



## CITY COUNCIL ACTION REPORT

January 17, 2008

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration  
Susan A. Leirstein, Purchasing Director

SUBJECT: Standard Purchasing Resolution 4: MITN Purchasing Cooperative – Gasoline and Diesel Fuel

### **Background**

- On December 11, 2007, the City of Sterling Heights obtained bids for two-year requirements of gasoline and diesel fuel commencing February 1, 2008, on behalf of the MITN Cooperative Cities of Birmingham, Eastpointe, Farmington Hills, Livonia, Madison Heights, Novi, Oakland County, Rochester Hills, Royal Oak, St Clair Shores, Southfield, Sterling Heights, Troy, Warren, Waterford, West Bloomfield and Westland.
- Bids received from Atlas Oil and Spencer Oil were considered non-responsive, as both vendors failed to include all applicable taxes with their bid factors as specified.
- The City of Sterling Heights based the award on the lowest factor quoted per type of fuel delivery plus the OPIS daily average for Detroit, Michigan.
- The Sterling Heights City Council approved the split award to the low bidders meeting specifications on January 16, 2008.
- Troy forecasts usage for unleaded at 200,000 gallons and diesel fuel at 75,000 gallons per year.
- It should be noted that bid specifications included pricing for biodiesel and ethanol alternative fuel. 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.

### **Financial Considerations**

- Pricing is established by taking the OPIS average, which is a benchmark price used to fix the price of a gallon of gas on the day of delivery, and then adding the factor bid.

|   |                     |
|---|---------------------|
| Example: OPIS average for regular gas on December 4 <sup>th</sup> | \$2.3098            |
| Bid factor  | <u>.0236</u>        |
|   | \$2.3334 per gallon |

- Prices charged to municipalities through the bid will fluctuate based on market conditions, but are considerably lower than the 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 Motor Pool Operating Budget.

January 17, 2008

To: Phillip L. Nelson, City Manager  
Re: MITN Cooperative Award – Gasoline and Diesel Fuel

**Legal Considerations**

- There are no legal considerations associated with this item.

**Policy Considerations**

- By aggregating our gasoline consumption with neighboring communities, Troy utilizes economies of scale to add value and reduce costs to the City. (Goal II and VI)

**Options**

- City management recommends the award of the lowest factors to the following acceptable bidders:

**Mansfield Oil Company** for Truck Transport Delivery (minimum 8,000 gals)

| TYPE   | FACTOR (per gal) | OPTIONAL       | FACTOR (per gal) |
|--|------------------|----------------|------------------|
| Unleaded Regular                                 | +.0236           | Biodiesel B-5  | +.0554           |
| Unleaded Mid-Grade                               | +.0040           | Biodiesel B-10 | +.0554           |
| Unleaded Premium                                 | (.0090)          | Biodiesel B-20 | +.0554           |
| ULS Diesel #1                                    | +.0079           | E85 Ethanol    | N/B              |
| ULS Premium Diesel #2                            | +.0396           |                |                  |
| ULS Diesel #2                                    | +.0196           |                |                  |
| Short Load Charges between 5,000 – 8,000 gallons |                  | \$30.00        |                  |
| Split Order Charge                               |                  | \$30.00        |                  |

**RKA Petroleum Companies** for Tank Wagon (no minimum)

| TYPE                  | FACTOR (per gal) | OPTIONAL       | FACTOR (per gal) |
|-----------------------|------------------|----------------|------------------|
| Unleaded Regular      | +.11045          | Biodiesel B-5  | +.11045          |
| Unleaded Mid-Grade    | +.11045          | Biodiesel B-10 | +.11045          |
| ULS Premium Diesel #2 | +.11045          | Biodiesel B-20 | +.11045          |
| ULS Diesel #2         | +.11045          | E85 Ethanol    | +.11045          |
| ULS Dyed Diesel #2    | +.11045          |                |                  |
| Short Load Charges    | None             |                |                  |
| Split Order Charge    | None             |                |                  |

