



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** Recommend the Award of Option Year Three Extension to Contract 14-042, Fuel

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**TYPE OF VOTE:** Simple Majority

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**ACTION REQUESTED:**  
 Approve the Award of Option Year 3 to Contract 14-042, Fuel, to Luke Oil in an amount not to exceed \$936,000.

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**BOARD/COMMISSION REVIEW:**  
 N/A

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**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date	Item No.	Action
7/21/2015	K 1	Award of Option Year Two
7/17/2014	I 4	Award of Option Year One
8/20/2013	I 5	Original Award

**DEPARTMENT:** Department of Public Works (DPW)  
 Finance Department

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**SUBMITTED BY:** Richard Dublinski, DPW Director  
 Rachel Mayer, Finance Director

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**BACKGROUND:**  
 The Department of Public Works' Fleet Services Division manages the fuel supply for the City's fleet. The City's fleet is utilized by all departments and consumes approximately 330,000 gallons of regular unleaded gasoline and 160,000 gallons of diesel motor fuel per year. The consumption includes fuel provided to other governmental agencies such as School Districts 203 and 204, Nichols Library, and the Naper Settlement. This consumption is included in the fleet totals, however these agencies are billed monthly for their usage plus an administrative fee for the use of the City's fueling equipment.

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 June 21, 2016  
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Because fuel prices vary on a daily basis, contract pricing is based on the *Oil Price Information Service* (OPIS) daily Chicago market gross low rack rate price for fuel plus a bid mark-up. Contract award is based on lowest mark-up. Prices paid will change with the OPIS price, plus applicable taxes. The mark-up will remain the same throughout the contract period. Below is the mark-up price per gallon on the fuel types that the City purchases.

Fuel Type	Mark-Up (Extension Offer)
Gasoline (87 Octane) Ethanol	\$ 0
#2 Diesel - ULS, B5	\$ 0.0419
#1 Diesel - ULS, B5	\$ 0.0689

**DISCUSSION:**

Staff was able to negotiate a zero percent increase for this extension. We are confident that pricing through this contract is very competitive and is less than what other communities are currently paying for similar services. The term of this contract extension is September 1, 2016 through August 31, 2017, with one extension year remaining.

For CY16, the Department of Public Works budgeted \$2.50 per gallon for gasoline and \$2.35 per gallon for diesel. While the cost of both items is currently less than the budgeted amount, the price for fuel fluctuates throughout the year as displayed in the charts below.

The charts display the minimum, average, and maximum prices of both gasoline and diesel fuel over the last 5 years. These include the fuel cost, taxes, and contract mark-up. These charts provide context on the volatility of the fuel market. Therefore, staff recommends the cautious approach to award the contract based upon the budgeted per gallon cost.

**Gasoline**

	Min	Average	Max
<b>2012</b>	2.538	3.099	3.799
<b>2013</b>	2.529	3.044	3.675
<b>2014</b>	1.531	2.801	3.383
<b>2015</b>	1.294	1.796	2.826
<b>2016</b>	0.996	1.461	1.928

**Diesel**

	Min	Average	Max
<b>2012</b>	2.843	3.274	3.633
<b>2013</b>	3.110	3.342	3.652
<b>2014</b>	2.495	3.171	3.588
<b>2015</b>	1.293	2.010	2.658
<b>2016</b>	1.202	1.489	1.844

**FISCAL IMPACT:**

CIP #: N/A

The Award of Option Year 3 to Contract 14-042, Fuel, is expensed to the Fuels, Lube & Antifreeze line below. This budget line item includes funding for gasoline, diesel fuel, and other lubricants and oils. In this account there are separate contracts for the supply of fuel for the City’s above ground tanks and other lubricants. This contract extends into CY17 and funding will be available for the remainder of the option year (January 2017 – August 2017).

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<b>Account Number</b>	<b>Fund Description</b>	<b>Total Budget Amount</b>
010-4610-582.60-61	General Fund	\$1,300,000

**RECOMMENDATION:**

Approve the Award of Option Year 3 to Contract 14-042, Fuel, to Luke Oil in an amount not to exceed \$936,000.

**ATTACHMENTS:**

1. Prior Actions



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** Recommend the Award of Option Year Two to Contract 14-042, Motor Fuel

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**TYPE OF VOTE:** Simple Majority

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**ACTION REQUESTED:**  
 Approve the Award of Option Year Two to Contract 14-042, Motor Fuel, to Luke Oil Company, Inc., for an amount not to exceed \$1,300,000.

