

COUNCIL ACTION FORM

SUBJECT: FLEET SERVICES - PURCHASE 12,000 GALLON BIODIESEL SUPPLY TANK

BACKGROUND:

In January 2025, the City's Biodiesel Program marked five years and more than 800 metric tons of carbon offset. The City's Fleet Services Department operates one 12,000-gallon above-ground biodiesel supply tank with a dispenser. This tank is leased from Chevron REG and located at the City's Maintenance Facility at 2207 Edison Street in Ames.

The tank supplies 99.9% biodiesel (B100) to the City's snowplow dump trucks and select fleet vehicles and equipment. This also serves as a backup supply for CyRide buses now using B100. Of Fleet's total annual diesel consumption, an average of 35% is now biodiesel. This does not include fuel used by CyRide.

City Council initiated the B100 Pilot Program in August 2019, initially as a three-year program, in partnership with Renewable Energy Group (REG) of Ames. Included in the REG fuel supply agreement is the lease of the 12,000 gallon supply tank with a pumping station for \$1 annually, so long as REG is the sole provider of B100 fuel to the City. The City agreed to properly license, maintain, and keep the tank in good working order. The three-year agreement ended in September 2022, about the same time Chevron acquired REG.

Chevron and the City agreed to an extension of the REG supply agreement for two years, which was written with amended pricing for B100 to equal the Des Moines area Gross Rack Average price per gallon as published by the DOT. The extension ended in September 2024. However, Chevron continued to supply B100 fuel to the City at the agreement pricing and use of the Supply tank.

Chevron notified Fleet Services on May 12, 2025, of an end to any current agreement for fuel pricing and equipment lease(s) related to Fleet Services B100 supply. Chevron has offered to sell the 12,000-gallon supply tank and dispenser to the City for \$60,000. While Chevron wishes to terminate the existing partnership, they have indicated a desire in the future to engage in competitive bidding to supply B100 to the City.

The B100 Program has successfully reduced greenhouse emissions for five years and will continue to increase the percentage of cleaner biodiesel vs. petroleum diesel fueling the City's diesel vehicles and equipment, including CyRide buses. The supply tank and pump make this possible.

The anticipated useful life for the existing 12,000 gallon tank is 25 years (20 remaining). As a comparison, estimates from the existing tank provider, Separation by Design, to replace the current tank and dispenser with a comparable new tank and dispenser in 2025 are listed below:

Estimated Replacement Cost:

Estimate for Tank and Dispenser 2025 pricing \$125,000

Installation at current site 30,000

Estimate Total **\$155,000**

ALTERNATIVES:

1. Approve the B100 Project fuel supply:
 - a. Approve the purchase from Chevron of the leased biodiesel 12,000 gallon supply tank and dispenser installed on City property at 2207 Edison St. for \$60,000.
 - b. Waive the Purchasing Policies and Procedures requirement for competitive bids to purchase the existing tank from Chevron for \$60,000 to avoid costs associated with transport and installation of a new or used replacement tank and dispenser.
2. Reject the offer to purchase the tank and dispenser from Chevron and instruct City staff to purchase a new tank or identify another alternative.

CITY MANAGER'S RECOMMENDED ACTION:

Fleet Services maintains a fund balance generated from interest on replacement funds, which contains approximately \$1,571,000. This fund was created to cover one-time projects for Fleet Services and the Maintenance Facility. As shown above, there are significant savings by buying the tank from Chevron versus a new tank. The savings, plus the significant life left on the tank, make purchasing the tank the best fiscal decision. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.

ATTACHMENT(S):

[Amendment No. 1 to Biodiesel Supply and Tank Lease Agreement \(color\).pdf](#)

[B100 REG Contract - Signed.pdf](#)

[Resolution B100 Supply & Tank Lease Amendment.pdf](#)