



Legislation Text

File #: 17-508, Version: 1

**CITY COUNCIL AGENDA ITEM**

**ACTION REQUESTED:**

Approve the Award of Option Year Four to Contract 14-042, Fuel, to Luke Oil Co. for an amount not to exceed \$858,000.

**DEPARTMENT:** Department of Public Works

**SUBMITTED BY:** Richard Dublinski, Director DPW

**BOARD/COMMISSION REVIEW:**

N/A

**BACKGROUND:**

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

The City currently has two contracts for fuel. The motor fuel tank wagon contract covers the supply of fuel for the City's above ground tanks. This contract was awarded to Heritage FS for amount not to exceed \$204,000 for 45,000 gallons of gasoline and 50,000 gallons of diesel fuel. This contract is for fuel received for above ground tanks.

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 was based on lowest mark-up. Prices paid will change with the OPIS price, plus applicable taxes. The mark-up remains the same throughout the contract period. Below is the mark-up price per -gallon on the fuel types the city purchases.

<b>Fuel Type</b>	<b>Mark-Up (Extension Offer)</b>
Gasoline (87 Octane) Ethanol	\$ 0.0000
#2 Diesel - ULS, B5	\$ 0.0419
#1 Diesel - ULS, B5	\$ 0.0689

**DISCUSSION:**

Staff negotiated a zero-percent increase for this extension and is confident pricing through this contract is competitive and less than other communities are currently paying for similar services. The final term of the contract extension is September 1, 2017 through August 31, 2018.

For CY2017, the Department of Public Works budgeted \$2.20 per gallon for gasoline and \$2.10 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 minimum, average and maximum prices of both gasoline and diesel fuel over the past five years. These include fuel cost, taxes and contract mark-up. The charts provide context on the volatility of the fuel market. Therefore, staff recommends a cautious approach to award the contract based on the budgeted per-gallon cost.

**Gasoline**

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

**Diesel**

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

**FISCAL IMPACT:**

CIP #: N/A

Fuel is expensed to the fuels, lube & antifreeze account listed below. A total of \$1,062,000 is budgeted for gasoline and diesel fuel in CY2017. The motor fuel tank wagon contract that covers the supply of fuel for the City's above ground tanks is a separate contract. The requested award is within budget, and if the price of fuel remains lower than the budgeted amount, the excess funds will be returned to the general fund.

Account Number	Fund Description	Total Budget Amount
010-4610-582.60-61	General Fund	\$1,161,000