

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 7, 2024

CAO File No. 0150-12556-0000

Council File No.

Council District: 6, 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Los Angeles World Airports Board of Airport Commissioners (Board) dated December 7, 2023 and December 26, 2023 referred by the Mayor for a report on December 20, 2023

Subject: **RESOLUTION NO. 27848 AND PROPOSED AWARD OF INDIVIDUAL FIVE-YEAR CONTRACTS WITH AAA OIL, INC. AND MERRIMAC PETROLEUM, INC. FOR SUPPLY AND DELIVERY OF RENEWABLE DIESEL AND UNLEADED GASOLINE FUELS AT LOS ANGELES INTERNATIONAL AIRPORT AND VAN NUYS AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Resolution No. 27848 authorizing two separate five-year contracts: one with AAA Oil, Inc. for \$3.5 million and the other with Merrimac Petroleum, Inc. for \$3.5 million, for a combined contract authority not-to-exceed \$7 million, covering the supply and delivery of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport;
2. Adopt the California Environmental Quality Act (CEQA) determinations of the December 26, 2023 Board of Airport Commissioners (Board) Resolution 27848, that this action is exempt from CEQA pursuant to Article II, Section 2(f) of the Los Angeles City CEQA Guidelines; and
3. Authorize the LAWA Chief Executive Officer, or designee, to execute the proposed agreement and return the Resolution to LAWA for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (Board) requested approval of its December 26, 2023 Resolution 27848 authorizing two distinct five-year fuel supply contract awards: one with AAA Oil, Inc. (AAA Oil) and the other with Merrimac Petroleum, Inc. (Merrimac). Approval of the contracts will result in the supply and delivery of renewable diesel and

unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport (collectively, the Airports) for a total contract authority not-to-exceed \$7 million, with a maximum allocation of \$3.5 million to each contract. The five-year term for both agreements will begin concurrently upon execution of the contract.

The proposed contracts have been approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative term of the individual contracts exceeds three years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On December 7, 2023 and December 26, 2023, the Board approved a LAWA staff report and Resolution 27848 requesting authority to execute separate fuel supply contracts. One contract was awarded to AAA Oil and the other was granted to Merrimac. Each contract consists of a five-year term and a contract limit of \$3.5 million, for combined contract authority not-to-exceed \$7 million. The purpose of the proposed contracts is to allow LAWA redundant suppliers for bulk unleaded gasoline and renewable diesel fuel at the Airports.

Current Fuel Supply Contracts – The Board approved two actions allowing LAWA to join existing fuel supply contracts that the City of Los Angeles – General Services Department (GSD) has in place with Falcon Fuels, Inc. Specifically, On June 1, 2023, LAWA was approved to join Contract No. ARC 40 220000000011-4 (Resolution 27741) to purchase renewable diesel fuel, expiring on March 31, 2024. On July 26, 2023, LAWA was approved to join Contract No. ARC 40 59771 (Resolution 27740) for unleaded gasoline for one year, plus two one-year extension options, expiring on July 31, 2024, unless the renewal options are exercised. Should the proposed fuel supply contracts not be executed by the expiration date of the current renewable diesel agreement on March 31, 2024, LAWA will have to rely on Emergency Purchase Orders or request GSD to extend their existing contract to procure renewable diesel fuel. These two options will temporarily prevent fuel supply disruptions at the Airports until the proposed contracts are put into force.

Fuel Contract Redundancy – Having multiple suppliers of renewable diesel and unleaded fuel is critical for LAWA to ensure continual fuel availability for its vehicles and equipment at the Airports. Relying on a single supplier carries risks and any disruption to one supplier's operations or a price increase could negatively impact LAWA's fuel supply chain. Accordingly, LAWA requests authorization to execute contracts with multiple unleaded gasoline and renewable diesel providers as an essential redundancy and risk mitigation strategy. The supply redundancy will allow LAWA to maintain a continued and uninterrupted supply of fuel for its fleet of vehicles and fuel-powered equipment in the event of an issue with a single supplier or price fluctuations.

