

COUNCIL ACTION FORM

SUBJECT: CYRIDE FUEL PURCHASE FOR CALENDAR YEAR 2015

BACKGROUND:

CyRide purchases approximately 350,000 gallons of fuel each year that it divides into smaller purchases every seven to fourteen days. In order to procure fuel, CyRide, in cooperation with the City's Purchasing Division, bid fuel annually for both diesel and biodiesel. Biodiesel usage varies depending on the weather and season as noted below:

Month(s)	% Biodiesel
January – April	5%
May	10%
June – August	20%
September	10%
October – December	5%

For the 2015 calendar year, fuel bids were received November 20, 2014.

The bid document states that fuel will be purchased at the market rate at the time of purchase and the competition for the bid is the vendor's charge above or below that market rate for delivery of the fuel. The following bids were received:

Company	Diesel Cost Over/Under Market Rate	Biodiesel Cost Over/Under Market Rate
Petroleum Traders Corporation	-\$0.0090	\$0.0150
Keck Energy	-\$0.0021	\$0.4600
New Century	\$0.0100	\$0.0100
Elliott Oil Company	\$0.0100	\$0.0100
REG Energy	\$0.0245	-\$0.9000
Fausser Energy Resources	\$0.0485	\$0.0485
Key Cooperative	\$0.0750	\$0.0750

Two firms (Petroleum Traders Corporation and Elliott Oil Company) were significantly higher on both diesel and biodiesel for the above and below market rate. However, two bids (Keck Energy and REG Energy) were very competitive. **Based on a fuel delivery cost analysis of the two competitive bids, REG Energy was determined to be the low bidder by \$4,768.39.** The analysis was based what CyRide would have paid under the two firms pricing for diesel and biodiesel over the previous twelve month period.

In addition to awarding the fuel bid, CyRide will establish a maximum or total contract amount for fuel costs so that the Transit Agency may order fuel when needed every seven to fourteen days under the successful bidder's contract. In estimating CyRide's maximum fuel cost for calendar year 2015, staff estimated its fuel usage for the year and multiplied this times the budgeted price per gallon for the current and next year. (The award spans over two fiscal years, January 2015 through December 2015. This calculation is as follows:

January – June 2015		
172,035 gallons x \$3.50 (2014-2015 budgeted price) =		\$602,122.50
July – December 2015		
178,622 gallons x \$3.35 (2015-2016 budgeted price) =		<u>\$598,383.70</u>
TOTAL ESTIMATED COST		\$1,200,506.20

CyRide received approval for the award and fuel cost from the Transit Board of Trustees at their December 4, 2014 meeting.

ALTERNATIVES:

1. Award the purchase of fuel during calendar year 2015 to REG Energy with the lowest evaluated cost at \$0.0245 above the market rate for diesel and -\$0.9000 below the market rate for biodiesel as well as establish the maximum total contract amount for fuel and delivery not to exceed \$1,200,506.20.
2. Do not accept the bids and request staff to rebid its fuel purchases.
3. Do not accept bids and complete a fuel bid every 7 – 14 days.

MANAGER'S RECOMMENDED ACTION:

This bid reflects the lowest cost to purchase CyRide's fuel from a single vendor and will reduce the administrative burden by eliminating the need to pursue fuel purchases up to every seven days during the year.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby purchasing fuel from REG Energy during calendar year 2015.