



Administrative Report

H.7., File # 20-0885

Meeting Date: 5/19/2020

To: MAYOR AND CITY COUNCIL
From: TED SEMAAN, PUBLIC WORKS DIRECTOR

TITLE

APPROVE AGREEMENT WITH THE CITY OF HERMOSA BEACH FOR THE PURCHASE OF FUEL FROM THE CITY FOR THE TERM JULY 1, 2020 - JUNE 30, 2023

APPROVE AGREEMENT WITH THE REDONDO BEACH UNIFIED SCHOOL DISTRICT FOR THE PURCHASE OF FUEL FROM THE CITY FOR THE TERM JULY 1 2020 - JUNE 30, 2023

EXECUTIVE SUMMARY

Current fuel purchase agreements with the City of Hermosa Beach and the Redondo Beach Unified School District will expire on June 30, 2020. Staff has reviewed the agreements and concluded it is in the City's best interests to extend them for another three-year period. The attached agreements will allow the neighboring agencies to continue purchasing fuel at the City's direct cost plus a \$0.29 per gallon overhead charge. The cooperative purchase agreements allow the City to seek more competitive pricing through increased volume and buying power.

BACKGROUND

For approximately 20 years the City has maintained agreements with the City of Hermosa Beach and the Redondo Beach Unified School District for the purchase of fuel at the Public Works fueling facility on Gertruda Avenue. The other agencies benefit from having convenient access to fuel and the ability to purchase fuel at below-market rates. The City benefits from increased purchasing power and more favorable fuel pricing. The current agreements expire on June 30, 2020, and the other agencies would like to renew them for another three years. Historically these arrangements have not presented any operational or capacity issues for the City.

The City's fuel costs vary throughout the year. The agreements stipulate that the other agencies purchase fuel at the City's actual cost plus an overhead charge of \$0.29 per gallon. The overhead charge compensates the City for administrative costs and depreciation of fueling station equipment.

Based on past usage figures it is estimated that the 14 Hermosa Beach vehicles that utilize the facility will consume approximately 4,300 gallons of diesel fuel and 1,700 gallons of CNG during each year of the agreement. The 44 School District vehicles are expected to consume approximately 20,000 gallons of unleaded fuel each year and minimal gallons of CNG as they have only one CNG vehicle.

All terms and conditions of the prior agreements will remain unchanged. All parties have the ability to

terminate the agreements by providing a 30-day notice.

COORDINATION

The City Attorney's office has approved the agreements as to form.

FISCAL IMPACT

Estimated revenue to the City resulting from the overhead charge applied to fuel purchases would be approximately \$7,540 per year.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

Agreement - Hermosa Beach

Agreement - RBUSD