



Legislation Text

File #: 12-0564, **Version:** 1

Recommendation to adopt resolution authorizing 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)

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 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.

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.

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).

Approve recommendation.

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 SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT AND MERRIMAC PETROLEUM, INC. DBA MERRIMAC ENERGY GROUP

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