



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6465 • Fax (562) 570-5836

November 18, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager to execute a contract with Merrimac Petroleum, Inc., DBA Merrimac Energy Group, a Long Beach-based business, for furnishing and delivering unleaded and diesel fuel, on the same terms and conditions afforded to the City of Glendora, CA, in an annual amount of \$6,000,000, and authorize a 25 percent contingency in the amount of \$1,500,000 for a total annual amount not to exceed \$7,500,000 for a period of two years, with the option to renew for one additional year, at the discretion of the City Manager; and authorize the City Manager or designee to execute all documents necessary to enter into the contract, including any necessary amendments thereto. (Citywide)

DISCUSSION

City Council approval is requested to enter into an annual contract with Merrimac Energy Group for furnishing and delivering unleaded and diesel fuel to support City-owned vehicles and equipment. This contract will support over 2,100 vehicles Citywide.

The City purchases over 1.2 million gallons of unleaded and diesel fuel each year. The current contract for unleaded and diesel fuel supply will expire on December 31, 2014. City Charter Section 1802 provides an alternative procurement method by permitting the City to purchase or otherwise obtain services, supplies, material, 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 Fleet Services Bureau and Purchasing Division of the Department of Financial Management investigated other procurement options and learned that the City of Glendora, CA, had completed a competitive bid process in May 2011 for furnishing and delivering unleaded and diesel fuels, and awarded a contract to Merrimac Energy Group that also meets the City's needs. This cooperative purchase agreement will facilitate the timely acquisition of fuel and provide a number of cost benefits to the City. Merrimac Energy Group is a Long Beach-based business and, with an estimated \$6 million spent annually for fuel, it is estimated that the City will generate \$60,000 annually in sales tax revenue to the General Fund. In addition to supplying fuel to the City, Merrimac provides complimentary daily

remote tank monitoring that results in substantial cost savings and operational efficiencies for the City.

This matter was reviewed by Deputy City Attorney Kendra L. Carney on October 29, 2014 and by Budget Operations Officer Grace Yoon on October 31, 2014.

TIMING CONSIDERATIONS

City Council action to adopt the attached Resolution and execute a contract concurrently is requested on November 18, 2014 to ensure the contract is in place expeditiously.

FISCAL IMPACT

The cost of the contract is an annual amount not to exceed \$7,500,000, including the 25 percent contingency, and is budgeted in the Fleet Services Fund (IS 386) in the Financial Management Department (FM), Harbor Department Operations Fund (HR 430) in the Harbor Department (HA), and in the Water Fund (EF 310) in the Water Department (WA). The award of this contract will provide continued support to our local economy by assisting in the preservation of employment for five 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**

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE CITY MANAGER TO PURCHASE UNLEADED AND DIESEL FUEL THROUGH THE AGREEMENT BETWEEN CITY OF GLENDORA AND MERRIMAC PETROLEUM, INC. DBA MERRIMAC ENERGY GROUP

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

WHEREAS, the City desires to purchase unleaded and diesel fuel; and

WHEREAS, the City of Glendora has an agreement with Merrimac Petroleum Inc. dba Merrimac Energy Group, identified by City of Glendora's requisition number 00008013 ("Glendora - Merrimac Agreement"), for the purchase of unleaded and diesel fuel through June 2017; and

WHEREAS, the City's participation in the Glendora - Merrimac Agreement will facilitate acquisition of unleaded and diesel fuel as well as provide considerable cost benefits to the City; and

WHEREAS, if the City had to go to formal bid rather than participate in the Glendora - Merrimac Agreement considerably more funds would be required;

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

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

Section 2. The City Manager of the City is hereby authorized to enter an

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 agreement with Merrimac Petroleum, Inc. dba Merrimac Energy Group to purchase
2 unleaded and diesel fuel of substantially the same type and kind purchased by the City of
3 Glendora pursuant to the Glendora - Merrimac Agreement except as modified by mutual
4 agreement of the City and Merrimac Petroleum, Inc. dba Merrimac Energy Group, and
5 the purchase by the City shall be on the same terms and conditions afforded to the City
6 of Glendora in an amount not to exceed \$7,500,000 per year, including a recommended
7 25 percent contingency of \$1,500,000, if necessary, for one year, with the option of
8 renewing for two additional one-year periods if funds are available.

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

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

14 Ayes: Councilmembers: _____
15 _____
16 _____

18 Noes: Councilmembers: _____
19 _____

20 Absent: Councilmembers: _____
21 _____

24 _____
City Clerk

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