



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-743

Meeting Date: 6/21/2022

TITLE:

AMENDMENT FOR UNLEADED FUEL PROCUREMENT AND DELIVERY SERVICES WITH PINNACLE 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 that the City Council:

1. Approve Amendment No. 1 to the agreement with Pinnacle Petroleum, Inc., increasing Fiscal Year 2021-2022's annual amount by \$120,000 and increasing the annual not to exceed amount for subsequent years by \$400,000, resulting in annual allocation of \$800,000.
2. Authorize the City Manager and the City Clerk to execute the amendment and future authorized amendments to the agreement.

BACKGROUND:

The City's Public Services Department, Equipment Maintenance Section, is responsible for maintaining a total of twelve (12) fuel storage tanks and ensuring that the City has an adequate and uninterrupted supply of fuel. This includes five (5) above ground storage tanks and seven (7) underground storage tanks. These tanks provide fuel storage and dispensing at the City's Corporation Yard, Police Department and Fire Stations 1, 2, 3, 5, and 6. The City also has ten (10) emergency generators located at various sites with storage tanks. The Equipment Maintenance Section maintains, monitors, coordinates fuel deliveries, and oversees fueling operations in compliance with Federal, State and County regulations.

ANALYSIS:

The City is currently purchasing unleaded fuel utilizing pricing provided by Cooperative Agreement RCA-017-21010021 with the County of Orange (Attachment 2). 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.

Due to unprecedented rising fuel costs, the current \$400,000 allotment provided under the original agreement has been expended. Based on projected demand and fuel costs, an additional \$120,000

is needed to cover recent orders to supply unleaded fuel for the remainder of Fiscal Year 2021-2022.

In addition, based on current fuel costs and anticipated increases in the near future, the annual not-to-exceed amount of the agreement of \$400,000 will need to be increased by \$400,000 annually, resulting in an allocation of \$800,000 annually for the remainder of the agreement through Fiscal Year 2025-2026. The increases to the annual contract amounts are necessary to ensure the supply of unleaded fuel to support City operations including Emergency Police and Fire services for the remainder of Fiscal Year 2021-2022 and subsequent years of the agreement.

ALTERNATIVES:

The City Council may reject Amendment No. 1 to the agreement with Pinnacle Petroleum, Inc. However, this action would negatively impact public safety and the daily operations and services rendered by City Staff.

FISCAL REVIEW:

The amendment will be funded from the Equipment Replacement Fund's Fuel Inventory account. Based on City Council 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 Amendment No. 1 to the agreement and approves them both as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Maintain and enhance the City's infrastructure, facilities, equipment, and technology.

CONCLUSION:

Fuel costs have risen dramatically over the past few months. Therefore, increases to the annual contract amount are necessary to ensure the supply of unleaded fuel to support City operations, including Emergency Police and Fire services, for the remainder of Fiscal Year 2021-2022 and subsequent years of the agreement.

Staff recommends the City Council:

1. Approve Amendment No. 1 to the agreement with Pinnacle Petroleum, Inc., increasing Fiscal Year 2021-2022's annual amount by \$120,000 and increasing the annual not-to-exceed amount for subsequent years by \$400,000, resulting in an annual allocation of \$800,000.
2. Authorize the City Manager and the City Clerk to execute the amendment and authorize future amendments to the agreement.