

# EXECUTIVE SUMMARY



**TO:** Bogdon Vitas, City Manager

**COPIES:** David Fernandez, Assistant City Manager  
Mark Finigan, Assistant City Manager  
Greg Veliz, Director Community Services  
Rod Delostrinos, Deputy Director Community Services

**FROM:** Eduardo Herrera, Fleet Management Admin

**DATE:** January 8<sup>th</sup>, 2013

**SUBJECT:** Rejecting all bids in response to ITB # 13-005 (Fuel Supply) for best interest of the City.

## **Action statement:**

This resolution authorizes staff to exercise the option to reject all bids in response to ITB # 13-005 in accordance with Sec. 2-834(4) of the code of ordinances. After the ITB closing the sole bid came in significantly higher than existing contract. After checking with other local agencies such as Keys Energy, the Florida Keys Aqueduct Authority and Monroe County, it became clear the bid was not consistent with industry standards in our area, for our particular storage capacity.

## **Strategic Plan/Business Plan:**

Previous ITB's for fuel supply have produced a range of competitive bids, typically 4-6 companies. Staff believes that given sufficient time for advertising and processing, the City can secure a number of competitive bids to get a more accurate representation of the true market cost.

## **Background:**

The original contract was approved by the commission (Resolution # 07-421) on November 20<sup>th</sup>, 2007. The contract had an effective period of 3 years from the approval date, with an option for an extension of up to two (2) years. The extension option was exercised, with a termination date at the end of this month.

The fuel contracts are typically priced / bid based on a delivery charge or freight fee over the lowest price available at Port Everglades (our nearest bulk fuel port) the day of the fuel pick up. Therefore, the port price will fluctuate with the market while the freight fee charged by the fuel delivery vendor remains constant. Fleet staff has received informal quotes from other public agencies regarding their fuel delivery costs from their

respective vendors. Due to the limited fuel storage capacities at a particular location for some of these agencies, their fees were substantially higher than the contract currently in place with the City of Key West's fuel supplier, McKenzie Petroleum.

The City currently pays \$0.07 delivery fee per gallon on Unleaded, and a \$0.08 delivery fee per gallon on Diesel. As a comparison, Florida Keys Aqueduct Authorities current contract requires they pay as high as a \$0.1325 delivery fee per gallon on Unleaded, and a \$0.097 delivery fee per gallon on Diesel when delivered to Key West. The City can typically secure lower rates in large part due to the substantial storage capacities we have, and the delivery quantities we can accept.

ITB #13-005 was processed to post in the month of December. In order to expedite the process and not exceed purchasing authority with the current contract, the ITB was listed with limited advertising time. Although staff expected to receive multiple competitive bids, only one was actually completed and submitted. This bid is significantly higher than our current contract. It is also higher than other similar organizations within our area.

### **Purpose and Justification:**

Staff would like the opportunity to provide the new specifications and submit a new invitation to bid.

### **Options:**

- 1) An option is to approve the rejection of the bid. This would allow the City of Key West to properly prepare and advertise an ITB and obtain more competitive bids.
- 2) The commission could decline the rejection of the bid and direct staff to select the sole bidder from the original invitation to bid (#13-005). This would significantly impact our fuel costs and budget.

### **Financial Impact:**

Approving the rejection of the bid (Option #1) would allow staff the opportunity to refine specifications and submit a new invitation to bid with sufficient advertising time. This would result in the most competitive bidding process.

Declining the rejection of the bid (Option #2) would force staff to select the only responsive bidder; however, this option will not provide the most cost effective solution for the City's fuel delivery needs.

### **Recommendation:**

Staff recommends option #1, approval of rejection of the bid.