TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PUBLIC WORKS

DATE: APRIL 10, 2006

CMR:192:06

SUBJECT: APPROVAL TO INCREASE PURCHASE ORDER NO. 4606000269 WITH SIERRA CHEMICAL COMPANY BY $65,000 FOR A TOTAL OF $314,600 FOR THE PURCHASE OF BULK CHLORINE AND SULFUR DIOXIDE FOR THE WATER QUALITY CONTROL PLANT

RECOMMENDATION
Staff recommends that Council approve and authorize the City Manager or his designee to amend purchase order #4606000269 with Sierra Chemical Company to increase the maximum purchase order amount by $65,000 for a total purchase order amount of $314,600.

DISCUSSION
The current purchase order #4606000269 with Sierra Chemical Company is for purchases of chlorine and sulfur dioxide with a maximum expenditure amount of $249,600. The proposed $65,000 increase requires Council approval because the resulting purchase order amount will exceed $250,000. Chlorine is required for disinfection to protect public health and sulfur dioxide is required to eliminate the chlorine residual of the Water Quality Control Plant effluent before discharge into the Bay.

Based on the Request for Quotation for the purchase of Bulk Chlorine and Sulfur Dioxide in December 2003, Sierra Chemical Company was awarded the purchase order to supply chlorine and sulfur dioxide as specified. In September 2005, Sierra Chemical declared “force majeure” for all sulfur dioxide supply contracts, including the City’s, because of a three month long strike at Teck Cominco’s sulfur dioxide manufacturing plant in British Columbia. In order to supply the City and the other customers, Sierra Chemical purchased sulfur dioxide from an East Coast manufacturer at substantially higher material and freight costs. In addition Sierra Chemical sought to increase chlorine prices charged to the City due to significant cost increases resulting from government regulations and compliance fees, rising freight and fuel costs, and high manufacturing costs. The City’s purchase order contract allowed the City to seek a new supplier in the event force majeure was invoked. City staff contacted other chlorine and sulfur dioxide suppliers to determine whether any competitive pricing opportunities existed. Staff was unable to locate a supplier that could provide the chemicals at a lower cost or who would commit to firm pricing for a reasonable time period. Based on this market research, staff concluded there was no advantage to soliciting new bids at this time. Therefore, in order to insure adequate supplies of chlorine and sulfur dioxide for the Water Quality Control Plant, staff recommends accepting Sierra Chemical’s price increases and increasing the maximum purchase order amount by $65,000.
A new Request for Quotation has been issued to procure competitive bids for the purchase of chlorine and sulfur dioxide for next fiscal year. However, this request to increase the purchase order by $65,000 is necessary to ensure the Water Quality Control Plant has adequate quantities of chlorine and sulfur dioxide to meet requirements for the remainder of this year.

**RESOURCE IMPACT**
Funds have been budgeted for these operational costs in the FY 2005-06 Wastewater Treatment budget.

**POLICY IMPLICATIONS**
Authorization of the change order does not represent any change to the existing policy.

**ENVIRONMENTAL REVIEW**
Supplier is required to comply with all Federal, State and local environmental laws and regulations applicable to the transportation and delivery of chlorine and sulfur dioxide.

PREPARED BY: ____________________________
WILLIAM MIKS
Manager, Water Quality Control

DEPARTMENT HEAD _____________________________
GLENN ROBERTS
Director of Public Works

CITY MANAGER APPROVAL: _____________________________
EMILY HARRISON
Assistant City Manager