

ITEM#: 27
DATE: 06-14-22

COUNCIL ACTION FORM

SUBJECT: CYRIDE AWARD OF CONTRACT FOR FY 2023 FUEL PURCHASES

BACKGROUND:

Since 2014, CyRide has been buying fuel on a market rate basis (plus a markup or deduction) using twelve-month contracts. Bidding fuel contracts for a twelve-month period reduces administrative costs while still allowing CyRide to take advantage of competitive bidding.

On May 16, 2022, CyRide, with the assistance of the Purchasing Division, released an Invitation to Bid (ITB) for the purchase of diesel fuel from July 1, 2022, through June 30, 2023. Bids were due May 20, 2022, and one supplier submitted a bid. The Purchasing Division reached out to prospective bidders who received the ITB but chose not to respond to confirm that the bid specifications were not unnecessarily limiting. However, no responses from the non-bidding vendors were received.

The bid received is detailed in the table below, and is presented on the basis of the bidder's price for fuel as discounted from the market fuel price.

Bid No. 2022-166 (7/1/22 – 6/30/23)	#1 Dyed ULSD Diesel	#2 Dyed ULSD Diesel	Biodiesel	Magellan's Cold Flow Improver
Renewable Energy Group (REG)	-\$0.0375	-\$0.0200	-\$1.5000	\$0.0100

CyRide performed a bid analysis using the quantities of fuel consumed and the average pricing from January 3, 2022, through May 9, 2022, and REG's bid was deemed acceptable. A copy the of the bid tabulation and bid analysis are included with this agenda item for reference. CyRide has budgeted for 390,000 gallons of fuel at \$2.75 per gallon, which equates to a total cost of \$1,072,500.

Fuel markets are highly volatile. Based on recent pricing and the fuel pro-forma, the current budget of \$1,072,500 may not be sufficient for CyRide's needs in FY 2022/23. In recent years CyRide has awarded the annual fuel contract for a 12-month period and a not-to-exceed contract cost equal to the annual fuel budget. Given the administrative

savings and favorable fuel bid response from Renewable Energy Group, the Transit Board voted at its meeting on May 25, 2022 to award the contract to Renewable Energy Group of Ames, Iowa, for a 12-month period, without a not-to-exceed contract cost.

This action will prevent the need for another contract to be bid if the diesel fuel market remains volatile. With a healthy Operations Fund closing balance, there are options available to consider if the price of fuel continues to increase. CyRide will continue to monitor fuel prices and consumption rates carefully and will bring subsequent actions if issues arise with the fuel budget during the upcoming year.

ALTERNATIVES:

1. Approve award of contract to Renewable Energy Group of Ames, Iowa, for fuel purchases from July 1, 2022, until June 30, 2023.
2. Reject the bids and direct staff to modify the fuel bid to reflect Council priorities.

CITY MANAGER'S RECOMMENDED ACTION:

This bid reflects the lowest price for CyRide to purchase fuel at a deduction from market rate for FY 2022/23, while reducing administrative costs.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

