

NO: R154

COUNCIL DATE: July 22, 2019

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 17, 2019**

FROM: **Acting General Manager, Engineering**

FILE: **1220-040-2018-099**

SUBJECT: **Award of Contract No. 1220-040-2018-099
Supply and Delivery of Fuels**

RECOMMENDATION:

The Engineering Department recommends that Council:

1. Award Contract No. 1220-040-2018-099 to Suncor Energy Products Partnership for the supply and delivery of bulk fuels for a five-year term ending May 9, 2024 in the amount of \$18,251,000 (including applicable taxes and levies);
2. Approve the option to extend Contract No. 1220-040-2018-099 for two additional one-year terms, at the City's discretion, to provide the supply and delivery of bulk fuels;
3. Set the expenditure authorization limit for the initial five-year term of Contract No. 1220-040-2018-099 at \$18,251,000 (including applicable taxes and levies); and
4. Authorize the General Manager, Engineering to approve all optional extensions related to Contract No. 1220-040-2018-099 within the expenditure authorization limit of \$3,985,269 for Year 6 (including applicable taxes and levies), and \$4,104,827 for Year 7 (including applicable taxes and levies).

INTENT

The purpose of this report is to seek Council approval for the purchase of bulk fuels (gasoline and diesel) with two procurement objectives. Firstly, the procurement aimed to identify opportunities for the British Columbia Petroleum Product Buying Group ("BCPPBG") to transition over to fuels with a higher proportion of renewable content, which would allow for the reduction in greenhouse gas emissions and environmental impacts associated with operating a city fleet. Secondly, the procurement aimed to ensure the BCPPBG members would maintain access to their core fuel types at competitive pricing.

DISCUSSION

The City is a participant in the BCPPBG. The BCPPBG is comprised of approximately 70 local, regional and municipal government and school board member organizations, which in total purchase approximately 37 million litres of fuel annually. The type of fuels purchased are gasoline, diesel and bio-diesel. Lower Mainland members purchase the majority of fuel (approximately 70%) followed by the Interior and Vancouver Island (approximately 13% each) and Prince George (approximately 4%). The City has identified the transition to bio-diesel fuel as a significant factor in achieving its sustainability commitments.

EVALUATION

On March 5, 2018, a public competitive procurement was undertaken by the City of Vancouver, lead agency on behalf of BCPPBG. The City of Vancouver received responses from 4Refuel Canada LP, Imperial Oil Ltd., Mansfield of Canada ULC, Parkland Refining BC Ltd., and Suncor Energy Products Partnership.

The responses were evaluated through the work of an evaluation team comprised of representatives from the City of Vancouver's Engineering Services and Sustainability Departments, under the stewardship of Vancouver's Supply Chain Management to ascertain if the responses offered good overall value; both quantitative and qualitative evaluation factors were considered.

The evaluation criteria considered in the overall evaluation process included:

1. Technical Requirements: Ability to supply and deliver products, operational services and support, product knowledge, regulatory compliance and business technology capabilities;
2. Sustainability Requirements: Carbon intensity of fuel, renewable content (as applicable) in fuel, Sustainability Leadership Questionnaire, and Fuel Delivery Questionnaire; and
3. Financial Requirements: Bulk fuel pricing (base price, bridging fees, discounts, taxes, invoicing) and card lock pricing.

Based on the overall evaluation, the evaluation team concluded that the proposal submitted by Suncor Energy Products Partnership best met the BCPPBG's and municipal requirements and provided the best overall value.

As a result of the competitive solicitation process, based on the current fuel prices and volumes, the City of Surrey is forecasting a savings of approximately 6.5% over the initial five-year term. However, it is important to note that the 2019 annual fuel budget is expected to increase from the 2018 budget to reflect the significant change in fuel rates over the past year. The savings resulting from the procurement process will partially offset the 2019 budget rate increase.

In 2018, the City spent \$2,980,000.00 on bulk fuel purchases. This is broken down into three areas:

- City operations - \$1,463,000.00
- Fuel supplied to Surrey RCMP - \$1,387,000.00
- Surrey Fire Department - \$130,000

Fuel consumption over the next five years is forecasted to remain equivalent to 2018 totals. The anticipated cost for the five-year term is \$18,251,000 (including applicable taxes and levies). In this cost, staff have included a 3% increase/annum in fuel rates to allow for standard Consumer Price Index inflation. Should the City decide to exercise its option of the additional two one-year terms, there is an associated additional cost of \$8,090,000 (including applicable taxes and levies).

SUSTAINABILITY CONSIDERATIONS

This Contract will support the objectives of the City's Sustainability Charter 2.0. In particular, the supply of fuels relates to the Sustainability Charter 2.0 themes of Public Safety, Economic Prosperity and Livelihoods, and Infrastructure. Specifically, this purchase supports the following Desired Outcomes ("DO") and Strategic Directions ("SD"):

- Emergency Preparedness and Prevention DO6: Surrey has proactive and coordinated emergency prevention measure in place, and can effectively deal with emergencies that arise;
- Economy SD9: Expand the sharing economy opportunities in Surrey;
- Materials and Waste DO20: Materials and resources are used efficiently, sourced locally where feasible, and repurposed or recycled at the end of their life cycle; and
- Energy and Climate SD5: Work collaboratively with diverse stakeholders to lower greenhouse gases and to improve air quality.

FUNDING

Funding for the supply and delivery of fuels is available from the Engineering, RCMP and Fire operating budgets.

CONCLUSION

It is therefore recommended that Suncor Energy Products Partnership be awarded Contract No. 1220-040-2018-099 for the supply and delivery of vehicle fuels for a five year-term, with an approximate value of \$18,251,000 (including applicable taxes and levies) for the initial five-year term, with an option to renew for an additional two one-year terms with a cumulative cost for a seven-year term of \$26,341,000 (including applicable taxes and levies).

Scott Neuman, P.Eng.
Acting General Manager, Engineering

RK/cc