



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 26-256

Meeting Date: 5/19/2026

TITLE:

AGREEMENT FOR UNLEADED FUEL SERVICES WITH MERRIMAC PETROLEUM, INC.

DEPARTMENT: PUBLIC WORKS/GENERAL SERVICES DIVISION

PRESENTED BY: RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR

CONTACT INFORMATION: PATRICK BAUER, DEPUTY PUBLIC WORKS DIRECTOR (714)
754-5029

RECOMMENDATION:

Staff recommends the City Council:

1. Approve Agreement with Merrimac Petroleum, Inc., 3738 Bayer Ave., Suite 204, Long Beach, CA 90808, for the purchase and delivery of unleaded fuel in an annual amount of \$700,000, based upon pricing provided through a Cooperative Agreement with the County of Orange, Contract RCA-017-26010049, for a term of five (5) years commencing on July 1, 2026 to June 30, 2031, unless otherwise terminated by the County of Orange.
2. Authorize the City Manager and the City Clerk to execute the agreement and future authorized amendments to the agreement.

BACKGROUND:

The City's Public Works Department, Equipment Maintenance Section, maintains a total of twelve (12) storage tanks for fuels, lubricants, and hazardous waste. These tanks provide fuel storage and dispensing at Fire Station Nos. 1, 2, 3, 5, 6, the Police Department, Telecommunications, City Hall, and the City's Corporation Yard. The City also has ten (10) emergency generators located at various sites and one portable emergency generator that requires fuel. The Equipment Maintenance Section maintains, monitors, and coordinates fuel deliveries and oversees fueling operations in compliance with Federal, State, and County regulations. The goal is to provide uninterrupted service to the City and to minimize delays in daily operations.

The City has purchased fuel utilizing pricing provided by a cooperative agreement with Pinnacle Petroleum, Inc., for fuel delivery services since August 1, 2021. However, this agreement is due to expire on June 30, 2026, and is non-renewable.

ANALYSIS:

The City will utilize the County of Orange’s cooperative agreement with Merrimac Petroleum, Inc., RCA-017-26010049 (Attachment 1) for the procurement of unleaded fuel. The agreement meets all the City’s purchasing requirements and all requirements set forth by the County of Orange regarding regional cooperative agreements and subordinate contracts. This agreement was competitively bid on by the County of Orange through a formal bid process, assuring the lowest prices are attained.

In FY 2024-25, approximately 150,000 gallons of unleaded fuel were used by the City. The average price paid per gallon for unleaded fuel in FY 2024-25 was \$3.64. Staff estimates that in FY 2026-27, the total purchase of unleaded fuel will be approximately \$700,000. This projection accounts for anticipated increases in fleet size as well as current market trends in fuel pricing. Pricing assumptions are based on Oil Price Information Service (OPIS) rates, which monitor and establish daily wholesale fuel prices.

Using the County’s cooperative agreement has proven to be an effective means of purchasing fuel and ensures that the City receives the best possible prices. Staff requests City Council approval of the proposed agreement with Merrimac Petroleum, Inc.

ALTERNATIVES:

The City Council may direct staff to conduct an independent formal bid to acquire fuel procurement and delivery services elsewhere. However, following this process is unlikely to obtain pricing below that of the County agreement due to the low volume of fuel purchased by the City in comparison to the County.

FISCAL REVIEW:

Funding for the proposed agreement is budgeted in the Equipment Replacement Fund (Fund 601). Subject to City Council’s approval, fuel purchasing and delivery services will continue to be budgeted in subsequent fiscal years.

LEGAL REVIEW:

The City Attorney’s office has reviewed this agenda report, prepared the proposed agreement (Attachment 2), and approved them both as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item works toward achieving the following City Council goals:

- Strengthen the public’s safety and improve the quality of life.
- Maintain and enhance the City’s facilities, equipment, and technology.

CONCLUSION:

The use of the County of Orange’s cooperative agreement is a cost-effective method for procuring fuel and delivery services from an established fuel vendor that will secure the City’s ability to purchase fuel while meeting all procurement provisions set forth by the City’s procurement policies.

Therefore, staff recommends the City Council:

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