



Legislation Text

File #: 18-0487, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Steve S. Charelian, Finance Director
Gwen Eng, Purchasing Manager

SUBJECT:

Resolution No. 18-0159 Awarding Bid #1185-19 to Merrimac Energy Group for a Three-Year Bulk Fuel Contract with an Estimated Value of \$290,000 (Finance Director Charelian).

ADOPT RESOLUTION NO. 18-0159

RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 18-0159 approving a three-year contract with Merrimac Energy Group to provide fuel with an estimated value of \$290,000 and authorize the City Manager to extend the term of the contract for two additional one-year periods if deemed in the City's best interest.

FISCAL IMPLICATIONS:

Sufficient funds are available in the Public Works budget for on-going fuel purchases. Based on today's fuel prices, the City's annual cost to purchase gasoline and diesel fuel with taxes and fees is estimated to be \$290,000 annually.

BACKGROUND:

The City operates a fueling station located at the City Yard. For the past year, the City has successfully procured automotive fuel through a bulk fuel contract with fixed indexed pricing.

The industry standard index, Oil Price Information Service (OPIS), publishes a daily index of fuel prices. With this pricing tool, the City and a supplier enter into a contract at a fixed markup over the daily Oil Price Information Service average published prices over the course of the agreement.

DISCUSSION:

The City's most recent contract has expired. As a result, staff solicited bids utilizing the City's website, list of past respondents and BidSync, a public bid notification board, and received four responses. The City specified regular (87 octane) and mid-grade (89 octane) unleaded gasoline and 10% biodiesel. Biodiesel is one of the methods used by the City to reduce our carbon footprint.

The bid comparison (Attachment 2) shows the suppliers' markup over the Oil Price Information

Service daily rate. In order to determine the bid ranking, staff applied the discount/premium per gallon bid by the supplier for each grade of fuel (87 octane, 89 octane, biodiesel) and multiplied it by the annual estimated City usage. The sum of the three discounts/premiums indicates the value of each bid with the lowest dollar number equating to the lowest total cost.

Staff would have considered splitting the award to the various vendors that had the lowest price by type of fuel but these prices are based on “truck and trailer” loads (8,000 gallons). A truck and trailer load is the industry standard bulk fuel order and the most cost-effective method as it entails only one trip for delivery. The City Yard’s fuel tanks have the capacity to handle these quantities. In this case, the lowest bidder by aggregate is Merrimac Energy Group.

Based upon these responses, Merrimac Energy Group is the lowest bidder, meets specifications for all three grades of gasoline, and provided the lowest total estimated cost for an annual contract. As a result, staff recommends that the City Council award Bid #1185-19 to Merrimac Energy Group.

The estimated spend level is based on current expenditure trends and fuel prices. This is a three-year contract with an estimated value of \$290,000 with an allowance to extend the term of the contract for two additional one-year periods if deemed in the City’s best interest. The City may cancel the contract at any time without cause if necessary.

PUBLIC OUTREACH/INTEREST:

This request for bid was advertised on the City’s website as well as BidSync, a public bid notification board.

ENVIRONMENTAL REVIEW

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW

The agreement has been reviewed by the City Attorney and is approved as to form.

Attachments:

1. Resolution No. 18-0159
2. Agreement - Merrimac Energy Group
3. Bid #1185-19 Comparison for Bulk Fuel