



**To:** MAYOR AND CITY COUNCIL

**Agenda Item #:** IV. C

**From:** Brian E. Olson, Director of Public Works *BEO*

**Action**

**Discussion**

**Date:** October 14, 2013

**Information**

**Subject:** Authorization to Participate in 2013-2014 Fuel Consortium

**Action Requested:**

Authorize staff to participate in the 2013-2014 State of Minnesota Fuel Consortium.

**Information / Background:**

The City of Edina has participated in the State of Minnesota's Fuel Consortium Purchase Program since 2009, see attached fuel purchasing history. The purpose of the Fuel Consortium Purchase Program is to develop a consistent fuel budget for each budget year. The Fixed Price Fuel Program is similar to the road salt purchasing program, where the City must agree to a certain volume of fuel to be purchased. The City needs to submit our requested amount by October 11, 2012; State of Minnesota will then go out for bids before January.

The City in the past few years has committed up to 70% of our total volume of fuel to be purchased through this program. The other 30% is purchased through the Daily Rack Price for that particular day. Staff does not recommend purchasing 100% of our budgeted fuel, since the consumption of fuel can vary from year to year based on how many miles driven and also how volatile the fuel market has been. There is also a possibility that the Daily Rack Price could go below the Fixed Price making it more advantageous to purchase at a lower cost when possible.

Staff has reviewed the information and recommends that City Council authorize Staff to enter a Contract committing to purchase an amount of fuel similar to that of the 2013 - 2014 program.

**ATTACHMENTS:**

- Memo of September 23, 2013 from State of Minnesota Materials Management Division
- Past fuel purchasing history

**DATE: SEPTEMBER 23, 2013**

**TO: PERSPECTIVE FUEL CONSORTIUM MEMBERS**

**FROM: JACKIE FINGER – STATE MATERIALS MANAGEMENT DIVISION**

**RE: FIXED PRICE FUEL PROGRAM FOR 2014-2015  
(New Contract Term: February 1, 2014, through January 31, 2015)**

The State will again lead the 2014-2015 Fixed Price Fuel Program for qualified participants. The qualification requirements are as follows:

- Participant must be a CPV member and agree to comply with all terms and conditions of the contract.
- Participant must be located in the nine county metropolitan area (Anoka, Carver, Dakota, Hennepin, Scott, Sherburne, Ramsey, Wright and Washington) or as amended.
- The tanks must be owned and maintained by the Participant.
- Participant must be able to take either gasoline or diesel fuel in the required product type (B5, B10, etc.) and as delivered by the Contract Vendor in quantities of at least 500 gallons per delivery.
- Participant must take 100 percent of the committed monthly amount at the fixed price contracted on its behalf.
- Fill rate must be at least 500 gallons or more.
- Once final Contracts are executed, the participating agency or entity will be notified of the price and the name of the Contract Vendor.

**CAREFULLY REVIEW THE FOLLOWING INFORMATION!!!**

Only those agencies that wish to participate in the **Fixed Price Program** must complete the fuel questionnaire and return it to my attention **no later than October 23, 2013. LATE RESPONSES WILL NOT BE CONSIDERED.** **If you are required to obtain approval by your governing board, plan accordingly. Please be careful to provide accurate information.**

The **Spot Price Program** does not require firm quantities to be submitted and the Spot Price Program may be used on an as needed basis by any participants in the Fixed Price Fuel Program if they so choose.

If you have any questions, please feel free to contact me via E-mail (**PREFERRED**): [jackie.finger@state.mn.us](mailto:jackie.finger@state.mn.us) or by phone at 651.201.2436 or via fax at 651.297.3996. Thank you.

