

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4g
Date of Meeting November 10, 2015

DATE: November 3, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Stuart Mathews, General Manager Aviation Maintenance
Skip Himes, General Manager Marine Maintenance
Brendalynn Taulelei, Sr. Maintenance Manager, Asset Management and Logistics
SUBJECT: Purchase and delivery of bulk diesel, bio-diesel, and gasoline fuels

Amount of This Request:	\$ 4,500,000	Source of Funds:	Annual Operating Budgets
Est. Total Project Cost:	\$ 4,500,000		
Est. State and Local Taxes:	\$ 500,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for bulk fuel purchase and delivery to the Port. The contract will be for one year with four one-year renewal options with an estimated contract value of \$4,500,000 including applicable taxes.

SYNOPSIS

This memorandum requests Commission authorization for renewing a contract for the purchase and delivery of bulk fuel (gasoline, diesel and bio-diesel) to Port-operated fuel sites located at the Airport and Marine Maintenance. Additionally, this contract will be used to provide diesel fuel as a backup fuel for the steam boilers at Seattle-Tacoma International Airport.

The Port-operated fuel sites provide 24/7 support to Port of Seattle vehicles and equipment essential to day-to-day operations. These operations include Police and Fire services, physical security, airfield operations, facility, airfield and ground maintenance, and power generation.

Many of the emergency vehicles support 24/7 operations and cannot be operated on public roads. During adverse weather conditions (specifically, snow and ice), the fuel storage tanks require replenishment between 24 and 72 hours to ensure continuity of critical business operations at the Airport and Marine facilities.

BACKGROUND

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The Aviation Maintenance department maintains a 4,000-gallon storage tank for unleaded gasoline, a 16,000-gallon storage tank for diesel and a 1,500-gallon fuel truck for diesel fueling of remote equipment. The Airport Fire Department maintains a 4,000-gallon storage tank of diesel fuel.

Marine Maintenance utilizes a 6,000-gallon fuel storage tank for unleaded gasoline, a 3,000-gallon bio-diesel storage tank and a 2,000-gallon fuel truck for bio-diesel fueling of remote equipment.

PROJECT JUSTIFICATION AND DETAILS

Bulk fuel storage is the most efficient, cost-effective method in providing the various types of fuels required by Port equipment. It provides a savings in fuel costs, eliminates travel to commercial fuel stations and costs less than mobile fleet fueling “wet hose operation” services used in some fleets.

The availability of fuel to support Port fleet vehicles and service equipment is essential to the day-to-day operations of both the Airport and Marine facilities. This contract will provide the Airport and Marine Maintenance with the purchasing authority to coordinate fuel to support a myriad of port-owned fleet assets, ground support equipment and emergency response vehicles.

Project Objectives

- Secure lowest possible fuel prices to sustain Port of Seattle vehicles and equipment.
- Ensure the availability of bulk fuel for critical day-to-day operational fleet and equipment that include Police and Fire emergency vehicles, service equipment and motor pools.
- Ensure vendors meet required response time expectations on the delivery of bulk fuel to the various fuel storage locations during inclement weather.

Scope of Work

Marine Maintenance, Aviation Maintenance and the Port’s Fire department require regular fuel deliveries to each of the designated locations. Fuel levels and transactions are monitored via the Port’s fuel management system, FuelMaster[®] that provides real-time data for fuel consumption and monitors tank balances. Manual soundings are performed on fuel trucks operated by Aviation and Marine Maintenance.

During inclement weather or emergency situations, the selected vendor will be required to adhere to strict response time requirements for bulk fuel delivery to ensure the continuity of critical Port operations that support regional infrastructure, facility tenants, Airport customers and regional commerce. These response times were established to meet the demand during inclement weather, with the least amount of disruption to essential operations. The following estimated usage and response times are provided as reference.

