TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: DECEMBER 15, 2008

CMR: 468: 08

REPORT TYPE: CONSENT

SUBJECT: Approval of Amendment to Contract TC08125124 for Municipal Services Center (MSC) Warehouse Stock Items with HD Supply Utilities, LTD from the Current Maximum of $250,000 to a Not-To-Exceed Amount of $475,000 for the Acquisition of Electrical Utility Parts on an As-Needed Basis

RECOMMENDATION

Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to amend the contract with HD Supply Utilities, LTD from $250,000 to a not-to-exceed amount of $475,000 through May 15, 2009.

DISCUSSION

The Purchasing Department conducted a bid process that resulted in the award of a contract in May 2008 for 371 different types of “stock” electric utility parts maintained at the MSC Warehouse. The contract was awarded to HD Supply Utilities, LTD (HD). The parts from HD are required to support the Utilities Department’s Capital Improvement projects, new electrical service connections to customers in Palo Alto, and for miscellaneous repairs. Parts are ordered from HD on an as needed basis to replenish inventory stock. The department pays for what it uses and stores an adequate inventory of parts to complete planned and emergency projects. Hence, this is an open contract where the amount spent could range from zero to the maximum amount depending on the need for parts.

The initial contract estimate value was a not-to-exceed amount of $250,000 dollars. After re-examination of historical utilization staff realized it has underestimated parts usage by
approximately $100,000 and based on recent consumption trends staff estimates that an additional $125,000 will be required for a total of $225,000 for the remaining period of the contract year. It is important to note that raising the limit of the contract does not necessarily mean that the maximum amount of the contract will be spent. This request is based solely on project and operational needs. If this CMR is not approved this will result in subject supplies needing to be acquired through a purchase requisition method which will not only be inefficient but also more costly to the organization.

**RESOURCE IMPACT**

There will be no new resource impact on the Electric Fund as a consequence of raising the HD contract limit. The Electric Fund has sufficient budget in its capital and operating budget to accommodate the requested $225,000 dollar increase.

**POLICY IMPLICATIONS**

Authorization of the amendment to the term contract does not represent any change to the existing policy.