

# Agenda Report

November 18, 2024

**TO:** Honorable Mayor and City Council

**FROM:** Department of Public Works

**SUBJECT:** **AUTHORIZE THE CITY MANAGER TO AMEND CONTRACT NO. 32224 WITH FALCON FUELS, INC. FOR FURNISHING AND DELIVERING BULK UNLEADED GASOLINE AND RENEWABLE DIESEL FUEL, INCREASING THE CONTRACT AMOUNT BY \$1,919,431 FOR A TOTAL NOT-TO-EXCEED AMOUNT OF \$10,454,431**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the action proposed herein is covered by the commonsense exemption set forth in State CEQA Guidelines Section 15061(b)(3) as CEQA only applies to projects that may have a significant effect on the environment; and
2. Authorize the City Manager to amend Contract Number 32224 for furnishing and delivering bulk unleaded gasoline and renewable diesel fuel with Falcon Fuels, Inc. increasing the contract by \$1,919,431 for a grand total amount not-to-exceed \$10,454,431 consistent with the bid specifications for this project and subject to the same contract terms and conditions.

## **BACKGROUND:**

On February 14, 2022, City Council authorized the City Manager to enter into a contract for furnishing and delivering bulk unleaded gasoline and renewable diesel fuel with Falcon Fuels, Inc. for a not-to-exceed grand total amount of \$8,535,000 for up to five years.

The Department of Public Works, Building Systems and Fleet Management Division (BSFMD) purchases and supplies unleaded and renewable diesel fuel for the City's fleet. The City has four fueling sites located at the City Yard, Civil Defense Center, Police Department, and Fire Station 33 with a total of ten fuel underground storage tanks (USTs). BSFMD manages bulk ordering of fuel for nine USTs; the UST at the

fire station site has been managed by the Fire Department since 2017 for the specific grade of renewable diesel used to fuel its diesel-powered frontline rescue ambulances, engines, and ladder trucks.

The Oil Price Information Sheet (OPIS) market index is used as a benchmark for the fuel industry's base pricing. The initial awarding of the contract was evaluated and awarded based on OPIS pricing of December 9, 2021. In June 2022, the price for bulk unleaded fuel increased by 42% from \$3.12 to \$4.43 per gallon, where renewable diesel price rose from \$2.84 to \$4.85 per gallon, a 70.8% increase. During the contract term, the pricing for both bulk unleaded and renewable diesel fuel have fluctuated and steadily increased with peak pricing spikes during June 2022 and October 2023.

As of September 2024, only \$165,106 is remaining on the initial three-year term due to price increases. The initial three-year term of the contract expires in March 2025, and the contract balance is anticipated to be exhausted by the end of November 2024. The subsequent two one-year extension options to be exercised at the discretion of the City Manager would allocate an additional \$3,414,000 for March 2025 through March 2027.

Recently, the Fire Department determined the renewable diesel grade supplied by their vendor, TACenergy, LLC (Contract Number 31446-1) to be comparable to the grade supplied at a lower cost by Falcon Fuels. Therefore, the Fire Department is seeking to avail the renewable diesel fuel per the existing contract with Falcon Fuels, Inc. as of January 2025.

The proposed increase covers the projected bulk fuel needs for the existing nine USTs estimated at \$155,566 per month for the remaining 30 months from October 2024 through March 2027. This will also incorporate expanded site delivery of renewable diesel fuel at Fire Station 33 estimated at \$14,393 per month for 27 months (January 2025 to March 2027). Staff recommends increasing Contract Number 32224 with Falcon Fuels, Inc. by \$1,919,431 (\$1,476,485 total projected need plus \$442,946 contingency) to a new revised not-to-exceed amount of \$10,454,431 for the full five-year contract term ending March 2027.

Below sets out the proposed contract amendment:

	Initial 3-Year Term	Extension Year 1 & 2	Totals
Original Contract Amount	\$5,121,000	\$3,414,000	\$8,535,000
Proposed Increase	\$ 811,469	\$ 665,016	
30% Contingency	\$ 243,441	\$ 199,505	
Sub-total	\$ 1,054,910	\$ 864,521	\$1,919,431
<b>Revised Contract Amount</b>	<b>\$6,175,910</b>	<b>\$4,278,521</b>	<b>\$10,454,431</b>

The 30% proposed contingency will address any future fuel cost increases or unexpected spikes in fuel use during the life of the contract. The proposed increase is consistent with the bid specifications for the project.

**COUNCIL POLICY CONSIDERATION:**

This proposed contract increase furthers the City Council's Strategic Plan goals to ensure public safety and maintain fiscal responsibility and stability.

**ENVIRONMENTAL IMPACT:**

The action proposed herein has been determined to be exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061(b)(3), the "Common Sense" exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The proposed contract increase will allow for the furnishing and delivery of unleaded and renewable diesel fuel, it will have no adverse impact on the environment.

**FISCAL IMPACT:**

The cost of this action is an increase of \$1,919,431 to Contract Number 32224 for a not-to-exceed total of \$10,454,431 over the original five-year term of the contract. Funding for this action will be addressed by the utilization of the Department's existing budgeted appropriations in the Fleet Maintenance Fund (511). Future contract costs will be budgeted as part of the Department's annual operating budget. There is no impact to the General Fund.

Respectfully submitted,


  
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Approved by:

  
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