



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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December 11, 2018

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. 34598 with Merrimac Energy Group, of Long Beach, CA, and Contract No. 34597 with Falcon Fuels, Inc., of Paramount, CA for the purchase of petroleum fuels, to increase the annual aggregate contract amount by \$1,150,000, for a total annual aggregate amount not to exceed \$4,150,000, for the remaining two years of the three-year contract term, for a revised total aggregate contract amount not to exceed \$11,300,000; and,

Increase appropriations in the Fleet Fund (IS 386) in the Financial Management Department (FM) by \$572,251. (Citywide)

DISCUSSION

On April 18, 2017, the City Council awarded fuel contracts to Merrimac Energy Group and Airspace, LLC, dba JFI JetCenter, both of Long Beach, CA, as primary vendors and Falcon Fuels, Inc., of Paramount, CA, as the secondary vendor, for the purchase and delivery of petroleum fuels, in an annual aggregate amount not to exceed \$3,000,000.

City Council approval is requested to execute amendments to Contracts No. 34598 and 34597 with Merrimac Petroleum, Inc. and Falcon Fuels, Inc., respectively, to increase the annual aggregate contract amount by \$1,150,000. Since the time the fuel contracts were originally bid, the cost of fuel has increased an average of 37 percent for unleaded and 55 percent for diesel fuel. This increase includes the California gas tax implemented in November 2017. The net affect of the fuel price increases necessitates an increase in purchasing authority above the amount originally authorized by the City Council. Fleet Services staff analyzed fuel costs and expenditures for the last quarter, and projected the need for an additional \$1,150,000 in the current fiscal period and remainder of the contract term to meet the City's fuel purchasing needs. The City's transition to fuel efficient vehicles will continue to assist in keeping fuel expenses down despite the increase in fuel prices.

This matter was reviewed by Deputy City Attorney Taylor M. Anderson on November 13, 2018 and by Budget Management Officer Rhutu Amin Gharib on November 15, 2018.

SUSTAINABILITY

All fuels are in full compliance with the California Air Resources Board and local air district quality regulations. In addition, the City will continue to purchase renewable diesel fuel to help reduce greenhouse gas emissions.

TIMING CONSIDERATIONS

City Council action to authorize the City Manager to amend Contracts No. 34598 and 34597 with Merrimac Petroleum, Inc., and Falcon Fuels, Inc., respectively, is requested on December 11, 2018, to ensure that purchase of diesel and unleaded fuel can continue expeditiously.

FISCAL IMPACT

The revised aggregate contract amount will not exceed \$4,150,000 annually for the current and subsequent fiscal periods in the contract term, for a total aggregate contract amount not to exceed \$11,300,000. An appropriation increase of \$572,251 is requested in the Fleet Services Fund (IS 386) in the Financial Management Department (FM), offset by fuel charges to multiple departments and funds collected as part of the monthly billing process of the Fleet Services Memorandum of Understanding (MOU). The amendment of these contracts will provide continued support to our local economy by assisting in the preservation of employment for four full-time employees residing in Long Beach.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:


PATRICK H. WEST
CITY MANAGER