



## EXECUTIVE SUMMARY

**TO:** Key West Bight Board  
**FROM:** Mark Tait  
**CC:** Marilyn Wilbarger  
**DATE:** May 4, 2012  
**SUBJECT:** Tenant Fuel Prices at KWB

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**ACTION STATEMENT:** The purpose of this item is to establish fuel pricing and a customer rewards program for the commercial marina tenants at Key West Bight Marina.

**BACKGROUND:** Key West Bight Marina currently maintains a minimum 22% average profit margin above the total cost of fuel we purchase which includes taxes and delivery. Our direct competitor is Conch Harbor Marina. Conch Harbor maintains a higher fuel profit margin regularly. Staff keeps our fuel pump prices \$.10 a gallon lower than Conch Harbor's pump prices. At times this practice exceeds the minimum 22% average profit margin we keep track of. Like most marinas KWB Marina gives out volume discounts for fuel sales. Mainly these discounts are used when large yachts take on 500 gallons or more. To ensure that the discounted fuel sales do not blow the budget fuel profit is budgeted at 18%.

To help our commercial tenants succeed, staff is proposing that Key West Bight commercial marina tenants will pay the average margin price of 22% not the pump price which is normally higher. The marina will also add additional incentive for tenants to purchase fuel by adding a customer loyalty program. Once a tenant buys 250 gallons of fuel they will receive an additional \$.05 off per gallon. If they purchase 500 gallons they will receive an additional \$.10 off per gallon. Fuel purchases leading up to the discounts can be accumulative or all at once. The additional volume discounts would be for one fill up after the tenant crossed the volume threshold.

### **OPTIONS/ ADVANTAGES/ DISADVANTAGES:**

1. Many of our commercial marina tenants now purchase fuel from Conch Harbor or A&B because those marinas have established pricing with them that is lower than the prices at Key West Bight Marina.
2. Our marina tenants have been asking us to lower our prices to them for some time. By establishing this program staff feels that those tenants will once again buy fuel from us.
3. The pricing described in this program would still have a margin of at least 19% which would fall within the range budgeted for profit.

**FINANCIAL IMPACT:** Staff believes that regaining tenant fuel sales will offset the lower price that the fuel will be sold to our tenants.

**RECOMMENDATION:** Staff recommends that the Bight Board approves fuel pricing and a customer rewards program policy attached to this summary.

**ATTACHMENTS:**

Key West Bight Tenant Fuel Prices and Customer Reward Program Policy