



City of Broken Arrow

Request for Action

File #: 18-633, Version: 1

**Broken Arrow City Council
Meeting of: 06-04-2018**

Title:

Approval of and authorization to execute Sales Purchase Agreement Contract Extension 3 with Petroleum Traders Corporation for the purchase of gasoline and diesel fuel

Background:

The City purchases approximately 183,000 gallons of gasoline and 256,000 gallons of Diesel annually. Fuel is typically purchased weekly and hauled by tanker to the City's fuel sites. The Logistics Division monitors our fuel supply and when fuel reaches a certain level, it is reordered. Area fuel prices are monitored by OPIS (Oil Price Information Service). OPIS is the most widely accepted fuel price benchmark for supply contracts and competitive positioning. We cannot control the cost of fuel; as such, the main variable between suppliers then is the delivery charge and their markup on fuel. To minimize the effect local demand puts on fuel prices, the Logistics Division sought bids to supply fuel for the City on an annual basis based on the unit cost per gallon above the OPIS rack average posting. This is cost of fuel where petroleum products are sold at the wholesale level from primary storage and the racks where tanker trucks fill up. By contracting this fuel supply, we can reduce fuel costs by eliminating demand driven cost increases in markup and delivery charges thru fixed pricing. This also simplifies the purchasing process we go through to acquire fuel.

Bids were advertised in 2015 and the contract was awarded to Petroleum Traders. The bid provided for an annual contract with up to four optional renewal periods. As no cost increase is requested and service provided under the current contract has been good, staff recommends renewing the contract for an additional year.

Cost:

Approximately \$64,583 per month or \$775,000 annually, based on consumption and fuel price over the last 12 months

Funding Source:

Various departmental operational accounts

Requested By:

Lee Zirk, General Services Director

Approved By:

Michael L. Spurgeon, City Manager

Attachments:

Sales Purchase Agreement Contract Extension 3

Recommendation:

Approve and authorize the execution of Sales Purchase Agreement Contract Extension 3 with Petroleum Traders for the purchase of gasoline and diesel fuel