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TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON MONDAY, APRIL 7, 2014
FROM:	JOHN BRAAM, P.ENG MANAGING DIRECTOR, ENVIRONMENTAL AND ENGINEERING SERVICES & CITY ENGINEER
SUBJECT:	TENDER 14-53 SUPPLY AND DELIVERY OF DIESEL, BIODIESEL AND GASOLINE (ELGIN, MIDDLESEX, OXFORD PURCHASING CO-OPERATIVE)

RECOMMENDATION

That, on the recommendation of the Managing Director, Environmental and Engineering Services & City Engineer, the following actions **BE TAKEN** with respect to a three (3) year contract with two (2), one (1) extensions for the supply and delivery of diesel, biodiesel and gasoline:

- a) The tender submitted by Dowler-Karn/ESSO , 43841 Talbot Line, St. Thomas, Ontario, N5P 3S7, for the supply of Diesel, Biodiesel and Gasoline **BE ACCEPTED**,
- b) That the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this award, and;
- c) The approval given herein **BE CONDITIONAL** upon the Corporation entering into a formal contract or issuing a purchase order relating to the subject matter of this approval.

BACKGROUND

Purpose

To seek council approval to award this tender for a three (3) year period with two (2) one (1) year option renewal periods for the Supply and Delivery of Diesel Fuel, Biodiesel and Gasoline, to be used in municipal vehicles and equipment and for our external fuel customers in Fire, Police, Tourism London and the London Public Library.

Purchasing Process

A Request for Tender for the Supply and Delivery of Diesel Fuel, Biodiesel and Gasoline was issued by London Transit Commission (LTC), on behalf of the participating members of Elgin/Middlesex/Oxford Purchasing Co-operative (EMOP) in accordance with clause 14.4 (g) and 21.1 "Cooperative Purchasing" of our Procurement of Goods and Services Policy and closed on March 7, 2014. The LTC summary of bids and recommendation is attached in Appendix #1. The City of London concurs with the LTC's recommendation to award the tender to Dowler-Karn/ESSO for a three (3) year period commencing May 1, 2014 and expiring on April 30, 2017 with renewal options available upon mutual agreement of all parties.

All bidders were asked to use a published London Rack Price and offer a discount from that price plus a transportation charge per/litre for each location and whether the price would be based on a weekly average or a spot buy. There were two (2) submissions received, however, the bid from Dowler-Karn/ESSO was the only compliant bid and is also the lowest overall bid that meets the City of London's specifications and requirements in all areas.

Discussion

Regular Unleaded Ethanol, Biodiesel (B5), Diesel #2 Clear and Diesel #2 Colored represent the majority of our fuel requirements. In addition pricing for Biodiesel grades B2, and B10 have also been secured within this contract.

Biodiesel (B5) continues to be used at our Exeter Road Operation Centre (ERO) predominately by the garbage packer fleet. Despite the additional cost, Fleet Services and Solid

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Waste believe biodiesel continues to be a responsible investment and a solid environmental strategy that supports our green and growing city philosophy. The City has achieved significant emission reduction from the use of Biodiesel with very little operating and maintenance concerns. The additional costs for the biodiesel fuel and delivery is a 3.8% premium (.04 cents per/litre on average in 2013) however has avoided over 90 tonnes of GHG from the environment each year (equivalent to the emissions of twenty cars removed from London roads each year).

Dowler-Karn/ESSO pricing formula for future pricing adjustments is based upon the previous week's average daily London Unbranded Rack Price, less applicable discount, plus a delivery charge by location. HST is extra. The diesel, biodiesel and gasoline requirements for the City of London and EMOP members have been included in the tender call. Upon entering into a contract, EMOP members will co-operatively share the benefits of this agreement, but will separately administer their own procurement contracts.

Financial Impact

In 2013 the total amount of the fuel budget for municipal vehicles and equipment was \$2,929,338 (2,546,417 litres). In 2014 we have forecasted a budget of \$2,943,250 (< 0.5% increase). This contract maximizes our economy of scale by consolidating our purchasing power with our EMOP partners. This partnership maximizes discounts, locks in delivery charges, and stabilizes our fuel supply needs for the longer term. This contract does not guarantee fuel pricing during the contract period as those prices are adjusted daily. Due to reasonably stable fuel pricing in 2013 and reduced consumption our fuel expenditures were lower than budgeted \$2,446,443 (2,370,215 litres). There are no penalties for consuming less fuel and fuel conservation is strongly encouraged by Fleet Services to its customer base. Surplus fuel funds on annual basis are both refunded to end users and also used to support the fuel reserve fund to mitigate the City's risk of future fuel price fluctuations.

Acknowledgements

This report was prepared with input from Barrie Galloway, Operations Manager, Fleet Services, and Chris Ginty CPPB, Procurement Officer, Purchasing and Supply.

SUBMITTED BY:	REVIEWED & CONCURRED BY:
MIKE BUSHBY DIVISION MANAGER, FLEET SERVICES	MIKE TURNER DEPUTY CITY TREASURER, FINANCE AND CORPORATE SERVICES
RECOMMENDED BY:	REVIEWED & CONCURRED BY:
JOHN BRAAM, P.ENG. MANAGING DIRECTOR, ENVIRONMENTAL AND ENGINEERING SERVICES & CITY ENGINEER	JAY STANFORD DIRECTOR, ENVIRONMENT, FLEET & SOLID WASTE

Cc: John Freeman, CSCMP, Manager of Purchasing and Supply.

Agenda Item #

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