



AGENDA MEMORANDUM

Action Item for the City Council Meeting of November 19, 2019

DATE: November 12, 2019

TO: Peter Zaroni, City Manager

FROM: Kevin Norton, Director of Water Utilities
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Amendment No. 1 to Sodium Permanganate Supply Agreement

CAPTION:

Motion authorizing Amendment No. 1 to Supply Agreement No. 1266 with Carus Corporation, of Peru, Illinois, for a total amount not to exceed \$174,762.00 for the 24-month term, increasing the 24-month contract amount from \$3,407,859.00 to \$3,582,621.00, allowing a price increase to the contract for the purchase of sodium permanganate for the treatment of potable drinking water at the O. N. Stevens Water Treatment Plant, with funding available through the Water Fund.

SUMMARY:

This motion authorizes an amendment to Supply Agreement 1266 with Carus Corporation of Peru, Illinois for an amount not to exceed \$174,762.00 to allow a price increase to the contract for the purchase of sodium permanganate from \$1.17 per pound to \$1.23 per pound due to the increase in price for raw materials and freight. This amendment also increases the first of two 24-month options to an amount not to exceed \$3,407,859.00, making the total cost for the 24-month contract a not to exceed amount of \$3,582,621.00. There is one additional 24-month option period that could be exercised for future years.

BACKGROUND AND FINDINGS:

The sodium permanganate is a chemical used for the treatment of potable drinking water at the O.N. Stevens Water Treatment Plant since 2016. This chemical is used for taste and odor aesthetics of the water and as an oxidizer to remove organics and help prevent a loss of

chlorine disinfectant residual in the system.

Supply Agreement No. 1266 is for 24 months beginning November 8, 2017 and expiring November 7, 2019 for a total not to exceed value of \$3,582,621.00. The agreement includes an option to extend the term for up to two additional 24-month periods.

On July 19, 2019, the City received a request from Carus Corporation to increase the price of this chemical from \$1.17 to \$1.23 per pound. The increase in price will add \$174,762.00 to the current contract pricing. The US Department of Labor (DOL) Bureau of Labor Statistics Producer Price Index (PPI) indicates the price for sodium compounds such as sodium permanganate increased by approximately 10.8% between 2017, which is when the initial contract was awarded, and 2019. This 10.8% indicator is in line with the proposed 5.1% price increase for sodium permanganate.

ALTERNATIVES:

An alternative to the approval of Amendment No. 1 to Supply Agreement No. 1266, with Carus Corporation would be to not extend the supply agreement. However, a Request for Bids would have to be conducted for sodium permanganate solution, which may lead to a shortage of this critical chemical required for the treatment of potable water.

FISCAL IMPACT:

The amendment for the FY 2020 price increase is an amount not to exceed \$80,099.25. The total increase for the two years is an amount not to exceed \$174,762.00. The total contract cost is \$3,582,621.00. A not to exceed amount of \$3,407,859.00 was previously approved and has already been budgeted in FY 2020 for the 24-month amendment. The remaining cost of this contract will be budgeted in FY 2021.

Funding Detail:

Fund:	4010 Water
Organization/Activity:	31010 Stevens Filter Plant
Mission Element:	062 Treat water
Project # (CIP Only):	N/A
Account:	520010 Purification Chemicals

RECOMMENDATION:

Staff recommends approval of this motion authorizing Amendment No. 1 to Supply Agreement No. 1266 with Carus Corporation for the purchase of sodium permanganate as presented.

LIST OF SUPPORTING DOCUMENTS:

Amendment
Service Agreement