

STAFF REPORT



ITEM NO. 4 CITY OF OCEANSIDE

DATE: July 5, 2012
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 chemicals, equipment, supplies, and services in amounts over \$50,000 from various Water Utilities Department funds for a total of \$3,073,477 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 chemicals that will be needed for water and sewer treatment and for systems maintenance and operation during the next twelve months. The department submits requisitions for purchase orders for the required chemicals and usually, staff obtains three bids, unless the purchase is a sole-source item or it is being bid through an on-line reverse auction process. The vendor or supplier is selected on the criteria of best product for the needed purpose at the lowest price.

On September 8, 2010, the City Council approved the use of an on-line reverse auction to obtain bids, and last year, the Department was able to save an estimated \$57,179 over the previous year's costs for various chemicals. 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 onto the online auction site and 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 buyer may award contracts to the supplier who bid the lowest price. Or, a buyer 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.

In preparation for last year's reverse auction, Water Utilities staff researched and evaluated different on-line reverse auction companies. Of the companies researched, K2 Sourcing was the only one that did not charge clients for its services. Instead, K2 Sourcing charged the successful low bidder a 3 percent commission which was included in the bid. Staff obtained the services of K2 Sourcing based on this practice. In addition, the fee for the 2012 reverse auction, paid for by the bidder, has been reduced from 3 percent to 2 percent.

In addition to the chemicals bid in the reverse auction, annual purchase orders for services, equipment, supplies, and chemicals requiring special handling are included as requested for purchase over \$50,000.

ANALYSIS

Staff reviewed all the chemicals that are used in the water and wastewater systems and determined which ones were appropriate for bidding through the reverse auction. The Notice to Bidders for the reverse auction was advertised twice in the newspaper and copies were sent directly to the City's current and prospective chemical vendors by K2 Sourcing. The potential bidders were given the opportunity to submit requests for clarification and further information which were responded to by Water Utilities staff.

The reverse auction was held on June 6, 2012, at 1:00 p.m. The final bids resulted in an overall increase of approximately 1.1% over last year's chemical costs, well below the most recent San Diego consumer price index increase of 3.85%.

Staff is requesting approval for the chemicals bid in the reverse auction as well as chemicals, equipment, supplies, and services bid separately and listed in Table 1 below:

Account	Supplier	Product	Extended
750751711	Water Distribution	\$75,000	
5330	H.D. Supply Waterworks	Misc Cla Val Parts Regulators	\$75,000
750754711	Weese Water Filtration Plant	\$575,972	
5320	Bay City Electric Works	Emergency Generator Maintenance	\$2,020
5355.0002	Brentag	Cationic Polymer	\$85,000
5355.0002	Brentag	Sodium Hypochlorite 12.5%	\$31,800
5355.0002	JCI Jones	Chlorine	\$101,160
5355.0002	Thatcher	Aluminum Sulfate: 48%	\$89,032
5355.0002	Thatcher	Ammonium Hydroxide 24.98%	\$60,000
5355.0002	Univar	Sodium Hydroxide 25%	\$152,400
5355.0002	Univar	Sulfuric Acid: 93%	\$54,560

TABLE 1

TABLE 1 (cont.)

