



Council Communication

Office of the City Manager

Date

September 28, 2009

Agenda Item No. 48

Roll Call No. 09-

Communication No. 09-696

Submitted by: Merrill R. Stanley, Deputy City Manager

AGENDA HEADING:

Approving an exception to the procurement ordinance competitive bidding procurement process for the purchase of fuel

SYNOPSIS:

Adding an exception to the competitive bidding process under the Procurement Ordinance for the purchase of fuel and fuel services for vehicles and equipment.

FISCAL IMPACT:

Amount: Estimated \$3,000,000 annually.

Funding Source: Equipment Maintenance Center Fund – Fleet Fuel Services, ISO10 – CMO0011400, FY 2009-10 Operating Budget, page 50.

ADDITIONAL INFORMATION:

On November 3, 2008, the City Council authorized staff to purchase fuel for city vehicles using bulk purchase or futures contracts. After tracking the commodities markets for several months, staff awarded a competitive bid and executed a purchase using future contracts in February, 2009 to fulfill the City's fuel needs from May 1 to October 31, 2009. The contract for unleaded and diesel fuel for delivery to the Main Downtown and WRA fuel terminals has resulted in savings through mid-September 2009 in excess of \$130,000 compared to the average daily rack cost on the order date.

Staff's experience has shown that an on-going need for flexibility to respond quickly to market conditions without complying with the usual competitive bid process is key to an effective strategy to procure fuel at an advantageous price. To make contract purchases, suppliers require same day authorization to make contract pricing available, thus the need to waive the normal bidding requirements for bidders' responses to pricing specifications.

Contract purchasing can take several forms. In the past year, staff has considered bulk purchases and futures contracts as techniques that could benefit the City. Both of these techniques were considered within a competitive bid process. Staff is committed to competitive procurement and will incorporate competition into fuel purchasing to the extent it is practical and can meet the time constraints present in commodity markets. The primary exception staff is seeking is authority to award to the lowest bid without returning to Council for final authorization. With the bid process conducted in February 2009, and in future bid processes, we are expected to award bids within 30-60 minutes of receipt.

The February bid that resulted in a contract was the third bid issued. The first two resulted in rejected bids because, in one case, a bulk sale was not available due to the fact that all storage capacity had been committed. The second bid was rejected because prices were in rapid decline as the bid opening neared. These experiences helped staff design a bid structure that worked well for the City in that contracts were awarded for the typically higher cost months of May through October and paying rack prices during the typically lower Fall and Winter months.

Staff will also continue to pursue collaboration with other governmental entities including Des Moines Schools and DART. Attempts to collaborate in 2009 were unsuccessful because DART had already committed to purchases through the current fiscal year. A bid was issued jointly with Des Moines Schools but they chose not to accept the bid. The school's needs are different from the City's in that their fuel needs are the greatest when prices are typically lowest, so a longer term contract is not as attractive.

Staff understands Council's interest in matters such as this that impact the City's finances this significantly. Staff will continue to inform Council of bid results and purchase commitments as well as any progress in efforts to work collaboratively with DART and Des Moines Schools.

PREVIOUS COUNCIL ACTION(S):

Date: November 3, 2008

Roll Call Number: 08-1928

Action: Approving an exception to the procurement ordinance competitive bidding requirements for good cause and approving procurement of bulk fuel at a total annual estimated cost of \$3,000,000. (Council Communication No. 08-664) Moved by Meyer to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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