

**City of Coral Springs
City Commission Meeting Agenda Item**

Meeting: January 17, 2012
Department: Financial Services
Initiated By: Angelo Salomone

Summary Sheet

DOC ID: 2754

SUBJECT: Unleaded Gasoline & Diesel Fuel

PRIORITY: Consent – Financial Health & Economic Development

**REQUESTED ACTION:
(INCLUDE CONTRACT
START/TERM DATES)** Request to renew the contract for Unleaded Gasoline and Diesel Fuel through the Southeast Florida Governmental Purchasing Cooperative Group, RFP #09-A-149 to **Port Consolidated, Inc.** of Ft. Lauderdale, Florida, beginning April 1, 2012 and terminating on March 31, 2014 with one additional two year renewal possible. The estimated annual expenditure for the City of Coral Springs under this contract is approximately \$1,298,427.00 for diesel fuel and unleaded gasoline. (REQUEST TO RENEW)

**PROJECT REVIEWED BY
OR INCLUDED IN:**

ATTACHMENTS: #1 – First Amendment to Memorandum of Understanding

BACKGROUND / DESCRIPTION:

BACKGROUND:

1. Using Department(s): City-Wide
2. Justification for Award Recommendation:
_____ Most responsive and responsible Bidder
 X Highest ranked Proposer
_____ Other _____
3. Is this item in the adopted budget? X Yes _____ No
4. Is this item in the CIP? _____ Yes X No
5. Agreement Info: X Contract executed by Firm
_____ N/A
6. Insurance: X Approved
_____ N/A
7. Additional information:

The City of Coral Springs, acting as lead agency for the purchase of Diesel Fuel and Unleaded Gasoline for the Southeast Florida Governmental Purchasing Cooperative

City of Coral Springs
Commission Meeting Agenda Item
Summary Sheet
Meeting: January 17, 2012

Subject: Unleaded Gasoline & Diesel Fuel

Group has solicited proposals for this necessary commodity, combining the estimated usage of the 28 agencies that chose to participate in this procurement. **It is estimated that the value of this contract in total will exceed \$68 million dollars judged by today's prices.**

This fuel contract has improved our fuel procurement in the following manners:

1. It establishes a business partnership with a fuel distributor (or "jobber") that will maintain a "back-to-back" agreement with a fuel wholesaler, or owner of fuel products at the port, specifically for the contract to be established with the Co-Op Group. During past attempts, it has not proven possible to have a direct contractual relationship with a wholesaler. An allocation of fuel specifically purchased under contract by the Jobber for the Cooperative Group provides a more secure supply chain for our fuel needs than any other method available.
2. We now do business with a fuel distributor who has demonstrable capabilities to appropriately administrate a contract with 28 different using agencies, deliver fuel quickly, safely and responsibly, and provide fast and accurate electronic billing.
3. Ensure a wide variety of capabilities both in fuel supply sources and available equipment for the steady provision of fuel during declared emergency situations. Capabilities such as significant delivery fleet size, distributor owned fuel farms in the tri-county area, and access to alternative fuel wholesalers both at Port Everglades and other ports throughout Florida, are now in place.
4. Obtain the required fuels at competitive market rates.

A Request for Proposals process was used for this procurement, in which proposers would be evaluated in all the above mentioned areas using the criteria established in the Request for Proposals.

In order to achieve the necessary improvements in the Co-Op fuel procurement process, the following changes were made to the original Request for Proposals that was issued in 2009:

1. The oil price index used as a cost comparison method during the procurement process and to obtain pricing during the contract period, was changed to the Platts Fuel Index, which is regional in nature and is also the index by which the majority of fuel distributors purchase the fuel directly from the wholesalers. The price is set to float on a daily basis, again to mirror the marketplace.
2. Payment is made to the Jobber via a wire transfer of funds, in order to eliminate the "float" which occurs when government takes 30-45 days to pay for the fuel that is delivered. Jobbers are required to pay the wholesaler within ten days of their receipt of the product, and their cost of waiting for our payment for approximately 20 to 30 days requires many of these firms to establish a line of credit to finance this cash flow issue. The cost of that financing is, of course, passed on to the Participating Agencies via higher fuel cost. Once again, we have "mirrored" the marketplace.
3. Provide proof that a supply contract with a wholesaler or multiple wholesalers would be established specifically for the purchases of the Cooperative Group. Past

City of Coral Springs
Commission Meeting Agenda Item
Summary Sheet
Meeting: January 17, 2012

Subject: Unleaded Gasoline & Diesel Fuel

procurements did not have this requirement, which had the effect of driving our ultimate suppliers to the fuel spot market, which tends to dry up before and after emergency situations.

By taking these actions, the Cooperative attempted to position itself effectively in the fuel marketplace. As a result of these changes to the Request for Proposals, Port Consolidated, Inc. was awarded the contract on November 17, 2009.

