

To: Airport Board
From: Mark Morgan
Date: January 5, 2016
Subject: Tom Longley Bulk Fuel Purchase Agreement

At a recent Airport Board Meeting, a request was brought up from Tom Longley about possibly entering into a bulk fuel purchase discount agreement for Jet Fuel. According to him, he has been flying to Pasco to purchase fuel because he has been getting it at a discount of \$0.75 per gallon. The Airport Board at that meeting had indicated that entering into an agreement may be possible, but couldn't decide one way or the other until it at least heard some terms.

I met with Mr. Longley this afternoon, and went over all of the below terms, with the exception of the actual discount amount.

Purpose: Increase Airport revenue by offering a discount per gallon to large purchasers of jet-fuel, assuming a guarantee of purchasing large amounts.

Term: Calendar Year 2016. Requires re-negotiation for deal in 2017

Minimum: Require a minimum purchase of at least 500 gallons of Jet-Fuel per month. Allow for a 2-month moving average, based on the calendar month. If the previous two month average ever drops below 500 gallons, then the agreement automatically terminates.

Discount: Based on the City's posted Jet-Fuel price at the time of fueling, this agreement would allow for a \$0.25 per gallon discount

Susie pulled information which showed that Mr. Longley purchased approximately 1,000 gallons of Jet-fuel at Hermiston in 2015. Based on that "existing" amount with no discount, I worked up the following fiscal impact:

	Gallons	Markup	Profit
Current Situation (Null)	1,000	\$0.89	\$ 890.00
Potential More Fuel w/o Deal	6,000	\$0.89	\$ 5,340.00
Guaranteed Purchase w/Deal	6,000	\$0.64	\$ 3,840.00
		Gain vs. Null	\$ 2,950.00
		Potential "Loss"	\$ (1,500.00)