



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
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Legislative File No: 2024-0017

TO: Mayor and City Council Members
FROM: Bill Fritz, P.E., Director of Public Services
DATE: January 22, 2024
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 Marathon Flint Oil Company, Flint, Michigan in the amount not-to-exceed \$1,045,450.00 through January 31, 2026.

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 nine responses. Based on the bid responses received, award of Unleaded Gasoline and Diesel Fuel was split and awarded to RKA Petroleum Companies and Marathon Flint Oil Company, 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 January 6, 2024.

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)**Inclusive of State and Federal Fees	\$1.8339	-0.0520	\$1.79834	\$2.79
ULS Diesel #2 (RKA)**Inclusive of State and Federal Fees	\$2.2222	-0.0529	\$2.18574	\$3.89

*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 3,000,000 gallons of gasoline and 1,300,000 gallons of diesel fuel annually.

PROCESS:

Vendor Name and Address:

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

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

Reason for Selection:

Lowest Responsive Responsible Bidders
MITN Cooperative

Method of Purchase:

Blanket Purchase Orders

BUDGET:

Funding is included in the FY 2024 Adopted and FY 2025 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	\$1,045,450	\$1,045,450	\$0

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 Marathon Flint Oil Company, Flint, Michigan in the amount not-to-exceed \$1,045,450.00 through January 31, 2026.

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