Account	Supplier	Product	Extended
750755711	Water Mission Basin Desalter	\$267,143	
5320	Bay City Electric Works	Emergency Generator Maintenance	\$4,740
5355.0002	Brentag	Hydrogen Peroxide Solution: 30%	\$61,200
5355.0002	JCI Jones	Sodium Hypochlorite: 12%	\$52,403
5355.0002	Univar	Hydrochloric Acid: 31%	\$148,800
750756711	Water Maintenance	\$184,240	
5320	Bay City Electric Works	Emergency Generator Maintenance	\$3,240
5335	El Camino Rental	Equipment as needed	\$46,000
5335	H.D. Supply Waterworks	Hydrant, Valves, Pipes	\$100,000
5355	T.S. Industrial Supply	Tools and Work Related Supplies	\$35,000
750757711	Water Meter Shop	\$100,000	
5355	Aqua Metric	Sensus Water Meters	\$70,000
5355	H.D. Supply Waterworks	Brass Parts and Meter Materials	\$20,000
5355	T.S. Industrial Supply	Tools and Equipment	\$10,000
800800721	Sewer Maintenance	\$160,504	
5320	Ayala Engineering	Pressure Grouting & Epoxy Coating	\$70,000
5320	Bay City Electric Works	Emergency Generator Maintenance	\$41,970
5320	Coverall	Janitorial Services	\$29,784
5320	Doherty Concrete	Concrete	\$18,750
800803721	Sewer Collections	\$28,950	
5320	Doherty Concrete	Concrete	\$18,750
5320	JCI Jones	Sodium Hypochlorite	\$10,200
800804721	La Salina Wastewater Treatment Plant	\$122,314	
5320	Doherty Concrete	Concrete	\$18,750
5355.0002	JCI Jones	Sodium Hypochlorite	\$26,200
5355.0002	Polydyne Inc.	Polymer	\$77,364
800805721	San Luis Rey Wastewater Treatment Plant	\$1,559,354	
5355.0002	Brentag	Ferric Chloride	\$137,500
5320	Doherty Concrete	Concrete	\$18,750
5355.0002	JCI Jones	Bleach	\$74,375
5355.0002	Polydyne Inc.	Polymer	\$276,638
5355.0002	Siemens	Hydrogen Peroxide	\$382,631
5355.0002	Siemens	Calcium Nitrate	\$427,660
5355.0002	US Peroxide	Ferrous Chloride	\$46,800
5355.0002	US Peroxide	Ferrous Chloride	\$195,000
		Total:	\$3,073,477

TABLE 1

FISCAL IMPACT

In the adopted budget for FY 2012-2013, City Council approved an amount of \$3,073,477 for water and wastewater chemical expenditures, equipment, supplies and services. There are budgeted funds for the requested purchases. The total amount requested per business unit is as follows:

750751711	\$ 75,000
750754711	\$575,972
750755711	\$267,143
750756711	\$184,240
750757711	\$100,000
800800721	\$160,504
800803721	\$28,950
800804721	\$122,314
800805721	\$1,559,354

COMMISSION OR COMMITTEE REPORT

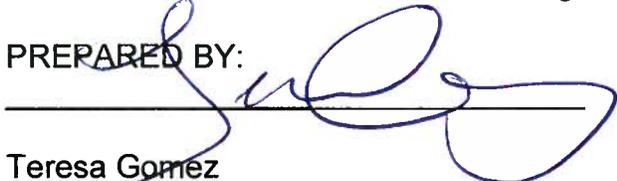
Does not apply.

CITY ATTORNEY'S ANALYSIS

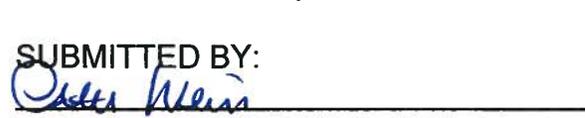
Purchases must comply with bid requirements set forth in Chapter 28A of the City Code. Professional service agreements must be reviewed by the City Attorney and approved as to form.

RECOMMENDATIONS

Staff recommends that the City Council approve annual purchase orders for the purchase of chemicals, equipment, supplies, and services in amounts over \$50,000 from various Water Utilities Department funds for a total of \$3,323,477, and authorize the Financial Services Director, or designee, to execute the annual purchase orders.

