

STAFF REPORT



ITEM NO. 6

CITY OF OCEANSIDE

DATE: October 6, 2010
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 equipment, supplies, materials and services in amounts over \$50,000 from various Water Utilities Department funds for a total of \$2,110,107, authorize the Water Utilities Department to use the reverse auction process to obtain chemical annual purchase orders for a not-to-exceed total of an additional \$974,242; 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 to potentially obtain lower pricing. In a reverse auction, the City will contract 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. Two of the reverse auction companies that staff researched will not charge the City for providing these services; instead they collect a 3% commission from the supplier that is awarded the bid.

The reverse auction company, on behalf of the City, 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 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.

Staff is currently working with the City Attorney's office to add the reverse auction process to the Administrative Directive on Procurement of Goods and Services (AD-21).

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 result in homogenous pricing across vendors. The requested vendors provide reliable service and a delivery schedule that is compatible with our requirements. Due to the number of purchases made throughout the year, staff believes that open purchase orders will allow the Water Utilities Department the flexibility to more efficiently maintain the high rate of service we provide. Staff is requesting approval for purchase orders in the following tables. Staff will request Council approval for the chemical purchase orders that will result from the reverse auction process at a later date.

Vendor	Supplies/Services/Use	Sole Source/ Competitive Bid	Account Number	Requested Purchase Order Total
Ashland Hercules Water Technologies	Polymer/Wastewater treatment	Competitive Bid	800804721.5355. 0002	\$83,841
El Camino Rental	Equipment rental/Waterline repair	Competitive Bid	750751711.5335	\$65,000
H.D. Supply	Water pipeline repair supplies & fire hydrants & associated equipment	Competitive Bid	750756711.5320	\$100,000
Hydranautics	Membranes/Water treatment	Competitive Bid	908748500712. 5702	\$154,663
JCI Jones Chemicals	Chlorine/Water treatment	Competitive Bid	750754711.5355. 0002	\$70,000
Sancon Engineering	Slip-line sewerlines & rehabilitate manholes/Wastewater pipe repair	Competitive Bid	909978000722. 5703	\$250,000
Sancon	Clarifier pipe coating/Wastewater repair	Competitive Bid	800805721.5320	\$51,280
SNF Polydyne	Polymer/Wastewater treatment	Competitive Bid	800805721.5355. 0002	\$335,798
SNF Polydyne	Clarifloc/Water treatment	Competitive Bid	750754711.5355. 0002	\$50,000
R&B Automation	PVC system installation/Water repair	Competitive Bid	9085444712. 5702	\$171,308
Siemens Water Technologies	Calcium nitrate/Wastewater treatment	Competitive Bid	800805721.5355 .0002	\$448,050.00
T.S. Industrial Supply	Various supplies & equipment/Water distribution	Competitive Bid	750756711.5320	\$65,000

Vendor	Supplies/Services/Use	Sole Source/ Competitive Bid	Account Number	Requested Purchase Order Total
US Peroxide	Ferrous chloride/Wastewater treatment	Competitive Bid	800803721.5355. 0002 & 800805721.5355. 0002	\$35,361 \$229,806
			Total:	\$2,110,107

Reverse Auction Process		
Chemical/Use	Account Number	Not to Exceed
Hydrogen Peroxide/Wastewater odor control	800805721.5355.0002 & 800804721.5355.0002	\$377,865
Aluminum Sulfate/Water treatment	750754711.5355.0002	\$100,000
Sodium Hypochlorite (12.5%)/Water disinfectant	750754711.5355.0002 & 750755711.5355.0002	\$63,000
Sulfuric Acid/Water treatment	750754711.5355.0002	\$55,000
Sodium Hydroxide Solution (25%)/Water treatment	750754711.5355.0002 & 750755711.5355.0002	\$109,000
Hydrochloric Acid/Water treatment	750755711.5355.0002	\$108,000
Sodium Hypochlorite/Wastewater odor control & disinfectant	800805721.5355.0002 & 800804721.5355.0002	\$137,377
Ammonium Hydroxide/Water treatment	750754711.5355.0002	\$24,000
	Not-to-exceed total:	\$974,242

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 not-to-exceed amount is \$3,084,349 for the recommended purchases. There are available funds for the requested purchases.

COMMISSION OR COMMITTEE REPORT

Does not apply.

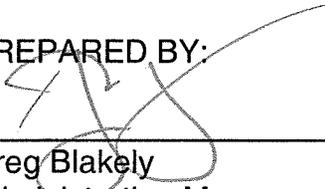
CITY ATTORNEY'S ANALYSIS

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 service agreements must be reviewed by the City Attorney and approved as to form.

RECOMMENDATIONS

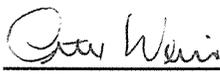
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