



Business of the City Council Sterling Heights, Michigan

Meeting: 12/07/2021
Item No: 6-I

AGENDA STATEMENT

Item Title: To extend a bid award for the purchase of gasoline and diesel fuel for a two-year period at unit prices bid (Annual estimated cost of \$600,000).

Submitted By: Office of Purchasing

Contact Person/Telephone: Mark Carufel, Purchasing Department - 586.446.2741

Administration Approvals:

MR City Clerk

JV Finance & Budget Director

MK City Attorney

MV City Manager

Executive Summary

The City of Sterling Heights purchases approximately 200,000 gallons of gasoline and 100,000 gallons diesel fuel annually to power the City's fleet of automobiles, trucks, equipment, and generators. This commodity is currently being purchased via a Michigan Intergovernmental Trade Network (MITN) fuel purchasing cooperative bid that includes 18 member municipalities situated in Macomb, Oakland and Wayne County. Sterling Heights is the host community for this MITN cooperative bid. Cumulatively, approximately three million gallons of gasoline and one million gallons of diesel valued at more than \$12 Million are purchased annually through this MITN cooperative bid.

The bid is structured so that MITN fuel purchasing cooperative members pay for fuel based on the per gallon wholesale rack average as published daily by the Oil Price Information Service (OPIS) for the Detroit Michigan market, plus a delivery fee (Bid Factor) per gallon. Gasoline and diesel fuel are purchased and delivered by truck transport for quantities of fuel greater than 5,000 gallons, and by tank wagon for quantities less than 5,000 gallons. Bid pricing expires on January 31, 2022, and upon mutual consent of the City / MITN cooperative, can be extended for an additional two (2) years at unit pricing bid.

In December 2019, City Council split the award of the bid for purchase of gasoline and diesel fuel as follows:

- A. For truck transport (deliveries greater than 5,000 gallons) - To RKA Petroleum Companies, Inc. and Petroleum Traders Corporation; and,
- B. For tank wagon (deliveries less than 5,000 gallons) - To RKA Petroleum Companies, Inc and Atlas Oil Company.

The 2019 City Council action further provided an option to extend the bid award an additional two (2) years upon mutual consent.

Due to current economic factors such as rising fuel costs, increasing labor costs for delivery, and a shortage of qualified drivers to deliver fuel, conducting a new invitation to bid for the purchase of gasoline and diesel fuel is not recommended at this time. The Office of Purchasing has contacted the three vendors that were recipients of the split bid award in 2019 to secure their respective consent on a two-year extension at unit pricing bid. RKA Petroleum has agreed to a mutual extension at the 2019 unit pricing for Truck Transport and Tank Wagon deliveries of gasoline and diesel fuel. Petroleum Traders Corporation and Atlas Oil Company have both declined the extension request citing increasing costs of fuel delivery.

The Office of Purchasing is recommending that City Council extend the bid award to RKA Petroleum for truck transport and tank wagon deliveries of gasoline and diesel fuel for an additional two (2) years at unit pricing bid. The extension period is February 1, 2022 through January 31, 2024. It is the consensus of the MITN cooperative members to extend the bid award.

RKA Petroleum Companies, Inc. is a long-term fuel delivery vendor for the MITN cooperative bid hosted by Sterling Heights. This vendor has proven to be reliable and its performance merits the recommended extension. Please refer to the attached supporting documentation for additional information.

Suggested Action:

Resolved, to extend the bid award for truck transport and tank wagon deliveries of gasoline and diesel fuel to RKA Petroleum Companies, Inc., 28340 Wick Rd., Romulus, MI 48174, only, at the existing unit prices through January 31, 2024.



