

**COUNCIL ACTION FORM**

**SUBJECT: FY2022/23 PEBBLE LIME PURCHASE FOR WATER TREATMENT**

**BACKGROUND:**

Pebble lime is used in the water treatment process to remove water hardness. Almost 3,000 tons are used annually, and it is the largest chemical cost for the Water Plant. On June 30, the City’s existing contract for a supply of lime will expire. This existing contract is with Graymont Western Lime, Inc..

The expiring contract contained provisions for optional renewals. However, Graymont Western Lime notified the City in May that they were going to decline to renew the contract, so the contract had to be rebid. Therefore, staff initiated an invitation to bid for a new lime supply contract for the period beginning July 1, 2022 and continuing through June 30, 2023.

On June 3, 2022, bids were received for fiscal year 2022/23 with an optional extension for fiscal year 2023/24.

Bidder	July 1, 2022 - June 30, 2023	Optional Extension 7/1/23-6/30/24
	Price Per Ton	Price Per Ton
Graymont Western Lime Inc. West Bend, WI	\$225.00	No bid
Mississippi Lime Company St. Louis, MO	\$237.00	No bid
Lhoist North America of Missouri, Inc. St. Genevieve, MO	\$417.39	No bid

Actual usage will depend on water quality and consumption. The FY 2022/23 operating budget estimates 2,810 tons at \$168.50 per ton for a total of \$471,800. The budgeted price of \$168.50 per ton for lime was in accordance with the optional second-year contract extension price bid by Graymont Western Lime, Inc. last year. Therefore, the budgeted funds are substantially less than the anticipated cost under the new contract.

These bids reflect trends in other chemical prices at this time. Water Plant staff recently bid four chemical contracts with the following results:

Chemical	Unit Cost	Increase from FY21/22	FY 22/23 Water Plant Budget Shortfall
Sodium Hypochlorite	\$1.74/gal	78%	\$36,400
Fluoride	\$1.67/lb	109%	\$9,520
Carbon Dioxide	\$88/ton	10%	\$760
Lime	\$225/ton	35%	\$169,500
<b>Total Estimated Budget Impact</b>			<b>\$216,180</b>

Water Plant staff is evaluating multiple options to mitigate these steep cost increases. First, our storage capacity is being revisited to possibly accept larger deliveries of sodium hypochlorite. This would reduce or eliminate the surcharge per load. Also, staff recently purchased a large supply of fluoride at the current price to avoid having to purchase fluoride at all in FY 22/23. Similarly, some additional loads of lime can be purchased before the end of FY 21/22. Lastly, a 5% chemical contingency (\$30,648) is included in the FY 22/23 operating budget. This contingency is for the sum of all Water Plant process chemicals, and is not specific to any one chemical. Lastly, staff will be reviewing and reprioritizing capital projects later this fall to minimize the impacts of all of the different cost increases impacting the utility.

**ALTERNATIVES:**

1. Award a contract for the purchase of pebble lime to Graymont Western Lime Inc. of West Bend, WI. The contract provides lime at \$225.00 per ton for FY 2022/23.
2. Reject all bids and attempt to obtain the required supplies on an as-needed basis.

**CITY MANAGER'S RECOMMENDED ACTION:**

Acquiring an adequate supply of pebble lime is essential for the established water softening process at the City's Water Treatment Plant. Graymont Western Lime Inc. has demonstrated the ability to dependably provide this product at a competitive rate. The Water Plant staff will be working over the coming months to evaluate multiple options in the utility budget to offset these steep cost increases.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1.