**AGENDA STATEMENT**

OMB AS03 Rev. 11/04

**Item Title:** To award the bid for truck transport and tank wagon deliveries of gasoline, diesel and alternative fuels (estimated annual cost of \$755,500.00)

**Submitted By:** Office of Purchasing

**Contact Person/Telephone:** Janice Sierzenga, Purchasing Manager, 446-2741

**Administration (initial as applicable)**

**Attachments**

|   |                                     |                                   |
|---|-------------------------------------|-----------------------------------|
| <input type="checkbox"/> City Clerk                       | <input type="checkbox"/> Resolution | <input type="checkbox"/> Minutes  |
| <input type="checkbox"/> Finance & Budget Director        | <input type="checkbox"/> Ordinance  | <input type="checkbox"/> Plan/Map |
| <input type="checkbox"/> City Attorney (as to legal form) | <input type="checkbox"/> Contract   | <input type="checkbox"/> Other    |
| <input type="checkbox"/> City Manager                     |                                     |                                   |

**Check box if this agenda item requires billing/revenue collection (fees, etc.) by Treasury Office**

**Executive Summary:**

- This item appeared on the agenda for the January 2, 2008 regular meeting, but was deleted due to the Office of Purchasing learning that one of the recommended bidders failed to include all taxes within their bid. After adjusting this vendor's bid amount to include all applicable taxes, the Office of Purchasing is recommending a new vendor, Mansfield Oil Company, as the low bidder for truck transport deliveries of the specified fuels.
- The City of Sterling Heights is the host municipality for a MITN cooperative gasoline, diesel, and alternative fuels bid that currently includes over 17 communities in the tri-county area. Among the governmental entities participating in the bid process through the submission of their respective fuel requirements are the cities of Birmingham, Eastpointe, Farmington Hills, Livonia, Madison Heights, Novi, Rochester Hills, Royal Oak, St. Clair Shores, Southfield, Sterling Heights, Troy, Warren, Westland, the Townships of Waterford and West Bloomfield, and County of Oakland. In addition, a number of other tri-county municipalities are expected to make fuel purchases using the pricing available through this MITN cooperative bid, including Clinton Township, Brownstown Township, Berkley, and Grosse Pointe.
- On December 11, 2007, bids were received from five vendors. A vendor's bid average was calculated based on the OPIS Daily Average for Detroit, Michigan on December 4, 2007 plus the vendor's bid factor as shown in the example below:

|   |                     |
|---|---------------------|
| Average on Dec. 4 <sup>th</sup> for regular gas | \$2.3098            |
| Bid Factor                                      | <u>.0236</u>        |
|   | \$2.3334 per gallon |

|   |                     |
|---|---------------------|
| Average on Dec. 4 <sup>th</sup> for mid-grade gas | \$2.3535            |
| Bid Factor  | <u>.0040</u>        |
|   | \$2.3575 per gallon |

- Prices charged to the municipalities through the bid will fluctuate based on market conditions, but are considerably lower than the consumer pump prices as evidenced in the above example.
- Mansfield Oil Company (Mansfield) is the low bidder meeting specifications for truck transport deliveries of over 5,000 gallons. RKA Petroleum Companies, Inc. (RKA) is the low bidder meeting specifications for tank wagon deliveries of fewer than 5,000 gallons. Although Atlas Oil Company appears to be the low bidder for truck transport deliveries and Spencer Oil Company appears to be low bidder for tank wagon deliveries, both vendors failed to include all applicable taxes in their bid and Spencer Oil Company did not complete required information in a number of areas in the bid format.
- Recommendation is being made to split the award of the bid to Mansfield for truck transport deliveries and RKA for tank wagon deliveries. Mansfield has been the City's vendor for truck transport deliveries for the past four years and RKA is the current vendor for both Macomb County and the State of Michigan.
- It should be noted that the bid specifications included pricing for supply of biodiesel and ethanol alternative fuels. Although municipal demand for these alternative fuels is presently low, it is anticipated that market conditions may result in a greater demand in the near future.

