

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 3, Report No. 24, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on June 23, 2015.

3 SUPPLY AND DELIVERY OF GASOLINE AND DIESEL FUELS FOR THE CITY OF VAUGHAN

The Committee of the Whole recommends approval of the recommendation contained in the following report of the Acting Commissioner of Strategic and Corporate Services and the Manager of Fleet Management Services, dated June 2, 2015:

Recommendation

The Acting Commissioner of Strategic and Corporate Services and the Manager of Fleet Management Services, in consultation with the Director of Purchasing Services and Director of Financial Planning & Analytics recommend:

1. That the fuel supply contract awarded through York Region's cooperative tender CRFT2014-07 - Supply and delivery of gasoline and diesel fuels to Municipalities within the Regional Municipality of York for a five year term beginning January 1, 2015 be accepted by Council for the City of Vaughan.

Contribution to Sustainability

Gasoline and Diesel fuels are fundamental commodities needed for the City's ability to conduct its daily business and provide emergency response to all residents and businesses with the City of Vaughan. The need to ensure a secure supply of fuel, in an efficient, cost effective manner is an integral part of service delivery and failure to do so impacts every aspect of the City's ability to provide municipal services and jeopardizes public health and safety.

Economic Impact

The fuel supply contract is estimated to deliver approximately 5.5M litres of gasoline and 3.5M litres of diesel to the City of Vaughan over the 5 year term of the contract for a total estimated cost of approximately \$9.0M plus applicable taxes (based on a fuel cost of \$1 per litre). Of the total 5 year volume, approximately 6.4M litres relate to servicing City of Vaughan user department and Water/Wastewater vehicles. The residual volume pertains to servicing York Regional Police (YRP) cruisers for which costs are recouped through a monthly recovery from YRP.

The 2015 City of Vaughan operating budget, including Water/ Wastewater, has a total of \$1.4M allocated for the purchase of fuel. This budget covers the estimated 1.3M litres of fuel to be delivered under this contract in 2015, plus fuel purchased externally at retail gas stations.

If current pricing trends remain relatively stable, sufficient funding exists in the 2015 operating budget to supply fuel requirements for the City of Vaughan. However fuel pricing fluctuates based on macroeconomic factors beyond the control of the City. Any significant and prolonged increase in future fuel rack prices will cause a significant impact on the City's fuel costs and on the operating budget.

Budget amounts currently included in the 2016-2018 plan will be revisited each year during the budget cycle to ensure assumptions for fuel volume and price are in-line with budget guidelines and reflective of most up-to-date requirements.

The City has participated in the Co-operative purchase of fuel for the past 15 years. Over this time period, the City has achieved an average lowered adjustment over posted rates of approximately \$0.15/litre, resulting in estimated savings to the City of approximately \$150,000/yr.

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Communications Plan

N/A

Purpose

The purpose of this report is to inform Council that York Region, on behalf of the York Purchasing Co-operative, has awarded a tender contract that secures fueling supplies for the City of Vaughan for the next five years from two separate vendors. The vendors are Valero Energy Inc. for gasoline requirements and Canada Clean Fuel Inc. for all diesel product requirements.

Background - Analysis and Options

On October 27, 2014, York Region on behalf of the York Purchasing Cooperative (YPC) issued a Request for Tender (RFT) for the supply and delivery of gasoline and diesel fuels for a 5 year term, starting on January 1, 2015. City of Vaughan participated in the bid process as a member of agency outlining the City's fuel and diesel requirements in the bid along with other York Region agencies.

The bid closing date was November 11, 2014. Four (4) compliant bid submissions were received from the following companies as referenced in Table A:

Table A:

	Valero Energy Inc	FS Partners	Canada Clean Fuels Inc	Alpha Oil Inc.
Part A: Ethanol (10%) Blended Gasoline	\$ 3,958,900.00	\$4,031,500.00	\$4,009,500.00	\$ 4,229,500.00
Part B #1 Diesel Ultra Low Sulphur	\$ 2,395,200.00	\$ 2,412,000.00	\$ 2,394,000.00	\$ 2,532,000.00
Part C #2 Low Sulphur (Dyed Diesel Fuel)	\$ 407,850.00	\$ 367,500.00	\$ 364,500.00	\$ 414,500.00

The RFT was awarded for the City's requirement, by fuel type, to the lowest compliant bidder as referenced in Table B:

Table B:

Name of Company	Fuel Type	Total estimated price over term (Excluding taxes)
Valero Energy Inc.	Part A- Ethanol (10%) Blended (E10) Gasoline	\$5,500,000
Canada Clean Fuels Inc.	Part B - #1 Diesel, Ultra Low Sulphur Part C- Conditioning of #2 Low Sulphur (Dyed Diesel Fuel)	\$3,000,000 \$500,000

Total for all Fuel Types (exclusive of all taxes): **\$9,000,000**

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City staff estimated the volumes of each type of fuel utilized based on historical data. The fuel types are broken down to gasoline, diesel fuel and conditioned diesel fuel (dyed diesel).