Richard J. Notte Sterling Heights City Center
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City Council	
Mayor	Michael C. Taylor
Mayor Pro Tem	Liz Sierawski
Councilwoman	Deanna Koski
Councilman	Michael V. Radtke Jr.
Councilwoman	Maria G. Schmidt
Councilman	Henry Yanez
Councilwoman	Barbara A. Ziarko

City Manager Mark D. Vanderpool

November 12, 2021

Kacey Spell, Wholesale Sales Manager
RKA Petroleum Companies, Inc.
28340 Wick Road
Romulus, MI 48174

Via Email: kspell@rkapetroleum.com

Re: Two-Year Contract Extension

Dear Ms. Spell:

The City of Sterling Heights is the lead agency for the cooperative purchase of gasoline and diesel fuel under ITB-SH19-064. RKA Petroleum Companies, Inc. was awarded a contract for truck transport and tank wagon deliveries per unit prices in your bid dated December 9, 2019 for a two-year period. The bid specifications included an option to extend for two (2) additional years through mutual consent, under the same terms and conditions.

As the lead agency on this bid, Sterling Heights is recommending to the cooperative members the extension of the contract an additional two years, from February 1, 2022 through January 31, 2024.

Based on phone conversations and emails with staff from the Purchasing Department it is my understanding that RKA Petroleum is in agreement with this extension. To formalize this agreement to mutually extend the bid award, please sign the enclosed form which indicates your acknowledgement and consent to extend the Cooperative's purchase of truck transport and tank wagon deliveries of gasoline and diesel fuel from RKA Petroleum Companies, Inc. for an additional two-year period, honoring all terms and conditions of the present contract, effective upon Sterling Heights' City Council approval, and cooperative member approval, when applicable.

At your earliest convenience, please email the completed form to me at shpurchasing@sterling-heights.net

If you have any questions, I can be reached at (586) 446-2741.

Sincerely,

Mark Carufel
Purchasing Manager
Enclosure

TRUCK TRANSPORT AND TANK WAGON DELIVERIES OF GASOLINE AND DIESEL FUEL
TWO-YEAR EXTENSION OF CONTRACT AT UNIT PRICES BID
ITB-SH19-064

The signatures below serve as confirmation that RKA Petroleum Companies, Inc. is in receipt of a letter from the City of Sterling Heights (lead agency in the fuel purchasing cooperative), dated November 12, 2021 from Purchasing Manager Mark Carufel.

RKA Petroleum Companies, Inc., 28340 Wick Road, Romulus, MI 48174 acknowledges the City's / Cooperative's request and mutually agrees to extend the contract for the purchase of truck transport and tank wagon deliveries of gasoline and diesel fuel for an additional two-year period, through January 31, 2024, at unit prices stated in the bid of December 9, 2019, all other terms and conditions remain the same. This extension shall be binding upon final review and approval by the City of Sterling Heights City Council, and approval by the respective cooperative members, when applicable.

PREPARED BY:
(On behalf of the Cooperative)



Mark Carufel, Purchasing Manager
City of Sterling Heights

11/12/21

Dated

REVIEWED AND ACCEPTED BY:
RKA Petroleum Companies, Inc.



Kacey Spell, Wholesale Sales Manager

11/12/21

Dated

CITY OF STERLING HEIGHTS
ITB-SH19-064: TRUCK TRANSPORT AND TANK WAGON
DELIVERIES OF UNLEADED GASOLINE AND DIESEL FUEL

BID TABULATION - RKA TANK WAGON
PRICING EXTENDED FOR TERM OF 2/1/22 THROUGH 1/31/24

Commodity	Cooperative Estimated Gallons	OPIS Rack Average 11-24-21	BID AWARD			
			RKA Petroleum Co			
			Add/gal	+ / - Bid Factor	Net Price/gal	Ext Total
Unleaded 87	214,500	\$ 2.3580		+.0769	\$2.4349	\$522,286.05
Unleaded Mid-Grade 89	177,800	\$ 2.6097		+.0247	\$2.6344	468,396.32
ULS Diesel #2	85,100	\$ 2.4427		.0870	\$2.5297	215,277.47
ULS Diesel #2 Premium	39,000	\$ 2.4427	0.0245	+.0870	\$2.5542	99,613.80
ULS Diesel #2 Dyed	101,000	\$ 2.4530		+.0870	\$2.5400	256,540.00
Totals					\$1,562,113.64	
Winter Additive Typically November - March Short load charge - Less than 5,000 Gal Volume/Gallons, SE MI Split order charge Delivery Time						
\$0.0245 / gal \$100 for less than 150 100,000,000 \$35 24 - 48 hours						

