

# STAFF REPORT



ITEM NO. **12**  
CITY OF OCEANSIDE

DATE: October 17, 2012  
TO: Honorable Mayor and City Councilmembers  
FROM: Water Utilities Department  
SUBJECT: **RATIFY INCREASE TO PURCHASE ORDER WITH BRENNTAG PACIFIC TO REFLECT THE REVISED PRICING FOR FERRIC CHLORIDE**

## **SYNOPSIS**

Staff recommends that the City Council ratify an increase to a purchase order to Brenntag Pacific for wastewater chemicals for an overall increase of \$24,750, and authorize the Financial Services Director or designee, to execute the revised purchase order.

## **BACKGROUND**

On June 6, 2012, Water Utilities staff held an online reverse auction for the purchase of various chemicals for use at its water and wastewater facilities, using the criteria of best product for the needed purpose at the lowest price. At the designated time, eight chemical suppliers logged onto the auction site and participated in a bidding process with 79 bids and 16 quotes placed in just over an hour. The quotes reflected the prices at which the vendors were willing to supply the requested chemical product.

During the auction, a representative from Brenntag Pacific contacted K2sourcing, the company contracted to administer the auction, and stated that they had made a mistake in their price bid for Ferric Chloride. K2sourcing paused the auction and provided Brenntag the opportunity to correct the price. In haste, and due to the time constraints involved in the bidding process, an error was again made in Brenntag's attempt to correct the price; the final quote resulted in an artificially low price, below the supplier's cost.

## **ANALYSIS**

During the reverse auction process on June 6, 2012, two bids were submitted for the chemical Ferric Chloride. A bid of \$780 per dry ton was received from US Peroxide, LLC. A lower bid of \$500 per dry ton was received by Brenntag Pacific. In accordance with the City's procedure for the bidding process, staff evaluated the bids and recommended the supplier with the lowest price quoted for Council award. The bids were as follows:

<b>Supplier</b>	<b>Cost/Dry Ton</b>	<b>Total Bid Amount</b>
Brenntag Pacific	\$500	\$137,500
US Peroxide, LLC	\$780	\$214,500

On July 5, 2012, City Council members approved annual purchase orders for chemicals, equipment, supplies, and services in amounts over \$50,000 for FY13 from various Water Utilities Department funds for a total of \$3,073,477. Included in that total was approval of a purchase order for Ferric Chloride from Brenntag Pacific at the lower-than-cost unit pricing of \$500/dry ton for a total amount of \$137,500.

Subsequent to the Council action, the Brenntag Pacific representative responsible for submitting the low bid contacted staff to advise that the bid was below Brenntag's cost of \$596 per dry ton for Ferric Chloride and the pricing submitted during the reverse auction could not be guaranteed. Due to time constraints associated with rebidding, and after consulting with the City Attorney's Office, a business decision was made to negotiate a revised price with Brenntag. Brenntag Pacific agreed to a cost of \$590 per dry ton, an amount less than its cost and less than the cost paid for Ferric Chloride in the previous fiscal year and far below US Peroxide LLC, at \$780/dry ton. If approved, the increased total for Brenntag Pacific for the purchase of Ferric Chloride will contribute to a combined total of \$3,098,227 for annual purchase orders over \$50,000.

### **FISCAL IMPACT**

Staff recommends that the City Council ratify the purchase order change for Brenntag Pacific revising the price per dry ton of Ferric Chloride from \$500 to \$590 and amend the total purchase order by \$24,750 for a total amount of \$162,250.

The FY 12/13 adopted budget for the San Luis Rey Wastewater Treatment Plant (800805721.5355.0002) has sufficient funds (\$53,073) to cover the increase.

Original price	\$500 per dry ton	\$137,500
Amended price	\$590 per dry ton	\$162,250
	<b>Total Increase</b>	<b>\$ 24,750</b>

### **CITY ATTORNEY'S ANALYSIS**

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

**RECOMMENDATIONS**

Staff recommends that the City Council ratify an increase to the purchase order to Brenntag Pacific for wastewater chemicals for an overall increase of \$24,750, and authorize the Financial Services Director or designee, to execute the revised purchase order.

PREPARED BY:

  
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