



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org

Legislative File No: 2015-0540

TO: Mayor and City Council Members
FROM: Allan Schneck, P.E., Director Department of Public Services
DATE: January 11, 2016
SUBJECT: Unleaded Gasoline and Diesel Fuel

REQUEST:

City Council is requested to authorize the purchase of unleaded gasoline and diesel fuel to RKA Petroleum Companies, Romulus, Michigan and Ports Petroleum Company, Inc., Wooster, Ohio in the amount not-to-exceed \$732,460.00 through January 31, 2018.

REASON FOR PURCHASE:

The City participates cooperatively with the Michigan Intergovernmental Trade Network (MITN) for the purchase of unleaded gasoline and diesel fuel. The City of Sterling Heights, acting as the lead agency on behalf of the MITN cooperative solicited bids and received five responses. Based on the bid responses received, award of Unleaded Gasoline and Diesel Fuel was split and awarded to RKA Petroleum Companies and Ports Petroleum Company, Inc., as the lowest, responsive and responsible bidders for truck transport deliveries.

Cost for gasoline and diesel are calculated based on the Oil Price Information Service (OPIS) Daily Average for Detroit Area, plus the vendor's bid factor (delivery fee) per gallon. Below is a breakdown of pricing per gallon for truck transport deliveries of fuel. Wholesale pricing was based on the OPIS Detroit Rack Average on December 8, 2015.

| Fuel Type | OPIS Price Per Gallon | Bid Factor Delivery Fees Per Gallon* | Total Delivered Price Per Gallon** | Comparative Consumer Retail Price Per Gallon |
|--|-----------------------|--------------------------------------|------------------------------------|--|
| Unleaded Regular Gasoline (Ports Petroleum)**Inclusive of State and Federal Fees | \$1.2977 | -0.0139 | \$1.2838 | \$1.7870 |
| ULS Diesel #2 (RKA)**Inclusive of State and Federal Fees | \$1.2640 | -0.0108 | \$1.2532 | \$2.5456 |

*For the first time ever, bids were received that reflect negative (-) factors for the truck transport deliveries. The negative factor applies only to the larger truck transport deliveries (>5,000 gallons), not the smaller volume tank wagon deliveries. These negative bid factors can best be explained as the 'sharing of a volume discount provided to the vendor from the fuel terminals. The bidders buy a high volume of fuel from the terminals and as a result, have favorable pricing agreements with the terminals. In the hope of being awarded a bid, vendors have made a business decision to pass along savings offered by the terminals in the form of a negative factor. When they receive award of a large cooperative agreement such as this one, the cooperative bid advances the vendors objective of meeting their threshold of fuel needed to secure favorable pricing from the fuel terminals.

With the award to the two lower bidders, the City has the ability to utilize favorable pricing based upon the type and quantity of fuel purchased. It also provides the City with a secondary source of fuel in the event of an emergency.

Prices charged to MITN members through the cooperative bid will fluctuate based on market conditions, but are considerably lower than consumer pump prices. Qualifying governmental entities are tax exempt, however, certain state and federal fees apply.

The cooperative purchases approximately 3,400,000 gallons of gasoline and 550,000 gallons of diesel fuel annually.

PROCESS:

Vendor Name and Address:

RKA Petroleum Companies
 28340 Wick Road
 Romulus, MI 48174

Ports Petroleum Company, Inc.

1337 Blacheyville Road
 Wooser, OH 44691

Reason for Selection:

Lowest Responsive Responsible Bidders
 MITN Cooperative

Method of Purchase:

Blanket Purchase Orders

BUDGET:

Funding is included in the FY 2016 Adopted and FY 2017 Projected Budgets

| Fund Name | Department Account No | Account No. Description | 2-Year Budget Amount | 2-Year Cost | 2-Year Remaining Budget |
|------------|-----------------------|---|----------------------|-------------|-------------------------|
| Fleet Fund | 661.938000 | Maintenance: Vehicle / Diesel & Unleaded Fuel | \$777,060 | \$732,460 | \$44,600 |

RECOMMENDATION:

It is recommended that the Rochester Hills City Council authorize the purchase of unleaded gasoline and diesel fuel to RKA Petroleum Companies, Romulus, Michigan and Ports Petroleum Company, Inc., Wooster, Ohio in the amount not-to-exceed \$732,460.00 through January 31, 2018.

| APPROVALS: | SIGNATURE | DATE |
|--|------------------|-------------|
| Department Review | | |
| Department Director | | |
| Budget Content: Finance Director | | |
| Purchasing Process: Supervisor of Procurement | | |
| Mayor | | |
| Deputy Clerk | | |

Document2