**Suggested Action:**

MOVED BY:

SECONDED BY:

**RESOLVED**, to split the award of the bid for gasoline, diesel and alternative fuels to Mansfield Oil Company, 1025 Airport Parkway S.W., Gainesville, GA 30501 for truck transport deliveries and RKA Petroleum Companies, Inc., 28340 Wick Road, Romulus, MI 48174, for tank wagon deliveries at the respective bid factors bid.

**CITY OF STERLING HEIGHTS**  
**STAFF REPORT**  
January 16, 2008

Prepared By: Janice Sierzenga, Purchasing Manager

Ext. No. 2741

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**GENERAL INFORMATION:**

On December 11, 2007, bids were received in response to a MITN cooperative bid solicitation for the delivery of gasoline and diesel fuel. Invitations to bid were sent to the Chamber of Commerce, advertised on Cable Channel 5, posted on the MITN website, and published in the Advisor/Source newspaper. Five vendors responded with bids as outlined on the attached bid tabulation. Funds for the purchase of gasoline and diesel fuels are budgeted in Account #11717553-750000 (Fleet Maintenance - Fuels and Lubricants). It is estimated that the City of Sterling Heights will expend approximately \$733,500 for truck transport deliveries and \$22,000 for tank wagon deliveries annually.

**STAFF ANALYSIS AND FINDINGS:**

Recommendation is being made to split the award of the bid to Mansfield Oil Company (Mansfield) for truck transport deliveries and RKA Petroleum Companies, Inc. (RKA) for tank wagon deliveries of gasoline, diesel and alternative fuels. Mansfield has been the City's vendor for truck transport deliveries for the past four years and has proven to be a reliable and responsive vendor.

RKA currently holds the fuel contract for the Road Commission of Macomb County and State of Michigan.

**STAFF RECOMMENDATION:**

To split the award of the bid for gasoline, diesel and alternative fuels to:

(A) Mansfield Oil Company, 1025 Airport Parkway S.W., Gainesville, GA 30501, for truck transport deliveries at bid factors of:

|                       |               |                |              |
|-----------------------|---------------|----------------|--------------|
| Unleaded Regular      | \$0.0236/gal  | OPTIONAL:      |              |
| Unleaded Mid-Grade    | \$0.0040/gal  | Biodiesel B-5  | \$0.0554/gal |
| Unleaded Premium      | -\$0.0090/gal | Biodiesel B-10 | \$0.0554/gal |
| ULS Diesel #1         | \$0.0079/gal  | Biodiesel B-20 | \$0.0554/gal |
| ULS Premium Diesel #2 | \$0.0396/gal  | E85 Ethanol    | no bid       |
| ULS Diesel #2         | \$0.0196/gal  |                |              |

(B) RKA Petroleum Companies, Inc., 28340 Wick Road, Romulus, MI 48174, for tank wagon deliveries at bid factors of:

|                       |               |                |               |
|-----------------------|---------------|----------------|---------------|
| Unleaded Regular      | \$0.11045/gal | OPTIONAL:      |               |
| Unleaded Mid-Grade    | \$0.11045/gal | Biodiesel B-5  | \$0.11045/gal |
| ULS Premium Diesel #2 | \$0.11045/gal | Biodiesel B-10 | \$0.11045/gal |
| ULS Diesel #2         | \$0.11045/gal | Biodiesel B-20 | \$0.11045/gal |
| ULS Dyed Diesel #2    | \$0.11045/gal | E85 Ethanol    | \$0.11045/gal |

