



To: Public Works & Transportation Committee

Date: December 19, 2011

From: Tom Stewart, AScT.
Director, Public Works Operations

File: 10-6000-01/2011-Vol
01

Re: Fuel Purchases Agreement - BC Petroleum Products Buying Group

Staff Recommendation

That the City participate in the BC Petroleum Products Buying Group fuel purchases contract with Chevron Canada Ltd., commencing December 14, 2011 for a three-year period, with the option to renew for two additional one year periods, to a maximum of five years.

Tom Stewart, AScT.
Director, Public Works Operations
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ROUTED TO:		CONCURRENCE		CONCURRENCE OF GENERAL MANAGER	
Purchasing		Y <input checked="" type="checkbox"/> N <input type="checkbox"/>			
REVIEWED BY TAG		YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	REVIEWED BY CAO	
				YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

Origin

The City has participated as a consortium member of the BC Petroleum Products Buying Group (BCPPBG) for a number of years. The BCPPBG is made up of approximately 65 agencies, including local, regional, municipal government and school board member organizations, which in total purchase approximately 37,000,000 litres of product annually. Members are located in six geographic regions including the Lower Mainland, Kamloops, Vancouver Island, Prince George, Terrace and Port Hardy. The City of Vancouver is the lead agency for the most recent BCPPBG tendering process.

This report presents information regarding the fuel purchases consortium process and recommends that the City participate in the BCPPBG contract.

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 has recently begun using the Works yard fuelling site for fuelling some of their units due to the decommissioning of their fuel tanks at No. 1 Hall as a result of renovations at that site.

The City uses approximately one million litres of fuel annually, including gasoline and bio-diesel for City vehicles and equipment (not including Richmond Fire Rescue). Additionally, approximately 300,000 litres of fuel is purchased to support fuelling services at the Works Yard for the Richmond RCMP and School Board.

BCPPBG Fuel Purchases Contract

The current agreement for fuel purchases is with Chevron Canada Ltd., and expired on December 13, 2011. In preparation, the lead agency for the BCPPBG issued a request for proposals on September 1, 2011 with a closing date of September 27, 2011. There were two respondents to the proposal call – Parkland Fuel Corporation and Chevron Canada Ltd.

Agency members participated in reviewing the proposal document prior to issuance, and providing rankings on submission factors such as total cost of product; technical capabilities; levels of service; quality, safety, environmental and social responsibility. Chevron met the key requirements and provided overall best value based on the following costing model:

- 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.

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

Chevron Canada Ltd. has been the City's supplier under the BCPPBG for the last number of years and has provided a good level of service, with timely deliveries, including after hours and weekends. Staff are confident that we can expect this level of service to continue under the new contract entered into between Chevron and the BCPPBG.

Financial Impact

Annual costs for fuel vary based on commodity pricing factors. Fuel costs in 2010 were approximately \$1,023,400 for City Operations and \$153,800 for Richmond Fire Rescue, or a total of \$1,177,200. The 2011 expenditures are approximately \$1,316,600 million for City operations (approximately \$250,000 over budget allocations) and \$145,100 for Richmond Fire Rescue. The over-expenditure is due in part to increased fuel consumption, but is principally a result of fuel price increases in 2011 (approximately 17% higher).

The 2011 City operations fuel budget is \$1,069,800 and \$150,000 for Richmond Fire Rescue.

Under the conditions of the new contract, an estimated 1% savings in the bridging fee is expected, subject to inflationary factors. Overall fuel costs will vary, based on commodity pricing. The 2012 budget request for City operations fuel usage is \$1,239,300.

Conclusion

Participation in the BCPPBG consortium for fuel purchases is recommended due to the economies of scale and level of representation offered through a large-scale buying group. The consortium has entered into a contract with Chevron Canada Ltd., who has provided a good level of service for the last number of years. The City has the opportunity to meet its fuel requirements by participating in this collective buying consortium. In light of the contract preceding the date of this report, the City has been able to meet its fuel purchase requirements under the new BCPPBG contract pending Council approval.



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