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<u>DIESEL FUEL</u> Location	Tank Capacity	Fuel Type Currently in use	Estimated Annual Usage	Required Response time
Airport Fire Dept.	1 @4,000 gal.	Diesel #2 Ultra-Low Sulfur Diesel (ULS)	12,000 gal.	72 hrs.
Sea-Tac Airport	1 @ 16,000 gal.	Diesel #2 ULS	32,000 gal.	24 hrs.
Horton St. Shop	1 @ 3000 gal.	B20 Biodiesel (20% Bio/80% ULS)	14, 000 gal.	24 hrs.
Fuel Truck at Horton St. Shop	1 @ 2000 gal.	B20 Biodiesel (20% Bio/80% ULS)	10, 000 gal.	24 hrs.

<u>GASOLINE</u> Location	Tank Capacity	Fuel Type Currently in use	Estimated Annual Usage	Required Response time
Sea-Tac Airport	1 @ 4,000 gal.	Unleaded Octane (87)	130,000 gal.	48 hrs.
Horton St. Shop	1 @ 6000 gal.	Unleaded Octane (87)	35, 000 gal.	48 hrs.

Schedule

The proposed contract should be executed by the end of 2015.

FINANCIAL IMPLICATIONS

The total contract amount is estimated at \$4,500,000 over a five-year period (2015-2020). We anticipate costs per year in the range of \$450,000 to \$900,000. All taxes are included in the total contract amount. The costs will be included in annual operating budgets. The funding sources will be the Airport Development Fund and the General Fund.

STRATEGIES AND OBJECTIVES

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This contract will provide the Airport and Seaport with the means of securing a reliable source of unleaded, diesel and bio-diesel fuels necessary to maintain 24/7 operations of port-wide facilities, mission essential systems and services. This procurement also provides the potential to award this contract to a small business, in alignment with the Port's Century Agenda strategy to ***"Use our influence as an institution to promote small business growth and workforce development"***.

The Port's use of bio-diesel fuel for some of its fleet reduces the Port's environmental impact to air and water quality within the region. This effort directly supports the Port's Century Agenda strategy to ***"Be the greenest and most energy efficient Port in North America."*** We anticipate utilizing bio-diesel where appropriate at a consistent rate through the life of this contract. On average, from 2010 through 2014, we consumed more than 24,000 gallons of bio-diesel. Complexities with existing equipment and limitations with current infrastructure impact our ability to increase our utilization significantly.

TRIPLE BOTTOM LINE

Economic Development

The Port of Seattle intends to competitively bid this purchase contract which will allow an opportunity for multiple vendors in the region to compete. The purchase and delivery service of bulk fuel through this contract enables the continued operability of critical Port fleet and equipment used in day-to-day operations. This contract enhances the Port's ability to successfully meet the needs of the region's infrastructure, facility tenants, Airport customers and regional commerce.

Environmental Responsibility

As responsible environmental stewards, the Port of Seattle is committed to be the "greenest and most energy efficient port in North America. We shall continue to explore renewable sources and sustainable means and methods to reduce air pollution and carbon emissions. The use of Bio-Diesel and Gas-Electrical powered vehicles are only few steps being taken to demonstrate our commitment. Additionally, we shall exercise strict compliance with all local, state, and federal guidelines to preserve our community and our environment.

Community Benefits

When possible, the Port of Seattle will partner with qualified local small business to provide essential goods and services. This particular commodity is normally provided by companies with more resources, products and greater storage capacities. However, local companies will be considered to determine the feasibility of meeting the Port's operational needs.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) - Do not execute a new bulk fuel contract. Use direct purchase for bulk fuel deliveries through individual purchase orders at current market rates. Receive bulk fuel

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deliveries, but on an individual purchase order basis, with no long term contractual agreement. This is not the recommended alternative.

Cost Estimate: Using July 2015 and October 2015 fuel prices and current consumption rate for comparative purposes, this alternative would cost the Port between \$450,000 and \$575,000 per year. As a reference, the following chart comparing bulk fuel commodity pricing and retail pricing for October 12, 2015 is included below. Note retail Bio-diesel fueling stations are limited in their availability so we have not included them in the pricing comparison.

