



Report to the Board of Directors

**Recommendation to Award a Contract for the
Purchase and Delivery of Unleaded Gasoline
to Petroleum Traders, Inc.**

for

**Ronald Reagan Washington National Airport
Washington Dulles International Airport**

October 2014

PURPOSE

The Business Administration Committee approved and recommends to the Board of Directors the award of a new contract with a one-year base term and three one-year options to Petroleum Traders, Inc., of Fort Wayne, Indiana, for the purchase and delivery of unleaded gasoline.

The Airports Authority will utilize the Montgomery County, Maryland competitively procured contract with Petroleum Traders, Inc. to provide regular unleaded gasoline for both Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International). The total cost of the gasoline consumed by the Airports Authority over a four-year period is estimated at \$5.7 million.

BACKGROUND

- The Metropolitan Washington Council of Governments (COG) is an independent, nonprofit association that addresses major regional issues in the District of Columbia, Maryland, and Northern Virginia.
- COG offers a Cooperative Purchasing Program to reduce costs through volume buying; its membership is comprised of 22 local governments in addition to the Airports Authority. In the Cooperative Purchasing Program, one jurisdiction acting as the lead solicits bids and awards a contract, and all participating members are then allowed to ride that contract.

DISCUSSION

- COG designated Montgomery County, Maryland as the lead agency for the solicitation and cooperative purchasing of unleaded gasoline for participating jurisdictions in the Metropolitan Washington area.
- The Airports Authority requires unleaded gasoline to operate its fleet of operations, maintenance, public parking, and public safety vehicles, and has utilized the COG Purchasing Program for this commodity in the past. The Airports Authority's annual gasoline consumption is relatively consistent at approximately 334,000 gallons per year.
- On June 2, 2014, Montgomery County performed a reverse auction bid by geographical delivery zone. Bidders were required to submit a plus or minus price per gallon differential based on the benchmark for the net number of gallons delivered on the date of delivery.

DISCUSSION (continued)

- Eight suppliers participated in the reverse auction bid and the successful low bidder for truck transport to Metropolitan Virginia was Petroleum Traders, Inc., a national distributor, with a low bid differential price of minus (-) \$0.0119 per gallon.
- The differential is subsequently applied to the spot market weekly “Rack Average” price per gallon that is published each Monday by the Oil Price Information Service (OPIS) in order to determine the price of the delivery.
- Although spot market pricing for petroleum products fluctuates throughout the year, historical analysis reflects an average annual price per gallon increase of approximately 13 percent. This average annual increase, applied to the Airports Authority’s relatively consistent consumption, is the basis for the total estimated value of the base year contract plus three option years.

RECOMMENDATION

The Business Administration Committee approved and recommends to the Board of Directors the award of a new contract with a one-year base term and three one-year options to Petroleum Traders, Inc., of Fort Wayne, Indiana, for the purchase and delivery of unleaded gasoline for both Reagan National and Dulles International Airports. The Airports Authority will utilize the Montgomery County, Maryland competitively-procured contract with Petroleum Traders, Inc. The total cost of the gasoline consumed by the Airports Authority over a four-year period is estimated at \$5.7 million.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

Proposed Resolution

Authorizing the Award of a Contract for the Purchase and Delivery of Unleaded Gasoline at both Airports to Petroleum Traders, Inc.

WHEREAS, The Airports Authority requires unleaded gasoline to operate its fleet of operations, maintenance, public parking and public safety vehicles and has utilized the Metropolitan Washington Council of Governments (COG) purchasing program for this commodity in the past;

WHEREAS, Section 1.3.1 of the Contracting Manual permits the Airports Authority to obtain required goods by utilizing a contract previously awarded by a government entity using competitive procedures

WHEREAS, The COG purchasing program, using Montgomery County, Maryland, as the lead agency for the solicitation of vendors willing to supply unleaded gasoline to participating regional jurisdictions, has produced a contract with Petroleum Traders, Inc., which was awarded using competitive procedures and which jurisdictions participating in the COG program, like the Airports Authority, may utilize;

WHEREAS, The staff has estimated that, under the COG-facilitated contract with Petroleum Traders, Inc., the cost of unleaded gasoline to be consumed by the Airports Authority over a four-year period will be approximately \$5.7 million;

WHEREAS, The staff has concluded that this contract price, due to the higher volume discounts and lower prices it offers, is substantially lower than the contract price the Airports Authority could expect to achieve by soliciting vendors of unleaded gasoline on its own;

WHEREAS, Since this contract for the purchase of unleaded gasoline exceeds \$3 million, Board approval of the contract award is required by the Contracting Manual; and

WHEREAS, The Business Administration Committee has reviewed the terms of this contract as presented by staff, and recommended that the Board approve its award; now, therefore, be it

RESOLVED, That the award of a one-year contract with three one-year options for the purchase and delivery of unleaded gasoline at both Airports to Petroleum Traders, Inc., consistent with the terms presented to the Business Administration Committee at its September 17, 2014, meeting is approved, and the President and Chief Executive Officer is authorized and directed to enter into the contract.

*Recommended by the Business Administration Committee
on September 17, 2014
For Consideration by the Board of Directors on October 15, 2014*