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|  <div style="text-align: center;"> <h1 style="margin: 0;">Council</h1> <h1 style="margin: 0;">Communication</h1> <p style="margin: 0;">Office of the City Manager</p> </div> | Date: | January 26, 2015 |
| | Agenda Item No. | 37 |
| | Roll Call No. | <u>15-0120</u> |
| | Communication No. | <u>15-036</u> |
| | Submitted by: | Larry D. Hulse, Assistant City Manager |

AGENDA HEADING:

Authorizing the City Manager to purchase up to a 24 month supply of fuel for City vehicles and equipment.

SYNOPSIS:

Authorizing the City Manager to purchase fuel for City vehicles and equipment for up to two (2) years beginning with deliveries in July 2015.

FISCAL IMPACT:

Amount: Up to \$3,400,000 per fiscal year if purchased for each fiscal year 2016 and 2017. Utilizing fixed price futures contracts should result in savings from current and adopted budgets when compared to average daily rack fuel prices.

Funding Source: CMO24022, Fleet Services Fuel Services, Fiscal Year (FY) 2015 budget page 33

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 (IDOT). 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 decrease in fuel costs and near record low prices, this purchase method does not allow for fixed price purchases when market conditions are favorable.

Historical use data of all City departments can fairly accurately predict the Citywide needs of various fuel products. Recent Citywide fuel use for FY14 was 636,000 gallons of diesel including seasonal biodiesel B5 blend and 477,000 gallons of unleaded E10 Gasohol. Previous use of fixed price contracts have allowed Fleet Services to order annual fuel needs at a lower cost than the average daily rack pricing throughout the term of contract and bring a measure of stability to fuel costs.

On November 3, 2008 Council authorized staff to purchase fuel using bulk or future contracts for an amount up to \$3 million (exempt from competitive bidding process) not to exceed 12 months. A fixed price contract awarded for May 2009 through November 2009 which resulted in an \$185,000 savings when compared to the average daily rack prices during the same time period. On September 28, 2009 Council approved procurement of up to an 18 month supply of fuel. A contract was awarded for fixed

price fuel from May 2010 through June 2011, which resulted in a savings of \$295,000 compared to the average daily rack price during the same time period.

To make contract purchases, suppliers need short-term authorization within five (5) business days to make contract pricing available; therefore, the previously approved exception to the procurement ordinance competitive bidding process for the purchase of fuel will be utilized. Staff will continue to inform Council of bid results, purchase commitments, and any resulting savings due to utilizing this process.

PREVIOUS COUNCIL ACTION(S):

Date: September 28, 2009

Roll Call Number: [09-1781](#) and [09-1782](#)

Action: [Amending](#) Chapter 2 of the Municipal Code regarding exceptions to the procurement of goods and services under competitive bidding process for fuel and fuel services. ([Council Communication No. 09-696](#)) Moved by Coleman that this ordinance be considered and given first vote for passage, and to have additional discussion during budget workshops. Direct staff not to purchase more than an 18-month supply based on past consumption. Refer to the City Manager to continue to look for ways to conserve fuel and study the use of hybrid and other fuel-efficient vehicles. Motion Carried 7-0.

- (A) [Final](#) consideration of ordinance above, (waiver requested by City Manager) requires six votes. Moved by Coleman that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#14,892](#). Motion Carried 7-0.

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; City Manager will notify Mayor and Council Members when purchases are made and will provide a periodic status report. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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