

Date: _____ April 26, 2007

Committee Meeting Date: _____ April 18, 2007

Board Meeting Date: _____ May 3, 2007

BOARD MEMORANDUM

ACTION X DISCUSSION _____ INFO _____

TO: Transit Planning and Operations Committee
Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Donald A. Smith, Jr.
Chief Operating Officer

SUBJECT: Cooperative Diesel Fuel Contract

RECOMMENDATION:

Authorize the General Manager to execute a contract with SC Fuels for supply and delivery of Ultra Low Sulfur diesel fuel. The term of this contract is for two years with an option for three additional one-year periods at an estimated annual cost of \$13,517,369.20.

BACKGROUND:

The California Air Resources Board (CARB) requires the use of Ultra-Low Sulfur Diesel Fuel in diesel-powered transit vehicles. VTA participated in a cooperative procurement by the Regional Transit Coordinating Council (RTCC). At the bid opening October 12, 2006, the lowest responsive, responsible bidder for VTA's fuel requirements was determined to be SC Fuels.

DISCUSSION:

To achieve maximum benefit from volume purchasing discounts and consolidate the bidding effort for commonly used products, the RTCC issued a joint procurement for Ultra-Low-Sulfur Diesel fuel on behalf of member transit agencies. The RTCC membership includes: Alameda Contra Costa Transit District (AC Transit), The Central Contra Costa Transit Authority, Eastern Contra Costa County Transit Authority, Golden Gate Transit District, Peninsula Corridor Joint Powers Board (CalTrain), Fairfield/Suisun Transit District, Monterey-Salinas Transit, San Mateo County Transit District (SamTrans), San Joaquin Regional Transit District, Santa Cruz Metropolitan Transit District, Sonoma County Transit, and Vallejo Transit.

Central Contra Costa Transit Authority was the lead agency for this procurement and issued an IFB on September 1, 2006 to 40 prospective bidders. Five bidders responded to VTA's portion of the solicitation and the subsequent low bidder was SC Fuels.

Because of the unstable nature of petroleum product pricing, contracts of this nature are generally based on a commonly used Index. Historically, the Oil Price Index Service (OPIS) has been used. The basis used by the procurement was the Average rack price, (rack price reflects the physical location the fuel is drawn from for delivery) with an adder (or deduction) from the OPIS-listed weekly average price for the rack use. For VTA, the rack is the San Jose rack.

The Bid results show the adder as follows:

SC Fuels	\$0.0053
Falcon Fuels	\$0.0089
Mansfield Oil	\$0.0205
Pinnacle Petroleum	\$0.2680
G. Gate Petroleum	\$0.2900

Section 9-10 of the Administrative Code limits the General Managers procurement authority to \$250,000.00 for procurement done by other agencies. Because this procurement is in an amount greater than \$250,000.00 the Board must approve this action.

ALTERNATIVES:

The Board could direct that VTA not participate in this RTCC procurement and advertise for bids for the required fuel. This is not recommended since the mark-up price bid in the RTCC solicitation is considerably below the current mark up price. Additionally, it is unlikely VTA would obtain better pricing going out to bid on our own because VTA's quantity requirements are considerably lower than the joint procurement.

FISCAL IMPACT:

Sufficient funds for fuel are included in the adopted operating budget. Funds for the remaining years of this recommendation will be proposed in future operating budgets.

SMALL BUSINESS ENTERPRISE (SBE) PARTICIPATION:

Based on the limited scope of work and no subcontracting opportunities, no specific goal was established for this contract. The contractor is encouraged to make a reasonable effort to utilize SBEs in its procurement of ancillary services and products associated with performance of this contract.

Prepared by: Joe Hveem, Buyer