




Agenda Item #:




# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Montgomery and Members of the City Council

**THROUGH:**  David N. Carmany, City Manager

**FROM:** Bruce Moe, Finance Director  
Gwen Eng, General Services Manager 

**DATE:** April 5, 2011

**SUBJECT:** Consideration of Ratification of Motor Fuel Purchase from Merrimac Energy Group in the Amount of \$29,839.51

### RECOMMENDATION:

Staff recommends that the City Council ratify the purchase of fuel from Merrimac Energy Group in the amount of \$29,839.51.

### FISCAL IMPLICATION:

Sufficient funds are available in the Public Works Fleet budget for this purchase.

### DISCUSSION:

The City operates a fueling station located at the City Yard. Our most recent contract for motor fuels was not renewed by the vendor because they wished to renegotiate the pricing structure. Additionally, because of the instability in wholesale fuel markets, few vendors are willing to enter into a contract, even with pricing indexed to market movements. Staff has determined that same day bidding and ordering (making formal bidding not possible) is the best method to secure deliveries.

Recently, staff needed to procure motor fuels. The informal process resulted in the following bids:

<u>Vendor</u>	<u>Total Bid (Incl. Tax)</u>
1. Merrimac Energy Group	\$29,839.51
2. Southern Counties Oil Co.	\$29,854.20
3. Falcon Fuels	\$31,605.43
4. DeWitt Petroleum	No bid

The bids requested for this requirement were for gasoline and bio-diesel. DeWitt Petroleum, with whom we recently entered into a sales tax sharing agreement, was unable to hold pricing for next day delivery, which the other vendors are able to do. Staff then requested them to hold pricing with same day delivery but they couldn't guarantee delivery could be scheduled for same day. This resulted in a "No bid" response from the vendor. Staff will continue to make efforts to resolve

these issues given the mutually beneficial nature of the sales tax sharing arrangement.

Merrimac Energy Group was the lowest bidder for this requirement. Because the total purchase exceeded the formal bid limit of \$20,000, staff is now seeking City Council ratification for this expenditure. Additional fuel purchases will be made approximately every 30-45 days, and if the purchase exceeds \$20,000, it will be presented for City Council ratification.