



Council Communication

Office of the City Manager

Date

November 3, 2008

Agenda Item No. 3

Roll Call No. 08

Communication No. 08-664

Submitted by: Merrill Stanley, Deputy City Manager

AGENDA HEADING:

Approving the purchase of fuel for the city fleet.

SYNOPSIS:

Authorizing the City Manager to make bulk contract purchases of fuel during times that analysis indicates a cost savings to the City can be achieved compared to average daily pricing, and waiving normal bidding requirements for good cause shown in lieu of a more timely competitive pricing procedure.

FISCAL IMPACT:

Amount: Up to \$3,000,000 to be purchased over the next 12 months, which will span fiscal years FY2008-09 and FY2009-10. The recommended approach to fuel procurement will increase the likelihood that fuel can be purchased within the adopted budget amounts.

Funding Source: Equipment Maintenance Center Fund – Fleet Fuel Services, ISO10 – CMO0011400, Operating Budget page 86 and General Fund Prepaid Expenses account. Purchases made during FY2008-09 to be used in FY2009-10, would remain on the balance sheet until June 30, 2009.

ADDITIONAL INFORMATION:

Fleet Services purchases fuel under annual contracts priced with a competitively bid margin slightly below the average daily price as reported to the Iowa Department of Transportation by AXXIS Petroleum. This practice and the competitive bidding procedure utilized takes a period of several weeks to complete. It exposes the City to the daily fluctuations in fuel costs and follows the market trends up and down. It offers no protection from volatile market increases in fuel costs. With the recent volatility and record high prices this purchase method does not allow for bulk purchases when market conditions are favorable.

Historical use data of all City departments can fairly accurately predict the city-wide needs of various fuel products. Recent city-wide fuel use for FY08 was 618,000 gallons of diesel including seasonal biodiesel percentages ranging from 5%-20% and 545,000 gallons of unleaded E10 gasohol. Approval of bulk purchases will allow Fleet Services to purchase annual needs at lower costs than the average daily rack pricing throughout the year and bring a measure of stability to fuel costs.

Staff has had ongoing discussions with other Metro agencies considering bulk purchases and DART currently uses multiple contract strategies to procure fuel as market prices are favorable. To make

contract purchases, suppliers require same day authorization to make bulk or contract pricing available, thus the need to waive the normal bidding requirements for bidders' responses to pricing specifications. Recent research leads us to believe that slightly lower costs can be achieved by pooling the purchasing power of several municipal users. The discussions with DART and Des Moines Public Schools personnel will lead to a cooperative purchasing strategy that benefits all three organizations along with any other area organizations that choose to participate.

Measures to reduce fuel consumption have been implemented, including purchasing smaller, more fuel efficient vehicles, reducing the number of take-home vehicles, instituting reduced idling policies, employee car pooling, and encouraging the use of public transportation, but the largest impact on the city's fuel cost can be realized with improved procurement practices.

PREVIOUS COUNCIL ACTION(S):

Date: April 23, 2007

Roll Call Number: 07-772

Action: Keck Inc. for annual agreement renewable for two (2) additional twelve (12) month periods to furnish fuel products for use by the Equipment Maintenance Center and other departments. (Six bids mailed, three received). Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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