



# City of Norman, OK

Municipal Building Council  
Chambers  
201 West Gray Street  
Norman, OK 73069

## Text File

File Number: BID 1213-37

Agenda Date: 10/23/2012

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Status: Consent Item

In Control:

File Type: Bid

Title

CONSIDERATION AND AWARDDING OF BID NO. 1213-37 FOR (1) UNLEADED GASOLINE, (2) #2 DIESEL FUEL, AND (3) BIODIESEL (B5) FUEL FOR THE FLEET MANAGEMENT DIVISION.

**ACTION NEEDED:** Motion to accept or reject all bids meeting specifications; and, if accepted, award the bid to Red Rock Distributing Company as the lowest and best bidder meeting specifications for all sections.

**ACTION TAKEN:** \_\_\_\_\_

Body

**BACKGROUND:** On September 20, 2012, bids were opened on Bid #1213-37 for the delivery of Unleaded, Diesel, and Biodiesel (B5) fuels for the City of Norman.

**DISCUSSION:** The City of Norman owns and operates a fleet of 463 on-road vehicles and an inventory of over 200 items of off-road fueled equipment. Approximately 600,000 gallons of unleaded, diesel and bio-diesel fuels are used annually by the City at an annual cost of \$1.6 million (3-year average). In an effort to reduce the annual cost of fuel, the City utilizes a competitive bidding process.

The bid package was sent to ten (10) vendors, two of whom responded: Petroleum Traders Corp. of Fort Wayne, Indiana and Red Rock Distributing Company of Oklahoma City, Oklahoma.

The City shall have the option to renew this contract annually, for a period of four (4) years, provided that the services and process continue to be acceptable to both parties. Pricing shall be reviewed at the beginning of each renewal period at which time the City will determine whether to renew or rebid. Bids were last taken for fuel September 23, 2008. The contract was awarded to Red Rock Distributing Company and it has been renewed every year since that time.

The contract confirms the vendor's ability to supply the fuel within twenty-four (24) hours notice to any City owned location, the amount of profit margin the vendor will charge over the actual low rack price cost of the fuel, freight, freight surcharge, and the mandatory Underground Storage Tank (UST) fund fees.

A low rack price is determined by using a service such as Oil Price Information Service (OPIS). Suppliers post their prices on a daily basis and those prices are published in OPIS. OPIS obtains its rack prices each day from all of the major jobbers in each region where there is a terminal. To calculate a state's daily average rack price, OPIS averages all of the rack prices in

all of the terminals in the state each day. Vendors are required to provide a copy of the OPIS report with the invoices.

OPIS website: [www.opisnet.com](http://www.opisnet.com)

The freight surcharge is calculated as a percentage of the freight charge. This is used to help the supplier recover diesel charges incurred to deliver the fuel.

All municipalities such as the City of Norman are tax exempt, including the state fuel tax. However, a state and federal UST charge applies to all municipality deliveries. Federal charges are \$0.001 per gallon and state charges are \$0.010 per gallon, for a combined UST fund charge of \$0.0110 per gallon. In addition, the Federal government has a federal environmental fee of \$0.0019 per gallon on unleaded, diesel and biodiesel.

Bobtail deliveries (less than 2200 gallons total) are bid separately. Currently, this would apply to deliveries at Fire Station #5, Fire Station #6 and Westwood Golf Course.

**RECOMMENDATION:**

Staff recommends that Bid #1213-37 be awarded to Red Rock Distributing Company for all sections as follows:

**Section I: Unleaded**

Price per gallon cost on September 24, 2012 for full load of 10,000 gallons: \$3.3471

Federal UST Fund:	\$0.0010 per gallon
Federal Environmental:	\$0.0019 per gallon
OK UST Fund:	\$0.0100 per gallon
Freight:	\$0.0190 per gallon
Surcharge on Freight:	\$0.0048 per gallon
<u>Profit Margin:</u>	<u>\$0.0050 per gallon</u>
Above rack total:	\$0.0417 per gallon

**Bob Tail delivery**

Federal UST Fund:	\$0.0010 per gallon
Federal Environmental:	\$0.0019 per gallon
OK UST Fund:	\$0.0100 per gallon
Freight:	\$0.1750 per gallon
Surcharge on Freight:	\$0.0000 per gallon
<u>Profit Margin:</u>	<u>\$0.0050 per gallon</u>
Above rack total:	\$0.1929 per gallon

**Section II: #2 Diesel**

Price per gallon cost on September 24, 2012 for full load of 10,000 gallons: \$3.3059

Federal UST Fund:	\$0.0010 per gallon
Federal Environmental:	\$0.0019 per gallon

OK UST Fund: \$0.0100 per gallon  
Freight: \$0.0219 per gallon  
Surcharge on Freight: \$0.0055 per gallon  
Profit Margin: \$0.0050 per gallon  
Above rack total: \$0.0453 per gallon  
Winter blend additive: \$0.0225 per gallon (used during winter months)

Bob Tail delivery

Federal UST Fund: \$0.0010 per gallon  
Federal Environmental: \$0.0019 per gallon  
OK UST Fund: \$0.0100 per gallon  
Freight: \$0.1750 per gallon  
Surcharge on Freight: \$0.0000 per gallon  
Profit Margin: \$0.0050 per gallon  
Above rack total: \$0.1929 per gallon

**Section III: BioDiesel Blend (B5)**

Price per gallon cost on September 24, 2012 for full load of 10,000 gallons: \$3.640

Federal UST Fund: \$0.0010 per gallon  
Federal Environmental: \$0.0018 per gallon  
OK UST Fund: \$0.0100 per gallon  
Freight: \$0.0219 per gallon  
Surcharge on Freight: \$0.0055 per gallon  
Profit Margin: \$0.0050 per gallon  
Above rack total: \$0.0452 per gallon  
Winter blend additive: \$0.0225 per gallon (used during winter months)

Account Number: 010-5073-435.31-18  
Account Name: Outside Fuel Inventory  
Account Budget: \$1,950,051