



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-31

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June 13, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Specifications No. PA-01106 and award contract to Applied LNG Technologies for the purchase of liquefied natural gas fuel and related supplies, in the estimated amount of \$1,000,000 for the period commencing with award for one year, with the option of renewing for two additional one-year periods, at the discretion of the City Manager. (Citywide)

DISCUSSION

City Council approval is being requested to enter into a contract for the purchase of liquefied natural gas (LNG) fuel, including the delivery, loading and unloading of the fuel to the City's LNG fueling station located at the Fleet Services facility at 2600 Temple Avenue.

In 2001, the South Coast Air Quality Management District (AQMD) adopted strict rules designed to reduce pollution from heavy-duty diesel vehicles. Government fleet operators adding or replacing equipment are now prohibited from purchasing vehicles that operate using diesel. LNG has been chosen by the City to replace diesel and it is expected to be the dominant alternative fuel for heavy-duty vehicles for the foreseeable future.

The City began replacing diesel vehicles with LNG vehicles in 2003 and currently operates approximately 60 LNG refuse trucks and street sweepers and uses approximately 10,000 gallons of LNG per week. These vehicles currently receive fuel at a temporary LNG refueling station located at the Fleet Services facility on Temple Avenue. The City is currently constructing a permanent 15,000-gallon capacity LNG station with dual fueling nozzles to replace the temporary station and keep pace with the growing demand for LNG. By 2011, the City is projected to have in operation over 100 LNG vehicles consuming an estimated 5,000 gallons of LNG per day. Upon completion, the LNG fueling station will be operated and maintained by the Public Works Department.

Within the past year, the City has experienced several LNG fuel supply disturbances due to regional (Western United States) LNG fuel shortages. These shortages resulted in the suspension of street sweeping activities and some slowdowns in refuse operations. With the addition of several performance standards to the contract, it is anticipated that disruptions will be limited, if not eliminated.

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The bid was advertised on April 6, 2006, and 24 potential bidders specializing in fuel sales and delivery were notified; two are Minority-owned Business Enterprises (MBEs), five are Women-owned Business Enterprise (WBEs), and three are Long Beach businesses. The bid document was made available from the Purchasing Division located on the Plaza Level of City Hall and the Division's website at www.lbpurchasing.org. A bid announcement was also included in the Purchasing Division's weekly update on Open Bid Opportunities, which was sent to 32 local, minority and women's business groups. Bids were opened on April 25, 2006. Applied LNG Technologies of Amarillo, TX, is the lowest responsible bidder.

This matter was reviewed by Senior Deputy City Attorney Donna F. Gwin on April 3, 2006, and Budget Management Officer David Wodynski on June 5, 2006.

TIMING CONSIDERATIONS

City Council action to adopt Specifications No. PA-01106 and award the contract concurrently is requested on June 13, 2006 to continue the regular provision of LNG fuel for the City's refuse trucks and street sweepers.

FISCAL IMPACT

The contract award is for \$1,000,000. This is a \$400,000 increase over the previous contract due to the increased and variable cost of natural gas, as well as the increased number of LNG-fueled vehicles that the City is anticipating to operate during the contract period. Sufficient funds are budgeted in the Fleet Services Fund (IS 386) in the Department of Public Works (PW). Fuel costs are charged to user departments based on actual usage.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



for GERALD R. MILLER
CITY MANAGER