

To: MVTA Board

Date: June 26, 2012

From: Glenn Boden

Re: Approve Continued Participation in the State of Minnesota's Fuel Consortium

Requested Action

Approve participation in the State of Minnesota's Fuel Consortium to procure fuel for the 2013-2014 program year.

Background

The State of Minnesota's Fuel Consortium has two procurement programs for fuel – a fixed price program and a spot price program. Staff is requesting approval to participate in both programs. Current market conditions for crude oil are prompting the State to review all available options for fuel prices for the 2013-2014 program sooner than anticipated. Many factors are contributing to the current dip in fuel prices and estimates are being projected for early fall that would be far less than what the current rates are for the 2012-2013 program.

In order to participate in the fixed price program, MVTA needs to agree to take 100 percent of the committed monthly amount at the fixed contracted price with a 500 gallon minimum. MVTA currently uses approximately 740,000 gallons per year or 62,000 gallons per month. Staff is asking to commit to 80 percent of our annual usage. This equates to 600,000 gallons per year or 50,000 gallons per month. If, for some reason, MVTA is unable to take all of the monthly committed gallons, we would be responsible to contact another participating agency to determine if they are able to take the additional gallons. If another agency takes the fuel, there will be no additional cost to us.

The remainder of the needed fuel would be purchased using the Spot Price Program. The Spot Price Program does not require any commitment and may be used on an "as needed" basis by the participants. It is designed to handle extra fuel needs over and above the committed quantities in the Fixed Price Program.

Impact

Procurement of a portion of MVTA fuel requirement through a fixed price program provides financial stability for MVTA's budget. It also ensures that MVTA is compliant with Minnesota's Uniform Municipal Contracting Law.

In order to be able to react to a favorable market and participate in the Fuel Consortium, MVTA's fuel estimates for the 2013-2014 Fixed Price Fuel Program must be submitted no later than July 11, 2012.

Recommendation

It is recommended that the Board approve participation in the State of Minnesota's Fuel Consortium for the Fixed Price Program for the period February 1, 2013 – January 31, 2014 at a minimum monthly quantity of 50,000 gallons and the Spot Price Program for the remainder of MVTA's fuel requirement.