



City Council Agenda Item

City Council Meeting Date: November 19, 2024

TO: Dean Albro, City Manager

FROM: Shaun Ryan, Water Utility Manager
s_ryan@ci.lompoc.ca.us

Robert Cross, Financial Services Manager
r_cross@ci.lompoc.ca.us

SUBJECT: Award of a Contract Purchase Order to Lhoist North America 325,000 to Purchase Quicklime; Authorize a Change Order Increase of Authority for Purchase Order No. 220188 to Lhoist North America for Quicklime and No. 230375 to Brenntag Pacific for Caustic Soda

Recommendation:

Staff recommends the City Council:

- 1) Award a contract to purchase quicklime to Lhoist North America as a responsive bidder of Request for Proposal No. 2925 for use at the Water Treatment Plant (Attachment 1);
 - a. Authorize the City Manager to execute the necessary agreements for that purchase;
- 2) Authorize additional purchasing authority for Purchase Order #220188 (Attachment 2) issued to Lhoist North America (Lhoist) for delivery of quicklime used in the Water Utility's water treatment process in the amount of \$325,000;
- 3) Authorize additional purchasing authority for Purchase Order #230375 issued to Brenntag Pacific (Brenntag) for delivery of caustic soda used in the Water Utility's water treatment process in the amount of \$500,000; and
- 4) Authorize the Purchasing and Materials Manager to issue change orders for Purchase Order Nos. 220188 and 230375 (Attachments 2 and 3) in the above amounts.

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Background:

The City's Water Treatment Plant (WTP) is designed to use Calcium Oxide (quicklime) and Sodium Hydroxide (caustic soda) (measured in dry and liquid tons, respectively) in the complex process to treat raw untreated water so that it can be used for potable purposes. These two chemicals are a significant part of the overall treatment process and are used in relatively large volumes.

Quicklime and liquid caustic soda have been procured through competitive solicitations. Most recently, competitive Request for Proposals (RFP) Nos. 2862, 2925 (Attachments 3 and 4), and 2988 were issued. RFP No. 2862 was issued soliciting liquid caustic soda in June 2018. RFP No. 2925 was issued in September 2019 while RFP No. 2988 was issued in December 2021. Both RFP Nos. 2925 and 2988 were issued for soliciting quicklime.

RFP No. 2925 for quicklime procurement provided for an initial term of 3 years with an option for an additional 2 years at the same terms. RFP No. 2862 for caustic soda provided for an initial term of 3 years with an option of an additional 2 years up to June 30, 2023. During the initial shutdowns and remote operations due to COVID-19, the Purchasing and Materials Manager extended all existing purchase orders (Pos) which extended these two RFPs to June 30, 2025, and June 30, 2024, respectively. However, the awarded per ton price guarantees ended with the initial ending terms from the RFPs (unless extended by both parties). In a recent review of the procurement process, it was determined that RFP No. 2925 was not brought forward for City Council approval but rather the PO was issued along with the extension of all POs in early 2000, in error.

Up to and including the solicitation under RFP No. 2925, Lhoist was the sole bidder for the City's quicklime RFPs for all past solicitations back to at least 2012.

Discussion:

As mentioned above, quicklime and caustic soda are integral to the processing of raw water at the City's WTP. The annual costs due to general increases in commodity prices have increased substantially since the last time the quicklime procurement was approved by the City Council in 2015.

Total chemical costs for the WTP have increased \$664,830 between Fiscal Years (FY) 2014-15 and 2023-24; a 75% increase in total and an approximate 7% annual increase for the past 11 years. The total cost of chemicals used in the WTP process has increased from \$873,500 in 2014-15 to \$1,538,250 in the most recently closed fiscal year, 2023-24.

Quicklime

RFP No. 2925 for quicklime was issued on September 12, 2019, with bids to be returned by September 26, 2019. The specifications on the RFP includes an estimated 1,260 tons used annually by the WTP with approximately 105 tons delivered monthly. The terms of

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delivery was for an initial three years, with an option for an additional two years at the same price, terms and conditions.

Due to volatility in commodity prices caused by COVID-19 supply chain issues, the successful bidder declined to extend RFP No. 2925 at the end of the initial term. RFP No. 2988 for quicklime was issued on November 30, 2021, with bids to be returned by December 21, 2021. No vendors chose to bid on this solicitation.

The results for both RFPs are shown below:

Lhoist was the only responsible bidder for RFP No. 2925 and declined the optional extension available under the RFP specifications.

