



City of Huntington Beach

File #: 19-207

MEETING DATE: 3/4/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Fred A. Wilson, City Manager

PREPARED BY: Travis K. Hopkins, PE, Director of Public Works

Subject:

Award and authorize execution of a 3-Year Contract with Merrimac Petroleum Inc. dba Merrimac Energy Group for Bulk Fuel Service - Gasoline and Diesel in an amount not to exceed \$1,500,000 per year

Statement of Issue:

In September of 2018, the City received bids for Bulk Fuel Services. City Council action is requested to award a three-year contract to the lowest responsive and responsible bidder, Merrimac Petroleum Inc. dba Merrimac Energy Group in an amount not to exceed \$1,500,000 annually and \$4,500,000 over the full three-year term.

Financial Impact:

Funds in the amount of \$1,559,000 are budgeted annually in the Public Works Fleet Management account 10085701.63495 for fuel purchases.

Recommended Action:

Approve and authorize the Mayor and City Clerk to execute the "Service Agreement Between the City of Huntington Beach and Merrimac Petroleum Inc. dba Merrimac Energy Group for Bulk Fuel Services - Gasoline and Diesel" in an amount not to exceed amount of \$1,500,000 per year for three years.

Alternative Action(s):

Do not approve the contract award and direct staff to proceed differently.

Analysis:

The Public Works department manages the maintenance and restocking of the city's fuel infrastructure, which includes nine fuel islands and underground fuel storage tanks. City operations require approximately 330,000 gallons of unleaded gasoline and 80,000 gallons of diesel fuel annually. Public Works fleet maintenance staff works with a wholesale fuel broker to place timely fuel orders as needed and to ensure sufficient fuel inventory for Police, Fire, Public Works, and other city operations.

The city's former contracted fuel broker resigned their contract abruptly and without notice in early 2018. Since that time, staff has been utilizing interim broker services pending the outcome of the competitive bid process. In August of 2018, the City received bids under RFQ 18-0718 for a new vendor to provide bulk fuel services to our city-owned fuel sites. Staff evaluated the bids using the actual quantities of gasoline and diesel fuel purchased in FY16/17, the most recent annual data available at the time.

Following are the bid results listed from low to high. Please note that for the basis of bid comparison, the results include the vendor's proposed bulk fuel pricing per truckload of fuel. All bids are per truckload, broken down into three categories based on the volume of gallons per truck, by type of fuel. Merrimac has the lowest combined pricing per truckload which when applied to the City's purchasing volume results in \$1.3 million to \$1.5 million in annual costs.

BID ITEM*	Merrimac Petroleum, Inc. dba Merrimac Energy Group	Pinnacle Petroleum, Inc.	IDA	Southern California Gas Company	Mansfield Energy Services, Inc.
Unleaded	6,534.31	4,087.20	16,067.53	6,295.10	12,231.10
Premium Unleaded	127.10	140.09	393.57	1,019.35	3,593.57
ULS Diesel	15,317.81	26,718.69	7,176.22	22,644.15	24,470.00
SUBTOTAL UNL & DSL	21,979.22	30,945.98	3,637.30	29,958.60	40,304.72
Local Vendor Preference 0%	-1547.30	0.00	0.00	0.00	0.00
TOTAL UNL & DSL	21,979.22	30,945.98	3,637.30	29,958.60	40,304.72

*Vendors bid per truckload in three categories: less than 2,500 gallons, 2,500 to 5,000 gallons, and more than 5,000 gallons.

Staff is requesting that City Council approve the award and authorize the execution of the contract for bulk unleaded gasoline and diesel fuel with Merrimac Petroleum, Inc. dba Merrimac Energy Group, the lowest responsive and responsible bidder.

Environmental Status:

The project includes a contract to purchase gasoline and diesel fuel via a broker to fuel City vehicles and does not propose or involve physical changes to the environment and is not subject to CEQA per CEQA Guidelines Section 15061(b)(3), which exempts projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Strategic Plan Goal:

Enhance and maintain infrastructure

Attachment(s):

1. Service Agreement between the City of Huntington Beach and Merrimac Petroleum, Inc. dba Merrimac Energy Group.