



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-709

Meeting Date: 6/21/2022

TITLE:

AGREEMENT FOR DIESEL FUEL PROCUREMENT AND DELIVERY SERVICES WITH MERRIMAC PETROLEUM, INC.

DEPARTMENT: PUBLIC WORKS/MAINTENANCE SERVICES DIVISION

PRESENTED BY: RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR

CONTACT INFORMATION: ROBERT RYAN, MAINTENANCE SERVICES MANAGER, (714) 327-7499

RECOMMENDATION:

Staff recommends the City Council:

1. Approve the proposed Agreement with Merrimac Petroleum, Inc., DBA Merrimac Energy Group, 1240 Wardlow Road, Long Beach, CA 90807, for the purchase and delivery of diesel fuel in an annual amount not to exceed \$360,000 based upon pricing through an Agreement with the City of Torrance, Bid No. B2019-07, for an initial term of two (2) years effective July 1, 2022.
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 Services 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 Stations 1, 2, 5, and 6; the Police Department and the City's Corporation Yard. The City also has ten (10) emergency generators located at various sites that require diesel fuel. The Equipment Maintenance Section maintains, monitors, coordinates fuel deliveries and oversees fueling operations in compliance with Federal, States 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 from Merrimac Energy Group for diesel and delivery services since July 1, 2019, utilizing pricing provided by a cooperative agreement with the County of Orange. As the agreement term is ending on June 30, 2022, a new agreement is needed in order to provide continuity of service.

ANALYSIS:

The City will utilize the City of Torrance's agreement with Merrimac Petroleum, Inc., DBA Merrimac Energy Group (PO#2019-00000522) for the procurement of diesel fuel delivery. The agreement meets all of the City's purchasing requirements and all requirements set forth by the City of Torrance regarding piggyback purchasing. The agreement was competitively bid by the City of Torrance through a formal bid process, assuring the lowest prices are obtained.

In FY 2021-2022, approximately 35,000 gallons of diesel fuel was used by the City. The average prices paid per gallon for diesel fuel in FY 2021-2022 was \$4.21. Staff estimates that in FY 2022-2023, the total purchase of diesel fuel will be approximately \$360,000 after accounting for increases in diesel prices based on Oil Price Information Services (OPIS) rates, a service that monitors and sets daily prices of wholesale fuel.

ALTERNATIVES:

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

FISCAL REVIEW:

Funding for diesel fuel purchase is appropriated as part of the budget adoption in the Equipment Replacement Fund's Fuel Inventory account.

LEGAL REVIEW:

The City Attorney's office has reviewed this agenda report, prepared the agreement, and approves them both as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council goals:

- Strengthen Public Safety and Keep the Community Safe.
- Maintain and Enhance the City's Infrastructure, Facilities, Equipment, and Technology.

CONCLUSION:

The use of the City of Torrance's agreement is a cost effective method of 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:

1. Approve the proposed Agreement (Attachment 1) with Merrimac Petroleum, Inc., DBA Merrimac Energy Group, 1240 Wardlow Road, Long Beach, CA 90807, for the purchase and delivery of diesel fuel in an annual amount not to exceed \$360,000 based upon pricing through an agreement with the City of Torrance, Bid No. B2019-07, for an initial term of two (2) years effective July 1, 2022.

2. Authorize the City Manager and the City Clerk to execute the agreement and future authorized amendments to the agreement.