

STAFF REPORT



ITEM NO. **7**
CITY OF OCEANSIDE

DATE: January 26, 2011
TO: Honorable Mayor and City Councilmembers
FROM: Water Utilities Department
SUBJECT: **ANNUAL PURCHASE ORDERS OVER \$50,000**

SYNOPSIS

Staff recommends that the City Council approve annual purchase orders for the purchase of water and wastewater treatment chemicals in amounts over \$50,000 from various Water Utilities Department funds for a total of \$950,242; and authorize the Financial Services Director, or designee, to execute the annual purchase orders.

BACKGROUND

Each fiscal year, the City's Water Utilities staff estimates the quantity of special equipment, supplies and materials that will be needed for water and sewer systems maintenance and operation during the next fiscal year and submits requisitions for purchase orders for the required supplies. In accordance with Chapter 28A of the City Code, staff obtains three bids, unless the purchase is a sole-source item. The vendor or supplier is selected on the criteria of best product for the needed purpose at the lowest price. The process is the same for single-item purchases.

The Water Utilities Director requested that some of the chemicals that were initially submitted with three bids go through a reverse auction process in an attempt to lower the amount of the purchase order request. In a reverse auction, a buyer contracts with a reverse auction company to help make the necessary preparations to conduct the reverse auction. This includes: finding new suppliers, training new and incumbent suppliers, organizing the auction, managing the auction event, and providing auction data to buyers to facilitate decision making.

The reverse auction company, on behalf of the buyer, issues a request for quotation (RFQ) to purchase a particular item or group of items (called a "lot"). At the designated day and time, several suppliers, typically 5-20, log on to the auction site and will input several quotes over a 30-90 minute period. These quotes reflect the prices at which they are willing to supply the requested good or service. The goal is to reduce costs through competitive bidding.

On September 8, 2010, staff received approval from the City Council to obtain bids for certain chemicals through a reverse auction process; however, due to the essential nature of an uninterrupted supply of the chemicals in the water and wastewater

treatment process, staff proceeded with the City's usual purchase order approval process for FY 10-11. A reverse auction will be utilized in the spring for chemical purchases in FY 11-12.

The City may award contracts to the supplier who bid the lowest price. Or, the City could award contracts to suppliers who bid higher prices depending upon the buyer's specific needs with regards to quality, lead-time, capacity, or other value-adding capabilities.

ANALYSIS

Staff is requesting approval of open purchase orders based on our estimate of annual purchases and inventory replenishment for the fiscal year. The commodity nature of the supplies, materials and services purchased results in homogenous pricing across vendors. The requested vendors provide reliable service and a delivery schedule that is compatible with our requirements. Staff is requesting approval for purchase orders in the following table.

Vendor	Supplies/Services/Use	Sole Source/ Competitive Bid	Account Number	Requested Purchase Order Total
Brenntag Pacific	Aluminum Sulfate/Water treatment	Competitive Bid	750754711.5355.0002	\$100,000
	Sodium Hypochlorite (12.5%)/Water disinfectant	Competitive Bid	750754711.5355.0002 & 750755711.5355.0002	\$63,000
	Sulfuric Acid/Water treatment	Competitive Bid	750754711.5355.0002	\$55,000
	Sodium Hydroxide Solution (25%)/Water treatment	Competitive Bid	750754711.5355.0002 & 750755711.5355.0002	\$109,000
	Hydrochloric Acid/Water treatment	Competitive Bid	750754711.5355.0002	\$108,000
U.S. Peroxide, LLC	Hydrogen Peroxide/Wastewater odor control	Competitive Bid	800805721.5355.0002 & 800804721.5355.0002	\$377,865
Olin Chlor Alkali Products	Sodium Hypochlorite/Wastewater odor control & disinfectant	Competitive Bid	800805721.5355.0002 & 800804721.5355.0002	\$137,377
			Total:	\$950,242

FISCAL IMPACT

The City Council approved \$6,872,124 in the adopted budget for FY 2010-2011 for water and wastewater expenditures for inventory replenishment, chemicals, equipment, small tools, machinery, supplies, and services. The total amount is \$950,242 for the recommended purchases. There are available funds for the requested purchases.

COMMISSION OR COMMITTEE REPORT

Does not apply.

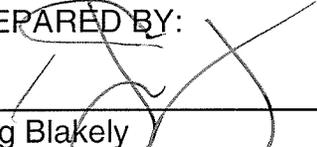
CITY ATTORNEY'S ANALYSIS

Purchases must comply with bid requirements set forth in Chapter 28A of the City Code. The reverse auction procedure is consistent with the competitive bidding requirements of Chapter 28A. Professional services agreements must be reviewed by the City Attorney and approved as to form.

