

TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTORS AGENDA ITEM SUMMARY

Topic: Aviation Fuel Vendor Contract

Purpose	Information:	Guidance:	Decision: X
Recommendation	Award aviation fuel vendor contract and authorize Board President / General Manager to enter in to a 5 year contract with Avfuel Corporation.		
Last Action	<p>The last fuel supply contract on record that the Truckee Tahoe Airport District entered into was with Chevron Aviation in May 2004. The contract was for a period of three years with seven one-year options. In June of 2007, Staff reported to the Board the reasons to exercise the additional one-year options allowed and remain a Chevron branded facility. The Airport District has been a branded Chevron dealer for over 20 years.</p> <p>While the original 2004 contract was with Chevron Aviation, Chevron has adjusted their business model various times. In May of 2010 the contract with Chevron was assumed by The Hiller Group. Most recently The Hiller Group (and the Chevron Brand) was acquired by World Fuels Corporation. As of May 2013 Chevron is no longer an advertised aviation fuel brand. The Chevron Brand will become "Ascent," offered through World Fuels. World Fuels is also the regional Phillips 66 vendor.</p>		
Discussion	<p>The RFP was distributed to all known fuel suppliers on April 29, 2013. Three responses were received by the May 16, 2013 deadline. World Fuel Services (our current provider), Epic Aviation, and Avfuel Corporation responded. Eastern Aviation (Shell) did not respond to the RFQ. Staff had a number of meetings with the fuel providers to discuss all aspects of the individual proposals and the possible benefits to the District. Background on their rewards programs were considered, as well as software integration and accounting processes and how they would function with our current system.</p> <p>Fuel pricing, transportation, and processing fees are very similar between the 3 vendors. Due to the volatility of the market, fuel pricing will vary over the life of the contract and a true fiscal impact will be hard to anticipate, but its staff opinion that the 3 vendors would track similarly on price over the life of the contract. In selecting Avfuel, staff considered the following:</p> <p>Price: Competitive with the other vendors</p> <p>Processing Fees: Competitive or lower than other vendors</p> <p>Industry Presence: AV Fuel has over 600 branded FBO locations with many in the region. Some close by are Minden Tahoe, Carson City, and Auburn Airports.</p>		

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Pilot Incentive Programs: AV Fuel offers AVTrip incentives to pilots. This incentive program is competitive with other programs such as Epic Card, and WingPoints (Phillips 66). It offers easy card user and Unicom point of sale interfaces, making it easy to process payment and accrue rewards.

Contract Fuel: Most notably, Avfuel offers a robust contract fuel program. While all vendors offer contract fuel, staff was most impressed with the opportunities and multiple options Avfuel's contract fuel program provides to the District, giving maximum flexibility to change, modify, and even test different pricing options. Contract fuel is both a pricing tool and transaction method (preferred by some operators). The end goal is to incentivize existing customers to purchase more product during their visit. Staff feels Avfuel provides the best contract fuel program.

Incentives to Airport: Avfuel provides all product branding, marketing, advertising and promotion programs along with uniforms for employees.

Training: Avfuel offers competitive remote and onsite training programs for Airport Employees. Staff felt their training programs are competitive and offer multiple options for staff to receive training in quality control, fuel handling, safety, fuel farm maintenance and Management, and load transfer training.

Supply Chain: Avfuel offers multiple supply points to insure continuous, reliable, product supply. Avfuel will utilize Reno as the primary Jet A supply point with additional back up Jet A terminals in Sacramento and Richmond to supply Jet A to the Airport. AvFuel has its own proprietary Avgas rail terminal in Richmond, CA as a primary avgas supply point, with Chevron as a back-up avgas terminal in Richmond.

Customer Service: While all the vendors did a good job presenting their products and services to the Airport, staff was most impressed with the Avfuel team that visited the airport on multiple occasions, the questions they asked along with how they presented their projects and services. Not only did we have an opportunity to interview Anthony Newcomb, District Manager, who will also be our local fuel representative; in our last meeting staff was able to meet with and interview Mark Haynes, one of Avfuels Vice Presidents. Mr. Newcomb and Mr. Haynes also provided a high level of confidence with airport staff regarding Avfuel commitment to the District regarding crisis management protocols if fuel quality is called into question as part of an incident investigation.

To summarize, the staff review team which included, Jane Dykstra, Phred Stoner, Kevin Smith, Kevin Bumen, Dave Hoffman and Mike Ketron is recommending moving forward with a 5 year contract with Avfuel Corporation. Staff has a high level of confidence in Anthony

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Newcomb who will be our local Avfuel representative. The major factors affecting staff's decision were customer service and contract fueling options. Training, and supply chain were also highly considered. Staff feels Avfuel provides the highest level of service and gives the Airport the best set of tools to be successful in our avgas business line.

Fiscal Impact

As mentioned, due to the volatility of the market, fuel pricing will vary over the life of the contract and a true fiscal impact will be hard to anticipate on the medium and long-term horizon. Staff feels the offered pilot incentive programs along with Avfuel's contract fueling options provide new options in revenue development not currently utilized by the District.

The District will see a decrease in processing fees per dollar of sales charged to credit cards, as Avfuel's processing rates are lower.

Communication Strategy

Along with various discussions with multiple individual pilots, the General Manager met with the EAA Chapter at their July 17th meeting to review fuel vendor options and pilot incentive programs and to solicit feedback from pilots on program options. Consensus at the meeting was to do our best to keep avgas affordable and for staff and the Airport Board to select the best vendor that will provide the highest level of service.

Once the final contract is signed, staff will communicate to our pilot community any and all changes regarding a change in branded fuel and programs that would be available to them. This would be accomplished through email blasts and hangar billings.

Avfuel had also included in their proposals assistance in publicizing the changeover through email blasts and trade publications.

Attachments

None