

**To the Mayor and Members of the City Council****June 14, 2011**

Page 1 of 2

SUBJECT: FORT WORTH SETS THE BAR WITH NATIONAL FUEL CONTRACT TO REDUCE FUEL COSTS AND EARN ADDITIONAL REVENUES

Fort Worth continues to show the nation how partnerships mean progress as it took the lead on a national effort to leverage the bargaining power of public agencies when purchasing the needed fuel to keep our public fleets moving. The effort started small, but has blossomed into a one-of-a-kind national model.

In 2002, Tarrant County and the City of Fort Worth cooperated to purchase bulk fuels to lower fuel expenses by leveraging volume buying discounts. The City of Fort Worth became the contracting agency. That cooperative effort was so successful that over a period of six years it expanded from two partners consuming 3 million gallons of fuel to 27 partners consuming more than 14 million gallons of fuel annually. The larger group called itself the North Texas Regional Fuel Consortium and it included municipalities, counties, school districts and universities.

In July 2008, the Regional Fuel Consortium was featured as a model in Government Fleet Magazine, and agencies in Georgia and Virginia began modeling similar consortiums.

The benefits of this model were obvious and the momentum continued to grow. In September 2008, the National Intergovernmental Purchasing Alliance (National IPA) approached the City of Fort Worth about using its model to facilitate a competitive proposal process to be used by public entities nationwide. As part of this arrangement, the City would receive a portion of any administration fee received by National IPA from vendors as products were purchased by other public agencies. Recognizing the potential savings and additional revenue, the City of Fort Worth's Purchasing Division, with support from the Equipment Services Department, agreed to facilitate the project.

The final product, The National Fuel Contract, is the first and only one of its kind, and it benefits the City in two primary ways: It increases our bargaining power to leverage lower fuel prices and it generates the city additional revenue through the rebate agreement. Under the agreement, the City receives 8.333% of a one-cent administration fee the National IPA charges for each gallon of motor fuel sold under this national cooperative contract. This rebate revenue is deposited in the Equipment Services Fund to further reduce the cost of fuel and services to user departments. Realizing a transition period would occur as government agencies sought approval to move to the national contract, the City of Fort Worth negotiated a minimum first year rebate of \$10,000.

Currently, there are 16 government agencies using the national fuel contract including twelve of the North Texas Regional Fuel Consortium members that transitioned to the national contract.

In the first year of the agreement, the City saved \$39,787 dollars in fuel expenses and received the \$10,000 minimum rebate for a total first year savings of almost \$50,000. As we pass the mid way point of the second year, projections show that the city could realize almost \$40,000 in annual fuel savings and a rebate of more than \$16,400.

To the Mayor and Members of the City Council

June 14, 2011

Page 2 of 2



SUBJECT: FORT WORTH SETS THE BAR WITH NATIONAL FUEL CONTRACT TO REDUCE FUEL COSTS AND EARN ADDITIONAL REVENUES

Today, because of the great success of this national partnership, Government Fleet Magazine is once again interested in Fort Worth's leadership and is scheduled to publish an article in July 2011. Once this article is on the news racks, we expect more public entities to jump on board the National Contract further strengthening our momentum, saving tax pay dollars and earning additional revenue to support essential Fort Worth services.

If you have any questions regarding this information, please contact Jack Dale, Purchasing Manager, at (817) 392-8357 or Wayne Corum, Equipment Services Director, at (817) 392-5118.

A handwritten signature in cursive script, appearing to read "Tom Higgins".

for **Tom Higgins**
Interim City Manager