RECOMMENDATIONS

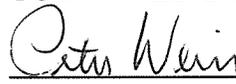
Staff recommends that the City Council approve annual purchase orders for the purchase of water and wastewater treatment chemicals in amounts over \$50,000 from various Water Utilities Department funds for a total of \$950,242; and authorize the Financial Services Director, or designee, to execute the annual purchase orders.

PREPARED BY:



Greg Blakely
Administration Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

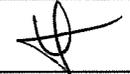
Michelle Skaggs Lawrence, Deputy City Manager



Cari Dale, Water Utilities Director



Teri Ferro, Financial Services Director



**City of Oceanside
Department Summary Report by Fund**

**Fiscal Year: 10-11
Thru Period 7 - January**

Business Unit Number and Name	Adopted Budget	Amended Budget	MTD Actual	YTD Actual	Encumbrances	Total Actual and Encumbrances	Variance to Amended Budget	% of Amended Budget
Water Utilities								
00711 - Water Operating Fd								
Revenue								
1711 - Water Operating	\$46,734,774.00	\$46,734,774.00	\$183,154.27	\$24,283,356.21	\$0.00	\$24,283,356.21	\$22,451,417.79	51.96%
750751711 - Water Source of Supply	\$0.00	\$0.00	\$0.00	\$1,235.30	\$0.00	\$1,235.30	(\$1,235.30)	0.00%
750756711 - Wtr Transp & Distribution	\$0.00	\$0.00	\$0.00	\$12,287.39	\$0.00	\$12,287.39	(\$12,287.39)	0.00%
750762711 - Clean Water Program	\$20,500.00	\$20,500.00	\$0.00	\$10,248.00	\$0.00	\$10,248.00	\$10,252.00	49.99%
908711500711 - CBI SLR Bacteria Tracking	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Total Revenue	\$46,755,274.00	\$46,755,274.00	\$183,154.27	\$24,307,126.90	\$0.00	\$24,307,126.90	\$22,448,147.10	51.99%
Expenditures								
1711 - Water Operating	\$3,999,235.00	\$3,999,235.00	\$0.00	\$2,753,198.00	\$0.00	\$2,753,198.00	\$1,246,037.00	68.84%
750010711 - Water Adm & General	\$4,481,204.00	\$4,481,204.00	\$3,050.41	\$2,042,484.64	\$20,608.31	\$2,063,092.95	\$2,418,111.05	46.04%
750750711 - Flood Control/Storm Drains	\$872,962.00	\$872,962.00	\$0.00	\$439,405.76	\$0.00	\$439,405.76	\$433,556.24	50.34%
750751711 - Water Source of Supply	\$25,210,401.00	\$25,210,401.00	\$6,458.32	\$7,960,892.41	\$203,037.79	\$8,163,930.20	\$17,046,470.80	32.38%
750752711 - Hydro-Electric Generation	\$4,750.00	\$4,750.00	\$268.17	\$1,571.39	\$0.00	\$1,571.39	\$3,178.61	33.08%
750753711 - Water Pumping	\$110,800.00	\$110,800.00	\$0.00	\$26,738.66	\$0.00	\$26,738.66	\$84,061.34	24.13%
750754711 - Water Treatment	\$1,605,964.00	\$1,605,964.00	\$32,198.00	\$664,128.14	\$384,465.36	\$1,048,593.50	\$557,370.50	65.29%
750755711 - Desalting Plant	\$2,106,228.00	\$2,106,228.00	\$3,311.32	\$966,502.00	\$236,711.70	\$1,203,213.70	\$903,014.30	57.13%
750756711 - Wtr Transp & Distribution	\$1,795,048.00	\$1,795,048.00	\$5,407.92	\$760,140.97	\$273,056.85	\$1,033,197.82	\$761,850.18	57.56%
750757711 - Water Meter Service	\$2,102,803.00	\$2,102,803.00	\$65.25	\$932,049.14	\$49,000.00	\$981,049.14	\$1,121,753.86	46.65%
750760711 - Water Laboratory	\$559,370.00	\$559,370.00	\$0.00	\$249,360.00	\$0.00	\$249,360.00	\$310,010.00	44.58%
750761711 - Water SCADA Program	\$295,237.00	\$295,237.00	\$0.00	\$125,529.13	\$3,986.40	\$129,515.53	\$165,721.47	43.87%
750762711 - Clean Water Program	\$1,202,593.00	\$1,202,593.00	\$2,059.00	\$544,475.36	\$51,084.50	\$595,559.86	\$607,033.14	49.52%