PREPARED BY: 

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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







Vendor	Account	Supplier	Product	Extended
H.D. Supply Waterworks	750751711.5330	Water Distribution	Misc Cla Val Parts Regulators	\$75,000
	750756711.5335	Water Maintenance	Hydrant, Valves, Pipes	\$100,000
	750757711.5355	Meter Shop	Brass Parts and Meter Materials	\$20,000
				\$195,000
Bay City Electric Works	750754711.5320	Weese Filtration Plant	Emergency Generator Maintenance	\$2,020
	750755711.5320	Mission Basin Desalter	Emergency Generator Maintenance	\$4,740
	750756711.5320	Water Maintenance	Emergency Generator Maintenance	\$3,240
	800800721.5320	Sewer Maintenance	Emergency Generator Maintenance	\$41,970
				\$51,970
Brentag	750754711.5355.0002	Weese Filtration Plant	Cationic Polymer	\$85,000
	750754711.5355.0003	Weese Filtration Plant	Sodium Hypochlorite 12.5%	\$31,800
	750755711.5355.0002	Mission Basin Desalter	Hydrogen Peroxide Solution: 30%	\$61,200
	800805721.5355.0002	San Luis Rey Wastewater Treatment Plant	Ferric Chloride	\$137,500
JCI Jones	750754711.5355.0002	Weese Filtration Plant	Chlorine	\$101,160
	750755711.5355.0002	Mission Basin Desalter	Sodium Hypochlorite: 12%	\$52,403
	800803721.5320	Sewer Collections	Sodium Hypochlorite	\$10,200
	800804721.5320	La Salina Wastewater Treatment Plant	Sodium Hypochlorite	\$26,200
	800805721.5355.0002	San Luis Rey Wastewater Treatment Plant	Bleach	\$74,375
Thatcher	750754711.5355.0002	Weese Filtration Plant	Aluminum Sulfate: 48%	\$89,032
	750754711.5355.0003	Weese Filtration Plant	Ammonium Hydroxide 24.98%	\$60,000
				\$149,032
Univar	750754711.5355.0002	Weese Filtration Plant	Sodium Hydroxide 25%	\$152,400
	750754711.5355.0003	Weese Filtration Plant	Sulfuric Acid: 93%	\$54,560
	750755711.5355.0002	Water Mission Basin Desalter	Hydrochloric Acid: 31%	\$148,800
				\$355,760
El Camino Rental	750756711.5335	Water Maintenance	Equipment as needed	\$46,000
T.S. Industrial Supply	750756711.5335	Water Maintenance	Tools and Work Related Supplies	\$35,000
	750757711.5354	Meter Shop	Tools and Equipment	\$10,000
				\$45,000
Aqua Metric	750757711.5355	Meter Shop	Sensus Water Meters	\$70,000
Ayala Engineering	800800721.5320	Sewer Maintenance	Pressure Grouting & Epoxy Coating	\$70,000
	800800721.5320	Sewer Maintenance	Janitorial Services	\$70,000
Coverall	800800721.5320	Sewer Maintenance		\$29,784

Vendor	Account	Supplier	Product	Extended
Doherty Concrete	800800721.5320	Sewer Maintenance	Concrete	\$29,784
	800803721.5320	Sewer Collections	Concrete	\$18,750
	800804721.5320	La Salina Wastewater Treatment Plant	Concrete	\$18,750
	800805721.5355.0002	San Luis Rey Wastewater Treatment Plant	Concrete	\$18,750
				\$75,000
Polydyne Inc.	800804721.5320	La Salina Wastewater Treatment Plant	Polymer	\$77,364
	800805721.5355.0002	San Luis Rey Wastewater Treatment Plant	Polymer	\$276,638
				\$354,002
Siemens	800805721.5355.0003	San Luis Rey Wastewater Treatment Plant	Hydrogen Peroxide	\$382,631
	800805721.5355.0004	San Luis Rey Wastewater Treatment Plant	Calcium Nitrate	\$427,660
				\$810,291
US Peroxide	800805721.5355.0005	San Luis Rey Wastewater Treatment Plant	Ferrous Chloride	\$46,800
	800805721.5355.0006	San Luis Rey Wastewater Treatment Plant	Ferrous Chloride	\$195,000
				\$241,800

\$3,073,477
