



# Agenda Report

November 3, 2008

**TO:** City Council

**FROM:** City Manager

**SUBJECT:** Authorization to Enter into a Contract with Western Water Works Supply Company, Inc. for Furnishing and Delivering Miscellaneous Water Utility Materials for the Water and Power Department

## **RECOMMENDATION**

It is recommended that the City Council:

1. Amend the previous purchase order contract with Western Water Works Supply Company, Inc., to increase contract amount by \$178,927 for a total contract amount of \$2,778,927 to account for past due amounts overspent on the contract;
2. Accept the bid dated October 14, 2008 from Western Water Works Supply Company, Inc. in response to Specification WD-08-02, for Furnishing and Delivering Miscellaneous Water Utility Materials for the Water and Power Department;
3. Reject all other bids; and
4. Authorize the Purchasing Administrator to issue a purchase order for a two-year period to Western Water Works Supply Company, Inc. with two optional one-year extensions. The annual amount shall not exceed \$1,179,033. The total amount of the four-year contract is \$4,716,132.

## **BACKGROUND**

### **Previous Purchase Order**

On March 20, 2006, the City Council authorized the Purchasing Administrator to issue a two-year purchase order contract with Western Water Works Supply Company, Inc. with two one-year optional extensions with an annual not-to-exceed amount of \$650,000. The purchase order was to furnish and deliver miscellaneous water utility materials to the Water and Power Department (Department). The miscellaneous materials are used for routine maintenance and capital improvements to the City's water infrastructure.

As activities related to the Water System Master Plan accelerated, so too did spending on the purchase order. In the years prior to the previous contract the Water Division crews replaced 2,800 water meters and exercised 2,700 valves annually. In the years since, the crews have replaced over 7,000 meters and exercised over 6,000 valves annually. The previous specification did not account for the increased system improvement activities, therefore, the Department spent over \$2 million of the total four-year amount of \$2.6 million in the first two years of the purchase order. Both one-year extensions were exercised in March 2008 to allow the Department to continue purchasing materials and supplies from the vendor.

Due to the accelerated use of materials and lack of timely oversight by staff, a new specification was not written in time, nor were purchases halted when the spending on the contract was nearing the contract amount limit. This resulted in the spending of \$178,927 over the total contract amount. A new administrative process has been established to provide stricter oversight of material purchases to ensure that the new contract limits will be followed.

New Purchase Order

Specification WD-08-02 provides for a contract to furnish and deliver miscellaneous water utility materials to the Department.

The Notice Inviting Bids for specification WD-08-02 was published on September 25, 2008 in *The Pasadena Journal* and "Bids On Line." In response to the Notice for Bids, eleven contractors received the specification. Three contractors submitted bids.

The bids were evaluated by multiplying the price per bid item by a weighting factor and then adding the product to arrive at a total evaluated bid price. The weighting factor was determined according to how frequently the particular item is purchased by the Department. This evaluation method as well as the weighting factors was fully disclosed in the specification. The total weighted bid does not represent an actual dollar amount, but does provide a means of comparing the bids.

The following 3 contractors submitted bids, which were evaluated and the total weighted bids are as follows:

| <u>Bidder</u>                        | <u>Total Weighted Bid Price</u> |
|--------------------------------------|---------------------------------|
| Western Water Works Supply Co., Inc. | \$1,179,033                     |
| HD Supply Waterworks, LTD            | \$1,212,612                     |
| S. J. Supply Co., Inc.               | \$1,283,097                     |

Western Water Works Supply Company, Inc. was the lowest responsive bidder and complies in all respects with the requirements of the specification. Staff recommends that the City Council award a purchase order contract to Western Water Works Supply Company, Inc. The contract shall not exceed \$1,179,033 million annually and is based

on the Department's estimated annual expenditure for miscellaneous water utility materials and supplies for regular maintenance and capital improvements.

Purchases made under this contract will supply materials for work performed by Department crews only. If construction activities are scaled back due to financial limitations on the Water Fund, work performed by contractors would be the first to be curtailed. Purchases made under this contract are necessary for Department crews to perform necessary regular maintenance and capital improvement projects.

The proposed contract is in compliance with the Competitive Bidding and Purchasing Ordinance P.M.C. 4.08.

**FINANCIAL IMPACT**

Sufficient funds are available in the FY 2009 Operating Budget account numbers 8101-402-883000 (\$100,000) and FY 2009 Capital Improvement Program Budget Number 1001 (\$407,960), 1002 (\$300,000), 1006 (\$150,000) and 1019 (\$400,000). Additional appropriations will be requested for each fiscal year as necessary to meet estimated expenditure requirements.

Respectfully submitted,



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