OPIS Detroit Michigan Rack Average on 11/24/19 10:00 AM Report used as pricing benchmark.

For all bid pricing above, add to price / gal \$0.001/gal for the Federal Leaking Underground Storage Tank Fee and \$0.01/gal for the Michigan Underground Storage Tank Fee. Mandatory Federal and State fees subject to change

CITY OF STERLING HEIGHTS
ITB-SH19-064: TRUCK TRANSPORT AND TANK WAGON
DELIVERIES OF UNLEADED GASOLINE AND DIESEL FUEL

BID TABULATION - RKA TRUCK TRANSPORT
PRICING EXTENDED FOR TERM OF 2/1/22 THROUGH 1/31/24

Commodity	Cooperative Estimated Gallons	OPIS Rack Average 11-24-21	BID AWARD			
			RKA Petroleum Co			
			Add/gal	+ / - Bid Factor	Net Price/gal	Ext Total
Unleaded 87	2,232,000	\$ 2.3580		-0.04660	\$2.31140	\$5,159,044.80
Unleaded Mid-Grade 89	325,000	\$ 2.6097		-0.06780	\$2.54190	826,117.50
ULS Diesel #2	641,000	\$ 2.4427		-0.02900	\$2.41370	1,547,181.70
ULS Diesel #2 Premium	408,000	\$ 2.4427	0.0245	-0.02900	\$2.43820	994,785.60
Totals						\$8,527,129.60
Winter Additive Typically November - March Short load charge - (5,000-8,000 gals) Volume/Gallons, SE MI Split order charge Delivery Time						
\$0.0245 / gal \$50 100,000,000 \$35 24 - 48 hours						

OPIS Detroit Michigan Rack Average on 11/24/21 10:00 AM Report used as pricing benchmark.

For all bid pricing above, add to price / gal \$0.001/gal for the Federal Leaking Underground Storage Tank Fee and \$0.01/gal for the Michigan Underground Storage Tank Fee. Mandatory Federal and State fees subject to change

MICHIGAN INTERGOVERNMENTAL TRADE NETWORK
FUEL PURCHASING COOPERATIVE – PARTICIPATING PUBLIC ENTITIES

City of Birmingham	City of Rochester Hills
Township of Clinton	City of Royal Oak
City of Farmington Hills	City of St. Clair Shores
City of Grosse Pointe Woods	City of Southfield
Huron Clinton Metro Parks	City of Sterling Heights
City of Livonia	City of Troy
Macomb County Dept of Roads	City of Warren
City of Madison Heights	Township of Waterford
City of Novi	Township of West Bloomfield
Oakland County	

AND ANY PUBLIC ENTITY IN SE MI PURCHASING FUEL VIA THE COOPERATIVE.



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<i>Councilwoman</i>	Barbara A. Ziarko

City Manager Mark D. Vanderpool

CERTIFICATION

I, Melanie D. Ryska, City Clerk of the City of Sterling Heights, do hereby certify that the following action was taken at the regular City Council meeting of December 07, 2021:

Moved: Koski

Seconded: Ziarko

Resolved, to extend the bid award for truck transport and tank wagon deliveries of gasoline and diesel fuel to RKA Petroleum Companies, Inc., 28340 Wick Rd., Romulus, MI 48174, only, at the existing unit prices through January 31, 2024.

The motion carried. 7/0.



Melanie D. Ryska

Melanie D. Ryska, City Clerk