

**CITY OF STERLING HEIGHTS
STAFF REPORT
January 3, 2023**

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Ext. No. 2741

GENERAL INFORMATION:

On November 14, 2023, bids were received in response to a MITN cooperative bid solicitation for the delivery of gasoline and diesel fuel. The Invitation to Bid (ITB) was advertised on SHTV, posted to the MITN and City of Sterling Heights Website, and circulated on City social media. Nine (9) vendors responded with bids per the attached bid tabulation.

Funds for the purchase of gasoline and diesel fuels are budgeted in 101.440.553 (Fleet Maintenance) 750.000 (Fuels and Lubricants). Based on an estimated purchases of 300,000 gallons of fuel and an average delivered price of \$2.35/gal based on current market conditions, the City will expend approximately \$705,000 for truck transport and tank wagon deliveries of gasoline and diesel fuel annually.

STAFF ANALYSIS AND FINDINGS:

Upon review and analysis of all qualifying bids received, the recommendation is being made to split the award of the bid among three vendors per the following analysis:

Truck Transport (deliveries of greater than 5,000 gallons): Recommendation is being made to award truck transport deliveries to the two overall low bidders, RKA Petroleum Companies and Marathon Flint Oil Company based upon the following bids:

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

Unleaded Regular 87	- \$0.0520/gal	
Unleaded Mid-Grade 89	N/A	
ULS Diesel #2	- \$0.0529/gal	
ULS Premium Diesel #2	- \$0.0529/gal	
Winter Diesel Additive Additive		+ \$0.0285/gal for Winter

Marathon Flint Oil Company, 1919 S Dort Highway., Flint, MI 48503:

Unleaded Regular 87	- \$0.0480/gal	
Unleaded Mid-Grade 89	- \$0.0480/gal	
ULS Diesel #2	- \$0.0310/gal	
ULS Premium Diesel #2	- \$0.0310/gal	
Winter Diesel Additive Additive		+ \$0.022/gal for Winter

RKA Petroleum is the low bidder overall for unleaded 87 octane fuel, ULS Premium Diesel #2, and ULS Diesel #2. Marathon Flint Oil Company is the overall low bidder for Unleaded Mid-Grade 89 octane fuel. Splitting the award to the two overall lowest bidders for purchases of truck transport deliveries of gasoline and diesel fuel offers the City and the cooperative members the option of leveraging the lowest pricing, with the safety of a back-up vendor in case of delivery or supply issues.

RKA Petroleum is a capable vendor, having provided fuel to the City and the cooperative members under the current contract since 2015, with satisfactory performance. Marathon Flint Oil Company is also capable. A check of references resulted in favorable recommendations from current customers. Marathon's clients include both the Oakland County and St Clair County Road Commission's, which has led the Office of Purchasing to believe they are capable of fulfilling municipal needs, and the needs of the cooperative.

Tank Wagon (deliveries of less than 5,000 gallons): Recommendation is being made to award tank wagon deliveries to the two overall low bidders, RKA Petroleum Company and Gen Oil Company based upon the following bids:

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

Unleaded Regular 87	+ \$0.0780/gal	
Unleaded Mid-Grade 89	+ \$0.0780/gal	
ULS Diesel #2	+ \$0.0771/gal	
ULS Diesel #2 Premium	+ \$0.0771/gal + \$.0285/gal for Premium Additive	
ULS Diesel #2 Dyed	+ \$0.1021/gal	
Winter Additive		+ \$.0285/gal for Winter Additive

Gen Oil Company, 1238 Anderson Rd., Clawson, MI 48017

Unleaded Regular 87	+ \$0.0995/gal	
Unleaded Mid-Grade 89	+ \$0.0995/gal	
ULS Diesel #2	+ \$0.0895/gal	
ULS Diesel #2 Premium	+ \$0.0925/gal	
ULS Diesel #2 Dyed	+ \$0.0925/gal	
Winter Additive		+ \$0.0199/gal for Winter Additive

RKA Petroleum is the incumbent vendor for tank wagon deliveries and is the overall low bidder for Unleaded 87 octane fuel, Unleaded Mid-Grade 90 Octane, ULS Diesel #2, and ULS Diesel Premium. Gen Oil Company is the overall low bidder for ULS Diesel #2 Dyed, and the second lowest bidder in all other categories. Gen Oil does not have a past relationship with the City, however a review of references resulted in favorable recommendations. Gen Oil's current clients include several large private sector enterprises that require 24/7 operational uptime making them a prime candidate to provide service for municipal use and the needs of the cooperative.

As indicated above, an award to two vendors for both tank wagon and truck transport

deliveries affords MITN members the opportunity to leverage the bid results and purchase fuel at the lowest cost, depending on the commodity and quantity being ordered. In addition, in the event of an emergency, MITN cooperative members will have access to two tank wagon vendors.

Wholesale fuel prices charged to MITN members through this cooperative bid may fluctuate daily based on market conditions and are considerably lower than consumer pump prices.

Mandatory Taxes and Fees: Qualifying governmental entities are tax exempt, however, Federal LUST (Leaking Underground Storage Tank) fees, Michigan UST (Underground Storage Tank) fees, and Federal Superfund fees are payable on a per gallon basis. These mandatory taxes/fees are listed by the individual bidders in the bid submissions, however they are not included in the totals listed on the Bid Tabulation. Below is the listing of the currently allowable taxes and fees that will be added to all invoices on a per gallon basis:

Federal LUST (Leaking Underground Storage Tank) fee - \$0.001 per gallon.

Federal Superfund - \$0.003515 per gallon

Michigan UST (Underground Storage Tank) fees - \$0.01 per gallon.

In total, these allowable taxes/fees equate to \$0.014515 per gallon, and are subject to change, in addition to new fees that may be imposed by Federal and State governments. The City and the cooperative members will only be required to pay taxes and fees that they are legally obligated to pay.

Bid Factors: Bids were received that reflect negative (-) factors for the truck transport deliveries. This negative factor applies only to the larger truck transport deliveries, 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. If awarded, the gallons of fuel included in this cooperative bid advances the vendors objective of meeting their threshold of fuel needed to secure favorable pricing from the fuel terminals.

Invoicing: Invoices will be calculated and paid based on the following:

OPIS Detroit Rack Average Price (10:00:01 AM on Date of Delivery)
+ Per Gallon Additive price on Bid Form, if any (diesel premium / winter additive)
= Net Price Per Gallon
+ / - Bid Factor on Bid Form (Tank Wagon or Truck Transport)
= Net Price Per Gallon Delivered (Before any Taxes / Surcharges)
+ Per Gallon mandatory Surcharges (Taxes & Surcharges)
= Total Price Per Gallon Delivered
x Gallons Delivered

= Net Total Cost of Fuel
+ Short Load Charge or Split Order Charge, when applicable
= **Invoice Total**

Cooperative Members: MITN cooperative members include the governmental entities of Birmingham, Bloomfield, Clinton Township, Eastpointe, Farmington Hills, Grosse Pointe Woods, Huron-Clinton Metro Parks, Livonia, Madison Heights, Novi, Oakland County, Rochester Hills, Royal Oak, St. Clair Shores, Southfield, Sterling Heights, Troy, Warren, Waterford, and West Bloomfield. In addition, there are approximately 2-3 additional entities that may be included at a later date.

All vendors receiving an award must agree to indemnify and hold the MITN cooperative members harmless from liability and provide evidence of insurance with acceptable terms and coverage.

STAFF RECOMMENDATION:

Please see the suggested action on the Agenda Statement.