

C-6

February 14, 2023

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary to amend Contract No. 35901 with Southern Counties Oil Co., dba SC Fuels, of Orange, CA, Contract No. 35902 with Patten Energy Enterprises, Inc., of Los Angeles, CA, and Contract No. 35910 with Cummins, Inc., dba Cummins Sales and Service, of Columbus, IN, for the purchase of petroleum products, to increase the annual aggregate contract amount by \$100,000, and authorize a 15 percent contingency in the amount of \$52,500, for a new total annual aggregate amount not to exceed \$402,500; and,

Increase appropriations in the Fleet Services Fund Group in the Financial Management Department by \$100,000, offset by funds available generated by revenue received through the Fleet Memorandum of Understanding. (Citywide)

DISCUSSION

City Council approval is requested to amend Contract No. 35901 with Southern Counties Oil Co, dba SC Fuels, Contract No. 35902 with Patten Energy Enterprises, Inc., and Contract No. 35910 with Cummins, Inc., dba Cummins Sales and Service, to increase the annual aggregate contract amount to \$402,500 to continue the furnishing and delivery of petroleum products for the City of Long Beach's (City) vehicle and equipment fleet. These petroleum products, including motor oils and hydraulic fluids, help support City vehicles and equipment in performing Department operations. Industry-wide cost increases for commodities like motor oil, hydraulic and other petroleum-based products necessitate additional funds.

The existing contracts were awarded by the City Council in May 2021 for two years, with the option to renew for three additional years. The City is currently in the second year of the contracts. Utilizing multiple vendors will enable the Fleet Services Bureau (Fleet) in the Department of Financial Management to obtain needed petroleum products quickly and minimize downtime for vehicles and equipment used in essential operations. Each year, Fleet uses approximately 5,600 gallons of various types of petroleum products to support regular maintenance and servicing of the City's fleet. All manufacturers recommend using the appropriate petroleum products for fleet vehicles and equipment to ensure proper function, promote maximum life of the units, ensure consistent warranty coverage, and ensure operational safety.

The original annual aggregate contract amount was \$250,000, plus a 15 percent contingency, for a total annual aggregate contract amount not to exceed \$287,500. However, since execution of the contracts, the petroleum industry experienced global and regional imbalances in the supply and demand of raw material that rapidly escalated base oil costs and additives impacting lubricant prices for all brands throughout the industry. The cost of lubricant products has increased by 10 to 15 percent. The net effect of the petroleum product increases necessitates an increase in purchasing authority above the amount originally authorized by the City Council. This request will increase the annual aggregate contract amount by \$100,000 to \$350,000, plus a 15 percent contingency of \$52,500, for a new total annual aggregate contract amount not to exceed \$402,500. Fleet staff analyzed costs and expenditures for the last fiscal year and projects the requested \$402,500 in annual spending authority will be sufficient for the remainder of the contract term to meet the City's petroleum product purchasing needs.

This matter was reviewed by Deputy City Attorney Anita Lakhani on January 30, 2023, Purchasing Agent Michelle Wilson on January 24, 2023, and by Revenue Management Officer Geraldine Alejo on January 25, 2023.

SUSTAINABILITY

Most of the oils used for the City's fleet are synthetic and provide extended oil life that reduces oil change frequency, thus reducing the amount of oil consumed considerably. Fleet is actively utilizing new technologies in equipment monitoring and predictive maintenance, which may further reduce the need for petroleum products.

TIMING CONSIDERATIONS

City Council action to amend Contract Nos. 35901, 35902, and 35910 is requested on February 14, 2023, to ensure there is no interruption to services.

FISCAL IMPACT

The requested amendment will increase the annual aggregate contract amount with Southern Counties Oil Co., dba SC Fuels, Patten Energy Enterprises, Inc., and Cummins, Inc., dba Cummins Sales and Service by \$100,000 for a revised total annual aggregate contract amount not to exceed \$402,500, including a 15 percent contingency of \$52,500. The total aggregate contract amount for a 5-year contract term will not exceed \$1,897,500. An appropriation increase of \$100,000 is requested in the Fleet Fund Group in the Financial Management, offset by funds available generated by revenues received from user departments. Petroleum product costs are collected through the Fleet Memorandum of Understanding (MOU) regular monthly charges to multiple funds and departments. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



THOMAS B. MODICA
CITY MANAGER