



COMMONWEALTH of VIRGINIA

Department of General Services

Richard F. Sliwoski, P.E.
Director

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October 28, 2009

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The Honorable Charles J. Colgan, Chairman
Senate Finance Committee
General Assembly Building, Room 317
Capitol Square
Richmond, Virginia 23219

Dear Senator Colgan:

Item 83 of Chapter 781 of the 2009 Acts of Assembly (the Appropriations Act), requires the Department of General Services to report to the Chairmen of the Senate Finance and House Appropriations Committees by November 1, 2009 the status of the solicitation and any potential savings of the Consolidation of Bulk and Commercial Fuel Purchases.

The report responsive to Item 83 of Chapter 781 of the 2009 Acts of Assembly is attached.

Please contact me if you have questions or need additional information. I can be reached by telephone at 786-3311 or via e-mail at: Richard.Sliwoski@dgs.virginia.gov.

Sincerely,


Richard F. Sliwoski, P.E.

Attachment

C: The Honorable Viola O. Baskerville



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October 28, 2009

The Honorable Lacey E. Putney, Chairman
House Appropriations Committee
General Assembly Building, Room 947
Capitol Square
Richmond, Virginia 23219

Dear Delegate Putney:

Item 83 of Chapter 781 of the 2009 Acts of Assembly (the Appropriations Act), requires the Department of General Services to report to the Chairmen of the Senate Finance and House Appropriations Committees by November 1, 2009 the status of the solicitation and any potential savings of the Consolidation of Bulk and Commercial Fuel Purchases.

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Please contact me if you have questions or need additional information. I can be reached by telephone at 786-3311 or via e-mail at: Richard.Sliwoski@dgs.virginia.gov.

Sincerely,


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C: The Honorable Viola O. Baskerville

**Report on the
Consolidation of Bulk and Commercial Fuel Purchases
Virginia Acts of Assembly – Chapter 781
Item 83. C.**

1. Introduction:

This report is prepared pursuant to the 2009 Virginia Acts of Assembly - Chapter 781, Item 83. C.:

“C. The Department of General Services shall advance the consolidation of bulk and commercial fuel purchases into a single procurement action as recommended in the Vehicle Fleet Operational Review conducted in 2007. The intent of this consolidation will be to leverage the Commonwealth's state and local public entities, gasoline and diesel fuel purchase volume into a single procurement action to achieve the most favored pricing from private sector fuel providers. The Department shall release a solicitation to consolidate the purchase of fuel no later than September 1, 2009. The Department shall report to the Chairmen of the House Appropriations and Senate Finance Committees on the status of the solicitation and any potential savings from the consolidation by November 1, 2009.”

2. Background:

On December 7, 2006, the Commonwealth of Virginia announced it would be conducting a series of operational reviews in areas of state government that have a significant impact on the cost of government. One of the areas reviewed was fleet management operations. In September 2007, a fleet management operational review report was completed and published for members of the Executive and Legislative Branches of Government.

The fleet management report documented how fuel was being purchased by Commonwealth of Virginia public entities. The report also documented a recommendation by the fleet management operational review committee to:

“.....combine the [Commonwealth's] fuel volume from the bulk fuel contract and the commercial contract into a single procurement action to leverage the Commonwealth's total fuel purchase volume to achieve most favored pricing.”

In the 2009 Virginia Acts of Assembly – Chapter 781, the Commonwealth of Virginia, Department of General Services (DGS) was authorized and directed, pursuant to Item – 83. C., to move the bulk and commercial fuel procurement action recommendation forward. DGS was directed to report, by November 1, 2009, on:

- The status of the solicitation used to procure bulk and commercial fuel.
- Potential savings from the consolidation of bulk and commercial fuel requirements.

3. Status of Bulk and Commercial Fuel Solicitation:

The procurement action for consolidating bulk and commercial fuel purchases for Commonwealth of Virginia public entities began with the release of a Request for Proposals (RFP), by the Department of General Services, Division of Purchases and Supply (DPS), to the fuel vendor community on September 1, 2009. The solicitation was prepared with assistance from representatives of the Virginia Department of Transportation (VDOT), Virginia Department of Environmental Quality (VDEQ), Virginia State Police (VSP), and local public entities. The solicitation requested proposals from vendors to provide Commonwealth of Virginia public entities with gasoline, diesel, bio-diesel, and a commercial fuel card.

A pre-proposal conference was held on September 15, 2009, questions from vendors in attendance resulted in the publication of an amendment to the RFP on October 22, 2009. Responses from vendors to the RFP are due to DGS, DPS on November 4, 2009. Received proposals will be evaluated in accordance with applicable procurement law, policies, and procedures. DGS is targeting January 2010 to have a contract(s) negotiated and awarded, provided vendor proposals offer favorable pricing and services to the Commonwealth.

4. Potential Savings from the Consolidation of Bulk and Commercial Fuel Requirements:

As of the date of this report, the procurement action to consolidate bulk and commercial fuel purchases is still underway. DGS, DPS will not be able to determine whether cost savings from this procurement action can be realized until DGS has had an opportunity to review vendor proposals and analyze vendor submitted cost data. DGS will conduct its evaluation with assistance from VDOT, VDEQ, VSP and local government representatives. DGS is hopeful this evaluation and analysis will be complete by January 2010.

By consolidating the purchase of bulk and commercial fuel volume from state and local public entities, leveraging the purchase volume into a single procurement action, the Commonwealth (state and local public entities) should realize most favored pricing when purchasing fuel from the fuel vendor community. Most favored pricing will enable Commonwealth public entities to be confident they are purchasing fuel at costs lower than the general retail consumer and equal to or lower than large private sector fuel purchasing consortiums.

DGS will provide an update to this report upon completion of the bulk and commercial fuel procurement action currently underway.