



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-13

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

July 10, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager to execute a contract with Merrimac Energy Group (WBE and LSBE), a Long Beach-based business, for the purchase of unleaded and diesel fuel, on the same terms and conditions afforded to Saddleback Valley Unified School District, in an amount not to exceed \$5,500,000 including tax, for one year. (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 and diesel fuel to support City-owned vehicles and equipment.

On November 15, 2011, City Council authorized the City Manager or designee to purchase fuel for all City vehicles via a spot bid process. As the designee, the Department of Financial Management, Purchasing Division, has been managing the spot bid process for seven months. While this process has been running effectively, the frequency and resources required to maintain the process have outweighed the cost savings. The Purchasing Division, on average, has been processing three spot bids a week; the resources to manage these bid processes have been significant. Once the proposed contract is approved and in effect, the spot bid process for the purchase of fuel will no longer be used.

City Charter Section 1802 provides an alternative procurement method 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 Purchasing Division investigated other procurement options and learned that Saddleback Valley Unified School District had completed a competitive bid process in December 2012 for furnishing and delivering unleaded and diesel fuel 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

HONORABLE MAYOR AND CITY COUNCIL

July 10, 2012

Page 2

cost benefits to the City. Merrimac Energy Group is a Long Beach-based business and with the expenditures of \$5.5 million annually for fuel, we estimate the City will generate \$55,000 annually in sales tax revenue to the General Fund.

During this next 12-month agreement the Purchasing Division will work with a number of local entities such as Long Beach Unified School District and surrounding Cities to evaluate the option of pursuing a fuel consortium for a future fuel contract. These efforts are pursuant to City Council action taken on April 3, 2012, tasking staff to explore Joint Purchasing Agreements.

This matter was reviewed by Deputy City Attorney Amy R. Webber and Budget Management Officer Victoria Bell on June 26, 2012.

TIMING CONSIDERATIONS

City Council action to adopt the attached Resolution and to approve this purchase concurrently is requested on July 10, 2012, to ensure that the contract is in place expeditiously.

FISCAL IMPACT

The cost of this contract, in the estimated amount of \$5,500,000 annually, is budgeted in the Fleet Services Fund (IS 386) in the Department of Public Works (PW), Harbor Department Operations Fund (HR 430) in the Harbor Department (HA) and in the Water Fund (EF 130) in the Water Department (WA).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG:ES
K:\Exec\Council Letters\Purchasing\07-10-12 ccl - Merrimac fuel.doc

ATTACHMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

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

1 RESOLUTION NO.
2

3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH AUTHORIZING THE CITY
5 MANAGER TO PURCHASE UNLEADED AND DIESEL
6 FUEL THROUGH THE AGREEMENT BETWEEN
7 SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT AND
8 MERRIMAC PETROLEUM, INC. DBA MERRIMAC
9 ENERGY GROUP
10

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

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

16 WHEREAS, the Saddleback Valley Unified School District has an
17 agreement, pursuant to Bid #11-04, for the purchase of unleaded and diesel fuel; and

18 WHEREAS, the City's participation in the Saddleback Valley Unified School
19 District Agreement will facilitate acquisition of unleaded and diesel fuel as well as provide
20 considerable cost benefits to the City; and

21 WHEREAS, if the City had to go to formal bid rather than participate in the
22 Saddleback Valley Unified School District Agreement considerably more funds would be
23 required;

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

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

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

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, 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
3 Saddleback Valley Unified School District pursuant to the Saddleback Valley Unified
4 School District Agreement except as modified by mutual agreement of the City and
5 Merrimac Petroleum, Inc. dba Merrimac Energy Group, and the purchase by the City
6 shall be on the same terms and conditions afforded to the Saddleback Valley Unified
7 School District in an amount not to exceed \$5,500,000, including tax and shipping, for
8 one year.

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
15 Ayes: Councilmembers: _____

16 _____

17 _____

18 _____

19 Noes: Councilmembers: _____

20 _____

21 Absent: Councilmembers: _____

22 _____

23 _____

24 _____

25 _____

City Clerk

26 _____

27 _____

28 _____