**RETURN ORDER FORM NO LATER THAN OCTOBER 23, 2013.**

**FUEL CONSORTIUM – OVERVIEW**

**IMPORTANT NOTE TO CURRENT PARTICIPANTS:** The current Contract with Yocum Oil does not expire until January 31, 2014. A new solicitation will be issued in October, 2013, to qualify vendors to participate in the 2014-2015 program. Due to market conditions **AND** the solicitation process, the Fuel Core Team is exploring its pricing options for a new program that will begin on February 1, 2014. To achieve this, participants **MUST submit their quantities for the Fixed Price Program NO LATER THAN OCTOBER 22, 2013.**

**FIXED PRICE PROGRAM** – The agencies participating in the Fixed Price Schedule are required to take 100% of its monthly quantity committed and the Contract Vendor is required to provide 100% of the monthly quantities contracted. **The program will be for 12 months beginning February 1, 2014, through January 31, 2015.**

If the original purchaser is unable to take all of the monthly committed gallons, the Contract Vendor will be responsible for contacting other locations participating in the Fixed Price Contract to determine if they are able to take additional gallons.

If the Contract Vendor is able to ship the unused gallons from the original participating purchaser to another participating agency, there will be no cost to the original participating agency. If the Spot Price is less than the Fixed Price, participants are not required to take more than the monthly amount they committed to.

If the Contract Vendor is unable to ship the unused gallons from the original participating purchaser to another participating agency, they may sell the unused gallons on the open market and either debit or credit the difference in price back to the original participating purchaser based on the open market sell price.

If the Contract Vendor is unable to provide all of the monthly committed gallons to a participating member by the due date and time, the participating member may purchase the product on the open market and charge the Contract Vendor for any actual additional costs incurred.

**SPOT PRICE PROGRAM.** In addition to a Fixed Price program, we will include a Spot Price program for **Participants** to handle extra fuel needs over and above the committed quantities in the Fixed Price program. **Only Participants in the Fixed Price program may use the Spot Prices offered by the Contract Vendor.**

Participants are not required to use the Spot Price program and may use other State Spot Price programs currently in place or may purchase their additional fuel needs independently.

If the Contract Vendor is unable to provide the order quantity to a State agency or CPV member by the required due date and time, the State agency or CPV member may purchase the product on the open market and charge the Contract Vendor for any actual additional costs incurred.

**The signature below agrees to all terms, conditions and prices of any Contract agreement entered into on its behalf by the State of Minnesota which includes, but is not limited to, taking 100% of the monthly fuel quantities submitted for the Fixed Price Program on the Fuel Order Form. There is no requirement to take any product using the Spot Price Program.**

AGENCY NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_ TITLE: \_\_\_\_\_

PHONE NO.: \_\_\_\_\_ FAX NO.: \_\_\_\_\_ E-MAIL: \_\_\_\_\_

AUTHORIZED SIGNATURE: \_\_\_\_\_

**RETURN ORDER FORM NO LATER THAN OCTOBER 22, 2013.**

# CITY OF EDINA

## FUEL PURCHASING HISTORY

September 27, 2013

YEAR	FUEL		AVERAGE COST PER GALLON			
			DIESEL		UNLEADED GAS	
	DIESEL	UNLEADED GAS	FIXED	RACK	FIXED	RACK
2000	54,378	101,164	Data Not Available			
2001	58,549	107,836	Data Not Available			
2002	56,669	108,305	Data Not Available			
2003	59,522	108,310	Data Not Available			
2004	57,021	107,847	Data Not Available			
2005	61,985	107,641	Data Not Available			
2006	55,968	102,392	Data Not Available			
2007	65,059	104,461	Data Not Available			
2008	62,986	103,905	Data Not Available			
2009	61,450	98,007	\$ 1.9442	\$ 1.9338	\$ 1.4500	\$ 1.7552
2010	60,760	91,023	\$ 2.2916	\$ 2.3271	\$ 2.0948	\$ 2.1365
2011	58,606	97,046	\$ 2.7739	\$ 3.2227	\$ 2.4758	\$ 2.8861
2012	59,180	104,011	\$ 3.1341	\$ 3.2804	\$ 2.6940	\$ 2.8495
2013*	47,018	66,719	\$ 3.1881	\$ 3.2862	\$ 2.7627	\$ 2.9879

\*Notes: Through Sept 27, 2013