

FINANCE COMMITTEE AGENDA

January 26, 2015 @ 5:15 pm

- 1. Bids/Purchasing**
 - a. Review of Fixed Rate Fuel Pricing Options
- 2. Executive Session–36 MRSA Section 841(2)–Hardship Abatements A & B**
- 3. Open Session – Hardship Abatement Decisions A & B**

To: Finance Committee
From: Debbie Cyr
Date: January 21, 2015
RE: Fixed Price Fuel Contracts

The City currently contracts with Maine Energy and Dysarts for #2 heating oil, propane, dyed diesel, diesel and unleaded gasoline. Maine Energy provides these products to locations that cannot accept large (transport) delivery trucks and the large (transport) delivers are provided by Dysarts.

While preparing pricing for the upcoming FY 2016 budget process, both vendors indicated the ability to provide fixed pricing for diesel gasoline, heating oil and propane. With the current state of the petroleum markets, staff's recommendation is that the City consider entering into fixed price contracts.

Diesel gasoline and propane are currently the two most advantageous and provide the greatest predictability as to the City required volume. Heating oil is a little more complicated in that we would have to obtain pricing from the futures market and commit to a number of gallons per month or pay for the gallons regardless.

As an example the City and school purchase approximately 350,000 gallons of diesel from Dysarts. The price per gallon in January 2014 was \$3.40 and the price per gallon in January 2015 was \$2.13. The market price estimate we received from Dysarts on January 15, 2015 was \$2.17 per gallon for gallons purchased during FY 2016.

Staff recommendation is to grant authority to the Finance Director and City Manager to execute fixed rate pricing contracts with the City's current fuel suppliers for the period through June 30, 2016. As timing may be of the essence to capture the best market rates, a Council Order authorizing staff's recommendation will be on tonight's agenda for Council action. If recommended by the Committee and approved by the Council, staff will provide an update at the next Finance Committee meeting following any such action.