Fuel Grade Specifications - It should also be noted that LAWA's Facilities Management Division (FMD) uses renewable diesel fuel only for vehicles and pieces of equipment that are either not available in an alternative fuel configuration or have not yet been replaced by an alternative fuel unit. Renewable diesel fuel meets all California Air Resources Board (CARB) diesel fuel specifications. It is produced from non-petroleum renewable sources, including vegetable oils and

animal fats. The chemical properties of renewable diesel and conventional diesel are similar, sharing key characteristics such as chemical composition, specifications, and performance when used as fuel. These similarities enable renewable diesel to directly substitute for conventional diesel fuel. Renewable diesel meets the federal registration requirements for fuels and fuel additives, and the American Society for Testing Materials D975-21 specifications (Standard Specification for Diesel Fuel). Furthermore, LAWA indicates that the Department only purchases CARB-compliant unleaded and diesel fuels, as per the RFB specifications.

Competitive Process for Fuel Supply Contracts – On May 7, 2023, LAWA issued a Request for Bid (RFB) to select two companies to supply unleaded gasoline and renewable diesel fuel at the Airports. The release of the RFB was succeeded by a pre-proposal meeting to present the Department’s objectives and address inquiries from potential bidders. A total of 30 firms viewed this procurement. To stimulate increased participation from perspective suppliers, LAWA extended the due date three times. By the final due date of June 15, 2023, LAWA received bids from three fuel firms, which were evaluated by the Department’s Strategic Sourcing Division (SSD) staff. Upon examining the bids, the SSD staff concluded that both AAA Oil and Merrimac fulfilled the requirements outlined in the RFB and demonstrated the necessary experience to meet the contract specifications. Further, their pricing was consistent with the prevailing rates in the local fuel market. Subsequently, LAWA selected AAA Oil and Merrimac as the most qualified and competitively priced bidders.

Fuel Supplier Obligations and Emergency Preparedness – As specified in the contract, the fuel suppliers shall maintain fueling facilities capable of supplying LAWA’s needs 24 hours a day, seven days a week. The contracts also include commitments for the suppliers to have dedicated trucks ready to deliver fuel to LAWA within tight timeframes. Each supplier must keep at least one 10,000 gallon unleaded fuel truck and one 10,000 gallon diesel fuel truck on standby to deliver fuel to LAWA within four hours of notification. Additionally, in case of natural disasters such as earthquakes, floods, or wildfires, the suppliers will prioritize fuel deliveries to LAWA over other customers, ensuring the Airports have reliable access to essential fuel, even in crisis situations.

Fuel Consumption – LAWA’s FMD has oversight of fuel supplies at the Airports. This includes tracking fuel inventory levels and coordinating deliveries to ensure airport facilities consistently have adequate fuel availability. Despite the utilization of other alternative fuel sources, FMD anticipates the total monthly volume of traditional gasoline and diesel fuel purchased for the Airports’ fleet and equipment will not experience a significant decrease throughout the duration of the contract. This projection is based on the continued reliance on fossil fuels by the various vehicles and equipment essential for airport operations. Transitioning the entire airport service fleet to electric or alternative fuels presents a major cost and infrastructure challenge. Additionally, most of airline ground service equipment relies on diesel fuel and faces difficulty in converting to alternative power due to significant modification and charging needs. As a result, FMD expects only small decreases in monthly gasoline and diesel volumes purchased over the contract duration. LAWA reports that the current estimated fuel usage for each airport is indicated in the table below:

Estimated Fuel Usage for the Proposed Contracts with AAA Oil, Inc. and Merrimac Petroleum, Inc.		
Fuel Type	Los Angeles International Airport (Fuel Usage)	Van Nuys Airport (Fuel Usage)
Unleaded	22,000 gallons/month	1,500 gallons/month
Diesel	7,000 gallons/month	500 gallons/month

Fuel Pricing and Costs – The pricing model for the fuel supply contract is tied to the weekly Oil Price Index Service (OPIS) plus an additional markup fee. Given that fuel usage fluctuates over time, it is difficult to accurately forecast monthly expenditures. The actual monthly totals will vary based on real-time fuel demand.

CITY COMPLIANCE

Small Business Enterprise (SBE), Local Business Enterprise (LBE), Local Small Business Enterprise (LSBE), and Disabled Veterans Business Enterprise (DVBE) Participation – As reported by LAWA staff, this action is not subject to the provisions of the Business Enterprise programs, subsequently, no mandatory business inclusion goals were established.

