



THE PORT  
OF LOS ANGELES

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JULY 28, 2015**

**FROM: CONTRACTS AND PURCHASING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - AWARD OF CONTRACT NO. 39761  
TO SOUTHERN COUNTIES OIL CO. DBA SC FUELS FOR  
REFORMULATED GASOLINE**

**SUMMARY:**

The Contracts and Purchasing Division (CPD) requests approval of a one-year contract with a one-year renewal option 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. Approve Contract No. 39761 with Southern Counties Oil Co. dba SC Fuels for a term of one year with a one-year renewal option in an amount not to exceed \$600,000 per year, or a total of \$1.2 million, and authorize said expenditures;
2. Authorize the Executive Director and Board Secretary to execute and attest to Contract No. 39761; and
3. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background - The Harbor Department currently has an active fleet of 406 cars, trucks, sport utility vehicles, vans, motorcycles, and heavy duty on-road vehicles. One hundred twenty-eight (128) of those vehicles use Compressed Natural Gas (CNG), two vehicles are electric-powered, and 278 vehicles use gasoline. There are also 375 pieces of small, hand-held equipment, lawnmowers and power tools that also use 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.

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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. These same discounts will be provided under the new annual contract.

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 June 2014, regular gasoline prices in the Los Angeles area were 12 percent higher than in June 2015 according to the U.S. Department of Energy. However, within that period, prices plunged 38 percent between June 2014 and January 2015, then soared 42 percent between January 2015 and June 2015. 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.

Selection Process – The Harbor Department is piggybacking on the terms and conditions of City of Los Angeles (City) Contract No. 58601 (Transmittal 1) with Southern Counties Oil Co. dba SC Fuels to purchase gasoline for the Harbor Department vehicle fleet. The City's contract allows for other government agencies to use the terms of the contract. The City's contract authorizes contract expenditures by the City of up to \$200 million, or approximately \$20 million per year. The Harbor Department will 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.

Based on their City of Los Angeles 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.

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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a Contract with Southern Counties Oil Co, dba SC Fuels for the purchase of gasoline to power the Harbor Department's vehicle fleet. 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:**

Spending under 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 contract authorizes the Harbor Department to expend the not-to-exceed amount of \$1.2 million over two years for gasoline.

In Fiscal Year 2013-14, the Harbor Department used 163,989 gallons of gasoline with total expenditures of \$564,383, which is an average of \$3.44 per delivered gallon. In Fiscal Year 2014-15, the Harbor Department used 162,698 gallons of gasoline with total expenditures of \$469,364, which is an average of \$2.88 per delivered gallon. The year-to-year decrease is due to the fluctuating cost of fuel.

Funding in the amount of \$600,000 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 Fiscal Year 2015-16. 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 as to form and legality the transmitted contract.


TRANSMITTALS:

1. City of Los Angeles Contract No. 58601
2. Contract No. 39761

FIS Approval: MB (initials)

CA Approval: J (initials)

  
TRICIA CAREY  
Director of Contracts and Purchasing

  
MARLA BLEAVINS  
Deputy Executive Director and  
Chief Financial Officer

APPROVED:

  
FOR EUGENE D. SEROKA  
Executive Director

Author: D. Young

CPD Board Reports/FY2015-16/SC Fuels