


RIVERSIDE TRANSIT AGENCY
1825 Third St.
Riverside, CA 92507

May 25, 2006

TO: BOARD OF DIRECTORS
THRU: Larry Rubio^{Jr}, Chief Executive Officer
FROM:  Vince Rouzaud, Director of Purchasing and Materials Management
SUBJECT: Authorization to Award Agreement No. 6-003 to Southern Counties Oil Company for the Agency's Unleaded Fuel and Lubricant Requirements

Summary: At the April 26, 2001, Board of Directors meeting, the Board authorized staff to execute an agreement with Southern Counties Oil Company to supply the Agency's unleaded fuel and lubricant requirements. This contract is due to expire on June 30, 2006.

Contract pricing for the Agency's contract with Southern Counties Oil Company is based upon the *Weekly Average Rack Price* as published in the Oil Price Information Service (OPIS) newsletter for Colton CA, plus the contractor's fixed margin, fixed delivery costs, applicable taxes, and fees. Long term fuel contracts involving large consumers of fuel are generally tied to an industry index like the (OPIS) newsletter. OPIS has been the world's most comprehensive source for petroleum pricing and news information since the late 1970's and is widely used in the transit industry as the basis for establishing contract pricing.

In February 2006, staff issued a competitive Invitation For Bids (IFB) for the Agency's unleaded fuel and lubricant requirements. As is standard practice, the procurement was publicly advertised in a newspaper of general circulation, and a notice was posted on the Agency's website along with a copy of the IFB document. In response to the IFB, two (2) bids were received from the following firms; Pro Petroleum Incorporated and Southern Counties Oil Company.

Unleaded Fuel

Staff analyzed the bids to ensure that the pricing was accurate and that both vendors based their pricing on the *Weekly Average Rack Price* listed in the OPIS newsletter for the week beginning April 3rd. Vendors were instructed to use this weekly index to ensure that all potential suppliers were competing from a level playing field.

The Agency's estimated annual volume for unleaded fuel for FY 2007 is 51,379 gallons. Using the OPIS pricing provided by Southern Counties Oil Company for the week beginning April 3rd, the Agency's annual expenditures for unleaded fuel would be approximately \$131,178.93. Staff anticipates that the Agency's annual usage will increase approximately 5 percent per-year. In addition to the Agency's requirements, the IFB included the annual fuel requirements for the Agency's contractor McDonald Transit (McDonald). McDonald operates from the Agency's Hemet facility and utilizes the facility's fueling station in order to save on fuel costs, which in turn enables them to pass that savings on to the Agency. The total combined annual requirements for both the Agency and McDonald for FY 2007 is 221,000 gallons. Under our existing agreement with McDonald, the Agency is reimbursed in full each month for the amount of fuel consumed in providing Agency services.

Lubricants

In addition to the annual unleaded fuel requirements, the IFB included the Agency's annual usage for engine oil, automatic transmission fluid, lithium grease, and multipurpose gear oil. Based upon the FY 2007 estimated requirements, the Agency anticipates spending approximately \$62,913.03 for these commodities during FY 2007.

Staff recommends awarding a contract for a three-year base period with two one-year options to Southern Counties Oil Company, the lowest responsive responsible bidder. The total contract amount will be based upon the combined gallon usage for both the Agency and McDonald multiplied by the per-gallon price as published in the OPIS *Weekly Average Rack Price* for Colton, CA, plus the contractor's fixed margin, fixed delivery costs, applicable taxes and fees.

Fiscal Impact:

Based on projected usage for both the Agency and McDonald, the total contract amount for the three-year base period would be \$1,997,423.63. If the Agency were to exercise both one-year options, the projected total for the two option years would be \$1,540,364.69. Of these two amounts, the Agency's actual out-of-pocket expense for unleaded fuel, oil and lubricants would be \$632,179.22 and \$512,639.34 respectively.

It should be noted that the above projected expenditures include the quoted price for unleaded gasoline for the week of April 3rd. Since the bid opening in April, the price of fuel has continued to

fluctuate from a low of \$2.53 per-gallon to a high of \$2.97 per-gallon. Most industry analysts are predicting that fuel pricing will remain unstable for sometime. While projected expenditures are based on the April 3rd bid price for unleaded gasoline, it is likely that these amounts could be exceeded if the cost of fuel continues to increase. Staff will monitor this closely and will return to the Board with an update should this occur. The proposed contract would also include a no-guaranteed-usage provision should the annual volume increase or decrease and/or circumstances with the Agency's contractor (McDonald) change.

Committee Recommendation:

This item was presented at the Board Budget and Administration Committee meeting of May 3, 2006. Due to no quorum present, the Committee members agreed to forward this item to the full Board of Directors without a recommendation.

Recommendation:

Authorize staff to award a contract to Southern Counties Oil Company for a three-year base period plus two one-year option periods in an amount not to exceed \$3,537,788.32.