**CITY OF STERLING HEIGHTS**

**BID TABULATION - DECEMBER 11, 2007**

**ITB-SH07-040: TRUCK TRANSPORT AND TANK WAGON  
DELIVERIES OF LEADED AND UNLEADED GASOLINE, AND DIESEL FUEL - TRUCK TRANSPORT**

| <i>Item</i>               | <i>Est Gal</i> | <i>Avg</i> | <b>Spencer Oil Company</b> |                       | <b>Mansfield Oil Company</b> |   | <b>Atlas Oil Company</b> |                       |
|---------------------------|----------------|------------|----------------------------|-----------------------|------------------------------|---|--------------------------|-----------------------|
|                           |                |            | <i>Factor</i>              | <i>Ext Total</i>      | <i>Factor</i>                | <i>Ext Total</i>  | <i>Factor</i>            | <i>Ext Total</i>      |
| Unleaded Regular          | 1,484,500      | 2.3098     | +0.179                     | \$3,455,470.65        | +0.0236                      | \$3,463,932.30  | +0.0148                  | \$3,450,868.70        |
| Unleaded Mid-Grade        | 1,356,000      | 2.3535     | +0.179                     | \$3,215,618.40        | +0.0040                      | \$3,196,770.00  | +0.0148                  | \$3,211,414.80        |
| Unleaded Premium          | 75,000         | 2.4563     | +0.179                     | \$185,565.00          | -0.0090                      | \$183,547.50  | +0.0115                  | \$185,085.00          |
| ULS Diesel #1             | 185,000        | 3.0672     | +0.199                     | \$571,113.50          | +0.0079                      | \$568,893.50  | +0.0000                  | \$567,432.00          |
| ULS Premium Diesel #2     | 401,400        | 2.6484     | +0.249                     | \$1,073,062.62        | +0.0396                      | \$1,078,963.20  | +0.0000                  | \$1,063,067.76        |
| ULS Diesel #2             | 451,500        | 2.5516     | +0.199                     | \$1,161,032.25        | +0.0196                      | \$1,160,896.80  | +0.0120                  | \$1,157,465.40        |
| Totals                    |                |            |                            | <b>\$9,661,862.42</b> |                              | <b>\$9,653,003.30</b>   |                          | <b>\$9,635,333.66</b> |
| Biodiesel B-5 (Optional)  | 10,000         | 2.5179     | N/B                        |                       | +0.0554                      | \$25,733.00   | +0.0050                  | \$25,229.00           |
| Biodiesel B-10 (Optional) | 10,000         | 2.5251     | N/B                        |                       | +0.0554                      | \$25,805.00   | +0.0050                  | \$25,301.00           |
| Biodiesel B-20 (Optional) | 10,000         | 2.5395     | N/B                        |                       | +0.0554                      | \$25,949.00   | +0.0050                  | \$25,445.00           |
| E85 Ethanol (Optional)    | 10,000         | 2.3537     | +0.1000                    | \$24,537.00           | N/B                          |   | +0.0148                  | \$23,685.00           |
| Totals                    | 3,953,400      |            |                            | <b>\$9,686,399.42</b> |                              | <b>\$9,730,490.30</b>   |                          | <b>\$9,734,993.66</b> |
| Short load charge         |                |            | none                       |                       | \$30.00                      |  | \$35.00                  |                       |
| Volume, SE MI             |                |            | 40,000,000                 |                       | 46,358,599                   |   | 300,000,000              |                       |
| Terms                     |                |            | not given                  |                       | net 30                       |   | not given                |                       |
| Split order charge        |                |            | not given                  |                       | \$30.00                      |   | \$30.00                  |                       |

*Incomplete bid. Also did not include all required taxes in bid pricing.*

*Did not include all required taxes in bid pricing.*

\* Averages were adjusted to maintain continuity and to obtain a fair comparison price. Some totals may have changed. Additional totals were added by Purchasing to break out optional items.

