



Legislation Text

File #: 16-497, **Version:** 1

AUTHORIZATION TO ENTER INTO A LINKING AGREEMENT WITH WESTERN STATES PETROLEUM, INC., FOR GASOLINE AND DIESEL FUEL, AND RATIFICATION OF EXPENDITURES

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Purpose and Recommended Action

This is a request for City Council to authorize the City Manager to enter into a Linking Agreement with Western States Petroleum, Inc., for gasoline and diesel fuel in a not to exceed amount of \$15,300,000 for the entire term of the Agreement (initial term plus any renewals), and to authorize the City Manager to renew the Agreement, at the City Manager's discretion, for an additional two, one-year renewals, and to ratify previous expenditures in an approximate amount of \$200,000 for fuel provided between October 1, 2016 and award of the Agreement. The initial term of the Agreement is effective October 1, 2016 through September 30, 2019.

Background

In Fiscal Year 2015-16, the Fleet Management division of Public Works procured approximately 1.1 million gallons of fuel at a cost of approximately \$2.1 million in gasoline and diesel fuel for use by the city fleet as staff drove over 7 million miles to deliver essential services to the community. The service areas that routinely consume the most fuel include Police, Fire, Solid Waste, Transportation, and Water Services.

On September 22, 2015, the city entered into a Linking Agreement with Supreme Oil, Contract No. C-10286, for the purchase of diesel and gasoline fuel, utilizing a cooperative purchase agreement with the City of Mesa. The initial term of the Agreement was effective through June 30, 2016, and the City of Mesa extended the agreement effective through September 30, 2016 allowing the city to follow suit and provide Fleet Management additional time to procure another vendor for fuel services.

Western States Petroleum, Inc. was awarded a bid by the City of Mesa for Gasoline and Diesel Fuel. Staff is requesting to utilize the cooperative purchase with Strategic Alliance for Volume Expenditures (SAVE). SAVE is a consortium of local municipalities, in which Glendale is a member. Contract #2016201 was awarded on September 12, 2016, effective on October 1, 2016 through September 30, 2019, and includes an option to renew the term for an additional two, one-year renewals, allowing the contract to be extended through September 30, 2021.

Cooperative purchasing allows counties, municipalities, schools colleges and universities in Arizona to use a contract that was competitively procured by another governmental entity or purchasing cooperative. Such purchasing helps reduce the cost of procurement, allows access to a multitude of competitively bid contracts, and provides the opportunity to take advantage of volume pricing. The Glendale City Code authorizes cooperative purchases when the solicitation process utilized complies with the intent of Glendale's procurement processes. This cooperative purchase is compliant with Chapter 2, Article V, Division 2, Section 2-

149 of the Glendale City Code, per review by Materials Management.

Analysis

Fleet Management worked with Materials Management to analyze existing cooperative purchasing agreements as well as the possibility of the city publicly bidding the purchase and it was determined it would be most advantageous to work with neighboring jurisdictions on a large volume agreement. The City of Mesa designed the cooperative purchasing agreement in conjunction with Mesa Unified School District No. 4, Town of Gilbert, Gilbert Public Schools, Tempe Union High School District, and the City of Glendale. This enabled Fleet Management to ensure the best possible fuel pricing, consistent inventory levels of fuel, and a delivery time of no more than 48 hours after placement of fuel order.

Western States Petroleum, Inc. provided a markup or discount per gallon for 10 types of fuel. Pricing during the contract will be based on the "Oil Price Information Service (OPIS)" index for Arizona, adjusted per the markup or discount, each Monday, and will be in effect for the week following publication of the OPIS index. Fuel usage is tracked and city departments are charged back on a monthly basis. Any fuel purchases that are anticipated to exceed this annual budget amount, due to fuel price increases or other circumstances, will be brought forward for further Council action to increase the spending limit.

The City of Mesa awarded the cooperative purchasing agreement on September 12, 2016, which was too late to sign an agreement and meet public posting guidelines for the September Council voting sessions, and the prior contract for fuel expired on September 30, 2016. Therefore, staff is requesting that Council ratify expenditures in an approximate amount of \$200,000.

Previous Related Council Action

On September 22, 2015, City Council authorized entering into a Linking Agreement with Supreme Oil Company, Contract No. C-10286, for the purchase of gasoline and diesel fuel for city fleet in an amount not to exceed \$3,400,000 annually.

On June 25, 2013, City Council authorized the expenditure of funds with Supreme Oil Company for the purchase of gasoline and diesel fuel for City fleet in an amount not to exceed \$3,750,000 annually.

Community Benefit/Public Involvement

The expedient delivery of fuel and the ability to maintain proper inventory levels at city fuel pump locations are critical for the uninterrupted delivery of city services to the community, such as police and fire emergency response, water and wastewater operations, transportation services, and solid waste collection.

Budget and Financial Impacts

Funding is available in the Fiscal Year 2016-17 Fuel Services budget. Expenditures with Western States Petroleum, Inc. are not to exceed \$15,300,000 over the entire term of the Agreement, contingent upon annual Council Budget approval.

Cost	Fund-Department-Account
\$2,547,878	2590-18301-523200, Fuel Services

Capital Expense? No

Budgeted? Yes

Requesting Budget or Appropriation Transfer? No

If yes, where will the transfer be taken from?