

EXECUTIVE SUMMARY



TO: Bob 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: April 15, 2013th

SUBJECT: Approving successful fuel bid from McKenzie Petroleum (Fuel Supply Bid # 13-012) for a period of five (5) years.

Action statement:

This resolution serves to approve the lowest overall fuel bid provided by McKenzie petroleum in reference to the Fuel Supply Bid # 13-012. McKenzie Petroleum bid lower than the other qualified bid in all categories requested.

Strategic Plan/Business Plan:

The city purchases discounted bulk fuel to provide for City of Key West vehicles and equipment, as well as retail sales at the Key West Bight. The City of Key West avoids various taxes and fees by purchasing our fuel in bulk with savings averaging \$0.48 - \$0.51 per gallon over retail at a commercial gas station. The City earns a profit margin on fuel sales at the Key West Bight, and maintains a higher level of security by using our internal fuel TRAK system to monitor transactions when using our bulk storage tanks to fuel City vehicles.

Staff compiled a bid specification to include various fuel types including ethanol and bio-diesel blends that offer environmental advantages. There were only two responsive bids, although many different companies contacted staff for information.

Background:

The most recent fuel supply contract was approved by the commission (Resolution # 07-421) on November 20th, 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 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.

Although a limited number of bids were received, the low bidder McKenzie Petroleum has maintained very similar figures to our previous contract. Costs have only increased marginally and the city will effectively lock these prices in for a period of five (5) years

Staff did a cost comparison for the purposes of a temporary extension in early 2013 and discovered that other local agencies pay significantly higher costs for fuel delivery. The new bid details charges of \$0.0883 delivery fee per gallon on Unleaded, and a \$0.1012 delivery fee per gallon on Diesel. As a comparison, Monroe County's current contract requires they pay as high as a \$0.185 delivery fee per gallon on Unleaded, and a \$0.215 delivery fee per gallon on Diesel when delivered to Key West. These higher margins are primarily due to the County's limited storage capacities, whereas the City's large storage capacities provide for reduced delivery costs as well as hurricane preparedness.

When comparing our internal rates to current retail prices, the City benefits from an average savings of \$0.39 per gallon (\$3.46 / gallon delivered vs. \$3.85 retail unleaded). The City consumes approximately 105,000 gallons of Unleaded and 150,000 gallons of Diesel fuel annually. This amounts to approximately \$100,000 dollars in annual savings over average retail fuel prices.

Purpose and Justification:

Based on research and historical pricing, staff is confident that the new bid from McKenzie Petroleum is competitive. The commission previously approved the original contract of three (3) years with an option to extend for two (2) years. The new contract will allow for five (5) years of service at competitive pricing.

Options:

- 1) An option is to approve the contract for McKenzie Petroleum for the five (5) year period. This would allow the City to continue to purchase fuel from an established supplier at a discounted rate and would provide for the most cost effective option for fueling city vehicles and providing commercial fueling services for the Key West Bight.

- 2) The commission could reject the bid, which would leave the City without an approved fuel purchase contract effective April 30th, 2013. The City would have to make alternative arrangements to purchase fuel to use for daily operations as well as the fuel provided to vessels at the Key West Bight. This would likely come at a substantially increased cost.

Financial Impact:

The new bid approval (Option #1) would allow the City to purchase fuel at a competitive price while continuing to provide profit margins for Marina sales and cost savings and security for internal use.

Any other options listed would certainly increase costs to the City and provide for decreased security and reduced operational efficiency.

Recommendation:

Staff recommends option #1, approval of the contract for McKenzie Petroleum for the five (5) year period