

COUNCIL ACTION FORM

SUBJECT: CYRIDE FUEL PURCHASE FOR CALENDAR YEAR 2017

BACKGROUND:

CyRide purchases approximately 420,000 gallons of fuel each year, divided into smaller purchases every seven to ten days. In order to procure fuel and in cooperation with the City's Purchasing Division, CyRide 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 2017 calendar year, bids were received on November 18, 2016. 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. Bids were received from the following five firms:

- Keck Energy
- Diamond Oil
- FS Fauser Energy Resources
- Petroleum Traders
- New Century FS

In calculating estimated gallons of each type of fuel, during the next calendar year CyRide anticipates using the following volumes of fuel at \$1.4426/gallon for diesel and \$3.6050 for biodiesel, as well as the over/under rack rate:

Bidder	Total Estimated Cost of Fuel
Keck Energy	\$568,643.87
Diamond Oil	\$574,379.44
FS Fauser Energy Resources	\$577,437.82
Petroleum Traders	\$586,388.21
New Century FS	\$599,416.35

Using these assumptions, Keck Energy's bid is the overall lowest cost bid.

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 can order fuel when needed every seven to ten days under the successful bidder's contract. In estimating CyRide's maximum fuel cost for calendar year 2017, staff estimated its fuel usage for the year (420,000 gallons) and multiplied this times the budgeted price per gallon for the current and next year. (This award spans the latter half

of the current fiscal year and the first six months of next fiscal year.) This calculation is as follows:

January – June 2017	
210,000 gallons x \$3.00 (2016-2017 budgeted price) =	\$630,000
July – December 2017	
210,000 gallons x \$2.75 (2017-2018 budgeted price) =	<u>\$577,500</u>
TOTAL ESTIMATED COST	\$1,207,500

The Transit Board of Trustees gave its approval for the vendor bid and fuel cost at its November 30, 2016, meeting.

ALTERNATIVES:

1. Award the purchase of fuel during calendar year 2017 to Keck Energy with the lowest cost bid and establish the maximum total contract amount for fuel and delivery not to exceed \$1,207,500.
2. Do not enter into a fuel contract and purchase fuel at the time it is 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 every seven to ten 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 2017.