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| <i>Item</i>               | <i>Est Gal</i> | <i>Avg</i> | <i>RKA Petroleum Companies</i> |                                 | <i>Petroleum Traders Corp</i> |                       |
|---------------------------|----------------|------------|--------------------------------|---------------------------------|-------------------------------|-----------------------|
|                           |                |            | <i>Factor</i>                  | <i>Ext Total</i>                | <i>Factor</i>                 | <i>Ext Total</i>      |
| Unleaded Regular          | 1,484,500      | 2.3098     | +0.01845                       | \$3,456,287.13                  | +0.0269                       | \$3,468,831.15        |
| Unleaded Mid-Grade        | 1,356,000      | 2.3535     | +0.01845                       | \$3,216,364.20                  | +0.0235                       | \$3,223,212.00        |
| Unleaded Premium          | 75,000         | 2.4563     | +0.01755                       | \$185,538.75                    | +0.0026                       | \$184,417.50          |
| ULS Diesel #1             | 185,000        | 3.0672     | +0.01345                       | \$569,920.25                    | +0.1000                       | \$585,932.00          |
| ULS Premium Diesel #2     | 401,400        | 2.6484     | +0.01595                       | \$1,069,470.09                  | +0.0210                       | \$1,071,497.16        |
| ULS Diesel #2             | 451,500        | 2.5516     | +0.02095                       | \$1,161,506.33                  | +0.0288                       | \$1,165,050.60        |
| Totals                    |                |            |                                | <b>\$9,659,086.74</b>           |                               | <b>\$9,698,940.41</b> |
| Biodiesel B-5 (Optional)  | 10,000         | 2.5179     | +0.01095                       | \$25,288.50                     | +0.0296                       | \$25,475.00           |
| Biodiesel B-10 (Optional) | 10,000         | 2.5251     | +0.01095                       | \$25,360.50                     | +0.0310                       | \$25,561.00           |
| Biodiesel B-20 (Optional) | 10,000         | 2.5395     | +0.01095                       | \$25,504.50                     | +0.0350                       | \$25,745.00           |
| E85 Ethanol (Optional)    | 10,000         | 2.3537     | +0.01095                       | \$23,646.50                     | N/B                           |                       |
| Totals                    | 3,953,400      |            |                                | <b>\$9,758,886.74</b>           |                               | <b>\$9,775,721.41</b> |
| Short load charge         |                |            |                                | \$29.95                         |                               | \$75.00               |
| Volume, SE MI             |                |            |                                | 200,000,000                     |                               | not given             |
| Terms                     |                |            |                                | 30 days, net 10 discount        |                               | net 30                |
| Split order charge        |                |            |                                | \$29.95 on truck transport only |                               | \$40.00               |

\* Averages were adjusted to maintain continuity and to obtain a fair comparison price. Some totals may have changed. Additional totals were added by Purchasing to break out optional items.

**CITY OF STERLING HEIGHTS**

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| <i>Item</i>               | <i>Est Gal</i> | <i>Avg</i> | <i>Spencer Oil Company</i> |                     | <i>Mansfield Oil Company</i> |                     |
|---------------------------|----------------|------------|----------------------------|---------------------|------------------------------|---------------------|
|                           |                |            | <i>Factor</i>              | <i>Ext Total</i>    | <i>Factor</i>                | <i>Ext Total</i>    |
| Unleaded Regular          | 32,000         | 2.3098     | +0849                      | \$76,630.40         | +1410                        | \$78,425.60         |
| Unleaded Mid-Grade        | 58,000         | 2.3535     | +0849                      | \$141,427.20        | +1360                        | \$144,391.00        |
| ULS Premium Diesel #2     | 92,000         | 2.6484     | +0849                      | \$251,463.60        | +1650                        | \$258,832.80        |
| ULS Diesel #2             | 72,600         | 2.5516     | +0849                      | \$191,409.90        | +1450                        | \$195,773.16        |
| ULS Dyed Diesel #2        | 21,000         | 2.5503     | +0849                      | \$55,339.20         | +1485                        | \$56,674.80         |
| Totals                    |                |            |                            | <b>\$716,270.30</b> |                              | <b>\$734,097.36</b> |
| Biodiesel B-5 (Optional)  | 10,000         | 2.5179     | N/B                        |                     | +2000                        | \$27,179.00         |
| Biodiesel B-10 (Optional) | 10,000         | 2.5251     | N/B                        |                     | +2000                        | \$27,251.00         |
| Biodiesel B-20 (Optional) | 10,000         | 2.5395     | N/B                        |                     | +2000                        | \$27,395.00         |
| E85 Ethanol (Optional)    | 10,000         | 2.3537     | N/B                        |                     | N/B                          |                     |
| Totals                    | 275,600        |            |                            | <b>\$716,270.30</b> |                              | <b>\$815,922.36</b> |
| Minimum delivery qty.     |                |            |                            | 4,000 gallons       |                              | 100 gallons         |
| Short load charge         |                |            |                            | none                |                              | \$30.00             |
| Volume, SE MI             |                |            |                            | 40,000,000          |                              | 46,358,599          |
| Terms                     |                |            |                            | not given           |                              | net 30              |
| Split order charge        |                |            |                            | not given           |                              | \$30.00             |