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**BOARD/COMMISSION REVIEW:**  
 N/A

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**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date of Action	Item No.	Action
8/20/2013	I 5	Original Award
7/17/2014	I 4	Award of Option Year One

**DEPARTMENT:** Department of Public Works  
 Finance Department

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**SUBMITTED BY:** Dick Dublinski, Director of Public Works  
 Rachel Mayer, Finance Director

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**FISCAL IMPACT:**

Budgeted Account #: 010-4610-582.60-61  
 Budgeted Amount: \$1,500,000

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**BACKGROUND:**  
 The Department of Public Works' Fleet Services Division manages the fuel supply for City's fleet. The City's fleet is utilized by all departments and consumes approximately 320,000 gallons of regular unleaded gasoline and 140,000 gallons of diesel motor fuel per year. The

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July 21, 2015  
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consumption includes fuel provided to other governmental agencies such as School Districts 203 and 204, Nichols Library and the Naper Settlement. This consumption is included in the fleet totals. These agencies are billed monthly for their usage plus an administrative fee for the use of our fueling equipment.

Because fuel prices vary on a daily basis, contract pricing is based on the *Oil Price Information Service* (OPIS) daily Chicago market gross low rack rate price for fuel plus a bid mark-up. Contract award is based on lowest mark-up. Prices paid will change with the OPIS price, plus applicable taxes. The mark-up will remain the same throughout the contract period. Below is the mark-up price per gallon on the fuel types that the City purchases.

Fuel Type	Mark-Up (Extension Offer)
Gasoline (87 Octane) Ethanol	\$ -
#2 Diesel - ULS, B5	\$ 0.0419
#1 Diesel - ULS, B5	\$ 0.0689

**DISCUSSION:**

Staff was able to negotiate a zero percent increase for this extension.

The term for this extension is September 1, 2015 through August 31, 2016 with two option years remaining.

**RECOMMENDATION:**

Approve the Award of Option Year Two to Contract 14-042, Motor Fuel, to Luke Oil Company, Inc., for an amount not to exceed \$1,300,000.

**ATTACHMENTS:**

1. Prior Awards



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** Recommend the Award of Option Year One to Contract 14-042, Motor Fuel

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**TYPE OF VOTE:** Simple Majority

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**ACTION REQUESTED:**  
Approve the Award of Option Year One to Contract 14-042, Motor Fuel, to Luke Oil Company, Inc., for an amount not to exceed \$1,670,000.

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**BOARD/COMMISSION REVIEW:**  
N/A

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**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date of Action	Item No.	Action
8/20/2013	I 5	Original Award

**DEPARTMENT:** Department of Public Works  
Procurement Services Team

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**SUBMITTED BY:** Michael E. Bevis, Chief Procurement Officer

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**FISCAL IMPACT:**

Budgeted Account #: 502-4610-582.60-61  
Budgeted Amount: \$1,670,000

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**BACKGROUND:**

The Department of Public Works' Fleet Services Division manages the fuel supply for City's fleet. The City's fleet is utilized by all departments and consumes approximately 320,000 gallons of regular unleaded gasoline and 140,000 gallons of diesel motor fuel per year. The consumption includes fuel provided to other governmental agencies such as School Districts 203 and 204, Nichols Library and the Naper Settlement. This consumption is included in the fleet

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July 17, 2014  
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totals. These agencies are billed monthly for their usage plus an administrative fee for the use of our fueling equipment.

Because fuel prices vary on a daily basis, contract pricing is based on the *Oil Price Information Service* (OPIS) daily Chicago market gross low rack rate price for fuel plus a bid mark-up. Contract award is based on lowest mark-up. Prices paid will change with the OPIS price, plus applicable taxes. The mark-up will remain the same throughout the contract period.

**DISCUSSION:**

Luke Oil has requested an increase in their mark-up price from their original bid for gasoline and #2 diesel. Their original mark-up was a negative \$(0.0030) for gasoline, and their request for the extension is a zero mark-up. This represents a \$960 increase in gasoline expense for this year based upon consumption of 320,000 gallons of gasoline.

