

ITEM # 17  
DATE October 14, 2008

**COUNCIL ACTION FORM**

**SUBJECT: AWARD OF CONTRACT FOR LIQUID SODIUM HYPOCHLORITE FOR WATER TREATMENT**

**BACKGROUND:**

This contract is for the purchase of liquid sodium hypochlorite which is used for disinfection in the water treatment process at the City Water Treatment Plant. The 2008/09 operating budget includes \$45,000 for this product.

The contract for 2007/08 (July 1, 2007 through June 30, 2008) was awarded to K.A. Steel Chemicals, Inc. at \$.9211/gallon. There was an optional extension at the same price for the contract period of July 1, 2008 through June 30, 2009. K.A. Steel sent a letter on July 11, 2008 invoking the force majeure clause, indicating that their facility in Cedar Rapids was damaged during the flooding and could no longer deliver liquid sodium hypochlorite at the contract price. KA Steel offered a price \$1.90 per gallon, more than twice the contract price. KA Steel also would only guarantee they would honor that new higher price for 30 days.

Bids were solicited for the remaining contract period. When the bids were opened, only one firm offered a fixed price for a calendar year; the others only guaranteed a price for 30 days. Believing that the specifications were unclear, staff rejected the bids and rebid. On this round of pricing, none of the vendors/manufacturers are willing to guarantee a firm price for the contract period. Each vendor will only guarantee the price for thirty days.

On September 16, 2008, bids were received:

<b>Bidder</b>	<b>Price/Gallon</b>	<b>Total Cost</b>
Hawkins Water Treatment Group, Slater, IA	\$1.44	\$51,840.00
DPC Industries, Omaha, NE	1.69	60,840.00
ACCO Unlimited Corporation, Johnston, IA	1.78	64,080.00
Vertex Chemical Corporation, St. Louis, MO	1.93	69,480.00
K. A. Steel Chemicals, Inc., Lemont, IL	2.06	74,160.00

The total estimated cost shown above is for the estimated quantity of 36,000 gallons for the remaining 2008/09 contract period. The Water Plant operating budget planned for a total of 45,000 gallons to be purchased at a projected price of \$1.00 per gallon. Based on the bid prices received, the Water Plant operating budget will need to be increased even if there are no further cost increases. If the price continues to rise, additional mid-year budget adjustments may be necessary.

Because the lowest bid received only included a firm, fixed price for 30 days, the agreement will give the City the right to cancel the contract after 30 days and either rebid or solicit spot-market prices for sodium hypochlorite.

**ALTERNATIVES:**

1. Award a contract for the purchase of 2008/09 liquid sodium hypochlorite requirements to Hawkins Water Treatment Group of Slater, Iowa in the amount of \$51,840.
2. Reject all bids and attempt to obtain the required services on an as-needed basis.

**MANAGER'S RECOMMENDED ACTION:**

Liquid sodium hypochlorite is an essential treatment chemical, as it provides the final disinfectant barrier that keeps our drinking water safe from microbial contaminants. After the current provider declared a force majeure and voided their agreement, staff has twice attempted to secure a new fixed-price contract for the rest of the fiscal year. At this time, no suppliers are willing to give anything other than a 30-day price guarantee.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, awarding a contract for the purchase of 2008/09 liquid sodium hypochlorite requirements to Hawkins Water Treatment Group of Slater, Iowa in the amount of \$51,840. During the upcoming budget amendment process, the Water Plant operating budget will be increased to cover the higher costs of this chemical.