Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2023-0124, **File Type:** Contract **Agenda Number:** 33.

OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE
APRIL 20, 2023

SUBJECT: UNLEADED FUEL

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. FY75015000 with Mansfield Oil of Gainesville, Inc. to increase the 2-year base contract amount by $1,067,343 from $6,628,473 to $7,695,816, exercise the 1-year option term extending the period of performance from July 1, 2023, to June 30, 2024 and increase the total not-to-exceed amount by $5,679,967 from $6,628,473 to $12,308,440.

ISSUE

The original contract value was established to provide up to 2,850,000 gallons of unleaded gasoline for non-revenue vehicles for 36 months at prevailing Oil Price Information Service (OPIS) pricing with the application of state and federal taxes and fees associated with unleaded gasoline. The OPIS pricing at the beginning of the contract averaged $3.46 per gallon, which was in line with industry expectations. The cost of gasoline dramatically increased over the past year to unprecedented levels of up to $5.71 per gallon, and the Inflation Reduction Act of 2022 (IRA) increased the per gallon cost of gasoline with the resurrection of the Hazardous Substance Superfund Trust Fund (aka "Superfund") tax on oil and petroleum products effective January 1, 2023. Staff is projecting that the increased cost per gallon for gasoline will result in the fuel costs reaching the maximum contract value in advance of the base and option periods.

BACKGROUND

In June 2021, the Board awarded a 36-month Contract for unleaded gasoline to Mansfield Oil of Gainesville for $9,211,566.91. Mansfield Oil of Gainesville is required to provide unleaded gasoline for Metro's non-revenue vehicles (automobiles, trucks, vans, and equipment) at the prevailing OPIS pricing. The original contract was established as an Indefinite Delivery Indefinite Quantity (IDIQ) for a two-year base, inclusive of sales taxes for a not-to-exceed amount of $6,128,473, and a one-year option for a not-to-exceed amount of $3,083,093.91 for a total not-to-exceed amount of $9,211,566.91. The contract base value was increased by $500,000 on March 8, 2023 to bring the not-to-exceed value of the base contract to $6,628,473 and increasing the total not-to-exceed amount to $9,711,566.91. At the beginning of the contract, the OPIS price per gallon averaged

$3.46, which was in line with industry expectations. The cost of gasoline dramatically increased over the past year to unprecedented levels of up to $5.71 per gallon. Additionally, the "Superfund" tax that went into effect on January 1, 2023 increased the cost of gasoline by $0.00351 per gallon. The volume of unleaded gasoline consumed has remained consistent with the original estimated usage rates outlined in the contract.

DISCUSSION

The increased cost per gallon will result in the current contract value being exhausted in advance of June 2023 for the base order and June 2024 for the base and exercised option. The modification to the contract value and exercising of the option will ensure sufficient funds for fuel purchases through June 2024. The requested additional $5,679,967 in contract authority is based on the updated independent cost estimate. The new per gallon cost is based on the 2022 price average, with a 20 percent contingency to account for high fluctuations in the cost of fuel, along with costs associated with the "Superfund" tax.

Approval of the base contract value modification and exercising of the option with the modified value is vital to enable Metro to continue purchasing unleaded gasoline for its non-revenue vehicles, including but not limited to automobiles, trucks, vans, and equipment. Having sufficient funding for unleaded fuel is vital to ensuring the uninterrupted operation of non-revenue vehicles that contribute to the high-quality transportation services to customers.

Metro is hedging from the volatility of fuel prices by converting to electric vehicles. The agency is committed to the conversion of all vehicles to zero-emission as the technology and infrastructure matures as evidenced by the procurement of over fifty non-revenue vehicles this fiscal year, along with the on-going procurements of electric buses. Hybrid and zero-emission non-revenue vehicles currently account for 40% of the total non-revenue vehicle fleet.

DETERMINATION OF SAFETY IMPACT

The award of this contract will ensure that all operating divisions have an adequate supply of unleaded gasoline for the non-revenue vehicles used to support the bus, rail, administration, and support departments focused on providing safe, clean, and reliable transportation services for Metro customers.

FINANCIAL IMPACT

Modification of the two-year base contract value will result in an increase in the unleaded gasoline budget of $1,067,343 for the remainder of FY23. Funding for gasoline is included in the FY23 operating budget in various bus maintenance cost centers, under project 306002 - Operations Maintenance, under line item 50405 FUEL NON-REVENUE EQUIPMENT. Cost center managers and the Chief Operations Officer will be responsible for budgeting the cost for unleaded gasoline in future fiscal years.

Impact to Budget

The current source of funds for this action are Federal 5307,Proposition A/C, Measure R, and Transportation Development Act. Use of these funding sources currently maximizes funding allocations given approved funding provisions and guidelines.

EQUITY PLATFORM

The benefits of this action are to ensure non-revenue vehicle support for the bus and rail fleet that serves Los Angeles County, and disproportionately serves marginalized and vulnerable transit riders. The unleaded gasoline used in non-revenue support vehicles helps to ensure clean, reliable, and safe bus and rail fleets.

The Diversity and Economic Opportunity Department (DEOD) did not establish a DBE goal for this contract.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The contract for unleaded gasoline supports Strategic Goal 2.3: Metro will support a customer-centric culture where exceptional experiences are created at every opportunity for both internal and external customers. The unleaded gasoline is required for support vehicles used by bus, rail, administration, and support departments focused on providing clean, safe, and reliable transportation services for Metro customers.

ALTERNATIVES CONSIDERED

The alternative is not to approve the base contract modification and one-year option extension for the non-revenue gasoline contract. This approach is not recommended since increased fuel costs have depleted the remaining value of the existing contract. Procurement of gasoline from regular service stations was considered, but this is not recommended since the OPIS pricing that Metro receives is below the pricing available at regular service stations.

NEXT STEPS

Upon approval, staff will execute Modification No. 34 to Contract No. FY75015000 with Mansfield Oil of Gainesville to continue supplying unleaded gasoline for Metro's fleet to June 30, 2024.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification Change Order Log
Attachment C - DEOD Summary

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