

The Corporation of the City of Kawartha Lakes

Council Report

Report Number PUR2017-019

Date: March 7, 2017
Time: 2:00 p.m.
Place: Council Chambers

Ward Community Identifier: City-Wide

Subject: Tender 2013-114-OT - Supply and Delivery of Gasoline, Clear and Coloured Diesel Fuel (Co-operative)
Completion of Initial Term of the Contract and Option to Enter into Four Year Extension with Suncor Energy Products Partnership of Mississauga

Author/Title: Debbie Ball, Buyer

Signature: 

Co-Author: Todd Bryant, Manager
Fleet and Transit Services

Signature: 

Recommendation(s):

RESOLVED THAT Report PUR2017-019 for "Tender 2013-114-OT - Supply and Delivery of Gasoline, Clear and Coloured Diesel Fuel, Completion of Initial Term of the Contract and Option to enter into Four Year Extension" be received;




THAT Suncor Energy Products Partnership of Mississauga be approved for the award of the four year extension of the contract for Tender 2013-114-OT for the supply and delivery of gasoline, clear and coloured diesel fuel to City locations, based on the Toronto Rack Pricing plus a unit cost per litre for delivery to each location for a four year term, expiring March 31, 2021; and

THAT Purchasing Division be authorized to issue a Purchase Order for each operating year over the four year term.

Department Head:

Corporate Services Director / Other:

Chief Administrative Officer:

Background:

At the Council meeting of March 4, 2014, Council adopted the following resolution:

CR2014-212

RESOLVED THAT Report PUR2014-011, **Tender 2013-114-OT Supply and Delivery of Gasoline, Clear and Coloured Diesel Fuel to the City of Kawartha Lakes**, be received;

THAT the City participate in the co-operative opportunity for the supply and delivery of gasoline, clear and coloured diesel fuel, under the same terms and conditions of the City of Peterborough's Tender T-36-13;

THAT Suncor Energy Products Partnership of Mississauga be selected for the award of City of Kawartha Lakes' Tender 2013-114-OT for the supply and delivery of gasoline, clear and coloured diesel fuel to City locations, based on the Toronto Rack Price plus a unit cost per litre for delivery to each location as indicated in Chart 2 for each fuel type for a term of three (3) years;

THAT the necessary by-law be forwarded to Council for adoption;

THAT subject to receipt of the required documents, the Purchasing Division be authorized to issue a Purchase Order to Suncor Energy Products Partnership of Mississauga for each of the operating years commencing; March 1 to December 31, 2014; January 1 to December 31, 2015; and January 1 to December 31, 2016; and

THAT staff advise of the option to renew this contract for an additional two (2) terms of two (2) years each to be approved in accordance with the Purchasing Policy, Table of Authority 4.04, subject to favourable performance of the contract and satisfactory pricing being established.

CARRIED

Further, at the Council meeting of January 10, 2017, Council adopted the following resolution.

CR2017-021

RESOLVED THAT Report PUR2017-006, **Amending Agreement for Tender 2013-114-OT - Supply and Delivery of Gasoline, Clear and Coloured Diesel Fuel**, be received;

THAT the Amending Agreement with Suncor Energy Products Partnership of Mississauga be approved to be entered into for three months to coincide with the term of the Kawartha Collaborative Purchasing Group (KCPG) co-operative contract from January 1, 2017 to March 31, 2017 at the estimated operating cost of \$386,000.00;

THAT subject to receipt of the required documents, the Mayor and Clerk be authorized to execute the Amending Agreement; and

THAT Purchasing Division be authorized to issue a Purchase Order in 2017.

CARRIED

In December 2016, the City of Peterborough, being the lead of this co-op opportunity entered into negotiations with Suncor for the contract extension. Suncor offered options, a two year extension and a four year extension to cover the period April 1, 2017 to March 31, 2021.

The City of Kawartha Lakes has participated in this co-operative fuel tender since 2004 with the City of Peterborough being the lead. Participating members in the co-operative group include: County of Peterborough (including Peterborough County/City Paramedics PCCP); Trent University; Township of Cavan Monaghan; Township of Douro-Dummer; Peterborough Utilities Services; Township of Otonabee-South Monaghan; Township of Selwyn; Township of Trent Lakes; Township of Asphodel-Norwood; and, the City of Kawartha Lakes, consisting of 14 City locations totalling 39 delivery locations within the co-operative.

