



STAFF REPORT

DATE: November 30, 2021

TO: Kent Cagle, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Rejecting bids received for Bid #22-05 Petroleum Products and Diesel Exhaust Fluid

BACKGROUND AND FINDINGS:

On October 30, 2018, City Council awarded Bid #19-02 to American Lube Supply for petroleum products and Arnold Oil Company for diesel exhaust fluid (DEF). The initial agreements were for a term of one (1) year with the option to renew three (3) additional one (1) year terms. Fiscal Year 2022 would have been the fourth and final term of the agreements. During the renewal process, staff received notification from the vendors that petroleum products would increase 36% and DEF 35%. The bid document limited future price increases to 10% for each renewal term, so both items needed to be bid again. Petroleum products and DEF are being purchased from American Lube Supply and Arnold Oil Company until a new bid can be awarded.

On October 14, 2021, at 2:15 pm, two (2) bids for Bid #22-05, Petroleum Products and DEF, were opened and read aloud. This bid requested pricing on seventeen (17) of the most commonly used petroleum and DEF products. After reviewing the only two bids received and comparing them to current pricing, staff recommends rejecting the bids. The low bid for petroleum products would be a \$48,582 or 79% increase over current pricing and the low bid for DEF would be a \$16,202 or 116% increase over current pricing. In addition, six (6) bids were received the last time petroleum products and DEF were bid compared to only two (2) bids for Bid #22-05. If City Council rejects all bids, City staff plans to conduct another competitive bid for both products.

Fleet Services utilizes petroleum products and DEF daily to service the City's fleet. The costs of each are charged to the departments as the products are used. In Fiscal Year 2021, the amount spent on petroleum products was \$49,298 and the amount spent on DEF was \$11,184 for a total of \$60,482. The low bid for petroleum products would cost an estimated \$110,051 annually and the low bid for DEF would cost an estimated \$30,194 annually for a total of \$140,245.

THE ALTERNATIVES CONSIDERED:

- 1.) Accept the lowest bids.
- 2.) Reject all bids.

Which alternative is recommended? Why?

The second alternative is recommended to reject all bids. Rejecting bids would allow the items to be bid again, which may result in a lower annual cost.

CONFORMITY TO CITY POLICY:

This resolution conforms to City policies and Texas Local Government Code, Section 252.043.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

Rejecting Bid #22-05 will result in advertising costs of approximately \$294.

Is this a one-time or recurring expenditure?

One-time

Is this expenditure budgeted?

Yes, funds are available in the Fleet Services Internal Service Fund, account 601-2033-415.44-28.

If not, where will the money come from?

NA

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes

RECOMMENDATION:

City Council reject the bids received for Bid #22-05, Petroleum Products and Diesel Exhaust Fluid.

DEPARTMENTAL CLEARANCES:

Fleet Services
Purchasing
Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Bid Tabulation