



City of Rochester Hills  
AGENDA SUMMARY  
FINANCIAL ITEMS

1000 Rochester Hills Dr.  
Rochester Hills, MI 48309  
248.656.4630  
[www.rochesterhills.org](http://www.rochesterhills.org)

Legislative File No: 2011-0585

**TO:** Mayor and City Council Members  
**FROM:** Allan E. Schneck, Director of DPS  
**DATE:** January 9, 2012  
**SUBJECT:** Unleaded Gasoline and Diesel Fuel

**REQUEST:**

City Council is requested to authorize the purchase of unleaded fuel and diesel to Petroleum Traders Corporation, Fort Wayne, IN and RKA Petroleum Companies, Inc., Romulus, Michigan in the amount not-to exceed \$688,500.00 through January 31, 2013.

**REASON FOR PURCHASE:**

The City participates with the Michigan Intergovernmental Trade Network (MITN) for the purchase of unleaded fuel and diesel. Based on bids received on November 1, 2011, by the City of Sterling Heights, the lead city on behalf of the cooperative, Petroleum Traders, Inc. (unleaded fuel) and RKA Petroleum Companies, Inc. (diesel) received the split award of the contract as 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 the 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 November 22, 2011:

<u>Fuel Type</u>	<u>OPIS Price Per Gallon</u>	<u>Bid Factor Delivery Fees Per Gallon</u>	<u>Total Delivered Price Per Gallon*</u>
Unleaded Regular Gasoline (Petroleum Traders) *Inclusive of State & Federal Fees Comparative Consumer Retail Price on 11/22/2011: \$3.0500	\$2.5196	\$0.0078	\$2.5274
ULS Diesel #2 (RKA) * Inclusive of State & Federal Fees Comparative Consumer Retail Price on 11/22/2011: \$3.9900	\$3.0953	\$0.0027	\$3.0980

By awarding to the two low bidders, the City has the ability to leverage 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. RKA has provided good performance in prior contracts and Petroleum Traders is the largest independent distributor of gasoline and diesel fuel in the country, utilizing local vendors, as RKA and Atlas.

Prices charged to MITN members through the cooperative bid will fluctuate based on market conditions, but are considerably lower than the consumer pump prices. Qualifying governmental entities are tax exempt, however, certain state and federal fees are payable at approximately \$0.01165 per gallon.

As the result of the competitive bid processes the regular unleaded gasoline factor of \$0.0078 is 66% lower than the incumbent vendor and ULS Premium Diesel #2 factor is 49% lower.

The City uses approximately 55,000 of unleaded gasoline and 60,000 gallons of diesel annually. The cooperative purchases approximately 3,000,000 gallons of gasoline and 1,000,000 gallons of diesel fuel annually.

The bid also includes optional pricing for biodiesel. Although municipal demand for these alternative fuels is presently low, it is anticipated that market conditions may result in a greater demand in the future.

**PROCESS:**

**Vendor Name and Address:**

Petroleum Traders, Inc.  
7120 Pointe Inverness Way  
Fort Wayne, IN 46804

RKA Petroleum Companies  
28340 Wick Rd  
Romulus, MI 48174

**Reason for Selection:**

Lowest Responsive Responsible Bidders  
MITN Cooperative

**Method of Purchase:**

Blanket Purchase Orders

**BUDGET:**

Fund Name	Department Account No	Account No. Description	2012 Budget Amount	Cost	Remaining Budget
Fleet	661.938000	Maintenance: Vehicle	\$340,000	\$340,000	\$0
Fleet	661.938000	Maintenance: Vehicle	2013 Projected Budget Amount \$348,500	\$348,500	\$0

**RECOMMENDATION:**

It is recommended that the Rochester Hills City Council authorize the purchase of unleaded fuel and diesel to Petroleum Traders Corporation, Fort Wayne, IN and RKA Petroleum Companies, Inc., Romulus, Michigan in the amount not-to exceed \$688,500.00 through January 31, 2013.