



To: General Purposes Committee **Date:** November 17, 2017
From: Tom Stewart, AScT. **File:** 02-0665-01/2017-Vol
 Director, Public Works Operations 01
Re: **Fuel Purchases Agreement Re-Assignment and Extension - BC Petroleum
 Products Buying Group**

Staff Recommendation

1. That the City of Richmond's fuel purchases agreement through the BC Petroleum Products Buying Group consortium:
 - a) be assigned to Parkland Fuel Corporation; and
 - b) be extended to December 14, 2018.
2. That the Chief Administrative Officer and General Manager, Engineering & Public Works, be authorized to negotiate and execute all necessary terms with Parkland Fuel Corporation under City of Vancouver Contract No. PS11122 for The Supply and Delivery of Gasoline, Diesel, 810-Diesel and Fuels.
3. That the City of Richmond participate in the regional consortium for the acquisition of gasoline and diesel fuel at the conclusion of the current fuel purchase agreement (commencing December 15, 2018).

Tom Stewart, AScT.
 Director, Public Works Operations
 (604-233-3301)

| REPORT CONCURRENCE | | |
|--|---|---|
| ROUTED TO: Finance | CONCURRENCE <input checked="" type="checkbox"/> | CONCURRENCE OF GENERAL MANAGER |
| REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE | INITIALS: TS | APPROVED BY CAO |

Staff Report

Origin

The City of Vancouver is the lead agency coordinating the competitive bid process for fuel purchases for the BC Petroleum Products Buying Group (BCPPBG). By participating in the consortium, the City of Richmond receives benefits in economies of scale, economies of process and economies of information.

Per Council resolution R12/1-5, the consortium agreement was initially entered into on December 14, 2011 with Chevron Canada Ltd., as the most responsive and responsible bidder under the tendering process administered by the BCPPBG (under Contract No. PS11122, Chevron was one of two bidders). Note the process involves the City entering into a contractual relationship directly with the supplier (e.g. not with or through the consortium).

Subsequent to entering into the agreement, on February 1, 2017, Chevron Canada Ltd. transferred its refining and fuels marketing business to its wholly-owned subsidiary, Chevron Canada R & M ULC (CCRM). As of October 1, 2017, Chevron sold all of its shares in CCRM to Parkland Fuel Corporation (Parkland). As this represents an assignment of the City's fuel purchases agreement to another supplier, this report seeks approval to assign the City's interests in this agreement to Parkland and extend the contract for an additional period, i.e. to December 14, 2018.

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

7.4. Strategic financial opportunities are optimized.

Analysis

Background

The City of Richmond maintains a fuel station at the City Works Yard for fuelling all City vehicles and equipment with gasoline or diesel fuels. There are also fuel tanks located at several fire hall stations for fuelling fire vehicles and fire apparatus. Fuelling services at the Works Yard are also made available to the Richmond RCMP and Richmond School Board on a cost-recovery basis. Richmond Fire Rescue is also able to fuel at the City Works Yard, when required (e.g. fuel tank decommissioning associated with fire hall construction/renovations).

The City uses approximately 1.15 million litres of fuel annually consisting of gasoline and bio-diesel. Richmond Fire Rescue uses approximately 150,000 litres annually. Additionally, approximately 250,000 litres of fuel is purchased to support fuelling services at the Works Yard for the Richmond RCMP and School Board.

BCPPBG Fuel Purchases Contract

To ensure best value, the contract costing model is based on:

- Weekly rack price
- Less discount (e.g. off rack, plus early payment, volume discount)
- Plus bridging fee

The weekly rack price is the price refineries sell gasoline to their various clients, which varies based on fuel commodity market pricing factors. The bridging fee includes items such as freight from the terminal, the terminal cost, delivery, etc.

Under the terms of this contract, the bridging fee will be fixed for one year and is subject to inflationary increases, such as CPI, with a maximum cap established for any increases or decreases in inflation. Savings over commercial rates vary depending on commodity pricing, but are generally between 5%-10%.

The City of Vancouver (lead agency) followed their standard procurement methods in this tender process, and City of Richmond Purchasing staff agrees with the methodology applied.

CCRM has provided a good level of service, with timely deliveries, including after hours and weekends. Deliveries are made directly to the sites indicated, including the Works Yard and fire hall locations. Staff are confident that this level of service can be expected to continue under the new agreement entered into between the City and CCRM (Parkland). All other aspects of the agreement remain in effect, with no material changes other than re-assignment to Parkland.

Financial Impact

Annual costs for fuel vary based on commodity pricing and usage factors. Fuel expenditures in 2016 were \$1,144,240 for City operations and \$150,573 for Richmond Fire Rescue, for a total of \$1,294,813.

The 2017 total fuel budget is \$1,336,000 for City operations and \$178,500 for Richmond Fire Rescue, for a total of \$1,514,500. The budget is adjusted annually based on estimated consumption and fuel costs.

Conclusion

The BCPPBG consortium approach for fuel purchases achieves economies of scale through a large-scale purchasing approach. The City previously entered into agreement with Chevron Canada Ltd. under this contract, which was later transferred to CCRM.

Recently, the interests of CCRM were acquired by Parkland. Therefore, this report seeks Council's approval to assign the agreement to Parkland and concurrently, to extend the contract to December 14, 2018. All terms and conditions remain the same, and service levels are expected to remain consistent with Parkland.

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Staff also suggest that the City continue to participate with the City of Vancouver led consortium group for future fuel supply needs, as this approach achieves best value through bulk purchases.

A handwritten signature in black ink, appearing to read 'S. Bycraft', with a long horizontal stroke extending to the right.

Suzanne Bycraft
Manager, Fleet and Environmental Programs
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