

DATE: DECEMBER 5, 2017

FROM: CONTRACTS AND PURCHASING

**SUBJECT: RESOLUTION NO. _____ - AWARD OF CONTRACT NO. 39836
TO SOUTHERN COUNTIES OIL CO. DBA SC FUELS FOR
REFORMULATED GASOLINE**

SUMMARY:

Staff requests approval of a one-year contract with two, one-year renewal options with Southern Counties Oil Co. dba SC Fuels of Orange, CA for reformulated gasoline to be used by City of Los Angeles Harbor Department (Harbor Department) vehicles and equipment for an amount not to exceed \$600,000 per year, including sales tax. Many of the Harbor Department's vehicles and small equipment currently run on gasoline and this contract locks in beneficial pricing to meet the fueling needs of the Harbor Department. This contract is the financial responsibility of the Harbor Department.

RECOMMENDATION:

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

1. Find that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve Contract No. 39836 with Southern Counties Oil Co. dba SC Fuels for a term of one year with two, one-year renewal options in an amount not to exceed \$600,000 per year, or a total of \$1.8 million, and authorize said expenditures;
3. Authorize the Executive Director and Board Secretary to execute and attest to Contract No. 39836; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background - The Harbor Department currently has an active fleet of 388 cars, trucks, sport utility vehicles, vans, motorcycles, and heavy duty on-road vehicles. One hundred forty-three (143) of those vehicles use Compressed Natural Gas (CNG), two vehicles are electric-powered, three use LPG propane, and 240 vehicles use gasoline. There are also 375 pieces of small, hand-held equipment, lawnmowers and power tools that also use

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gasoline. This contract requires the selected vendor to supply and deliver all required gasoline to Harbor Department fueling facilities at Berth 161 in Wilmington and the Harbor Administration Building in San Pedro.

Under the current yearly contract, the Harbor Department receives a discount of \$.0027 per gallon from the Oil Price Information Service (OPIS) rack pricing for deliveries of 4,999 gallons or less. The Harbor Department receives a discount of \$.0263 per gallon from the OPIS rack pricing for deliveries of 5,000 gallons or more. The new annual contract includes a discount of \$.0035 per gallon for deliveries at all volumes.

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.

The discount provided is based on the OPIS Market Average Weekly Closing Rack Price. The discount or markup provided by Southern Counties Oil Co. dba SC Fuels will remain constant throughout the contract, but the OPIS Rack Price will be subject to market fluctuations.

In October 2017, regular gasoline prices in California were ten percent higher than in October 2016 according to the U.S. Department of Energy. However, previous years saw prices as high as \$4.41 per gallon (2012), or 43 percent higher than current levels. This fluctuation creates a significant challenge in estimating fuel expenditures by the Harbor Department. It is estimated that \$600,000 per year provides enough of a margin to allow for possible fuel price surges should they occur given current levels of fuel use. This includes the recent state gas tax increase of 12 cents per gallon.

Selection Process – The Harbor Department is piggybacking on the terms and conditions of Los Angeles World Airports (LAWA) Contract No. DA-5093 (Transmittal 1) with Southern Counties Oil Co. dba SC Fuels to purchase gasoline for the Harbor Department vehicle fleet. The LAWA contract allows for other government agencies to use the terms of the contract. The LAWA contract authorizes contract expenditures of up to \$3.6 million, or approximately \$1.2 million per year. The Harbor Department will have authority to spend approximately \$600,000 per year. The Harbor Department will be able to take advantage of the volume discounts provided by Southern Counties Oil Co. dba SC Fuels, the selected contractor.

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Based on their LAWA contract, it is recommended that Southern Counties Oil Co. dba SC Fuels be awarded the contract for gasoline (Transmittal 2). No subcontracting opportunities were identified for this project.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the award of Contract No. 39836 to Southern Counties Oil Co. for reformulated gasoline to be used by the Harbor Department. As an administrative activity, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed contract authorizes the Harbor Department to expend the not-to-exceed amount of \$1.8 million over three years for gasoline.

The following table shows gasoline expenditures over the last four fiscal years:

Fiscal Year	Gallons	Expenditures	Price per Gallon
2013-14	163,989	\$564,383	\$3.44
2014-15	162,698	\$469,364	\$2.88
2015-16	178,128	\$422,204	\$2.37
2016-17	142,251	\$323,633	\$2.28
4 Year Avg.	161,767	\$444,896	\$2.75

(Note: The timing of fuel orders and deliveries in late FY 2015-16 meant a slightly above average volume in FY 2015-16 and a slightly below average volume in FY 2016-17.)

Funding in the amount of \$600,000 has been budgeted in 550 series of accounts in the Construction and Maintenance Division (Center No. 0510), Program No. 000 to cover this contract's costs for Fiscal Year 2017-18. Funding for the following fiscal year will be requested as part of the annual budget process, upon Board approval.

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.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Los Angeles World Airports Contract No. DA-5093
2. Harbor Department Contract No. 39836

FIS Approval:  (initials)

CA Approval:  (initials)


for TRICIA CAREY
Director of Contracts and Purchasing


MARLA BLEAVINS
Deputy Executive Director and
Chief Financial Officer

APPROVED:

 FOR
EUGENE D. SEROKA
Executive Director

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CPD Board Reports/FY2017-18/SC Fuels