



cityofnovi.org

CITY of NOVI CITY COUNCIL

**Agenda Item 8
January 22, 2008**

SUBJECT: Approval to award gasoline bid contract to Mansfield Oil for truck transport deliveries (over 5,000 gallons) and RKA Petroleum for tank wagon deliveries (under 5,000 gallons), the low bidders, based on the market price on the day of delivery plus a pre-determined bid factor.

SUBMITTING DEPARTMENT: Finance

CITY MANAGER APPROVAL:

EXPENDITURE REQUIRED	Approximately \$315,000 based on the last 18 month's experience
AMOUNT BUDGETED	\$315,000
LINE ITEM NUMBER	101-442-861 (allocated to all funds based on usage)

BACKGROUND INFORMATION:

The gasoline contract bid was a joint bid with seventeen (17) other communities through the MITN Cooperative. Mansfield Oil has been the provider of truck transport deliveries for several years and has been a very dependable vendor. RKA is currently providing tank wagon deliveries for both Macomb County and the State of Michigan. Our estimate for yearly usage is 150,000 gallons of Mid-Grade (89 Octane) unleaded gasoline.

The estimated annual cost is \$315,000. The contract is for two years, plus two one-year options. The bid factor award is \$0.0236/gallon added to the Oil Price Information Service daily average for Detroit. For example, on December 4, 2007 the OPIS daily average was \$2.3098 for regular gas, after adding the bid factor of \$0.0236 the cost per gallon for a delivery on that day would have been \$2.3334 per gallon.

RECOMMENDED ACTION: Approval to award gasoline bid contract to Mansfield Oil for truck transport deliveries (over 5,000 gallons) and RKA Petroleum for tank wagon deliveries (under 5,000 gallons), the low bidders, based on the market price on the day of delivery plus a pre-determined bid factor.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Capello				
Council Member Crawford				
Council Member Gatt				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				

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

	City Clerk	___	Resolution	___	Minutes
	Finance & Budget Director	___	Ordinance	___	Plan/Map
	City Attorney (as to legal form)	___	Contract	___	Other
	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. 4th for regular gas \$2.3098
Bid Factor .0236
 \$2.3334 per gallon

Average on Dec. 4th for mid-grade gas \$2.3535
Bid Factor .0040
 \$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

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**

Item	Est Gal	Avg	Spencer Oil Company		Mansfield Oil Company		Atlas Oil Company	
			Factor	Ext Total	Factor	Ext Total	Factor	Ext Total
Unleaded Regular	1,484,500	2.3098	+0179	\$3,455,470.65	+0236	\$3,463,932.30	+0148	\$3,450,868.70
Unleaded Mid-Grade	1,356,000	2.3535	+0179	\$3,215,618.40	+0040	\$3,196,770.00	+0148	\$3,211,414.80
Unleaded Premium	75,000	2.4563	+0179	\$185,565.00	-0090	\$183,547.50	+0115	\$185,085.00
ULS Diesel #1	185,000	3.0672	+0199	\$571,113.50	+0079	\$568,893.50	+0000	\$567,432.00
ULS Premium Diesel #2	401,400	2.6484	+0249	\$1,073,062.62	+0396	\$1,078,963.20	+0000	\$1,063,067.76
ULS Diesel #2	451,500	2.5516	+0199	\$1,161,032.25	+0196	\$1,160,896.80	+0120	\$1,157,465.40
Totals				\$9,661,862.42		\$9,653,003.30		\$9,635,333.66
Biodiesel B-5 (Optional)	10,000	2.5179	N/B		+0554	\$25,733.00	+0050	\$25,229.00
Biodiesel B-10 (Optional)	10,000	2.5251	N/B		+0554	\$25,805.00	+0050	\$25,301.00
Biodiesel B-20 (Optional)	10,000	2.5395	N/B		+0554	\$25,949.00	+0050	\$25,445.00
E85 Ethanol (Optional)	10,000	2.3537	+1000	\$24,537.00	N/B		+0148	\$23,685.00
Totals	3,953,400			\$9,686,399.42		\$9,730,490.30		\$9,734,993.66
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.

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**

Item	Est Gal	Avg	RKA Petroleum Companies		Petroleum Traders Corp	
			Factor	Ext Total	Factor	Ext Total
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	+1.000	\$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				\$9,659,086.74		\$9,698,940.41
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			\$9,758,886.74		\$9,775,721.41
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

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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 - TANK WAGON**

<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				\$716,270.30		\$734,097.36
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			\$716,270.30		\$815,922.36
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>	<i>RKA Petroleum Companies</i>		<i>Atlas Oil Company</i>	
			<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				\$723,311.88		\$729,058.14
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			\$827,091.88		\$833,672.14
Minimum delivery qty.			none		150 gallons	
Short load charge				\$29.95		\$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.