

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON APRIL 16, 2019
FROM:	KELLY SCHERR, P.ENG., MBA, FEC MANAGING DIRECTOR - ENVIRONMENTAL & ENGINEERING SERVICES & CITY ENGINEER
SUBJECT	COOPERATIVE PURCHASE TENDER AWARD SUPPLY AND DELIVERY OF DIESEL, BIODIESEL AND GASOLINE ELGIN, MIDDLESEX, OXFORD PURCHASING (EMOP) 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 the supply and delivery of diesel, biodiesel and gasoline:

- a) Fleet Services and Purchasing and Supply **BE AUTHORIZED** to continue as a member of the Elgin, Middlesex, Oxford Purchasing (EMOP) Cooperative for the supply and delivery of diesel, Biodiesel and Gasoline;
- b) The recommendation **BE ACCEPTED** from the London Transit Commission to EMOP members for the Supply and Delivery of Diesel, Biodiesel and Gasoline be awarded to Suncor/Petro Canada, 2489 North Sheridan Way Mississauga, Ontario L5K 1A8 for five (5) years with two(2) one(1) year option terms;
- c) That the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this award; and
- d) 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.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Relevant reports that can be found at www.london.ca under City Hall (Meetings) include:

- Tender 14-53 Supply and Delivery of Diesel, Biodiesel and Gasoline (Elgin, Middlesex, Oxford Purchasing Cooperative), April 7, 2014 meeting of the CWC, Item #5

STRATEGIC PLAN 2015-2019 AND DEVELOPMENT OF COUNCIL'S 2019-2023 STRATEGIC PLAN

Municipal Council has recognized the importance of cooperative procurement, fleet services, climate change, lowering costs in its previous Strategic Plan (2015-2019) and in the in the development of its 2019-2023 Strategic Plan for London. This work touches on:

Strong and Healthy Environment

Reduce fuel use through innovation and research – Green Fleet Strategies

Growing our Economy – Local, regional and global Innovation

Lead the development of new ways for resource optimization to keep operating costs low

Leading in Public Service

Excellent Service Delivery – At Your Service

BACKGROUND

Purpose

This report is to seek committee and Council approval to proceed with a Cooperative Purchasing strategy for the Supply and Delivery of Diesel Fuel, Biodiesel and Gasoline.

The primary purpose of this strategy and resulting contract is to ensure the supply and delivery of fuel to four major operational centres (Adelaide, Bathurst, Exeter Road Operations Centre and Oxford) and also to 35+ satellite small tank locations like Municipal Golf Courses, W12A Landfill, Dearness, Wastewater Facilities, Pumping Stations and various generator locations.

Context

The City of London is a member of the Elgin/Middlesex/Oxford Purchasing (EMOP) Cooperative. The London Transit Commission is also a member and leads this particular tender due to the size of its fuel purchase. The fuel supply and delivery contract is a critical piece of service delivery for the City's municipal fleet as well as for shared services fuel customers in EMS, Fire, Police, Tourism London and the London Public Library.

DISCUSSION

Regular Unleaded Ethanol, Biodiesel (B5), Diesel #2 Clear and Diesel #2 Colored represent the majority of City of London fuel requirements. Other fuels include Biodiesel grades B2 and B10. Biodiesel (B5) continues to be used in the warmer months at the Exeter Road Operation Centre (EROC). The total quantity of fuel purchased in 2018 was 3,235,144 litres.

As the CNG fuel switching initiative evolves over the next 5-7 years this will decrease the quantity of diesel fuel consumed over time however the transition will be gradual as more CNG trucks are put into service and should not drastically affect the bulk pricing quoted for EMOP customers.

The current fuel provider is Dowler Karn/ESSO. A similar process was undertaken in 2014 and all EMOP members selected this firm to work with. Suncor/Petro Canada have been the EMOP fuel vendor in the past and there should not be any significant transitional issues.

In 2018, the City of London spent slightly over \$3.3 million across all types of fuel and for all customers. It is worth noting the City's fuel price changes each day based on the London Rack price (e.g., the price that is set each business day and effective the next day). This approach is used to help obtain the lowest possible costs on a volume basis and to reduce the amount of speculation that would have to occur if a fixed price approach were used (i.e., higher costs would be quoted).

Purchasing Process

Step 1

A Request for Tender (RFT) 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 EMOP. The diesel, biodiesel and gasoline requirements for the City and all EMOP members have been included in the tender call. The RFT closed on March 15, 2019.

All bidders were asked to:

- Use a published London Rack Price (B5 is set based on Toronto Rack Price)
- Offer a discount from the London Rack Price (B5 discount from Toronto Rack Price)
- Add a transportation charge per/litre for each location (e.g., a set location in London), and
- Whether the price would be based on a weekly average or a spot buy.

There were six (6) submissions received. All were compliant. After evaluation by the LTC purchasing team the bid from Suncor/Petro Canada was recommended as the low compliant bid. The LTC tender award recommendation letter is attached in Appendix #1.

Step 2

In accordance with clause 14.4 (g) and 21.1 of our Procurement of Goods and Services Policy, the City of London can exercise this cooperative buying process for items such as our fuel supply and delivery needs based on the following conditions.

14.4(g) "It is advantageous to the City to acquire the goods from a supplier pursuant to the procurement process conducted by another public body".

21.1 "Cooperative Purchasing"

(a) The City may participate with other government agencies or public authorities in cooperative purchasing where it is in the best interest of the City to do so.

b) The decision to participate in cooperative purchasing agreements will be made by the Manager of Purchasing and Supply.

c) The individual policies of the government agencies or public authorities participating in the cooperative bid are to be the accepted by-law for that particular competitive bid.

