



City of Killeen

Legislation Details (With Text)

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Type: Resolution **Status:** Passed
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On agenda: 3/13/2018 **Final action:** 3/13/2018
Title: Consider a memorandum/resolution awarding Bid No. 18-07 for a contract with Big Chief Dist. Co., Inc. to purchase unleaded gasoline for the Killeen-Fort Hood Regional Airport.
Sponsors: Aviation Department
Indexes:
Code sections:
Attachments: 1. Staff Report, 2. Bid 18-07, 3. Contract, 4. Certificate of Interested Parties, 5. Presentation

Date	Ver.	Action By	Action	Result
3/13/2018	1	City Council	Approved	Pass
3/6/2018	1	City Council Workshop		

Consider a memorandum/resolution awarding Bid No. 18-07 for a contract with Big Chief Dist. Co., Inc. to purchase unleaded gasoline for the Killeen-Fort Hood Regional Airport.

DATE: **March 6, 2018**

TO: **Ronald L. Olson, City Manager**

FROM: **Matthew Van Valkenburgh A.A.E., Executive Director of Aviation**

SUBJECT: **Contract Award for Bid 18-07, Unleaded Gasoline**

BACKGROUND AND FINDINGS:

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 about 4,100 gallons per month. Typical Airport purchase requirements are about 800 to 1200 gallons with approximately one delivery per week. Due to the nature of this retail fuel business - the fact that payment of all state and federal taxes are required and that all delivery quantities are for less than transport load amounts, the Airport bulk motor fuel supply is not included in the scope of services with the Texas Fleet Fuel contract, under which most of the City's fuel is procured.

An invitation for bid was advertised in the Killeen Daily Herald on January 7 and January 14, 2018. The invitation for bid was also advertised and bid specifications were available for download on the City's web site and various bidding web sites used by the City for procurements.

At the close of specified time for bids at 2:00 PM, Friday, February 9, 2018, one sealed bid was received from Big Chief Dist. Co., Inc., Killeen, TX.

Wholesale fuel prices fluctuate daily due to a number of market factors. To establish a fair pricing mechanism for each Airport purchase throughout the term of the contract, the bidder used a wholesale price plus a vendor gross profit (or mark-up). The pricing also includes the applicable state and federal taxes, since the fuel will be resold by the Airport to the rental car companies.

The February 1, 2018 indexed bid from Big Chief Dist. Co., Inc. was \$2.355 per gallon. This amount is based upon a wholesale price of \$1.831, state and federal taxes of \$0.384, and the bidder's gross profit of \$0.140. The \$0.140 gross profit bid amount 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 wholesale price from vendor's supplier + \$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 gross profit per gallon remains the same.

The term of the proposed fuel contract is one year beginning April 1, 2018 with an option for a one-year extension, if mutually agreed to by both parties.

Staff has determined the bid from Big Chief Dist. Co., Inc. at a February 1, 2018 indexed price of \$2.355 per gallon (including applicable taxes) is a responsible and responsive bid which meets the minimum requirements established in the specifications.

THE ALTERNATIVES CONSIDERED:

Alternatives considered: (1) award the contract with Big Chief Dist. Co., Inc.; or, (2) reject the bids.

Which alternative is recommended? Why?

Staff recommends alternative (1), award the contract to Big Chief Dist. Co., Inc. This bid provides the required product at market price. Staff research has also determined there are currently no other known fuel jobbers close enough to Killeen that could provide the relatively small delivery amounts at the frequency required for a reasonable price.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

Funds are budgeted in the Aviation Department Cost of Goods - Motor Gas account #525-0505-521.50-19. The budgeted amount for FY 18 Cost of Goods - Motor Gas is \$72,500.

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

Actual expenditure amount depends upon the amount of fuel purchased and the actual market price of fuel through the term of the contract and the possible one year extension. Estimated amount of expenditure for purchase of fuel on this new contract for the remainder of FY 2018 is \$36,250. FY 2019 expenditure estimate is \$36,250.

The Airport is expecting revenue of approximately \$1,600 in annual gross profits to the Airport enterprise fund for the resale of this fuel to the rental car tenants.

Is this a one-time or recurring expenditure?

Fuel purchases on this contract are on a recurring, as needed, basis to refill the Airport bulk tank following the Airport's retail sale of gasoline to tenant rental car companies. Typical purchase amounts are between 800 and 1,200 gallons.

Is this expenditure budgeted?

Yes

If not, where will the money come from?

N/A

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

Yes

RECOMMENDATION:

City Council approve the contract with Big Chief Dist. Co., Inc. for the purchase of unleaded gasoline delivered to Killeen-Fort Hood Regional Airport; and authorize the City Manager to execute same, and all amendments or supplemental agreements within the amounts set by State and local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Bid No. 18-07
Contract
Certificate of Interested Parties