

## MEMORANDUM

November 1, 1999

**SUBJECT:** Supplemental Information – Authorization to enter into a purchase order contract with Southwest Power for furnishing and delivering miscellaneous electric utility material for the Water and Power Department

The specification for miscellaneous electric utility materials was sent to five vendors: Southwest Power, Cummins Utility Supply, JCH Wire & Cable Co., TRC and Consolidated Electrical Distributors. This list constitutes the major vendors that provide high voltage supplies according to the City's vendor list. At the bid opening of September 21, two bids were received, one from Southwest Power and the other from Cummins Utility Supply.

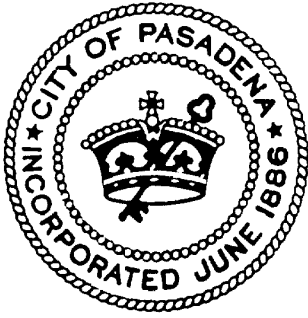
The bidders were asked to provide firm, fixed pricing on 301 of the Power Division's most frequently purchased items for the maintenance of the power distribution system, rather than bid every item in the Power Division's inventory. These items were split into 16 different categories. The results were as follows:

<b>Item Category</b>	<b>Southwest Power</b>	<b>Cummins Utility Supply</b>
Arrestors	90.25	Not Responsive*
Brackets	43.46	Not Responsive*
Clamps	188.98	248.42
Bolt Clamps	7.37	10.11
Connectors – type 1	2379.63	2833.35
Connectors – type 2	257.09	309.88
Cutouts	133.00	140.46
Fuses	324.05	467.50
Insulators	3.00	4.75
Molded Items	3355.61	Not Responsive*
Pins-Insulators	107.98	Not Responsive*
Sleeves	91.52	174.66
Switches	20,759.39	24,766.10
Taps	1,139.72	Not Responsive*
Tyraps	7.26	7.08
Wire (per foot)	4.35	10.84
<b>Total</b>	<b>\$28,892.66</b>	<b>\$28,973.15</b>

\*Did not bid all items as required by Specification

Southwest Power was the low bidder on all but two of the categories and lowest overall. Previously the City had issued separate contracts based on category, however, the Water and Power Department desires to narrow its supplier base to a few strategic suppliers. And although the proposed purchase order contract is solely for the purchase of equipment and not for any materials management services, it is expected that this contract will help facilitate the implementation of efficiencies such as job site delivery and consignment inventory.

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# Agenda Report

**TO:** CITY COUNCIL

**DATE:** October 25, 1999

**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: i) accept the bid dated September 21, 1999, submitted by Southwest Power, Inc. to furnish and deliver miscellaneous electric utility materials for the Water and Power Department, ii) reject all other bids, and iii) authorize the Purchasing Administrator to issue a Purchase Order Contract for a period of four-years or until \$2 million is expended, whichever occurs first with two optional one-year extensions each not to exceed \$500,000.

## 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 its electrical distribution system. These items include electrical connectors and seals, switches, adapters, fuses, wire, clamps, insulators, sleeves and brackets.

Over the past several years, the Department has sought to improve its material management system. As part of this approach, the Department has shifted to the use of long-term, fixed-price supply contracts to provide for the acquisition of various parts and equipment. These contracts have facilitated a reduction in the amount of on-hand inventory.

In addition, the procurement process has been streamlined by eliminating the need to obtain informal quotations, prepare and process purchase requisitions and purchase orders, as well

as providing for consolidated billing and payment.

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

On September 2, 1999, 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. Two bids were received and opened in the City Clerk's Office on September 21, 1999.

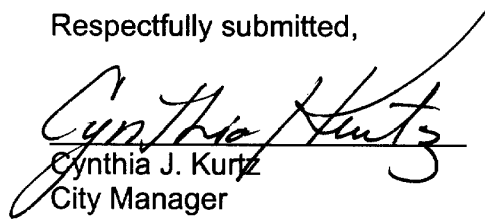
The bid submitted by Southwest Power, Inc. was the lowest responsive bid. Based on this, it is recommended that the City Council authorize the issuance of a purchase order contract to Southwest Power, Inc. Southwest Power has been the City's largest supplier electrical supplies for more than five years. The service that was provided to the City by Southwest Power during this period has been exceptional.

Staff's request for an initial contract term of four years is based on the desire to implement further improvements in materials management. Issuing a long-term contract to one supplier will allow the Department to effectively work towards streamlining its warehouse operations by implementing a real time inventory process that will reduce inventory, eliminating unnecessary material redundancies, and introducing bar-coding to improve tracking of materials. The contract may be extended for a period of up to two additional one-year periods, with the approval of the City Manager. Approximately sixty days before the end of any contract period the Contractor may request changes in the Bid Schedule, however, any proposed price increase shall not exceed the percentage of the then applicable Producers Price Index plus an additional 3%. The Specification also stipulates that the Contractor agrees to treat the City as its most favored customer. The Contractor represents that all of the prices, warranties, benefits and other terms being provided to the City are equivalent to or better than the terms being offered by the Contractor to its current customers. If, during the warranty period, the Contractor enters into an agreement with any other customer providing that 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 Contractor shall also promptly provide the City with any refund or credits thereby created.

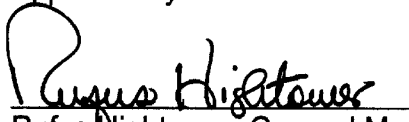
FISCAL IMPACT


Sufficient funds are available in Power Division's operating budget.

Respectfully submitted,

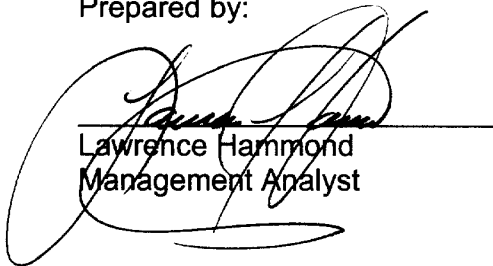
  
Cynthia J. Kurtz  
City Manager

Approved by:

  
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Power Delivery  
Water and Power Department

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