Their original mark-up was \$0.0044 for #2 diesel, and their request for the extension is a \$0.0419 mark-up. This represents a \$5,250 increase in #2 diesel expense for this year based upon consumption of 140,000 gallons of #2 diesel.

The mark-up for #1 diesel remained consistent at \$0.0689 per gallon.

Staff feels that the requested increases in the mark-up price for gasoline and #2 diesel is consistent with market pricing. Compared to the original bids received last year, this bid with increased mark-ups is within \$150 of the next lowest bidder's price. Staff feels there is risk in going back to bid and seeing significant price increases for the delivery cost of fuel.

The term for this extension is September 1, 2014 through August 31, 2015.

There are three option years remaining.

**RECOMMENDATION:**

Staff recommends the award of Option Year One to Contract 14-042, Motor Fuel, to Luke Oil Company for an amount not to exceed \$1,670,000.

**ATTACHMENTS:**

1. Original Award



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** Recommend the Award of Bid 14-042, Motor Fuel

**TYPE OF VOTE:** Simple Majority

**ACTION REQUESTED:**  
Approve the Award of Bid 14-042, Motor Fuel to Luke Oil Company, Inc. for an amount not to exceed \$1,756,480.

**BOARD/COMMISSION REVIEW:**  
N/A

**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date of Action	Item No.	Action

**DEPARTMENT:** Department of Public Works  
Procurement Services Team

**SUBMITTED BY:** Michael E. Bevis, Chief Procurement Officer

**FISCAL IMPACT:**  
 Budgeted Account #: 502-4610-582.60-61  
 Budgeted Amount: \*\$1,637,000 (FY14)

\*This contract spans two fiscal years. The amount budgeted shown is for FY14. Staff will budget accordingly for FY15.

**BACKGROUND:**

The Department of Public Works' Fleet Services Division manages the fuel supply for City's fleet. The City's fleet is utilized by all departments and consumes approximately 340,000 gallons of regular unleaded gasoline and 140,000 gallons of diesel motor fuel per year. The consumption includes fuel provided to other governmental agencies such as School Districts 203



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and 204, Nichols Library and the Naper Settlement. This consumption is included in the fleet totals. These agencies are billed monthly for their usage plus an administrative fee for the use of our fueling equipment.

Because fuel prices vary on a daily basis, contract pricing is based on the *Oil Price Information Service* (OPIS) daily Chicago market gross low rack rate price for fuel plus a bid mark-up. Contract award is based on lowest mark-up. Prices paid will change with the OPIS price, plus applicable taxes. The mark-up will remain the same throughout the contract period. For purposes of bid comparison and award amount calculation staff provided the OPIS price as reported on May 30, 2013.

**DISCUSSION:**

**NOTIFICATION AND RESPONSE:**

Notices Sent: 98  
Planholders: 10  
Bids Received: 6

<b>Company</b>	<b>Reg. Gasoline Mark-Up</b>	<b>Diesel #2 Mark-Up</b>	<b>Diesel #1 Mark Up</b>	<b>Bid Amount</b>
<b>Luke Oil Co, Inc</b>	<b>-.0030</b>	<b>+.0044</b>	<b>+.0689</b>	<b>\$1,756,480</b>
Heritage FS, Inc	+.0199	+.0199	+.0199	\$1,762,557
Petroleum Traders Corp	+.0188	+0288	+.0288	\$1,764,074
Al Warren Oil	+.0469	+.0013	+.0013	\$1,767,291
Parent Petroleum	+.0400	+.0450	+.0450	\$1,774,640
<b>Mansfield Oil Co</b>	<b>+.0511</b>	<b>+.0510</b>	<b>+.0659</b>	<b>\$1,780,115</b>

Al Warren holds the current contract. There were three additional extensions available. Al Warren was offered option year two, but they asked for a large increase to their mark-up. Staff decided to test the market and issued a new bid rather than accept the proposed increase.

Staff is pleased with the results of the fuel bid. Luke Oil Company submitted the lowest mark-up, which is a negative mark-up, for Regular unleaded gasoline.

The bulk fuel contract begins September 1, 2013 through August 31, 2014.

This is a one-year contract with four option years.

**RECOMMENDATION:**

Staff recommends the award of Bid 14-042, Motor Fuel, to Luke Oil Company for an amount not to exceed \$1,756,480.

**ATTACHMENTS:**

N/A