



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-24

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

September 23, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution authorizing the City Manager to execute a contract with Merrimac Energy Group for the purchase of unleaded, diesel, bio-diesel and Jet A fuel, on the same terms and conditions afforded to Saddleback Valley Unified School District, Foothill Transit Agency, City of Anaheim, and County of Los Angeles, in an amount not to exceed \$5,000,000 including tax, for one year with the option of renewing for two additional one-year periods, plus a 25 percent contingency if necessary and if funds are available. (Citywide)

DISCUSSION

City Council approval is being requested authorizing the City Manager to execute a contract with Merrimac Energy Group for the purchase of unleaded, diesel, bio-diesel (B20 blend) and Jet A fuel to support City-owned equipment and vehicles.

The City Charter provides an alternative procurement method by permitting the City to purchase or otherwise obtain services, supplies, materials, equipment and labor with other governmental agencies by purchasing under their contracts on a voluntary and selective basis when authorized by a Resolution of the City Council.

The Department of Financial Management, Purchasing Division, has investigated procurement options and discovered that Merrimac Energy Group (Long Beach, CA, WBE) has contracts with the following agencies pursuant to a competitive bid process:

- Saddleback Valley Unified School District for unleaded fuel
- Foothill Transit Agency for diesel fuel
- City of Anaheim for bio-diesel
- Los Angeles County for Jet A fuel

In conjunction with the Department of Public Works, Fleet Services Bureau, it was determined that the fuel specifications meet the City's requirements. This cooperative purchase agreement will facilitate the timely acquisition of fuel and provide a number of cost benefits to the City.

This matter was reviewed by Deputy City Attorney Amy R. Burton on September 2, 2008 and Budget Management Officer Victoria Bell on September 3, 2008.

SUSTAINABILITY

With the addition of biodiesel B20 blend (20 percent biodiesel and 80 percent petroleum diesel) fuel to the City of Long Beach's supply chain, we are beginning to achieve a number of sustainable benefits:

- **Environmental benefits**—use of biodiesel results in a 20 percent reduction of unburned hydrocarbons (soot), 12 percent reduction in carbon monoxide and 12 percent reduction in particulate matter emissions compared to petroleum diesel.
- **Energy security benefits**—utilization of domestic surpluses of renewable vegetable oils as a fuel component reduces Long Beach's dependence on foreign oil and provides immediate environmental benefits as the City continues to implement alternative fuel options into our fleet.
- **Economic benefits**—the cooperative purchasing agreement will provide several cost benefits to the City including sales tax revenue, no-cost tank monitoring, and reduced delivery charges.
- **Quality benefits**—biodiesel is registered as a fuel and fuel additive with the EPA and meets clean diesel standards established by the California Air Resources Board (CARB).

TIMING CONSIDERATIONS

City Council action to adopt the attached Resolution is requested on September 23, 2008 to ensure that the contract is in place expeditiously.

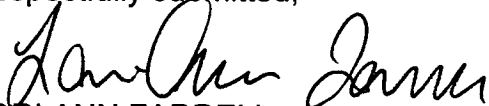
FISCAL IMPACT

The cost of this contract, in the estimated amount of \$5,000,000 annually is budgeted in Fleet Services Fund (IS 386) in the Department of Public Works (PW), Harbor Department Operations Fund (HR 430) and Water Fund (EF 310). Due to the uncertainty of the fuel market, the City will have the option of adding expenditures up to 25 percent (or \$1,250,000) above the contract amount, if necessary and if funds are available.

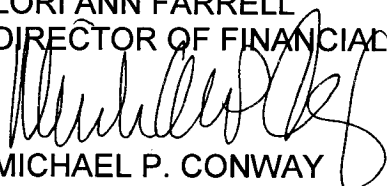
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO



MICHAEL P. CONWAY
DIRECTOR OF PUBLIC WORKS

APPROVED:



PATRICK H. WEST
CITY MANAGER

RESOLUTION NO.

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2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH AUTHORIZING THE CITY
5 MANAGER TO PURCHASE FROM MERRIMAC ENERGY
6 GROUP UNLEADED, DIESEL, BIO-DIESEL, AND JET A
7 FUEL THROUGH THE AGREEMENTS BETWEEN
8 SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT FOR
9 UNLEADED FUEL, FOOTHILL TRANSIT AGENCY FOR
10 DIESEL FUEL, CITY OF ANAHEIM FOR BIO-DIESEL AND
11 LOS ANGELES COUNTY FOR JET A FUEL

12
13 WHEREAS, the Charter of the City of Long Beach (the "City"), Section
14 1802, permits the City to purchase services, supplies, materials, equipment and labor
15 with other government agencies by purchasing under their contracts on a voluntary and
16 selective basis when authorized by resolution; and

17 WHEREAS, the City desires to purchase unleaded, diesel, bio-diesel and
18 Jet A fuel; and

19 WHEREAS, Merrimac Energy Group has an Agreement with Saddleback
20 Unified School District for the purchase of Unleaded 87-Octane Gasoline, Agreement No.
21 05-26 ("Saddleback Agreement"); and

22 WHEREAS, Merrimac Energy Group has a Master Agreement Purchase
23 Order with the City of Anaheim for the purchase of B20, Bio-Diesel, Agreement No. MA
24 106 400204 ("Anaheim Agreement"); and

25 WHEREAS, Merrimac Energy Group has a Contract with Foothill Transit for
26 the purchase of Ultra Low Sulfur Diesel, Contract No. 07-028 ("Foothill Contract"); and

27 WHEREAS, Merrimac Energy Group has a Contract with the County of Los
28 Angeles to purchase Jet A Fuel, Contract No. 226573 ("LA Contract"); and

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 WHEREAS, the City's participation in the Saddleback Agreement, Anaheim
2 Agreement, Foothill Contract and LA Contract will facilitate acquisition of unleaded,
3 diesel, bio-diesel and Jet A fuel as well as provide considerable cost benefits to the City;
4 and

5 WHEREAS, if the City had to go to formal bid rather than participate in the
6 Saddleback Agreement, Anaheim Agreement, Foothill Contract and LA Contract
7 considerably more funds would be required;

8 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
9 follows:

10 1. The above recitals are true and correct and are incorporated herein
11 by this reference.

12 2. The City Manager of the City is hereby authorized to enter an
13 agreement with Merrimac Energy Group to purchase unleaded, diesel, bio-diesel and Jet
14 A fuel, of substantially the same type and kind purchased by the Saddleback Agreement,
15 Anaheim Agreement, Foothill Contract and LA Contract except as modified by mutual
16 agreement of the City and Merrimac Energy Group, and the purchase by the City shall be
17 on the same terms and conditions afforded to Saddleback Valley Unified School District,
18 Foothill Transit Agency, City of Anaheim and Los Angeles County in an amount not to
19 exceed \$4,500,000.00, including tax, for one year, with the option of renewing for two
20 additional one-year periods, plus a 25% contingency if necessary and funds are
21 available, for a period extending until the warranty expires.

22 3. This resolution shall take effect immediately upon its adoption by the
23 City Council, and the City Clerk shall certify the vote adopting this resolution.

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I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 20__ by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

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