



## CITY COUNCIL AGENDA ITEM

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Date: January 8, 2014

To: Brian Kischnick, City Manager

From: MaryBeth Murz, Purchasing Manager  
 Timothy L. Richnak, Public Works Director  
 Samuel P. Lamerato, Superintendent of Fleet Maintenance

Subject: Standard Purchasing Resolution 3: Exercise Renewal Option - Michigan Intergovernmental Trade Network (MITN) Gasoline and Diesel Fuel

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### History

- The City of Troy purchases approximately 160,000 gallons of gasoline and 66,000 gallons of diesel fuel annually to power the City's fleet of vehicles and equipment.
- This commodity is currently being purchased via a Michigan Intergovernmental Trade Network (MITN) cooperative bid that includes 18 member municipalities situated in Macomb, Oakland and Wayne County. Cumulatively, approximately three million gallons of gasoline and one million gallons of diesel fuel are purchased annually through this MITN cooperative bid.
- The bid is structured so MITN members pay for fuel based on the per gallon wholesale rack average as published daily by the Oil Price Information Service (OPIS), plus a delivery fee (bid factor) per gallon. Bid award is based on the lowest factor quoted per type of fuel delivery plus the OPIS daily average for Detroit, Michigan.
- Sterling Heights hosts this MITN cooperative bid. The Sterling Heights City Council approved the split award to Petroleum Traders, RKA, and Atlas Oil, the lowest bidders meeting specifications for two (2) year requirements of gasoline and diesel fuel with an option to renew for two (2) additional years on December 6, 2011.
- On January 9, 2012 Troy City Council approved the two (2) year contract with an option to renew for two (2) additional years {Resolution #2012-01-006-J-4c}.
- The current contract expires January 31, 2014.

### Purchasing

- The original bid award included an option to extend the contract, upon mutual consent, for the purchase of gasoline and diesel fuel for an additional two (2) year period as per the bid specifications.
- It is recommended to extend the bid award for two (2) additional years with the contract to expire January 31, 2016 for the following reasons:
  - Upon review of the current State of Michigan Mideal bid, the MITN cooperative bid offers a lower overall price for both gasoline and diesel fuel, which will produce an additional annual savings for the City of Troy of approximately \$3,565.00.
  - The consensus of the MITN cooperative members is to extend the award of the bid.
  - The current vendors Petroleum Traders Corporation, RKA Petroleum Companies and Atlas Oil Companies have agreed to honor the original terms and conditions of the MITN cooperative bid for an additional two (2) year period.
  - All three (3) vendors have performed very well over the last two (2) years.



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### **Financial**

- Pricing is established by taking the OPIS average, which is a benchmark price used to fix the price of a gallon of gas/fuel on the day of delivery, and then adding the bid factor(s) as applicable:
  - Gasoline .0078
  - Diesel .0027
- Prices charged to municipalities through the bid will fluctuate based on market conditions, but are considerably lower than consumer pump prices. Since gasoline prices cannot be held firm, this method allows both parties to enter into an adjustable contract for a lengthy period of time.
- Funds for this contract are available in the Equipment, Operations and Maintenance – Fuel Operating Budget.

### **Recommendation**

City management recommends the option to exercise the renewal option of this contract; renewing for two (2) years to purchase gasoline and diesel fuel from the low bidders meeting specifications – Petroleum Traders Corporation of Fort Wayne, IN, RKA Petroleum Companies of Romulus, MI and Atlas Oil Company of Taylor, MI as a result of a bid process through the City of Sterling Heights for MITN Purchasing Cooperative members including Troy at factors and prices contained in the original bid tabulation opened November 1, 2011 with a contract expiring January 31, 2016.