California Environmental Quality Act (CEQA) – On December 7, 2023, the Board determined that the proposed contracts with AAA Oil and Merrimac for the supply and delivery of unleaded gasoline and renewable diesel fuel at Los Angeles International Airport and Van Nuys Airport will not directly impact the environment and is exempt from CEQA pursuant to Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

The proposed Agreement includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. The City Attorney has reviewed and approved the proposed Agreement. In accordance with Charter Section 373 and Administrative Code Section 10.5(a) and 10.5 (b)(2), the proposed Agreement requires Council approval because the total term of the Agreement exceeds three years. Our Office recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed five-year contracts for the supply and delivery of renewable diesel and unleaded fuel with AAA Oil and Merrimac will have no impact on the City’s General Fund. Costs associated with the proposed contracts are included in Los Angeles World Airports Fiscal Year 2023-24 Operating Budget in LAX Cost Center 1150053 – Landside & Airside Equipment Maintenance and VNY Cost Center 1400003 – Construction & Maintenance Services, Commitment Item 522 – Materials and Supplies. Funding for subsequent years will be requested as part of LAWA’s annual budget process. The recommendations in this report comply with the Los Angeles World Airports’ adopted Financial Policies.



December 7, 2023

The Honorable Karen Bass
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez, Legislative Coordinator
ATTN: Thomas Arechiga, Deputy Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Karim Webb
President

Matthew M. Johnson
Vice President

Vanessa Aramayo
Courtney La Bau
Victor Narro
Nicholas P. Roxborough
Valeria C. Velasco

Beatrice C. Hsu
Interim Chief Executive Officer

RE: Request to award five-year contracts to both AAA Oil, Inc. and Merrimac Petroleum, Inc.

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to award five-year contracts to both AAA Oil, Inc. and Merrimac Petroleum, Inc. in the amount of \$3,500,000 each for the supply and delivery of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport for an aggregate total of \$7,000,000.

City Council approval is required pursuant to Section 373 of the Los Angeles City Charter.

Sincerely,

A handwritten signature in black ink, appearing to be "B. Hsu", written over a light blue horizontal line.

Beatrice C. Hsu
Interim Chief Executive Officer

BCH:MSA:ksf





Item Number
3

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:  Richard J. Connolly, Deputy Executive Director Facilities Management Division	Meeting Date			
	12/7/2023			
Reviewer:  Brian C. Ostler, City Attorney	Needs Council Approval: <input checked="" type="checkbox"/> Y			
	Reviewed for/by	Date	Approval Status	By
Finance	11/28/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS	
CEQA	11/17/2023	<input checked="" type="checkbox"/> Y	MD	
Procurement	11/16/2023	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	BG	
Guest Experience	11/15/2023	<input checked="" type="checkbox"/> Y	TB	
Strategic Planning	11/22/2023	<input checked="" type="checkbox"/> Y	BNZ	
 Beatrice Hsu, Interim Chief Executive Officer				

SUBJECT

Request to award five-year contracts to both AAA Oil, Inc. and Merrimac Petroleum, Inc. in the amount of \$3,500,000 each for the supply and delivery of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport for an aggregate total of \$7,000,000.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
- APPROVE the award of five-year contracts to both AAA Oil Inc. and Merrimac Petroleum, Inc. in an amount not to exceed \$3,500,000 each for the purchase of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport for an aggregate total of \$7,000,000.
- AUTHORIZE the Interim Chief Executive Officer, or designee, to execute the contracts after approval by the Los Angeles City Council and approval as to form by the City Attorney.

DISCUSSION

1. Purpose

The proposed action will establish two five-year contracts for the supply of renewable diesel and unleaded gasoline fuel to Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) to ensure a steady supply for operational needs. Awarding two contracts provides Los Angeles World Airports (LAWA) the ability to utilize redundant fuel suppliers in the event of disruptions or other constraints preventing a vendor from delivering fuel.

