



DATE: APRIL 14, 2015

FROM: CONSTRUCTION AND MAINTENANCE

**SUBJECT: RESOLUTION NO. _____ - AWARD OF CONTRACT NO. 39742
TO THE JANKOVICH COMPANY FOR MARINE DELIVERED FUEL**

SUMMARY:

The Construction and Maintenance Division (C&M) requests approval of a one-year annual contract with two, one-year renewal options with The Jankovich Company of San Pedro, CA for marine delivered fuel to be used by City of Los Angeles Harbor Department (Harbor Department) vessels for an amount not to exceed \$303,000 per year, including sales tax. Harbor Department vessels currently run on ultra low sulfur diesel fuel or gasoline and this Request for Bid (RFB) sought the lowest price to supply the fueling needs of the Harbor Department.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve Contract No. 39742 with The Jankovich Company for a term of one year beginning May 1, 2015 with two, one-year renewal options in an amount not to exceed \$303,000 per year, or a total of \$909,000, and authorize said expenditures;
2. Authorize the Executive Director and Board Secretary to execute and attest to Contract No. 39742; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background - The Harbor Department currently has an active fleet of 40 marine vessels. Seven vessels use ultra low sulfur diesel fuel and 33 vessels use gasoline. This contract requires the selected vendor to supply and deliver all required fuels from a marine docking facility capable of fueling vessels up to 100 feet long. The delivery is to be made directly from the wharf to the vessel's fuel tank.

Ultra low sulfur diesel fuel has a maximum sulfur content of 15 parts per million as compared to standard diesel fuel containing up to 500 parts per million. The fuel meets California Air Resources Board (CARB) diesel fuel specifications. Under the current yearly authority, which expires April 30, 2015, the Harbor Department pays 27 cents per gallon over the Oil Price Information Service (OPIS) index for ultra low sulfur diesel fuel

DATE: APRIL 14, 2015

PAGE 2 OF 4

SUBJECT: APPROVAL OF CONTRACT NO. 39742 TO THE JANKOVICH CO.

for orders exceeding 249 gallons; 32 cents per gallon for ultra low sulfur diesel fuel orders of 249 gallons or less; 43 cents per gallon for gasoline orders exceeding 249 gallons; and 43 cents for gasoline orders of 249 gallons or less.

This bid requested a total of six prices to qualify as a responsive bid: small and large orders of diesel fuel #2 (a version of ultra low sulfur fuel), small and large orders of ultra low sulfur diesel fuel, and small and large orders of premium unleaded gasoline. The bidders were asked to provide their markup or discount applied to each gallon of these fuels (in dollar terms, not percentages). The discount or markup they provided is based on the OPIS Market Average Weekly Closing Rack Price. The discount or markup provided by the selected bidder will remain constant throughout the contract, but the OPIS Rack Price will be subject to market fluctuations.

OPIS is a private, independent company with no stake in the increase or decrease in fuel prices. OPIS provides daily coverage of the various refined oil products bought and sold in the open or spot market at the nation's top oil trading centers. The OPIS estimated cost figures are recognized as the industry standard for benchmarking for fuel purchases by large fleets. Large utilities, rental car companies, housing authorities, state and local governments, and private corporations buy and sell fuel based on OPIS spot market assessments.

In the last twelve months, premium gasoline prices in the Los Angeles area have decreased an average of ten percent, while diesel prices in California have decreased 21.6 percent according to the U.S. Department of Energy. However, gasoline and diesel prices have been significantly higher than current levels over the last four years. This fluctuation creates a significant challenge in estimating marine fuel expenditures by the Harbor Department. It is estimated that \$303,000 per year provides enough of a margin to allow for possible fuel price surges should they occur given current levels of fuel use.

Selection Process - RFBs were mailed to The Jankovich Company and Green Mountain Corp. The RFB was also posted on the City's Business Assistance Virtual Network (www.labavn.org) and the Harbor Department's website (www.portoflosangeles.org). The award of contract is based on the lowest price provided in the submitted bids.

One bid was received in response to the RFB (Transmittal 1). The following table summarizes the results using the dollar amount above OPIS (per gallon) for the bidder:

DATE: APRIL 14, 2015

PAGE 3 OF 4

SUBJECT: APPROVAL OF CONTRACT NO. 39742 TO THE JANKOVICH CO.

Fuel Category	Jankovich Co.
Diesel Fuel #2 (1-249 gallons)	\$0.40
Diesel Fuel #2 (250-1,999 gallons)	\$0.35
Ultra Low Sulfur Diesel (1-249 gallons)	\$0.40
Ultra Low Sulfur Diesel (250-1,999 gallons)	\$0.35
Unleaded Gasoline (1-249 gallons)	\$0.48
Unleaded Gasoline (250-1,999 gallons)	\$0.48

Based on their bid, it is recommended that The Jankovich Company be awarded the contract for marine delivered fuel (Transmittal 2). No subcontracting opportunities were identified for this project. Although The Jankovich Company is a current Harbor Department tenant, this did not affect the bid selection process.

ENVIRONMENTAL ASSESSMENT:

The proposed action is award of a contract to The Jankovich Company to provide marine delivered fuel for Harbor Department vessels. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed contract will support 1 direct and 1 secondary one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

Approval of the proposed marine delivered fuel contract authorizes the Harbor Department to expend the not-to-exceed amount of \$909,000 over three years for marine delivered fuel.

In Fiscal Year 2013-14, total expenditures for marine fuel were approximately \$250,500, or \$20,875 per month. In the first eight months of Fiscal Year 2014-15, expenditures were approximately \$158,600, or \$19,825 per month. The monthly decrease is due primarily to the fluctuating cost of fuel.

Funding in the amount of \$50,000 has been budgeted in Account 55040 (Materials - Fuel), Center No. 0510 (Construction and Maintenance Division), Program No. 000 to cover this contract's costs for the remainder of Fiscal Year 2014-15. Funding for future fiscal years will be requested to be budgeted as part of the annual budget process, upon Board approval.

DATE: APRIL 14, 2015

PAGE 4 OF 4

SUBJECT: APPROVAL OF CONTRACT NO. 39742 TO THE JANKOVICH CO.

The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board's appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board for the work required under the contract, the contract shall be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved this contract as to form and legality.

TRANSMITTALS:

1. Bid Recap for Bid No. F-899
2. Contract No. 39742

FIS Approval: MB (initials)

CA Approval: AG (initials)



TIM CLARK
Acting Director of Port Construction
and Maintenance



ANTONIO V. GIOIELLO, P.E.
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

FDR

Author: D. Young

S:/Clerical Documents/Board Items/C&M_Marine Fuel 041515