

Agenda Report

Date: March 22, 2004

TO: City Council

FROM: City Manager

SUBJECT: Authorization to Enter into a Purchase Order Contract with Southwest Power, Inc. for Furnishing and Delivering Miscellaneous Electric Utility Materials for the Water and Power Department.

RECOMMENDATION

It is recommended that the City Council:

1. Accept the bid dated February 24th, 2004 submitted by Southwest Power, Inc. to furnish and deliver miscellaneous electric utility materials for the Water and Power Department;
2. Authorize the issuance of a Purchase Order Contract for a period of four years or until \$2.9 million is expended, whichever occurs first, with two optional one-year extensions each not to exceed \$725,000 per year.

BACKGROUND

Through the normal course of providing electrical service to its customers, the Water and Power Department requires a variety of parts and equipment for the electrical distribution system. These items include electrical connectors and seals, switches, adapters, fuses, wire, clamps insulators, sleeves and brackets and many other small miscellaneous materials and parts.

Over the past several years, the Department has improved its material management systems whereby this approach has shifted to the use of long-term, fixed-price supply contracts to provide for the acquisition of various parts and equipment thus facilitating a reduction in the amount of on-hand inventory.

Recently, the existing supply contracts expired. Consequently, in order to meet the Department's continuing need, a specification was prepared.

On January 29th, 2004, a Notice Inviting Bids was published in *The Pasadena Journal* and posted on the City's web page. In addition, specifications were sent to five businesses on the Purchasing Division's vendor list. One bid was received from Southwest Power, Inc., that meets the requirements of the specification.

Southwest Power has been the Department's largest supplier of electrical supplies for more than five years. During this period, Southwest Power has provided exceptional service. It is recommended that the City Council authorize the issuance of a purchase order contract to Southwest Power, Inc.

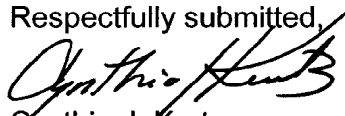
Staff's request for an initial contract term of four years is based on the desire to implement further improvement in material management. Issuing a long-term contract to one supplier will allow the Department to streamline its warehouse operation by continuing to implement a just-in-time inventory process that reduces inventory, eliminates unnecessary materials redundancies and proceeds with bar-coding to improve tracking materials. The proposed contract may be extended for a period of up to two additional one-year periods at \$725,000 each.

Approximately sixty days before the end of any contract period the Contractor may request changes in the Bid Schedule, provided that any proposed price increase does not exceed the percentage of the then applicable Producers Price Index. The Contractor agrees to treat the City as its most favored customer, in that all of the prices, warranties, benefits and other terms provided to the city are equivalent to or better than the terms being offered by the Contractor to its current customers. The City will also be entitled to any and all other services normally offered by the Contractor (and/or manufacturer through the Contractor) to its customers. If, during the contract period, the Contractor enters into an agreement with any other customer with more favorable terms, then the contract with the City shall be deemed appropriately amended to provide the same terms to the City.

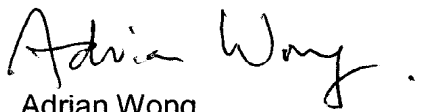
The proposed contract is in compliance with Competitive Bidding and Purchasing Ordinance P.M.C. 4.08 and the rules and regulations promulgated there under.

FISCAL IMPACT


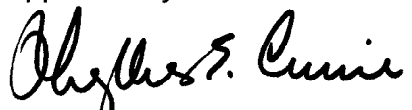
Sufficient funds are available in the Power Division's operating budget. Account numbers are: 3001, Private Property Vaults; 3002, System Expansion; and 3023, Services from Public Right-Of-Way; 3117 Wood Utility Pole Replacement/Reinforcing Program; 4000, Annual Operation and Maintenance Project.

Respectfully submitted,

Cynthia J. Kurtz
City Manager

Prepared by:


Adrian Wong
Engineer Manager
Water and Power Department

Approved by:



Phyllis E. Currie
General Manager
Water and Power Department