**City of Oceanside
Department Summary Report by Fund**

**Fiscal Year: 10-11
Thru Period 7 - January**

Business Unit Number and Name	Adopted Budget	Amended Budget	MTD Actual	YTD Actual	Encumbrances	Total Actual and Encumbrances	Variance to Amended Budget	% of Amended Budget
750763711 - Water GIS Program	\$351,669.00	\$351,669.00	\$0.00	\$153,089.59	\$0.00	\$153,089.59	\$198,579.41	43.53%
908711500711 - CBI SLR Bacteria Tracking	\$0.00	\$0.00	\$0.00	\$93,358.52	\$307,745.73	\$401,104.25	(\$401,104.25)	0.00%
Total Expenditures	\$44,698,264.00	\$44,698,264.00	\$52,818.39	\$17,712,923.71	\$1,529,696.64	\$19,242,620.35	\$25,455,643.65	43.05%
REVENUES vs. EXPENDITURES	\$2,057,010.00	\$2,057,010.00	\$130,335.88	\$6,594,203.19	(\$1,529,696.64)	\$5,064,506.55	(\$3,007,989.51)	

**City of Oceanside
Department Summary Report by Fund**

**Fiscal Year: 10-11
Thru Period 7 - January**

Business Unit Number and Name	Adopted Budget	Amended Budget	MTD Actual	YTD Actual	Encumbrances	Total Actual and Encumbrances	Variance to Amended Budget	% of Amended Budget
Sewer								
00721 - Sewer Operating Fd								
Revenue								
1721 - Sewer Operating	\$30,551,604.00	\$30,551,604.00	\$176,710.58	\$14,358,581.89	\$0.00	\$14,358,581.89	\$16,193,022.11	47.00%
800805721 - San Luis Rey Wastewater	\$0.00	\$0.00	\$0.00	\$5,231.92	\$0.00	\$5,231.92	(\$5,231.92)	0.00%
Total Revenue	\$30,551,604.00	\$30,551,604.00	\$176,710.58	\$14,363,813.81	\$0.00	\$14,363,813.81	\$16,187,790.19	47.01%
Expenditures								
1721 - Sewer Operating	\$6,025,297.00	\$6,025,297.00	\$0.00	\$3,012,654.00	\$0.00	\$3,012,654.00	\$3,012,643.00	50.00%
800010721 - Sewer Adm & General	\$4,739,551.00	\$4,739,551.00	\$3,869.53	\$2,292,226.47	\$20,253.82	\$2,312,480.29	\$2,427,070.71	48.79%
800803721 - Sewer Transp & Collection	\$4,732,248.00	\$4,732,248.00	\$22,708.22	\$2,080,260.34	\$539,824.61	\$2,620,084.95	\$2,112,163.05	55.37%
800804721 - La Salina Wastewater	\$3,078,386.00	\$3,078,386.00	\$7,386.34	\$1,141,228.82	\$583,489.45	\$1,724,718.27	\$1,353,667.73	56.03%
800805721 - San Luis Rey Wastewater	\$7,217,234.00	\$7,217,234.00	\$108,086.17	\$2,797,606.72	\$1,153,193.54	\$3,950,800.26	\$3,266,433.74	54.74%
800806721 - Sewer Laboratory	\$680,247.00	\$680,247.00	\$5,507.61	\$246,380.01	\$50,750.00	\$297,130.01	\$383,116.99	43.68%
800807721 - Sewer SCADA Program	\$319,208.00	\$319,208.00	\$125.06	\$122,942.47	\$1,273.90	\$124,216.37	\$194,991.63	38.91%
800808721 - Sewer GIS Program	\$315,119.00	\$315,119.00	\$0.00	\$129,128.28	\$0.00	\$129,128.28	\$185,990.72	40.98%
800810721 - Dec 2010 Storm Damage	\$0.00	\$0.00	\$594.30	\$594.30	\$0.00	\$594.30	(\$594.30)	0.00%
Total Expenditures	\$27,107,290.00	\$27,107,290.00	\$148,277.23	\$11,823,021.41	\$2,348,785.32	\$14,171,806.73	\$12,935,483.27	52.28%
REVENUES vs. EXPENDITURES	\$3,444,314.00	\$3,444,314.00	\$28,433.35	\$2,540,792.40	(\$2,348,785.32)	\$192,007.08	\$3,252,306.92	