2. Prior Related Actions/History of Board Actions

- **June 16, 2016 – Resolution No. 25996 (DA-5093)**
The Board of Airport Commissioners (Board) approved a three-year contract with Southern Counties Oil Company dba SC Fuels for the purchase of unleaded fuel at LAX, Ontario International Airport, and VNY for an overall amount not to exceed \$3,617,400. The contract expired on June 30, 2019.
- **November 17, 2016 – Resolution No. 26105 (DA-5153)**
The Board approved a one-year contract with Green Mountain Corporation dba Sundance Energy for ultra-low-sulfur diesel fuel for an overall amount not to exceed \$528,000. Contract DA-5153 expired on December 31, 2019.
- **July 18, 2019 – Resolution No. 26804 (DA-5380)**
The Board approved a three-year contract with Falcon Fuels, Inc. for the supply and delivery of fuel to LAX and VNY airports for an overall amount not to exceed \$3,225,000. The contract expired on July 17, 2022.
- **October 10, 2019 – Resolution No. 26860 (DA-5393)**
The Board approved a three-year contract with Merrimac Petroleum, Inc. for the supply and delivery of fuel to LAX and VNY airports for an overall amount not to exceed \$1,845,000. The contract expired on October 9, 2022.
- **June 1, 2023 – Resolution No. 27741 (DA-5647)**
The Board approved joining City of Los Angeles Contract No. ARC 40 220000000011 4 and awarded a contract to Falcon Fuels, Inc. for the supply and delivery of renewable diesel fuel for LAX and VNY airports in an amount not to exceed \$360,000. This contract will expire on March 31, 2024.
- **June 1, 2023 – Resolution No. 27740 (DA-5646)**
The Board approved joining City of Los Angeles Contract No. ARC 40 59771 and awarded a one-year contract, with two one-year renewal options, to Falcon Fuels, Inc. for the supply and delivery of unleaded fuel for LAX and VNY Airports, for an amount not to exceed \$2,550,000. This contract will expire on March 31, 2024.

3. Background

The LAWA Facilities Management Division uses renewable diesel fuel for 62 vehicles and pieces of equipment that are either not available in an alternative fuel configuration or have

not yet been replaced by an alternative fuel unit. Renewable diesel fuel meets all California Air Resources Board diesel fuel specifications. Renewable diesel is a fuel produced from non-petroleum renewable sources, including vegetable oils and animal fats. The chemical and structural properties of renewable diesel and conventional diesel are similar. Renewable diesel meets the federal registration requirements for fuels and fuel additives, and the American Society for Testing Materials D975-21 specification (Standard Specification for Diesel Fuel).

Approximately 30 percent of the LAWA fleet uses unleaded gasoline (35 cars, 50 vans, 165 Sport Utility Vehicles, 30 motorcycles, 41 pick-up trucks, and 39 trucks), and five percent use diesel fuel (1 auto, 1 pick-up truck, 6 trucks, 25 various construction equipment, and 29 portable signs). The remaining 65 percent of LAWA's fleet use alternative fuels such as compressed natural gas, liquefied natural gas, battery-electric, and propane.

4. Current Action/Rationale

The terms of these contracts will allow LAWA to purchase fuel at a competitive rate, even with fluctuating fuel prices. The award of two contracts to purchase fuel (on an emergency/contingency basis) is necessary in the event of an unforeseen circumstance. For example, if one supplier cannot fulfill their contractual obligations for business or operational reasons, LAWA will still need the ability to purchase this type of fuel to ensure that critical operations continue.

The contractual rates are tied to the Oil Price Index Service (OPIS), which is used by both wholesalers and retailers to price their products. The OPIS is the most widely accepted pricing index for wholesale rack prices. Benchmark OPIS gasoline and diesel rack prices are used in wholesale transactions and fuel supply contracts to give both buyers and sellers an independent and unbiased price to reference. There are about 400 rack pricing indexes in the United States, including the City of Los Angeles. Using the OPIS wholesale rack rate report method guarantees LAWA will obtain the most current, competitive rate during volatile oil price fluctuation cycles.

Previously, LAWA conducted separate procurements for unleaded gasoline and diesel fuel contracts, but, in the interest of administrative efficiency, it was determined that conducting one Request for Bid (RFB) with two contract awards would be optimal.

5. Selection Process

Staff posted RFB No. 121-097 for public review on the City of Los Angeles website www.rampla.org to establish contracts for unleaded gasoline and renewable diesel fuel at LAX and VNY.

Bids were due on June 15, 2023. Los Angeles World Airports received three responses to the RFB. The bid prices were based on the estimated annual purchase of unleaded gasoline and renewable diesel fuels for LAX and VNY, including net payment and Local Business Preference Program (LBPP) discount rates as described in the table on the following page.

Vendor	Total of Bid as Submitted on Bid Worksheet	Local Business Discount (8%)	Net Bid Total
Merrimac Petroleum, Inc.	\$ 1,041,777	(\$83,342)	\$ 958,435
AAA Oil, Inc.	\$ 1,063,655	None	\$1,063,655
SC Fuels	\$ 1,155,710	None	\$1,155,710

Based on staff's bid evaluation, analysis, and review of their submittal, Merrimac Petroleum, Inc. and AAA Oil, Inc. were deemed the lowest priced, responsive, and responsible bidders with regard to the bid amounts listed above and their submittal package.

6. Fiscal Impact

The costs related to these contracts will be recovered through terminal rates and charges.

