



City of Culver City

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Staff Report

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Item #: A-1.

CC - ACTION ITEM: (1) Approval of an Agreement with Merrimac Energy Group for the Provision of Bulk Unleaded and Diesel Fuel for City Vehicles in an Amount Not-To-Exceed \$2,250,000; and (2) FOUR-FIFTHS VOTE REQUIREMENT: Approval of a Related Budget Amendment.

Meeting Date: May 9, 2022

Contact Person/Dept: Allison Cohen/Transportation

Phone Number: (310) 253-6530

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☐ No ☒

Attachments: Yes ☐ No ☒

Commission Action Required: Yes ☐ No ☒ **Date:** N/A

Public Notification: (E-Mail) Meetings and Agendas - City Council (05/04/2022)

Department Approval: Rolando Cruz, Chief Transportation Officer (04/28/2022)

RECOMMENDATION

Staff recommends the City Council (1) approve an agreement with Merrimac Energy Group in an amount not-to-exceed \$2,250,000; and (2) approve a related budget amendment (***four-fifths vote requirement***).

BACKGROUND

The Transportation Department orders bulk fuel deliveries for each of the City's four fueling stations. These stations provide motor vehicle fuel for all the City's vehicles, including Police Department, Fire Department, Transportation Department, Public Works and general pool vehicles. Additionally, the Transportation Department fuel station serves as a retail fueling location for vehicles belonging to the Culver City Unified School District (CCUSD). All City-owned vehicles have twenty-four-hour access to the stations for the provision of fuel, and the fueling stations are managed utilizing a computer system. The fuel management software documents all fuel use such as price, quantity, time, vehicle number, and driver identification number, allowing for accurate internal fuel billing to City departments and CCUSD.

The Transportation Department currently manages bulk ordering of fuel for nine storage tanks and twenty generators and bills the using departments and CCUSD monthly for their fuel purchases. These fueling stations dispense approximately 160,000 gallons combined of regular unleaded and renewable diesel fuels on an annual basis, more than 650,000 gasoline gallon equivalents of renewable compressed natural gas, and a rapidly increasing volume of kilowatts of electricity to help move City vehicles to, through, and from Culver City.

DISCUSSION

Historically, the City has not utilized a bulk fuel agreement for the provisions of unleaded and diesel fuels for the fueling stations. Instead, spot pricing has been utilized at the time petroleum fuels are ordered. As the quantities of petroleum fuel delivered to City-owned stations continue to decline as vehicles are replaced with zero and lower emission alternatives, spot pricing is no longer cost effective when compared to bulk fuel agreements currently offered by many bulk fuel providers and utilized by most public agencies. As fuel is a commodity with a constantly fluctuating price, these agreements are established utilizing the Oil Price Information Service (OPIS), which provides daily and weekly indexes of fuel prices. The OPIS price serves as the baseline price for the fuel and the wholesaler will add either a discount or premium to this price based upon the terms of the agreement.

Staff surveyed and researched the marketplace and identified an opportunity with Merrimac Energy Group to utilize an existing agreement with the City of Huntington Beach. Staff has contacted Merrimac Energy Group, and they are willing to extend the same terms of this agreement to the City of Culver City through January 31, 2025. Under this proposed agreement, the City could recognize over \$10,000 in annual discounts for bulk fuel purchases.

Pursuant to Culver City Municipal Code (CCMC) Section 3.07.055.G, the purchase of the goods and supplies is excepted from formal competitive bidding requirements when competitive bid procedures have already been utilized by the City or another public agency or non-profit entity whose main purpose is to help public agencies make purchases. The City of Huntington Beach citywide fuel pricing agreement with Merrimac Energy Group is in place through January 31, 2025. Merrimac Energy Group has satisfactorily supplied fuel delivery services to the City of Huntington Beach and multiple other surrounding agencies through the term of this agreement. Merrimac Energy Group is willing to extend to the City of Culver City the same terms, conditions, and discounts that are included within the City of Huntington Beach contract.

FISCAL ANALYSIS

The purchase of fuel (including electricity, compressed natural gas, propane, unleaded, and diesel fuels) was included in the Council-approved budget for Fiscal Year 2021-2022 in an amount not to exceed \$1.4 million. Since July 2021, fuel costs have reached record highs and per gallon costs from \$3.80 for unleaded and \$3.31 for diesel fuel in Quarter 1 have increased to \$6.16 for unleaded and \$5.58 for diesel in Quarter 4. Due to these higher than anticipated oil and gas prices incurred during the fiscal year, staff anticipates that total fuel costs will exceed \$1.7 million this fiscal year. As such, insufficient funds are available in the existing budget to cover anticipated expenditures in the total amount of \$325,000 associated with future fuel purchases. If approved, the funds will be allocated as the follows: \$86,450 in 10116100.600800, \$65,200 in 20260400.600800, \$162,650 in

20370200.600800, \$5,250 in 20460300.600800, \$2,250 in 30870400.600800, and \$3,200 in 41470420.600800, and will be appropriated in Transportation account 30870400.520000. The increase in the fuel budget will be distributed to various general fund and enterprise operating funds through internal cost allocations and to Culver City Unified School District via monthly invoicing.

ATTACHMENTS

None

MOTION

That the City Council:

1. Approve an agreement with Merrimac Energy Group for the provision of bulk fuel in an amount not to exceed \$2,250,000 for the period ending January 31, 2025; and
2. Approve a related budget amendment allocating \$325,000 broken down as follows: \$86,450 in 10116100.600800, \$65,200 in 20260400.600800, \$162,650 in 20370200.600800, \$5,250 in 20460300.600800, \$2,250 in 30870400.600800, and \$3,200 in 41470420.600800 for fuel purchases **(requires a four-fifths vote)**; and
3. Authorize the City Attorney to review/prepare the necessary documents; and
4. Authorize the City Manager to execute such documents on behalf of the City.