Total fuel consumption over the 5 year term is estimated at 5.5M litres of gasoline and 3.5M litres of diesel. These totals represent estimated consumption for all vehicles serviced from City of Vaughan fuel pumps, including vehicles from City of Vaughan user departments, Water/Wastewater as well as York Regional Police. As York Regional Police is charged for its fuel use through a monthly recovery, even though their use is included to estimate purchase volume needed under this contract to supply all users, their consumption does not impact the City of Vaughan's fuel budget.

Fuel pricing during term of contract

The fuel cost per litre paid by the City throughout the term of the contract is based on and adjusted daily in accordance with Petro-Canada's Terminal Rack Pricing on Gasoline and Distillates for Resellers and Wholesale Customers for Toronto. The vendor's price adjustment is applied to the terminal rack pricing rate to arrive at the per litre fuel price paid by the City to the vendor. The rate of adjustment remains the same throughout the term of the contract.

Contract value

The contract for the supply and delivery of gasoline and diesel fuels to the City of Vaughan over the next five years is estimated to be valued at \$9M plus applicable taxes based on a fuel cost of \$1 per litre. Although fuel volume estimates for the term of the contract are included above, they do not represent guaranteed quantities that are required to be purchased from the vendors. Actual quantities may vary and therefore the actual value of the contract will be dependent upon actual fuel quantities purchased and actual rack price movements over the term of the contract.

Sufficient funds for the provision of fuel have been identified in the 2015 operating budgets for all fleet user departments based on estimated fuel consumption for 2015.

York Purchasing Cooperative (YPC)

The City of Vaughan participates in the York Purchasing Co-op (YPC) being the only public purchasing cooperative within the Regional Municipality of York. The YPC meets on a monthly basis to discuss the purchase of common goods and services, existing contracts and to assign bid projects between its members (e.g., cleaning supplies and copy paper were issued by The York Region District School Board; York Region has issued bids for fuel, salt, asphalt and granular materials).

Combining requirements enables YPC members to realize best pricing by leveraging economies of scale, particularly to the benefit of local municipalities within YPC.

Relationship to Vaughan Vision 2020/Strategic Plan

The purchase of goods and service meets the following Vaughan Vision 2020 Goals and Themes:

Goal:	Service Excellence
Theme:	Demonstrate Excellence in Service Delivery- by ensuring fundamental resources are in place to allow staff to consistently achieve service levels based on Council established standards and practices.

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Goal: Organizational Excellence
Theme: Manage Corporate Assets – by participating in a Regional Co-operative purchase to secure commodity supplies for the next 5 years as it pertains to fuel requirements for the City's operational and emergency functions

Regional Implications

N/A

Conclusion

As part of the YPC Purchasing group, the City has taken advantage of secured supply and pricing of fuel commodities for the next five years.

Attachments

N/A

Report prepared by:

Scott S. Glew
Fleet Manager, Fleet Management Services

COMMITTEE OF THE WHOLE JUNE 2, 2015

SUPPLY AND DELIVERY OF GASOLINE AND DIESEL FUELS FOR THE CITY OF VAUGHAN

Recommendation

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1. That the fuel supply contract awarded through York Region's cooperative tender CRFT2014-07 - Supply and delivery of gasoline and diesel fuels to Municipalities within the Regional Municipality of York for a five year term beginning January 1, 2015 be accepted by Council for the City of Vaughan.

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Budget amounts currently included in the 2016-2018 plan will be revisited each year during the budget cycle to ensure assumptions for fuel volume and price are in-line with budget guidelines and reflective of most up-to-date requirements.

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Communications Plan

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Total for all Fuel Types (exclusive of all taxes): **\$9,000,000**

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Goal: Organizational Excellence
Theme: Manage Corporate Assets – by participating in a Regional Co-operative purchase to secure commodity supplies for the next 5 years as it pertains to fuel requirements for the City’s operational and emergency functions

Regional Implications

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Conclusion

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Attachments

N/A

Report prepared by:

Scott S. Glew
Fleet Manager, Fleet Management Services

Respectfully submitted,

Dimitri Yampolsky
Acting Commissioner of Strategic & Corporate
Services

Scott S. Glew
Manager, Fleet Management Services