7. Alternatives Considered

- **Piggyback on an Existing City Contract**

On June 1, 2023, LAWA joined the City's contracts with Falcon Fuels Inc. for the supply and delivery of unleaded gasoline and renewable diesel fuel. These contracts were approved as interim contracts while LAWA staff completed the procurement for long-term fuel supplies.

APPROPRIATIONS

Funds for this contract are available in the Fiscal Year 2023-2024 Los Angeles World Airports Operating Budget in LAX Cost Center 1150053 – Landside & Airside Equipment Maintenance and VNY Cost Center 1400003 – Construction & Maintenance Services, Commitment Item 522 – Materials and Supplies. Funding for subsequent years will be requested as part of the annual budget process.

STANDARD PROVISIONS

1. This item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
2. The proposed document(s) is/are subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.
4. This action is statutorily exempt from the provisions of the Living Wage/Worker Retention Ordinances.
5. Procurement Services has reviewed this action (File No. 10365). No mandatory Small Business Enterprise, Local Business Enterprise/Small Local Business Enterprise, and Disabled Veterans Business Enterprise goal for this project has been established.

6. AAA Oil, Inc. and Merrimac Petroleum, Inc. will comply with the provisions of the Affirmative Action Program.
7. AAA Oil, Inc. and Merrimac Petroleum, Inc. have been assigned Business Tax Registration Certificate No. 0002578037-0001-1 and 0000692695-0001-8.
8. AAA Oil, Inc. and Merrimac Petroleum, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. AAA Oil, Inc. and Merrimac Petroleum, Inc. must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to the issuance of a Notice to Proceed.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. AAA Oil, Inc. and Merrimac Petroleum, Inc. have submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. AAA Oil, Inc. and Merrimac Petroleum, Inc. have been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. AAA Oil, Inc. and Merrimac Petroleum, Inc. have submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. AAA Oil, Inc. and Merrimac Petroleum, Inc. have submitted the MLO CEC Form 50 and will comply with its provisions.
16. AAA Oil, Inc. and Merrimac Petroleum, Inc. will be required to comply with the provisions of the Iran Contracting Act.



December 26, 2023

The Honorable City Council
of the City of Los Angeles
(via email)

Subject: Award of individual five (5)-year Contracts to AAA Oil Inc. and Merrimac Petroleum Inc.

Pursuant to Section 373 of the City Charter, enclosed for your approval are the individual five (5)-year Contracts with AAA Oil Inc. and Merrimac Petroleum Inc. that were approved by the Board of Airport Commissioners at its December 7, 2023 meeting. There is no impact to the General Fund.

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; and
2. Approve Award of individual five (5)-year Contracts to [i] AAA Oil Inc. and [ii] Merrimac Petroleum Inc. covering supply and delivery of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport, for cost not to exceed \$3,500,000 per contract; and
3. Concur with said Board's action on December 7, 2023, by Resolution 27848, authorizing the Interim Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Contracts with AAA Oil Inc. and Merrimac Petroleum Inc.

Very truly yours,

Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

Enclosures

- cc: Trade, Travel and Tourism Committee
 Councilmember Park, e-file
 Councilmember McOsker, e-file
 Councilmember Soto-Martinez, e-file
 CAO (Airport Analyst), e-file
 CLA (Airport Analyst), e-file
 City Clerk's Office, e-file

LAX
Van Nuys
City of Los Angeles
Karen Bass
Mayor

**Board of Airport
Commissioners**

Karim Webb
President
Matthew M. Johnson
Vice President

Vanessa Aramayo
Courtney La Bau
Victor Naro
Nicholas P. Roxborough
Valeria C. Velasco

Beatrice C. Hsu
Interim Chief Executive Officer



RESOLUTION NO. 27848

WHEREAS, on recommendation of Management, there was presented for approval, Award of individual five (5)-year Contracts to [i] AAA Oil Inc. and [ii] Merrimac Petroleum Inc. covering supply and delivery of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport, for cost not to exceed \$3,500,000 per contract; and

WHEREAS, the Los Angeles World Airports (LAWA) Facilities Management Division uses renewable diesel fuel for 62 vehicles and pieces of equipment that are either not available in an alternative fuel configuration or have not yet been replaced by an alternative fuel unit. Renewable diesel fuel meets all California Air Resources Board diesel fuel specifications. Renewable diesel is a fuel produced from non-petroleum renewable sources, including vegetable oils and animal fats. The chemical and structural properties of renewable diesel and conventional diesel are similar. Renewable diesel meets the federal registration requirements for fuels and fuel additives, and the American Society for Testing Materials D975-21 specification (Standard Specification for Diesel Fuel); and

