

RESOLUTION NO. 2009-97

AUTHORIZING CONTRACT NO. 2009-127 WITH HERITAGE PETROLEUM, LLC. FOR THE FURNISHING OF ULTRA LOW SULFUR DIESEL FUEL AT A PROJECTED QUANTITY OF FOUR MILLION EIGHT HUNDRED FIFTY THOUSAND GALLONS PER YEAR, AS SPECIFIED FOR A PERIOD OF TWO (2) YEARS WITH AN OPTION OF ONE (1) ADDITIONAL YEAR AT A COST OF \$0.011 DOLLARS PER GALLON BELOW THE OIL PRICE INFORMATION SERVICE (OPIS) INDEX (GENERAL FUND, FLEET MANAGEMENT DEPARTMENT BUDGET)

WHEREAS, the Greater Cleveland Regional Transit Authority requires ultra low sulfur diesel fuel (ULSDF) for the operation of its revenue and non-revenue vehicles; and

WHEREAS, the Authority has adopted an Energy Risk Management Policy & Strategy to better manage its fuel cost; and

WHEREAS, a part of the energy risk management strategy is to take delivery of the Authority's ultra low sulfur diesel fuel requirements based on the Oil Price Information Service (OPIS) average daily rate on the date of delivery; and

WHEREAS, a bid from Heritage Petroleum LLC. for the furnishing of ultra low sulfur diesel fuel, as specified and as required, for a period of two (2) years with an option for one (1) additional year at a cost of \$0.011 dollars per gallon below the OPIS was received on October 22, 2009; and

WHEREAS, the General Manager/Secretary-Treasurer deems the bid of Heritage Petroleum, LLC, to be the lowest responsive bid from a responsible bidder of this solicitation and recommends acceptance thereof by the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the proposal of Heritage Petroleum, LLC. for the furnishing of ultra low sulfur diesel fuel, as specified and as required, for a period of two (2) years with an option for one (1) additional year is hereby accepted.

Section 2. That the General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to enter into a contract for ultra low sulfur diesel fuel, as specified and as required, for a period of two (2) years with the authority to exercise an option for one (1) additional year.

Section 3. That said contract shall be payable from the General Fund, Fleet Management Department budget. The diesel fuel requirement for this contract is projected at four million eight hundred fifty thousand gallons per year. The cost of the diesel fuel will fluctuate daily depending on the oil price information service (OPIS) index; budget purposes the cost of diesel fuel for year one is \$1.89 per gallon or \$9,166,500.00. The cost of diesel fuel for both year two and the option year is budgeted at \$2.35 per gallon or \$11,397,500.00 per year for a total contract value estimated at \$31,961,500.00.

Section 4. That said contract shall be binding upon and an obligation of the Authority, contingent upon availability of future funds; compliance by the contractor to the Specifications and Addenda; if any, the Affirmative Action Plan adopted by the Board of Trustees in Resolution 2009-023; bonding and insurance requirements and all applicable laws relating to contractual obligations of the Authority.

Section 5. That the Greater Cleveland Regional Transit Authority's Board of Trustees expects that the successful bidder will attempt to exceed the 0% minimum DBE goal assigned to this procurement.

Section 6. That this resolution shall become effective immediately upon its adoption.

Adopted: November 17, 2009



President

Attest:



CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION CONTRACT: ULTRA LOW SULFUR DIESEL FUEL AS REQUIRED FOR A PERIOD OF TWO (2) YEARS WITH AN OPTION FOR ONE (1) ADDITIONAL YEAR VENDOR: HERITAGE PETROLEUM, LLC. AMOUNT: \$0.011 BELOW THE OIL PRICE INFORMATION SERVICE (OPIS) INDEX	Resolution No.: 2009-97
	Date: November 12, 2009
	Initiator: Fleet Management
ACTION REQUEST: <input type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 **PURPOSE/SCOPE:** This action will authorize the General Manager/Secretary-Treasurer to enter into a requirements contract, for the furnishing of ultra low sulfur diesel fuel, as specified and as required, for a period of two (2) years with an option for one additional year.
- 2.0 **DESCRIPTION/JUSTIFICATION:** Ultra low sulfur diesel fuel is required for the operation of the Authority's revenue and non-revenue vehicles.
- 3.0 **PROCUREMENT BACKGROUND:** The Authority has adopted an Energy Risk Management Policy & Strategy to better manage its fuel cost due to the volatile fuel market. As a part of the energy risk management strategy, the Authority plans to price the delivery of its diesel fuel requirements on the Oil Price Information Service (OPIS) average daily rate on the date of delivery. The Authority has procured stock futures and derivatives proportionate to the Authority's projected diesel fuel requirements. The sale of these future stocks and derivatives will be used to offset the cost of the (OPIS) average daily fuel cost at the time of delivery.

The Invitation for Bid (IFB) was posted on the GCRTA Procurement web site and advertised in the local newspapers. Eight (8) responsive bids were received on October 22, 2009. A summary of the bids are as follows:

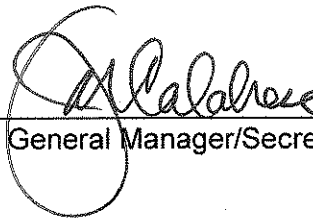
Estimated Usage 4,850,000 Gallons a Year		
Vendor	Contractor's Increment (+/-) OPIS Average	Payment Terms
Heritage Petroleum	\$0.011 Below OPIS	Net 10
Ports Petroleum	\$0.005 Below OPIS	Net 30 Or \$.005 Discount If Paid Net 10
Mansfield Oil	OPIS PLUS \$0.004	Net 10 Days
Great Lakes Petroleum	OPIS PLUS \$0.005	Net 30
Atlas Oil	OPIS PLUS \$0.0019	Does Not Specify
Petroleum Traders	OPIS PLUS \$0.008	Net 30
RKA Petroleum	OPIS PLUS \$0.0083	Net 12
Truman Arnold Companies	OPIS PLUS \$0.0149	OPIS+\$.0075 If Paid Net 20

* Oil Pricing Information Service (OPIS)

A price analysis has been performed and the Procurement Department has determined that the price is fair and reasonable to the Authority.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: All Affirmative Action requirements have been met. A 0% DBE goal was established for this procurement due to lack of certified DBE firms
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: This procurement will be funded through the General Fund, Fleet Management Department budget. The diesel fuel requirement for this contract is projected at four million eight hundred fifty thousand gallons per year. The cost of the diesel fuel will fluctuate daily depending on the oil price information service (OPIS) index; for budget purposes the cost of diesel fuel for year one is \$1.89 per gallon or \$9,166,500.00. The cost of diesel fuel for both year two and the option year is budgeted at \$2.35 per gallon or \$11,397,500.00 per year for a total contract value estimated at \$31,961,500.00.
- 7.0 ALTERNATIVES: Reject all bids. Rejection of this bid would significantly impact the Authority's ability to furnish diesel fueling at pricing advantageous to the Authority.
- 8.0 RECOMMENDATION: This procurement was reviewed by the Finance committee at their November 9, 2009 meeting and recommended for approval by the Board of Trustees. It is recommended that the offer of Heritage Petroleum, LLC, be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to enter into a contract.
- 9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



CEO, General Manager/Secretary-Treasurer