



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 24-243

Meeting Date: 6/18/2024

TITLE:

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

DEPARTMENT: PUBLIC WORKS DEPARTMENT/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 the proposed Agreement with Merrimac Petroleum, Inc., DBA Merrimac Energy Group, 1240 Wardlow Road, Long Beach, CA 90807, for the purchase and delivery of fuel in an annual amount not to exceed \$250,000.
2. Authorize the City Manager and 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, 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 fuel. The City's Warehouse staff maintains, monitors, 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 minimize delays in daily operations.

ANALYSIS:

The City is proposing to utilize the City of Ventura's General Services Agreement No. PW22-1064 (Attachment 1), which was renewed on July 1, 2024 (Attachment 2) with Merrimac Petroleum, Inc., DBA Merrimac Energy Group for the procurement of fuel delivery. The agreement meets all of the City's purchasing requirements and all requirements set forth by the City of Ventura regarding piggyback purchasing. The agreement was competitively bid by the City of Ventura through a formal bid process (Attachment 3), ensuring the lowest prices were obtained. In FY 2022-2023, approximately 36,000 gallons of fuel were purchased by the City at a cost of \$184,000 with an average price per gallon of \$5.14.

Staff estimates that in FY 2024-2025, the total cost of fuel will be approximately \$190,000 after accounting for increases in fuel 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 Ventura's agreement, due to the low volume of fuel purchased by the City.

FISCAL REVIEW:

Funding for fuel purchases is appropriated as part of the budget adoption in the Equipment Replacement Fund (601) Fuel Inventory account.

LEGAL REVIEW:

The City Attorney's office has reviewed this agenda report, prepared the agreement, and approved 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 Ventura'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 the procurement provisions set forth by the City's procurement policies.

Therefore, 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 fuel in an annual amount not to exceed \$250,000 based upon pricing through an agreement with the City of Ventura, Bid No. P-130000664, for an initial term of two (2) years effective July 1, 2024.
2. Authorize the City Manager and the City Clerk to execute the agreement and future authorized amendments to the agreement.