WHEREAS, approximately 30% of the LAWA fleet uses unleaded gasoline (35 cars, 50 vans, 165 Sport Utility Vehicles, 30 motorcycles, 41 pick-up trucks, and 39 trucks), and 5% use diesel fuel (1 auto, 1 pick-up truck, 6 trucks, 25 various construction equipment, and 29 portable signs). The remaining 65% of LAWA's fleet use alternative fuels such as compressed natural gas, liquefied natural gas, battery-electric, and propane; and

WHEREAS, previously, LAWA conducted separate procurements for unleaded gasoline and diesel fuel contracts, but in the interest of administrative efficiency, it was determined that conducting one Request for Bids (RFB) with two (2) contract awards would be optimal; and

WHEREAS, LAWA received three (3) responses to the RFB 121-097, which was released to establish contracts for unleaded gasoline and renewable diesel fuel at Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). The bid prices were based on the estimated annual purchase of unleaded gasoline and renewable diesel fuels for LAX and VNY, including net payment and Local Business Preference Program (LBPP) discount rates, as follows:

Vendor	Total of Bid as submitted on Bid Worksheet	LBPP Discount (8%)	Net Bid Total
Merrimac Petroleum Inc.	\$1,041,777	(\$83,342)	\$ 958,435
AAA Oil Inc.	\$1,063,655	none	\$1,063,655
SC Fuels	\$1,155,710	none	\$1,155,710; and

WHEREAS, based on staff's bid evaluation, analysis, and review of their submittal, Merrimac Petroleum Inc. and AAA Oil Inc. were deemed the lowest priced, responsive, and responsible bidders with regard to the bid amounts listed above and their submittal package; and

WHEREAS, the terms of the contracts will allow LAWA to purchase fuel at a competitive rate, even with fluctuating fuel prices. Award of two (2) contracts to purchase fuel (on an emergency/contingency basis) is necessary in the event of an unforeseen circumstance. For example, if one supplier cannot fulfill its contractual obligations for business or operational reasons,

LAX
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Valeria C. Velasco
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Interim Chief Executive Officer



LAWA will still need the ability to purchase said type of fuel to ensure that critical operations continue; and

WHEREAS, the contractual rates are tied to the Oil Price Index Service (OPIS), which is used by both wholesalers and retailers to price their products. OPIS is the most widely accepted pricing index for wholesale rack prices. Benchmark OPIS gasoline and diesel rack prices are used in wholesale transactions and fuel supply contracts to give both buyers and sellers an independent and unbiased price to reference. There are about 400 rack pricing indexes in the United States, including the City of Los Angeles. Using the OPIS wholesale rack rate report method guarantees LAWA will obtain the most current, competitive rate during volatile oil price fluctuation cycles; and

WHEREAS, funds for the contracts are available in the Fiscal Year 2023-2024 LAWA Operating Budget in LAX Cost Center 1150053 – Landside & Airside Equipment Maintenance and in VNY Cost Center 1400003 – Construction & Maintenance Services; Commitment Item 522 – Materials and Supplies. Funding for subsequent years will be requested as part of the annual budget process; and

WHEREAS, this item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. will comply with the provisions of the Affirmative Action Program; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. have been assigned Business Tax Registration Certificates 0002578037-0001-1 and 0000692695-0001-8, respectively; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. must each have approved insurance documents, in the terms and amounts required, on file with LAWA prior to issuance of their respective Notices to Proceed; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. have each submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance, and will comply with the provisions of said program; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. have been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. have each submitted the Bidder Contributions CEC Form 55, and will comply with its provisions; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. have each submitted the MLO CEC Form 50, and will comply with its provisions; and

WHEREAS, AAA Oil Inc. and Merrimac Petroleum Inc. will be required to comply with the provisions of the Iran Contracting Act; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; approved Award of individual five (5)-year Contracts to [i] AAA Oil Inc. and [ii] Merrimac Petroleum Inc. covering supply and delivery of renewable diesel and unleaded gasoline fuels at Los Angeles International Airport and Van Nuys Airport, for cost not to exceed \$3,500,000 per contract; and authorized the Interim Chief Executive Officer, or designee, to execute said individual Contracts with AAA Oil Inc. and Merrimac Petroleum Inc. after approval by the Los Angeles City Council and approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 27848 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, December 7, 2023.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS