



**CITY OF NOVI CITY COUNCIL  
FEBRUARY 10, 2020**

**SUBJECT:** Consideration of approval to award a two (2) year contract for fuel purchases to RKA Petroleum Companies and Petroleum Traders Corporation (a split award) for truck transport deliveries (over 5,000 gallons); and Atlas Oil Company and RKA Petroleum Companies (a split award) for tank wagon deliveries (under 5,000 gallons) through the Michigan Intergovernmental Trade Network (MITN) cooperative purchasing bid for an estimated annual amount of \$319,000.

**SUBMITTING DEPARTMENT:** Department of Public Works, Fleet Division

<b>EXPENDITURE REQUIRED</b>	<b>\$ 319,000.00</b>
<b>AMOUNT BUDGETED</b>	<b>\$ 321,900</b>
<b>APPROPRIATION REQUIRED</b>	<b>\$ 0</b>
<b>LINE ITEM NUMBER</b>	<b>861.000 (Funds 101 General, 268 Library, and 592 Water &amp; Sewer)</b>

**BACKGROUND INFORMATION:** The City of Novi purchases approximately 120,000 gallons of gasoline and 37,000 gallons of diesel annually (based on usage in fiscal year 2018-2019) to fuel the City's fleet of automobiles, trucks, equipment, and generators. The City makes truck transport purchases (over 5,000 gallons per delivery) for the DPW fuel tanks and tank wagon purchases (less than 5,000 gallons) to fill backup generator fuel tanks at City facilities, lift stations, and booster stations.

The City of Sterling Heights is the lead agency for a Michigan Intergovernmental Trade Network (MITN) cooperative bid for the purchase of gasoline and diesel fuel that includes 20 member communities in the counties of Macomb, Oakland, and Wayne. Through this cooperative bid, approximately 3,000,000 gallons of gasoline and 1,300,000 gallons of diesel fuel are purchased annually.

The bid is structured so that the City pays 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. We use Unleaded 87 (regular) gasoline and ULS

Diesel #2 for vehicles and equipment, and ULS Dyed Diesel #2 for backup generators.

The Library Network (TLN), a consortium of 74 libraries in southeast Michigan, has been given access to the City's fuel station to fill up their fleet vehicles through an Intergovernmental Agreement to purchase fuel from us and the arrangement provides cost savings for them. They also pay per gallon for the upkeep of the fueling station.

**RECOMMENDED ACTION:** Approval to award a two (2) year contract for fuel purchases to RKA Petroleum Companies and Petroleum Traders Corporation (a split award) for truck transport deliveries (over 5,000 gallons); and Atlas Oil Company and RKA Petroleum Companies (a split award) for tank wagon deliveries (under 5,000 gallons) through the Michigan Intergovernmental Trade Network (MITN) cooperative purchasing bid for an estimated annual amount of \$319,000.

## **IV. INSTRUCTIONS TO BIDDERS**

Attachments A, A1 and B, B1 indicate tank size and location; product required and estimated annual usage in summary and detailed formats. Volumes are estimates only that are based upon previous usage and are not a firm commitment. They are offered as a guide for bidding purposes only.

One price for each product shall apply to all delivery locations and all participants in this cooperative bid. Bids offering different prices for different locations or participants will be rejected. All prices shall be F.O.B. Destination.

Invoices will be paid within thirty (30) days of receipt. On a separate sheet, list any early payment discounts offered. Please indicate on the bid form if purchasing cards are accepted for payment of invoiced amounts, including the types of cards accepted.

Successful vendor must comply with all State of Michigan and local laws and ordinances i.e. frost laws, transportation of flammable liquids, etc. All bidders shall submit material safety data sheets (MSDS) for products included in their bid.

Before award of contract, the vendor must be post-qualified, by the cooperative as awardable to conduct business with the cooperative members. Failure to be post-qualified will result in rejection of vendor's bid.

### **PRICING - TANK WAGON AND TRUCK TRANSPORT**

Pricing as indicated on the Tank Wagon and Truck Transport portions of the bid form shall be the final per gallon pricing, delivered, for the term of the 2-year award and any extensions, and shall not include any state and federal taxes, fees, surcharges, underground storage taxes, environmental recovery fees, environmental protection fees, etc. No per gallon price increases to the Tank Wagon and Truck Transport pricing will be allowed during the term of the award and any extensions.

### **SALES AND EXCISE TAXES**

Each cooperative member is exempt from sales and federal excise taxes. Tank Wagon and Truck Transport bid price is to be exclusive of taxes and surcharges. Each cooperative member will issue the necessary exemption certificates, if requested.

### **STATE AND FEDERAL SURCHARGES**

Note: this section is a change from prior bid specifications.

All additional charges, including State and Federal surcharges and MUSTFA, must not be added to the Tank Wagon or Truck Transport unit pricing on your bid form and will be broken out separately and listed on the Taxes & Surcharges Form of the Bid Form.

Any surcharges should be broken out as a line item on the invoice.

**State and Federal Surcharges:** State and Federal Surcharges legally required to be paid by the Cooperative Member shall be firm for the term of the initial award and any extension.

Any **reduction** in the per gallon surcharges shall take effect immediately and shall be communicated to the City of Sterling Heights Purchasing Manager and the Cooperative with the next invoice.

Any **increase** in the per gallon surcharges listed below, or any new surcharge added must be approved in advance by the City of Sterling Heights Purchasing Manager prior to including and changes in any invoice to the he invoice. Only those surcharges in which Cooperative members are legally obligated to pay will be considered.

## **INVOICES**

Separate invoices with each delivery location shall be submitted in duplicate to each cooperative member's Finance Department. Invoices shall state the delivery location (name of using agency), product, quantity delivered and extended price. Each entity is responsible for its own ordering and payment. Vendor must submit verification of OPIS Price Report 10:00 AM for date of delivery. Any surcharges should be broken out as a line item on the invoice.

Invoices will be paid based on the following:

OPIS Detroit Rack Average Price (10:00:01 AM on Date of Delivery)  
+ / - Bid Factor on Bid Form (Tank Wagon or Truck Transport)  
= Net Price Per Gallon Delivered  
+ Per Gallon Surcharges (Taxes & Surcharges from Bid Form)  
= Total Price Per Gallon Delivered  
x Gallons Delivered  
= **Invoice Total**

## **BILL OF LADING**

Each delivery location shall receive a metered delivery slip that is metered at point of delivery, stating product and quantity delivered. Any exceptions to this requirement must be noted on your bid and be accepted by the cooperative prior to award of bid.

## **DELIVERY REQUIREMENTS**

All deliveries shall be made within approximately 24 hours from time of telephone release or no later than 4:00 p.m. the following business day, if ordered prior to the weekend. If an automated ordering system is used, vendor shall place a phone call or fax to confirm delivery. The vendor shall have the right to specify the order cut off time for next day delivery (e.g. all orders for next day delivery to be placed by 3:00 p.m.). The vendor must have personnel available for telephone releases at all times during normal business hours 8:30 a.m. to 4:00 p.m. If a delivery is called in on a Friday, the delivery

*Official bid specifications are available only at [www.mitn.info](http://www.mitn.info).*

will occur no later than the following Monday at 4:00 p.m. Please provide an emergency phone number with 24 hours a day/7 days a week availability which will be accessible for all governmental agencies using this contract.

### **DISASTERS AND DECLARED EMERGENCIES**

All participating entities must be given first priority in times of Disaster or Declared Emergencies. Vendors must provide a 24-hour emergency phone number (land line) available 7 days a week. All bidders are requested to include written procedures with their bid to accommodate deliveries during a Disaster or Declared Emergency.

### **PENALTY FOR LATE DELIVERIES**

In the event that fuel is not delivered within 72 hours or the third business day, the cooperative cities reserve the right to obtain gas and or diesel fuel from an alternate source. If the price is higher, the awarded vendor shall be responsible to pay the difference between the price paid at the alternate source and the bid price that would have been paid on the day of the scheduled delivery and deduct the difference from the next invoice issued to that city.

## **VII. SPECIFICATIONS**

The governmental entities of Birmingham, Bloomfield Township, Clinton Township, Eastpointe, Farmington Hills, Grosse Pointe Woods, Huron-Clinton Metroparks, Livonia, Madison Heights, Novi, Oakland County, Rochester Hills, Royal Oak, St. Clair Shores, Southfield, Sterling Heights, Troy, Warren, Waterford, and West Bloomfield, herein known as the "Cooperative", are jointly requesting sealed bid proposals for the purchase of gasoline and diesel fuel, as described below, in truck transport and tank wagon deliveries for the period of **February 1, 2020 through January 31, 2022**. The Cooperative reserves the right to extend the contract, exclusively, unless the vendor can show that terms or conditions or their variables within the contract have changed.

The Cooperative members listed above have their estimated annual fuel use incorporated into the bid. In addition, there may be approximately 2-3 additional entities that may be included at a later date. Individual governmental entity participation in the Cooperative may be subject to the entity's governing board approval.

### **TRUCK TRANSPORT ESTIMATED TOTAL ANNUAL REQUIREMENTS**

Unleaded 87 Octane	2,232,000	gallons
Unleaded Mid-grade 89 Octane	325,000	gallons
ULS Diesel #2 Premium	408,000	gallons
ULS Diesel #2	641,000	gallons

### **TANK WAGON ESTIMATED ANNUAL REQUIREMENTS**

Unleaded 87 Octane	214,500	gallons
Unleaded Mid-grade 89 Octane	177,800	gallons
ULS Diesel #2 Premium	39,000	gallons
ULS Diesel #2	85,100	gallons
ULS Diesel #2 – Dyed	111,100	gallons

### **SPECIFICATIONS**

Unleaded gasoline (10% Ethanol)	Minimum octane rating of 87	(R+M)/2
Mid-grade gasoline (10% Ethanol)	Minimum octane rating of 89	(R+M)/2
Ultra Low Sulphur Diesel	Maximum sulphur 15ppm	

All gasoline shall be free of water, suspended matter and strong obnoxious odors and shall meet the standards as per ASTM, D439-83 and all other recognized minimum standards.

Biodiesel fuel: Although currently not being used by the majority of entities, this bid is requesting pricing for biodiesel due to the ongoing changes in fuel over the past several years. Pricing should be included for B-5, B-10 and B-20 biodiesel that meets or exceeds ASTM D6751 specifications. Splash blending is not acceptable.

Diesel fuel: The following specifications should be considered the minimum acceptable. All diesel fuel must meet or exceed the latest ASTM D975 version of standard specification, be free of water, suspended matter and strong obnoxious odors.

	NO. 1	PREMIUM NO. 2		NO. 2
		SUMMER	WINTER	
Gravity, API, Min (ASTM D287)	37	34	36	30
Flash, F., P-M, Min. (ASTM D93)	120-160	155	145	140
Pour Point, F., Max. (ASTM D97)	-25	-10	-20	+10 to -5
Cloud Point, F., Max. (ASTM D2500)	-	0	-15	+15 max
Viscosity @ 40 C., (100 F.) MIN. c St. (ASTM D445) MAX.	1.3 2.1	35 -	33 -	2.0 3.6
Carbon Residue on 10% Bottoms, % Max. (ASTM D524)	0.15	.02	.02	0.35
Ash, % Max. (ASTM D482)	0.01	0.01	0.01	0.01
Corrosion 3 hrs. @ 122 F., Max. (ASTM D130)	1	1	1	1
Distillation (ASTM D86) 10% Recovered, F., Max.	420	413	413	Report
Color, Min. (ASTM D156) Color, Max. (ASTM D1500)	+14 -	- -	- -	- 2.5
Cetane No., (Motor), Min. (ASTM D613) or Cetane Index (ASTM D976)	40.0	45.0	46.0	40.0
Water & Sediment (D96) Max.	trace	0	0	Clear/Bright

All No. 1, No. 2 Premium and No. 2 delivered *must* not exceed 0.0015 percent by weight of sulfur.

## **VENDOR QUALIFICATIONS**

Bids will be accepted only from vendors who are licensed by the State of Michigan as a wholesale distributor. Vendors may be required to submit financial data as required for qualification. Please submit all sources of supply and approximate volume of annual business currently transacted in Southeast Michigan where indicated on your bid form.

## **MISCELLANEOUS**

The vendor will be responsible for any spillage. If the governmental entities need to clean or otherwise remedy the results of a spill, the vendor will be responsible for all costs incurred, to notify the Department of Natural Resources and to complete and file all required forms. Proof of all such actions are to be provided to cooperative member concerned. Inasmuch as the fuel to be supplied under this agreement is for Police, Fire and other emergency services, the successful bidder shall agree to designate the members of this cooperative as priority services.

In any case where vehicle performance is poor and fuel quality is suspect, the vendor shall provide the necessary technical assistance and independent testing to determine the cause and/or solution to the problem. Testing would be at vendor's expense, if fuel is determined to be of poor quality.

The vendor is responsible for all expense to remove defective fuel and repair equipment. All defective fuel would be replaced with fuel meeting specifications and priced at original delivery date. If requested by agency, driver to provide fuel sample before fuel is dropped into tank. Agency to provide container and sample.

In the event any member of the cooperative elects to have an additive added to their diesel/gasoline supply, the rate for the next highest grade will be charged. Example: Diesel #2 with additives would be charged at the rate for Premium Diesel #2.

Indicate on the Bid Form additional charges, if any, for a split order of fuel to equal the vendor's minimum order (i.e. 4,000 gallons of diesel and 4,000 gallons of unleaded) at the same address.

## **METHOD OF AWARD**

The Detroit, Michigan Market OPIS Contract - Rack Average will be used as a point of reference in evaluating bid prices and as the method for price adjustments during the term of the agreement. Please submit your bid on the basis of the OPIS for Detroit Michigan Rack Average on prices that are contained in the 10:00:01, November 26, 2019 publication date. Unit prices and factors prevail and the cooperative will correct any extension errors.

Please provide base pricing for truck transport on minimum delivery of 8,000 gallons per drop. Indicate any short load charges for quantities between 5,000 and 8,000 gallons. Base pricing for tank wagon on minimum delivery of 250 gallons.



Use Diesel #2 OPIS Index for No. 1 and No. 2 Premium Diesel if *not* shown on the OPIS Index.

Award will be made on a joint basis. However, separate purchase orders will be issued by each member of the cooperative, subject to approval of respective elected officials.

The successful bidder shall have the option to extend the terms of the agreement to other governmental units in the Metropolitan area upon approval of the Purchasing Manager of the City of Sterling Heights.

The members of the cooperative reserve the right to accept or reject any or all bids, waive irregularities or informalities, award to other than the low bidder, to split award and to accept any bid considered to be in the best interests of the members. All bids shall be in accordance with the specifications and shall be submitted on the bid forms contained herein. Any exceptions shall be so noted.

The cooperative members individually reserve the right to withdraw from this contract if their governing body will not approve the contract as awarded and in the event of the abandonment of full storage tanks. The vendor is required to hold prices for the other cooperative members. If more than two (2) members cannot obtain approval from their respective governing body, the cooperative bid will be void.