

COUNCIL ACTION FORM

SUBJECT: LIQUID SODIUM HYPOCHLORITE PURCHASE FOR WATER TREATMENT PLANT AND POWER PLANT

BACKGROUND:

This contract is for the purchase of sodium hypochlorite, which is used for disinfection in the water treatment process at the Water Plant and treatment of cooling tower water at the Power Plant. The FY 2020/21 Water Plant operating budget of \$631,485 for water treatment chemicals and laboratory supplies includes \$59,169 for sodium hypochlorite. It also includes a contingency amount of \$30,071 to account for unknown unit chemical prices and usage. The FY 2020/21 Power Plant operating budget includes \$35,000 for this product and \$449,000 for all Power Plant chemicals.

The following bids were received on April 22, 2020:

Bidder	Price/Gallon
DPC Industries, Inc., Bellevue, NE	\$ 0.88
Acco Unlimited Corporation, Johnston, IA	\$ 1.18
Hawkins, Inc., Roseville, MN	\$ 1.25
Rowell Chemical Corp., Hinsdale, IL	\$ 1.27
<i>Budgeted Unit Price</i>	<i>\$ 1.21</i>

For comparison, the current unit rate for this product is \$1.12 per gallon.

Subsequent to the opening of the bids the low bidder, DPC Industries, contacted the City regarding an increase in their cost to produce the product. Because of the coronavirus pandemic, the major manufacturers of caustic soda (the main raw ingredient in producing sodium hypochlorite) have slowed their production. As a result, the price for caustic soda has increased significantly, with the largest increase coming just days after the bid opening. The bidder reported that every \$25 per ton increase in the cost of caustic soda results in about \$0.02 per gallon in the cost to produce sodium hypochlorite. The roughly \$170 per ton increase in the cost of caustic soda has resulted in a cost increase experienced by DPC Industries of \$0.13 per gallon.

DPC has made the following proposal to the City of Ames:

- DPC and the City would split the \$0.13 per gallon cost increase for the next three months. The contract price from July 1 through September 30, 2020 would be \$0.945 per gallon.
- On October 1, 2020, the price will revert to the original bid price of \$0.88 per gallon for the remainder of the fiscal year.

Agreeing to a new price after bids have been received, but before an award has been made, is highly unusual and would certainly not be preferred. In this case, however, the forces impacting the cost of sodium hypochlorite are being experienced industry wide and it seems highly unlikely that rebidding at this time would result in more favorable pricing. **The City's Purchasing Policies are silent on this type of unusual situation. The bid documents do say that the City reserves the right to make an award that is in the best interests of the City. If it were not for the COVID-19 impacts, this would not be something the City would entertain. But given the extenuating circumstances, accepting the revised proposal from DPC does appear to be in the best interest of the City.**

ALTERNATIVES:

1. Award a contract for the purchase of FY 2020/21 liquid sodium hypochlorite to DPC Industries, Inc. of Bellevue, NE, in the amount of \$0.945 per gallon for the period of July 1 through September 30, 2020, and then \$0.88 per gallon for the remainder of the fiscal year.
2. Award a contract for the purchase of FY 2020/21 liquid sodium hypochlorite to DPC Industries, Inc. of Bellevue, NE, in the amount of \$0.88/gallon, and inform DPC that the City is unwilling to pay the surcharge. It is possible that DPC would refuse to enter into a contract.
3. Award a contract to the second low bidder, ACCO Unlimited Corporation of Johnston, IA in the amount of \$1.18/gallon. Staff has not discussed the potential impact of caustic soda pricing with them, and it is possible that they may not be willing to honor their bid price either.
4. 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 and cooling tower water safe from microbial contaminants. **A highly unusual situation has occurred as a result of the COVID-19 pandemic where the supply chain costs for sodium hypochlorite changed significantly in the days after the bids were submitted. It has left the City in a unique situation where it might be in the City's best interests to consider a modification to the bid price. Staff has researched the claims about supply chain cost impacts by the low bidder and finds the circumstances they described to be credible and supported by published news stories in the chemical industry trade magazines. The COVID-19 pandemic has created many novel situations such as this, and it seems to be appropriate to permit this highly unusual alteration to the**

typical bid process. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.