



Staff Report

File #: 22-0783

**REQUEST FOR CITY COUNCIL AND
CORONA UTILITY AUTHORITY ACTION**

DATE: 10/05/2022

TO: Honorable Mayor and City Council Members
Honorable President and Board Members

FROM: Utilities Department

SUBJECT:
Change orders for Potable Water and Sewer Treatment Chemicals for Fiscal Year 2023.

EXECUTIVE SUMMARY:

This staff report asks Council to approve increases in purchase orders for Potable Water and Sewer Treatment Chemicals for Fiscal Year 2023, due to a significant jump in chemical prices. These specific chemicals are critical to the treatment process and ensure City treatment plants are operational and continue to comply with local, state, and federal laws and regulations.

RECOMMENDED ACTION:

That the:

- a. City Council approve increases to the Purchase Orders for Fiscal Year 2023 as outlined in Table 1 below, under the Analysis section.
- b. City Council authorize a total appropriation of \$2,037,011 from the following sources: \$487,905 from the Water Utility Fund 570 and \$1,549,106 from the Sewer Utility Fund 572 to the Utilities Department operating budget.
- c. City Council authorize the City Manager, or his designee, to negotiate and execute non-substantive extensions, change orders, and amendments up to 10 percent of the revised purchase order amounts for each vendor, and to issue annual purchase orders subject to the revised purchase order amounts to each vendor for each of the three one-year renewal periods.
- d. Corona Utility Authority review, ratify, and to the extent necessary, direct that the City Council

take the above actions.

BACKGROUND & HISTORY:

The Utilities Department operates 4 water treatment facilities and 3 sewer treatment facilities serving the City of Corona. The Utilities Department uses a variety of chemicals at these facilities to treat potable water and sewage to ensure compliance with state and federal laws and regulations.

On June 8, 2021, the Purchasing Division issued Notice Inviting Bids (NIB) 21-082CA for Potable Water and Water Reclamation Treatment Chemicals. The lowest bidder for each of the chemicals on the NIB was issued Purchase Orders for Fiscal Year (FY) 2022 based on the awarded amounts approved by City Council on July 7, 2021. In the Addenda to the bid documents, included as Exhibit 1, page 7 (of 16) of Addendum No. 3 allows for Option year pricing to be mutually negotiated by the Parties prior for each agreement period.

ANALYSIS:

The changes in pricing affecting the annual purchase orders for potable water and water reclamation treatment chemicals exceed the CPI-U for Riverside County. The chemical industry has experienced a great deal of turmoil and cost increases over the year. When staff reached out to discuss new pricing, we were provided catalogs for Chlorine, Caustic, and Diesel, all showing significant increases. Without the increases proposed, staff does not expect to have a guaranteed purchase agreement for the needed chemicals.

There were, and still are, a lot of unknowns in the economic climate surrounding chemical manufacturing and delivery, and staff expects pricing adjustments in the future until things settle down. The impacts of the COVID-19 pandemic remain prevalent, manifesting through staffing issues and supply chain challenges. Other challenges include increased wages, diesel fuel, and raw material prices. Many agencies in the State are experiencing increases in costs. A post from a member of the California Association of Public Procurement Officials (CAPPO) dated October 13, 2022, indicated that Sodium Hypochlorite is 147 percent higher, Soda Ash 25 percent higher, and Fluoride 74 percent higher.

Staff surveyed the rates of chemicals from other local water and sewer utilities. It was determined that the City's chemical rates are competitive and reasonable based on current industry trends. Additionally, due to national chemical shortages, chemical manufacturers are prioritizing their service to existing customers. In some instances, new customers are not guaranteed to receive their desired chemical. If a new customer receives their desired chemical, it may be at a higher rate compared to the rates presented here. As a result, going out to bid again for these services could result in significantly higher cost increases or potentially a scenario where the City does not receive any response on the product solicitation. Based on the information provided, Staff believes it is in the City's best interest to retain the services of the existing chemical vendors to ensure uninterrupted service. Staff will monitor the industry trends and local agencies and, when feasible, will take treatment chemicals out to bid.

As a result of the price increases for the chemicals used in the treatment processes, Staff requests

the following increases for the FY 2023 Purchase Orders (POs):

Table 1: Change Orders for Water and Sewer Chemical POs for FY23

Chemical	Vendor	FY22 Price	FY23 Price	FY 2023 Purchase Order	F23 Change Order Amount	FY 2023 Adjusted Purchase Order Amount
Sodium Hypochlorite 12.5%	Olin Chlor	\$0.90/gal	\$1.85/gal	\$1,750,000	\$956,000	\$2,706,000
Ammonium Hydroxide 19%	Airgas Specialty	\$0.77/gal	\$1.80/gal	\$46,200	\$32,800	\$79,000
Cationic Polymer (GBT)	Aqua Ben Corp	\$1.30/gal	\$2.11/gal	\$647,020	\$708,980	\$1,356,000
Cationic Polymer (Centrifuge)		\$1.36/gal	\$2.18/gal			
Anionic Polymer		\$1.04/gal	\$1.56/gal			
Sulfuric Acid 93%	Northstar Chemical	\$2.59/gal	\$2.97/gal	\$181,500	\$86,500	\$268,000
Cationic Polymer (Water)	Polydyne, Inc.	\$0.63/lb	\$1.01/lb	\$125,000	\$62,000	\$187,000
Antiscalant	King Lee Tech	\$6.51/gal	\$9.25/gal	\$150,000	\$12,000	\$162,000
Ferric Chloride (15-40%)	Cal. Water Tech	\$1.61/gal	\$2.25/gal	\$100,000	\$12,000	\$112,000

FINANCIAL IMPACT:

Approval of the recommended actions will result in an appropriation of \$487,905 from the Water Utility Fund 570 and \$1,549,106 from the Sewer Utility Fund 572 to the Utilities Department operating budget. There is sufficient working capital for the recommended actions.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action involves the purchase of required chemicals for water and sewer treatment, and there is no possibility that the recommended actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KRISTIAN ALFELOR, OPERATIONS MANAGER

REVIEWED BY: TOM MOODY, DIRECTOR OF UTILITIES

Attachment:

1. Exhibit 1 - NIB 21-082CA Addenda