*Incomplete bid. Also did not include all required taxes in bid pricing.*

\* Averages were adjusted to maintain continuity and to obtain a fair comparison price. Some totals may have changed. Additional totals were added by Purchasing to break out optional items.

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DELIVERIES OF LEADED AND UNLEADED GASOLINE, AND DIESEL FUEL - TANK WAGON**

| <i>Item</i>               | <i>Est Gal</i> | <i>Avg</i> | <b>RKA Petroleum Companies</b> |   | <b>Atlas Oil Company</b> |                     |
|---------------------------|----------------|------------|--------------------------------|---|--------------------------|---------------------|
|                           |                |            | <i>Factor</i>                  | <i>Ext Total</i>  | <i>Factor</i>            | <i>Ext Total</i>    |
| Unleaded Regular          | 32,000         | 2.3098     | + .11045                       | \$77,448.00   | + .1313                  | \$78,115.20         |
| Unleaded Mid-Grade        | 58,000         | 2.3535     | + .11045                       | \$142,909.10  | + .1313                  | \$144,118.40        |
| ULS Premium Diesel #2     | 92,000         | 2.6484     | + .11045                       | \$253,814.20  | + .1313                  | \$255,732.40        |
| ULS Diesel #2             | 72,600         | 2.5516     | + .11045                       | \$193,264.83  | + .1313                  | \$194,778.54        |
| ULS Dyed Diesel #2        | 21,000         | 2.5503     | + .11045                       | \$55,875.75   | + .1313                  | \$56,313.60         |
| Totals                    |                |            |                                | <b>\$723,311.88</b>   |                          | <b>\$729,058.14</b> |
| Biodiesel B-5 (Optional)  | 10,000         | 2.5179     | + .11045                       | \$26,283.50   | + .1313                  | \$26,492.00         |
| Biodiesel B-10 (Optional) | 10,000         | 2.5251     | + .11045                       | \$26,355.50   | + .1313                  | \$26,564.00         |
| Biodiesel B-20 (Optional) | 10,000         | 2.5395     | + .11045                       | \$26,499.50   | + .1313                  | \$26,708.00         |
| E85 Ethanol (Optional)    | 10,000         | 2.3537     | + .11045                       | \$24,641.50   | + .1313                  | \$24,850.00         |
| Totals                    | 275,600        |            |                                | <b>\$827,091.88</b>   |                          | <b>\$833,672.14</b> |
| Minimum delivery qty.     |                |            | none                           |  | 150 gallons              |                     |
| Short load charge         |                |            |                                |   | \$35.00                  |                     |
| Volume, SE MI             |                |            | 200,000,000                    |   | 300,000,000              |                     |
| Terms                     |                |            | 30 days, net 10 discount       |   | not given                |                     |
| Split order charge        |                |            | none                           |   | \$30.00                  |                     |

*Did not include all required taxes in bid pricing.*

\* Averages were adjusted to maintain continuity and to obtain a fair comparison price. Some totals may have changed. Additional totals were added by Purchasing to break out optional items.