

**COUNCIL ACTION FORM**

**SUBJECT: CONTRACT TO KECK ENERGY OF DES MOINES, IOWA FOR PURCHASE OF FUEL FOR CYRIDE FOR CALENDAR YEAR 2016**

**BACKGROUND:**

CyRide purchases approximately 400,000 gallons of fuel each year, divided into smaller purchases every seven to fourteen days. In order to procure fuel, CyRide, in cooperation with the City of Ames Purchasing Department, annually releases a fuel bid for both diesel and biodiesel fuel with biodiesel levels varying from 5% to 20%, depending on the weather and season.

For the 2016 calendar year, bids were received on November 19, 2015. **Under the bid specifications, fuel would be purchased at the market rate with the competitive portion of the bid being the vendor's charge above or below that market rate for delivery of the fuel.** The following bids were received.

<b>Bidder</b>	<b>#1 Diesel</b>	<b>#2 Diesel</b>	<b>Biodiesel</b>	<b>Cold Flow Improver Additive</b>
Keck Energy	-\$0.010	-\$0.010	-\$0.85	\$0.0125
Diamond Oil	-\$0.005	-\$0.005	-\$0.600	\$0.010
New Century FS	\$0.015	\$0.010	\$0.020	\$0.0200
FS Fauser Energy Resources	\$0.050	\$0.025	\$0.050	\$0.0100
REG Energy Services, LLC	\$0.0545	\$0.0125	-\$0.900	\$0.0085
Key Cooperative	\$0.070	\$0.070	\$0.070	\$0.0300

The lowest bid in each category is highlighted. In calculating estimated gallons of each type of fuel CyRide anticipates using during the next calendar year at \$2.57/gallon for diesel and \$3.48 for biodiesel, as well as the over/under rack rate, Keck Energy's bid is the overall lowest cost bid as follows:

<b>Bidder</b>	<b>Total Estimated Cost of Fuel</b>
Keck Energy	\$773,165.67
REG Energy Services, LLC	\$775,856.15
Diamond Oil	\$789,311.91
New Century FS	\$816,904.49
FS Fauser Energy Resources	\$835,565.25
Key Cooperative	\$848,076.49

**In addition to awarding the fuel delivery bid, CyRide will need to 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 2016, staff estimated its fuel usage for the year (400,000 gallons) and multiplied this times the budgeted price per gallon for the current and next year. (This award spans the latter part of the current year and the first six months of next fiscal year.) This calculation is as follows:

January – June 2016	
196,000 gallons x \$3.50 (2015-2016 budgeted price) =	\$686,000
July – December 2016	
204,000 gallons x \$3.00 (2016-2017 budgeted price) =	<u>\$612,000</u>
<b>TOTAL ESTIMATED COST</b>	<b>\$1,298,000</b>

CyRide received approval for the vendor bid and fuel cost from the Transit Board of Trustees at their December 3, 2015 meeting.

**ALTERNATIVES:**

1. Award the purchase of fuel during calendar year 2016 to Keck Energy of Des Moines, Iowa with the lowest cost bid and establish the maximum total contract amount for fuel and delivery not to exceed \$1,298,000.
2. Do not enter into a fuel contract and purchase fuel at the time it's needed at the market rate.
3. Do not enter into a fuel vendor contract to purchase fuel at the market rate, plus mark-up/deduct and instead, direct staff to bid fuel to lock in prices for the next twelve-month period.

**MANAGER'S RECOMMENDED ACTION:**

This bid reflects the lowest price to purchase CyRide's fuel from a single vendor and will reduce the administrative burden by eliminating the need to complete 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 Keck Energy during calendar year 2016.