



City of Rochester Hills
 AGENDA SUMMARY
 FINANCIAL ITEMS

1000 Rochester Hills Dr.
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Legislative File No: 2021-0578

TO: Mayor and City Council Members
FROM: Allan E. Schneck, P.E., Director of Public Services
DATE: January 10, 2022
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, Inc., Romulus, Michigan in the amount not-to-exceed \$827,390.00 through January 31, 2024.

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 seven responses. Based on the bid responses received, award of Unleaded Gasoline and Diesel Fuel was split and awarded to RKA Petroleum Companies and Petroleum Traders, as the lowest, responsive and responsible bidders for truck transport deliveries.

The solicitation and bid award provided the option to extend the existing contract for a two-year period upon mutual consent. The City of Sterling Heights and members of the cooperative were in consensus of extending the contract. RKA Petroleum Companies agreed to honor the terms and conditions of the MITN cooperative bid for an additional two-year period. Petroleum Traders declined to extend at unit bid pricing. RKA Petroleum will be the sole provider for both tank wagon and truck transport deliveries of gasoline and diesel fuel. RKA Petroleum is a long-term fuel delivery vendor for the City and has performed very well over the years.

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 27, 2019.

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 (RKA Petroleum Companies)**Inclusive of State and Federal Fees	\$1.7760	-0.0466	\$1.7294	\$2.6362
ULS Diesel #2 (Petroleum Traders)**Inclusive of State and Federal Fees	\$2.0201	-0.0361	\$1.9840	\$3.0400

*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.

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 3,000,000 gallons of gasoline and 1,000,000 gallons of diesel fuel annually.

PROCESS:

Vendor Name and Address:

RKA Petroleum Companies, Inc.
 28340 Wick Road
 Romulus, MI 48174

Reason for Selection:

Lowest Responsive Responsible Bidder
 MITN Cooperative

Method of Purchase:

Blanket Purchase Order

BUDGET:

Funding is included in the FY 2022 Adopted and FY 2023 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	\$827,390	\$827,390	\$0

RECOMMENDATION:

It is recommended that the Rochester Hills City Council authorize the purchase of unleaded gasoline and diesel fuel to RKA Petroleum Companies, Inc., Romulus, Michigan in the amount not-to-exceed \$827,390.00 through January 31, 2024.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Procurement Manager		
Mayor		
City Clerk		

Contract Reviewed by City Attorney Yes N/A