract for an estimated annual cost of \$4,397,560, which is approximately \$5,000 higher than Mansfield's bid. This will ensure that the City will receive an uninterrupted supply of fuel for its critical mission operations.

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. The contract price fluctuates weekly as the index is recalculated by the Oil Price Information Services (OPIS). For example the OPIS index for the week of May 6 is \$1.5139. The vendor's bid includes an upcharge of \$.0025, therefore the price for that week is \$1.5164 per gallon as shown on the attached bid tabulation.

Shipments under this contract will be in larger transport sizes and will be delivered to City-owned underground storage tanks with capacities of 10,000 gallons or more. These 11 facilities are located at vehicle maintenance facilities and police stations throughout the City. This fuel is used primarily in police cars, light duty trucks, departmental administrative sedans and light field equipment.

During the Air Quality Health Alert season of May through September, the fuel provided will be a low Reid Vapor Pressure (RVP) formulation in accordance with the State Regional Low RVP Program, which includes Bexar and other counties in central and eastern Texas. This fuel helps slow the rate of the ozone producing vapors that evaporate into the atmosphere during vehicle refueling.

This contract requires that the vendor transport fuel on the City recommended hazmat routes.

Fuel prices have experienced wide fluctuations during the past couple of years. During the past year, the average cost of fuel to the City has been \$1.47/gallon. During that same time, prices have peaked at \$1.76/gallon and reached a low of \$1.33/gallon.

In response to the uncertainty of fuel prices and the potential of future escalations in prices, departmental budgets were increased by approximately 3% and 6% for FY 04 and FY 05 respectively. Projections for next fiscal year are currently being analyzed.

POLICY ANALYSIS

This contract will provide regular unleaded fuel on an annual contract basis. The contract begins upon award and terminates December 31, 2005 with two one-year options to extend upon mutual consent of the City of San Antonio and the contractor.

FISCAL IMPACT

The estimated cost of this contract is \$4,397,560.00 annually. Year to date costs are \$2.6 million which is within the projected budget. Funds are not encumbered by this ordinance. All expenditures will be in accordance with the FY2004-2005 Budget approved by City Council.

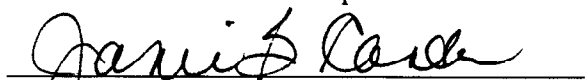
Over the next several months the Purchasing and Finance Departments will be further analyzing the options associated with the fuel hedging.

SUPPLEMENTAL INFORMATION

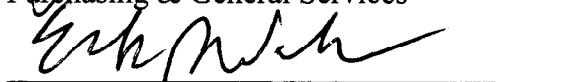
This contract will provide regular unleaded fuel for use in the City's vehicle fleet and other governmental agencies. The City sells approximately 650,000 gallons of fuel at its fueling facilities to outside agencies that include Bexar County, the San Antonio Housing Authority (SAHA), and Department of Public Safety (DPS).

Additionally, 7 agencies including local school districts, City Public Service (CPS) and San Antonio Water System (SAWS) participate as riders on this contract and purchase approximately 4.5 million gallons per year.

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

City of San Antonio Bid Tabulation

Opened: October 25, 2004			Contract Period: Upon award through December 31, 2005, Two (1) one-year options to extend		
For: Annual Contract for Gasoline Transport Loads					
A310-05 PR			Mansfield Oil Company	Petroleum Traders Corporation	Valero Marketing & Supply
			1025 Airport Parkway, S.W.	7110 Pointe Inverness Way	One Valero Way
Item	Description	Estimated Gallons	Gainesville GA 30501	Fort Wayne IN 46804	San Antonio TX 78249
1	Regular Unleaded Gasoline	2,900,000	WITHDRAWN		
	Discount/Upcharge per Gallon		+\$.0007	+\$.0078	+\$.0025
	OPIS Average for 05-06-2005		\$1.5139	\$1.5139	\$1.5139
	Effective Price for 05/06/2005		1.5146	\$1.5217	\$1.5164
	Brand Names		Valero, Citgo, Fina World Fuel	Valero	Valero Diamond Shamrock
	Terms		Net 30	Net 30	Net 30
	Totals		\$4,392,340.00	\$4,412,930.00	\$4,397,560.00
	Estimated Annual Award				\$4,397,560.00

The low bid was originally submitted by Mansfield Oil Company, however, due to existing service agreements which allocate limited amounts of unbranded fuel, Mansfield is unable to supply the necessary quantities at the price bid. Therefore, Mansfield withdrew bid offer citing inability to honor pricing based on insufficient supply. Valero, being the next lowest bidder, has agreed to honor pricing and provide service for this contract for an estimated total of \$4,397,560.

PROPOSED BID AWARD

Valero pricing: \$4,397,560.00
Mansfield pricing: \$4,392,340.00
Resulting price increase: \$5,220.00

MANSFIELD PRICE INCREASE TO +.0100

Mansfield pricing: \$4,419,310.00
Valero pricing: \$4,397,560.00
Resulting price increase: \$21,750.00

SAVINGS TO CITY: \$16,530.00