Agenda – Executive Policy Committee – July 13, 2011

REPORTS

Item No. 5 Award of Contract – Supply and Delivery of Fuels

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the contract for the Supply and Delivery of Fuels for the period of January 1, 2012 to December 31, 2014 be awarded to Shell Canada Limited (Option 2) the bidder who submitted the lowest responsive bid in the estimated amount of $73,830,052.44 plus GST.

2. That the authority be delegated to the Chief Administrative Officer to award the additional one (2) year extension for the period of January 1, 2015 to December 31, 2017, subject to mutual agreement.

ADMINISTRATIVE REPORT

Title: **AWARD OF CONTRACT FOR THE SUPPLY AND DELIVERY OF FUELS, BID OPPORTUNITY 101-2011**

Critical Path: **Executive Policy Committee/Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. D'Avignon	M Ruta CFO	M Ruta CFO/Deputy CAO	P Sheegl CAO

RECOMMENDATIONS

1. That the contract for the Supply and Delivery of Fuels for the period of January 1, 2012 to December 31, 2014 be awarded to Shell Canada Limited (Option 2) the bidder who submitted the lowest responsive bid in the estimated amount of $73,830,052.44 plus GST.
2. That the authority be delegated to the Chief Administrative Officer to award the additional one (2) year extension for the period of January 1, 2015 to December 31, 2017, subject to mutual agreement.

REASON FOR THE REPORT

As the total conditional amount to be paid by the City pursuant to the contract is estimated to be $73,830,052.44 plus GST, Council may approve the award of this multi-year contract pursuant to the Materials Management Policy. The contract is for a purchase that obligates the City to order goods only when required by the City and only in quantities required by the City.

IMPLICATIONS OF THE RECOMMENDATIONS

The contract is for the supply and delivery of fuels, including diesel fuel, gasoline and furnace fuel for the City, and for cooperative purchases including those by the University of Manitoba and multiple school divisions.

The estimated contract amount of $73,830,052.44 does not include the amount of any cooperative purchases. The bid prices stated below and the contract amount differ because of the cooperative purchases.

The contract is for the period of January 1, 2012 to December 31, 2014 with the option of one (1) mutually agreed upon two (2) year extension.

This contract is on an "as required" basis and does not commit the City to purchase any fixed quantity. The goods are purchased and used by various City departments during the term of the contract. As the funding for this contract is through the budgets of the various user departments, the financial impact will have to be determined by the user departments on an individual basis.

HISTORY

Bid Opportunity 101-2011 was issued on April 5, 2011. The submission deadline was May 6, 2011.

The Bid Opportunity stated that the award of the contract would be based on the evaluated contract amount which would be the sum of the approximate annual quantities multiplied by the unit prices for each of the three dates in time for each item shown on Form B: Prices and divided by 3 to reach an average for each item.

Bids were received from the following bidders:

Shell Canada Limited Option 2	$78,307,928.68*
Shell Canada Limited Option 1	$78,452,841.15
Suncor Energy Products Partnership	$79,235,307.32
Larry Penner Enterprises Inc.	$80,448,035.76
First Canadian Fuels Limited	$81,490,781.53

*$73,830,052.44 relates to City purchases. The balance of $4,477,876.24 relates to cooperative purchases.

The prices bid were based on three specific days in time for March 2011. The pricing throughout the contract will be in accordance with the Bid Opportunity document for a daily price adjustment mechanism based on the Index to Product Price. Shell Canada Limited was the low bidder for both its Option 1 (Index to Product Price – 30 day terms) and Option 2 (Index to Product Price – 14 day terms). Option 2 is being recommended because it results in the lowest overall cost to the City.

Users such as the University of Manitoba and the school divisions purchase fuel pursuant to this cooperative purchase and will be responsible to set up their own contracts and pay for their own fuel.

The Manager of Materials waived the requirements for Bid and Performance Securities, and the execution of a formal contract in accordance with the authority delegated pursuant to Administrative Standard FM-002.

The Contract Administrator is satisfied that the recommended bidder has the necessary experience and resources to perform the work of the contract satisfactorily and in accordance with the requirements of the Contract.

The bids are open for acceptance until August 4, 2011.

It is therefore recommended that Shell Canada Limited be awarded the Contract for the Supply and Delivery of Fuels in the estimated amount of $73,830,052.44 plus GST.

Fuel usage by department, per litre, is shown in Table 1.

Table 1: City Usage by Litre

Department	Diesel Fuel, Type B ULS	Diesel Fuel, Type B ULS Marked	Diesel Fuel, Locomotive	Furnace Fuel, Type 2	Gasoline, Unleaded Regular
Fire Paramedic		3,050			
Fleet Management Agency	2,386,115	1,480,139			3,812,169
Planning, Property and Development		52,282			33,029
Public Works	23,833				76,429
Transit	16,119,007				160,284
Water & Waste	333,935		37,875	8,713	40,612
Total litres	**18,862,890**	**1,535,471**	**37,875**	**8,713**	**4,122,523**

FINANCIAL IMPACT

Financial Impact Statement **Date:** June 16, 2011

Project Name: **First Year of Program** **2012**

AWARD OF CONTRACT FOR THE SUPPLY AND DELIVERY OF FUELS, BID OPPORTUNITY 101-2011

	0	1	2	3	4
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

1.Funding for this Contract is through the budgets of the various user departments. This service is purchased and used by various City departments during the term of the Contract. The financial impact will have to be determined by the user departments on an individual basis. The Contract does not commit the City to purchase any fixed quantity.
2. This contract is for an estimated $73,830,052.44 plus applicable taxes over a two (2) year period, January 1, 2012 to December 31, 2014 with the option of one (1) mutually agreed upon two (2) year extension.

Org. signed by F. Dela Cruz f/R. Abeysekera
R. Abeysekera

CONSULTATION

In preparing this report there was consultation with:

Materials Management Division
Legal Services Department – as to legal issues

SUBMITTED BY

Department	Corporate Finance
Division	Materials Management
Prepared by:	C. Evason
Date:	July 6, 2011
File No.	101-2011