Relative fuel pricing:

	Retail	Wholesale/Bulk
Unleaded	\$2.59	\$1.89
Diesel	\$2.99	\$2.16
Bio-Diesel		\$2.69

Pros:

- Without a contract in place, the Port has the flexibility to shop bulk fuel suppliers for fuel at each replenishment. The Port would be able to obtain fuel at the lower bulk fuel commodity cost rather than full retail cost, but without guaranteed delivery schedule and pricing.

Cons:

- Not having a contracted vendor committed to replenishing bulk fuel on a consistent basis, could result in higher fuel prices, a shortage of fuel and the inability to operate vehicles and equipment.
- There is no guarantee from a vendor on delivery times or the cost of delivery. Without a guarantee, this could compromise the Port's ability to access bulk fuel in emergency situations.
- This option also increases processing time as each replenishment will require a direct purchase order.

Alternative 2) Expand the use of fuel cards for Port fleet vehicles, while continuing to purchase bulk fuel for vehicles and equipment that cannot operate on public roads. This is not the recommended alternative.

Cost Estimate: Using July 2015 and October 2015 fuel prices and current consumption rate for comparative purposes, this alternative would cost the Port between \$575,000 and \$730,000 per year.

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Pros:

- Fuel purchase cards are being used for corporate motor pool, portions of Capital Development Division and for Seaport vehicles operating in downtown Seattle and north of P69.
- The use of fuel purchase cards can be expanded to other departments and issued to vehicle and support equipment operated on public roadways.

Cons:

- This is the more expensive alternative. In addition to the higher cost of fuel at commercial gas stations round trip travel from the airport to commercial fuel stations adds 7.5 minutes to the fuel time or \$5.35-\$7.27 in employee time to each refuel. This will conservatively total \$26,750- \$36,350 per year in employee time.
- The Airport and Maritime have support vehicles and equipment that cannot be driven on public roadways that require on site bulk fuel support. (Examples are airfield snow equipment and buses and ground support equipment used for on-ramp deplaning operations).
- The expanded use of fuel cards from 70 to approximately 600 will increase the administrative workload to manage the fuel purchase cards (invoicing, card accountability, damaged/lost card replacement, etc.).
- There is limited availability of retail bio-diesel fuel and bulk sourcing is necessary.
- Relying on privately owned fuel stations could compromise the Port's ability to acquire fuel in emergency situations.
- The Port's fuel management system currently feeds our maintenance management system with near real time fuel transactions and odometer readings. Use of fleet purchase cards will delay that information and result in manual system entries.

Alternative 3) – Request authorization to execute a new bulk fuel purchase and delivery contract or contracts to support both operating vehicles and equipment at the Airport and Marine operations. We will explore opportunities to incorporate small and disadvantaged business entities as a part of the procurement solicitation process. **This is the Recommended Alternative.**

Cost Estimate Using July 2015 and October 2015 fuel prices and current consumption rate for comparative purposes, this alternative would cost the Port between \$450,000 and \$575,000 per year.

Pros:

- This is the most cost effective alternative and provides an annual saving of between \$125,000 and \$165,000 compared to Alternative 2. Bulk fuel prices are 20-25% less than retail.
- A bulk fuel contract will provide the most consistent sourcing fuel for the Port.

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- The contractor commits to meeting response times and locks in emergency delivery charges through the contract period during emergent operational conditions.
- Fuel transactions and inventory are tracked through the Port's fuel management system for billing, vehicle and equipment utilization analysis, and fuel price analysis.
- Minimizing the use of fuel purchase cards, particularly at the Airport, keeps travel times/fuel times low.
- Alternative fueling methods (i.e. using a fuel purchase cards) will still be used for some vehicles providing flexibility to managers in providing the best solution for all scenarios.

Cons:

- Bulk storage systems require monitoring and maintenance.

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- September 28, 2010 - the Commission authorized the Chief Executive Officer authorization to execute a contract for delivery services of bulk fuel to the Port. The contract was for one year with four one-year renewal options.