

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Contract Award for Bid 16-09, Gasoline Unleaded Fuel

ORIGINATING DEPARTMENT

Aviation

BACKGROUND INFORMATION

The Aviation Department stocks and resells unleaded gasoline to the tenant rental car companies at the Killeen-Fort Hood Regional Airport. The average monthly sales volume is approximately 4,500 gallons per month. Due to the nature of this fuel business and the fact that payment of all state and federal taxes are required, the airport bulk motor fuel supply was not included in the scope of services with the Texas Fleet Fuel contract that was approved by Council on August 27, 2013.

DISCUSSION/CONCLUSION

An invitation for bid was advertised in the Killeen Daily Herald on January 9 and January 16, 2016. It was also advertised on various procurement web sites with which the City is associated. The bid package was available for download on the City's website. Three (3) prospective vendors are known to have received the invitation for bid: Big Chief Distributing Co., Inc., Killeen, TX; Gold Star Petroleum, Inc., Spring, TX; and Sun Coast Resources, Inc., Houston, TX. On Tuesday, February 9, 2016, at 2:05 pm, bids were opened and read aloud for the procurement of the Aviation Department's annual requirement for unleaded motor fuel.

Three (3) bids were received from the following: Big Chief Distribution Co., Inc., Killeen, TX; Gold Star Petroleum, Inc., Spring, TX; and Sun Coast Resources, Inc., Houston, TX.

Bidder	Type	Rack Price	Profit	Tax	Total
Big Chief Dist. Co.	UL	\$ 0.9644	\$0.1100	\$ 0.384	\$1.4584
Gold Star Petroleum	UL	\$ 0.9644	\$0.2932	\$ 0.384	\$1.6416
Sun Coast Resources	UL	\$ 0.9644	\$0.63(500-1000 gal)	\$ 0.384	\$1.9784
Sun Coast Resources	UL	\$ 0.9644	\$0.39(1001-1500gal)	\$ 0.384	\$1.7384
Sun Coast Resources	UL	\$ 0.9644	\$0.25(1501-2300 gal)	\$ 0.384	\$1.5984

Wholesale fuel prices fluctuate daily due to a number of market factors. To establish a fair and standardized method to bid for fuel, all bidders were directed to bid based upon the Oil Price Information (OPIS) Gross unbranded rack average for the Waco, Texas, rack as of 10:00 AM on February 2, 2016, which was \$0.9644 per gallon (without tax). All fuel bid prices are indexed from that amount and include all state and federal taxes, plus the bidder's gross profit (or mark-up). That gross profit bid amount of the awarded bidder will then be used throughout the term of the contract to establish the price that the City will actually pay per gallon for the fuel

on any particular day (current day's OPIS Waco Unbranded Rack Average + \$0.384 state and federal tax + bidder's profit per gallon = total unit price per gallon). Regardless of the wholesale price change, the bidder's profit per gallon remains the same.

The term of the proposed contract for the bid is one year with an option for a one-year extension if mutually agreed to by both parties.

Staff has determined that the bid from Big Chief Distributing Co., Inc, is the lowest bid and it meets all the minimum requirements established in the specifications.

FISCAL IMPACT

Funds are available in the Aviation Department Cost of Goods - Motor Gas account #525-0505-521.50-19. The budgeted amount for FY 15-16 Cost of Goods - Motor Gas is \$110,000.

RECOMMENDATION

City Council approve the attached contract with Big Chief Dist. Co. Inc. to be effective April 1, 2016, and to authorize the City Manager to execute same.