



**PURCHASING ITEM
FOR
COUNCIL AGENDA**

1. Agenda Item Number:

26

2. Council Meeting Date:

March 12, 2009

TO: MAYOR & COUNCIL

3. Date Prepared: February 11, 2009

THROUGH: CITY MANAGER

4. Requesting Department: Management Services

5. SUBJECT: Award Agreement FA9-405-2707 for fuel with Western Refining Wholesale, Inc., Brown Evans Distributing Co., and Supreme Oil Co. in an amount not to exceed \$8,000,000 over three years.

6. RECOMMENDATION: Recommend award of Agreement FA9-405-2707 for fuel with Western Refining Wholesale, Inc., Brown Evans Distributing Co., and Supreme Oil Co. in an amount not to exceed \$8,000,000 over three years.

7. HISTORICAL BACKGROUND/DISCUSSION: The City has an ongoing requirement for fuel used in City vehicles, motorized and stationary equipment. Based on historical information the City estimates that it will use approximately 780,000 gallons of fuel annually. The requested agreements include fuel purchased from card lock facilities as well as bulk fuel used for generators, remote fuel sites, and other equipment.

8. EVALUATION PROCESS: In December of 2008, the City issued Request For Proposal (RFP) FA9-405-2707 for fuel. Staff worked with Chandler Unified School District and issued an RFP that included estimated volume for both the City and the School District. Representatives from Purchasing, Fleet Services, Fire Department, Municipal Utilities and the School District evaluated the responses to the RFP. The evaluation committee is recommending award to Western Refining Wholesale, Inc. and Brown Evans Distributing Co for fuel purchased from card locks and to Supreme Oil Co. for fuel delivered in bulk quantities. The recommended agreements have a three-year term with provisions to extend for two additional three-year periods. The requested amount of \$8,000,000 is for a three year period and is based on the City's historical consumption with an added term percent for predicted fuel cost inflation.

Pricing for fuel is based on the Oil Price Information Service (OPIS) + taxes + margin. The margin will remain fixed during the term of the contract. The OPIS index, which is an independently published fuel index, adjusts weekly in accordance with the fuel market. The fuel price will change weekly based on the OPIS index. The fixed margin for the recommended agreement is approximately \$0.04 per gallon less than the current contract. The estimated ongoing savings from the reduced price is \$31,000 annually.

9. FINANCIAL IMPLICATIONS: Funds for the requested contract will come from General Fund, Inventory, Fuel (101.0000.0000.1510) and will be charged to the respective cost centers as fuel is used.

10. PROPOSED MOTION: Move to award Agreement FA9-405-2707 for fuel with Western Refining Wholesale, Inc., Brown Evans Distributing Co., and Supreme Oil Co. in an amount not to exceed \$8,000,000 over three years.

APPROVALS

11. Requesting Department
Robert Coryea

12. Department Head
Dennis Strachota

13. Buyer/Contract Admin.
Mike Mandt

14. City Manager
W. Mark Pentz