The award was recommended by the Evaluation committee for the following Reasons:

1. Port Consolidated currently has supply agreements with several major oil companies, notably Chevron, Marathon, Valero, TransMontaigne, Colonial, Hess and Motiva. In addition, Port Consolidated has committed to establishing a separate supply contract with one or more of these wholesalers specifically for the fuel needs of the Cooperative Group. As has been stated previously, this "back-to-back" contractual arrangement establishes a specific allocation for the Cooperative Group from a fuel supplier. Previously, a good portion of the fuel supplied to the Co-Op was bought on the spot fuel market, which resulted in supply issues when demand for fuel was high, such as before and after emergencies.
2. Port Consolidated owns and operates a fleet of over 50 tank wagons and over 50 transport vehicles (the large vehicles that carry approximately 8,000 gallons of fuel) which provides the Cooperative Group with the most comprehensive in-house fuel delivery capability in the area. Not only does this benefit our daily operations, but a large, company owned fleet would be more likely used to service regular customers in an emergency situation, as which the Cooperative Group surely would qualify.
3. Port Consolidated owns and operates over ten (10) different petroleum storage facilities throughout the state, with a total storage capacity of just under 3,000,000 gallons for various petroleum products.
4. In addition to the fuel storage capabilities, Port Consolidated has six (6) automated card lock fueling locations in the tri-county area, which can be used by cooperative members to purchase fuel directly at pumps which are not open to the public, only to Port Consolidated customers.
5. Port Consolidated locally owns 105 mobile inter-modal fuel containers, know as "ISO tanks" with a 6,000 gallon fuel capacity. These mobile tanks can be provided to Co-Op members and regularly refilled to provide additional fuel capability during hurricane season or for periods of time when fuel tanks may be taken out of use for repair or replacement.
6. Through the RFP process, Port Consolidated has provided a pre-purchase option for fuel to any Cooperative Agency interested in establishing owned fuel in the local area, to be bought at a set price. This could prove to be extremely useful to any local agency whose regular fuel needs are not being met with agency owned fuel storage capabilities. Some Co-Op members have availed themselves of this option.
7. The cost of fuel from Port Consolidated during the original RFP process was within a cost differential of ½ of 1%, which is minimal when compared to other proposers. For example, the City of Coral Springs purchases approximately 368,000 gallons of all types of fuel during the year. The cost differential to the City from the Port

**City of Coral Springs
Commission Meeting Agenda Item
Summary Sheet
Meeting: January 17, 2012**

Subject: Unleaded Gasoline & Diesel Fuel

Consolidated best and final offer and the lowest cost for both diesel and gasoline provided by the other two finalists, is a difference of approximately \$5,600 per year. Factoring in the additional capabilities of Port Consolidated to meet the fuel needs of the Cooperative on a regular and emergency basis, the small cost differential is believed to be a reasonable investment of public funds.

8. Port Consolidated has proven, during the initial term of the contract to be a valuable partner to the Co-Op. During hurricane warnings and when shifts in the cost of fuel was imminent, Port Consolidated communicated with us to provide market information. Examples of this are the ending of the Ethanol credit by the Federal Government and supply situations during storms affecting the Gulf Coast. No other supplier has provided this type of partnering to the Co-Op during it's history, which stretches back over 20 years.
9. Port Consolidated revised the required payment terms from ten days via wire transfer (which was stipulated in the Request for Proposals), to fifteen days via wire transfer.

Based on approval of this Evaluation Committee recommendation, the contract with Port Consolidated would begin on April 1, 2012. Port Consolidated has executed an amendment to the original Memorandum of Understanding which is attached to this agenda report to outline the requirements of their firm under this contract, along with the operating and payment requirements of the Co-Op Participating Agencies.

COPIES TO: T. Planco, Central Stores Coordinator
B. Mallozzi, Fleet Services Superintendent
S. Whitacre, Municipal Prosecutor
M. Heller, Financial Services Director
J. Hearn, City Attorney

**FIRST AMENDMENT TO MEMORANDUM OF UNDERSTANDING
BETWEEN SOUTHEAST FLORIDA GOVERNMENTAL PURCHASING
COOPERATIVE AND PORT CONSOLIDATED, INC.**

This First Amendment to Memorandum of Understanding (the "First Amendment") is entered into this 10th day of January 2012, by and between Southeast Florida Governmental Purchasing Cooperative and Port Consolidated, Inc.

RECITALS

WHEREAS, the parties entered into a Memorandum of Understanding dated November 13, 2009 (the "MOU") related to the provision of unleaded gasoline and diesel fuel; and

WHEREAS, under Section 5 of the MOU, the initial contract term is January 1, 2010 through March 31, 2012 with two (2) additional two (2) year renewals available; and

WHEREAS, the parties mutually desire to renew the MOU for an additional (2) year period, which shall extend the contract term to March 31, 2014.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. The term of the MOU between the parties shall be extended to March 31, 2014.
2. All terms, provisions and conditions of the MOU not inconsistent with this First Amendment shall remain in full force and effect.
3. Should any part, term or provision of this Second Amendment be by the courts decided to be illegal or in conflict with any law of the State, the validity of the remaining portions or provisions shall not be affected thereby.

**FIRST AMENDMENT TO MEMORANDUM OF UNDERSTANDING
BETWEEN SOUTHEAST FLORIDA GOVERNMENTAL PURCHASING
COOPERATIVE AND PORT CONSOLIDATED, INC.**

This First Amendment to Memorandum of Understanding (the "First Amendment") is entered into this 10th day of January 2012, by and between Southeast Florida Governmental Purchasing Cooperative and Port Consolidated, Inc.

RECITALS

WHEREAS, the parties entered into a Memorandum of Understanding dated November 13, 2009 (the "MOU") related to the provision of unleaded gasoline and diesel fuel; and

WHEREAS, under Section 5 of the MOU, the initial contract term is January 1, 2010 through March 31, 2012 with two (2) additional two (2) year renewals available; and

WHEREAS, the parties mutually desire to renew the MOU for an additional (2) year period, which shall extend the contract term to March 31, 2014.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. The term of the MOU between the parties shall be extended to March 31, 2014.
2. All terms, provisions and conditions of the MOU not inconsistent with this First Amendment shall remain in full force and effect.
3. Should any part, term or provision of this Second Amendment be by the courts decided to be illegal or in conflict with any law of the State, the validity of the remaining portions or provisions shall not be affected thereby.