Rationale:

Staff recommend that Suncor Energy Products Partnership of Mississauga be approved for the award to enter into the four year extension to the contract for Tender 2013-114-OT for the supply and delivery of gasoline, clear and coloured diesel fuel to City locations, based on the Toronto Rack Pricing plus a unit cost per litre for delivery to each location as indicated in Chart 2 for each fuel type, expiring March 31, 2021.

Other Alternatives Considered:

The City may choose not to accept the proposed four year extension and accept only the 1st - two year extension. This option is not supported by staff as indicated in Chart 2 and also based on the fact that: a co-operative competitive, procurement process was followed in 2014; pricing obtained in that process yielded good value and continues to do so; operating funds are available; the City of Peterborough is supporting the four year extension; and, this commodity is a necessity for the performance of day to day City operations.

Financial Considerations:

Chart 1 – Supply Cost as Established on January 2, 2017 - Rack Price

Chart 1 provides the cost for the supply of each fuel type, based on the daily rack prices recorded on January 2, 2017. Actual costs for supply will be based on the daily rack price for that particular fuel type and will fluctuate daily during the term of the contract.

FET - Federal Excise Tax, PFT – Provincial Fuel Tax

Fuel Type	Rack Price per Litre (Jan 2, 2017)	FET Per Litre	PFT Per Litre	HST Per Litre	Sub-Total Est Cost for Supply Per Litre	Est Yearly Usage (litres)	Est Yearly Supply Cost
Regular Unleaded	\$0.6920	\$0.100	\$0.1470	\$0.122	\$1.0611	611,000	\$648,332.10
Clear Diesel	\$0.7430	\$0.040	\$0.1430	\$0.120	\$1.0464	974,000	\$1,019,193.60
Dyed Diesel	\$0.7430	\$0.040	n/a	\$0.120	0.8848	285,000	\$252,168.00
Total						1,870,000	\$1,919,693.70

Chart 2 - Annual Delivery Costs for both a Two Year and a Four Year Deal

	Two Year Deal	Two Year Deal	Four Year Deal	Four Year Deal
	Unleaded	Diesel	Unleaded	Diesel
Year One	\$11,628.50	\$28,345.50	\$11,323.00	\$25,198.00
Year Two	\$11,628.50	\$28,345.50	\$11,323.00	\$25,198.00
Total	\$23,257.00	\$56,691.00	\$22,646.00	\$50,396.00
Year Three			\$14,378.00	\$31,493.00
Year Four			\$14,378.00	\$31,493.00
Total			\$28,756.00	\$62,986.00

By signing a four year extension, the City will save an estimated amount of \$6,906.00 (two year deal of \$79,948.00 vs a four year deal of \$73,042.00) in savings, excluding taxes, for delivery costs of gasoline and diesel fuel to all locations in the first two years of the four year deal.

However, years three and four do have a cost increase for delivery. This may be offset since there is uncertainty surrounding the full impact of Ontario's new Cap and Trade Program over the next few years. If the cost of fuel increases substantially over the next four years, there is also certainty surrounding increased costs for delivery to City locations. Invariably, delivery costs associated with fleet maintenance, insurance and staffing will also increase. At an average annual increase of \$5,897, in year three and four, the four year deal provides good value to the City since cost of delivery will be a known operating expense.

The members of the Co-operative, including staff of the City of Kawartha Lakes is satisfied with the service provided by Suncor and their local provider, Upper Canada Fuels.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

While there is no direct link to the strategic priorities, this purchase does address the strategic enablers of Responsible Fiscal Resource Management, Municipal Service Excellence and Efficient Infrastructure and Asset Management.

Review of Accessibility Implications of Any Development or Policy:

Not applicable.

Servicing Comments:

Not applicable.

Consultations:

Todd Bryant, Manager, Fleet and Transit Operations

Attachments:

Not applicable.

Phone:	705-324-9411 Ext 1143
E-Mail:	brobinson@city.kawarthalakes.on.ca
Department Head:	Bryan Robinson, Director of Public Works
Department File:	2013-114-OT Supply and Delivery of Gasoline, Clear and Coloured Diesel Fuel (Co-operative) Four Year Extension