Fleet Services and Purchasing and Supply concurs with the LTC recommendation to award the fuel supply and delivery contact to Suncor/Petro Canada for a five (5) year period commencing May 1, 2019 and expiring on April 30, 2024 with renewal options available upon mutual agreement of all parties.

For comparative purposes, the recommended contract with Suncor/Petro Canada provides for a 0.0475 \$/litre discount per litre from the London rack pricing (Toronto rack for B5) for all fuel types to all City of London locations. The existing contract offers mixed discounts ranging from 0.0220 \$/litre to as low as 0.0200 \$/litre at major sites. Therefore the discount being offered per litre is greater than 2.5 cents lower than the existing contract in most cases.

The Suncor/Petro Canada delivery charge varies based on the location of each site, but generally the delivery costs of the recommended bid range from as low as 0.0033 \$/litre at the largest high volume operational centres to 0.1475 \$/litre for small (1000 litre) pumping station tank locations. In the existing fuel contract the cost for delivery is also a range with major sites being 0.0045 \$/litre to as much as 0.0200\$/litre delivery to smaller low volume sites. Therefore the delivery charges to major sites are less in the new contract however will be more expensive for the remote low volume locations.

Upon entering into a contract, EMOP members will co-operatively share the benefits of this agreement, but will separately administer their own procurement approvals as per their individual policies.

Financial Impact

In 2018 the total expenditure for fuel for municipal vehicles, equipment and shared

services fuel customers was \$3,304,262. In 2019, the forecasted budget is \$3,486,032; about a 5% increase. This increase however is based on expected higher prices for the fuel itself and increased volume, not a result of this contract.

The recommended bid by Suncor/Petro Canada offers a greater rack price volume discount and in most major site delivery locations a reduced fuel delivery upcharge than our existing contract with Dowler Karn/Esso.

This contract maximizes economies of scale by consolidating the City's purchasing power with other EMOP partners. This contract locks in rack price discounts, delivery charges, and stabilizes our fuel supply. This contract does not guarantee fuel pricing during the contract period only the reduction from daily rack price and the delivery charges. The fuel budget is managed as part of the overall fleet budget and is calculated based on experience and fuel data analysis. Fuel costs are billed to each service area on a per vehicle basis for their fuel use as part of their internal rental rate.

Shared services customers like EMS, Fire, Police (diesel fleet) are billed on a per use basis at the average monthly pump price set by fleet that includes overhead costs and administration and is reconciled each month. There are no penalties for consuming less fuel and fuel conservation is strongly encouraged by Fleet Services to its customer base.

In the event that the price of fuel fluctuates above budget in any year, a fuel reserve fund has been built over the last three years to insulate and mitigate the City's risk of significant fuel price fluctuations.

CONCLUSION

Based on the discussion and analysis above, Fleet Services in conjunction with Purchasing and Supply is recommending the City's continued involvement in the EMOP Cooperative. In addition, Fleet Services and Purchasing and Supply recommend acceptance of the LTC tender recommendation for fuel supply and delivery to be awarded to Suncor/ Petro Canada for the next five (5) years with two (2) additional one (1) year extension options.

Suncor/Petro Canada pricing formula is based on the average London Rack Price, less applicable discount, plus a delivery charge by location. HST is extra.

The EMOP Cooperative purchasing agreement for this type of contract has been very advantageous for the City of London and the City's shared services fuel partners through reduced administration, providing volume discounts, shared delivery options and maximizing economy of scale.

Acknowledgements

This report was prepared with input from Barrie Galloway Manager Fleet Maintenance and Sarah Denomy Procurement Officer, Purchasing and Supply. Acknowledgement also to Tracey Moulton - Purchasing Officer LTC.

SUBMITTED BY:	REVIEWED & CONCURRED BY

MIKE BUSHBY, BA DIVISION MANAGER, FLEET & OPERATIONAL SERVICES	JAY STANFORD, MA, MPA DIRECTOR, ENVIRONMENT, FLEET & SOLID WASTE
RECOMMENDED BY:	
KELLY SCHERR, P. ENG., MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES & CITY ENGINEER	

Appendix A – LTC London Transit Commission – Fuel Tender Recommendation Letter

Appendix A

LTC London Transit Commission – Fuel Tender Recommendation Letter



March 28, 2019

Fuel Tender – Closed March 15, 2019

All Participating EMOP Members

A Request for Tender for the supply and delivery of Diesel Fuel and Gasoline was issued by LTC on behalf of the participating members of EMOP in accordance with established procedures and closed on March 15, 2019.

As specified in our document, we reserve the right to accept or reject any and all bids, also the right to accept other than the lowest bid and also the right to award the bid submission in whole or in part.

The term of the contract is for a 5 year period commencing May 1, 2019 and expiring on April 30, 2024 with 2 – 1 year 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 liter for each location and whether the price would be based on a weekly average or a spot buy.

There were 6 submissions received, all were compliant.

I have attached the signed Suncor Submission and a spreadsheet summarizing the bids.

LTC has accepted and will award our requirements to Suncor/Petro Canada.

Based on the submissions, it is recommended that all members accept the submission from Suncor/Petro Canada for your respective requirements. Of course, it is your responsibility to accept or reject any bid and to award the contract to whoever offers you the best deal. Please let me know by **April 5th** if you have accepted the new contract price or rejected. I will send a contact list out to all EMOP locations that have accepted the new contract pricing.

Thank you

A handwritten signature in blue ink that reads 'Tracy Moulton'.

Tracy Moulton

Purchasing

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