RFP No.	Ending Term	PO No.	Cost per ton	Fuel surcharge	Annual delivery in tons	Annual cost/ton
2925	3/1/2022	200439	\$ 255.54		1260	\$ 321,980
2988			No bids received from RFP solicitation			

As quicklime is critical to the efficient operation of the WTP, the City continued to contract with Lhoist, as the sole bidder on prior solicitations, once the most recent solicitation term ended. Without the fixed contract, the City has since been subject to market rates to procure the quicklime. Following is a sample of invoices paid since RFP No. 2925 expired showing annualized costs (these are not actual annual costs but simply annualized costs estimated from the individual representative invoices):

RFP No.	Date	PO No.	Cost per ton	Fuel surcharge	Annual delivery in tons	Annualized cost/ton
2925	7/28/2021	220188	\$ 270.25	17.5%	1260	\$ 400,105
	3/7/2022	220188	270.25	44.0%	1260	490,342
	4/5/2022	220188	270.25	33.0%	1260	452,885
	6/22/2022	220188	270.25	46.5%	1260	498,854
	8/3/2022	220188	270.25	47.0%	1260	500,557
	6/29/2023	220188	351.25	33.0%	1260	588,625
	6/27/2024	220188	399.25	31.0%	1260	659,002

Caustic Soda

RFP No. 2862 for caustic soda was issued on February 2, 2018, with bids to be returned by February 23, 2018. The specifications on the RFP includes an estimated 700-1,000 tons used annually by the WTP. The terms of delivery was for an initial three years, with an option for an additional two years at the same price, terms and conditions.

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The results for the RFP is shown below:

Bidder	Ending Term	Cost per ton	Optional terms	Annual delivery in tons	Annual cost/ton
Brenntag	6/30/2019	\$ 741.85	for 1 year	1000	\$ 741,850
Brenntag	6/30/2021	851.50	if for 3 yrs	1000	851,500
Olin Corp	6/30/2019	795.00	for 1 year	1000	795,000
Univar USA	6/30/2019	1,449.00	for 1 year	1000	1,449,000

PO 400042 was issued to Brenntag after approval by the City Council on June 5, 2018.

As caustic soda is critical to the efficient operation of the WTP, the City continued to contract with Brenntag, as the successful bidder on the 2018 solicitations, once the most recent solicitation term ended. Without the fixed contract, the City has since been subject to market rates to procure the caustic soda. Following is a sample of invoices paid since RFP No. 2862 expired showing annualized costs (these are not actual annual costs but simply annualized costs estimated from the individual representative invoices):

RFP No.	Date	PO No.	Cost per ton	Fuel surcharge	Annual delivery in tons	Annual Representative Annualized cost/ton
2862	5/27/2021	400042	741.85	0.0%	1000	\$ 741,850
	8/3/2022	220233	1,021.85	0.0%	1000	1,021,850
	6/28/2023	230375	1,021.85	0.0%	1000	1,021,850
	5/30/2024	230375	1,022.00	0.0%	1000	1,022,000
	9/20/2024	250086	1,022.00	0.0%	1000	1,022,000

Procurement Background

The Purchasing and Materials Manager retired in the spring of 2024. With the vacancy, steps have been taken to revise the job description for the position and the hiring process for the position is ongoing. During the vacancy, the Management Services Department has been reviewing processes and evaluating existing requirements for the Purchasing and Warehouse Division. During this review, the Management Services Department identified opportunities for procurement cost controls for operating divisions.

One of the opportunities is in process and will result in the issuance of RFPs for the Water Division for the required chemicals required for processing raw water:

- Caustic Soda
- Quicklime
- Diatomaceous Earth
- Liquid Carbon Dioxide (CO₂)
- Sodium Hypochlorite

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Polymers

Some of these procurements will not result in annual expenditures requiring City Council approval but the caustic soda and quicklime procurements will likely need such approval. Once the RFPs are issued, received, and evaluated, each will be converted into Purchase Orders with the appropriate levels of approval. Successful completion for each RFP, while it is not assured the City will receive vendor interest, will allow for annual stability for the Water Utility and provide assistance with planning for the upcoming Biannual Budget FYs 2025-27.

Fiscal Impact:

The Water Utility has expended all authority under the current POs for Lhoist and Brenntag Pacific for critically needed operational supplies. While the Management Services Department processes solicitations for the needed materials, additional authority is needed to continue uninterrupted operations of the WTP.

The Water Utility budget for chemicals needed in processing raw water for FY 2024-25 in 751WRT-522050 is \$1,575,016. PO No. 220188 issued to Lhoist was originally issued based on a competitively issued RFP. PO No. 250086 is the current PO issued to Brenntag Pacific based on a competitively issued and City Council approved RFP.

The estimated expenditure for both vendors is currently anticipated to be in excess of the approved fiscal year budget of \$1,575,016. However, with competitive solicitations underway for all chemicals necessary in the water treatment process, this result is not certain.

At the time the competitive solicitations are finalized, a future staff report will provide the City Council with an update of the situation and, where necessary, request authority to issue purchase orders for awarded solicitations.

Conclusion:

Providing additional authority under PO Nos. 220188 and 250086, in order to bridge the need to continue operations of the WTP until the competitive solicitation results are known will allow the City to safely deliver treated water to residents.

Respectfully submitted,

Shaun Ryan, Water Manager

Robert Cross, Financial Services Manager

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APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Brad Wilkie, Utility Director

Christie Donnelly, Management Services Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

- Attachments:
- 1) PO No. 220188 Lhoist North America
 - 2) PO No. 230375 Brenntag Pacific
 - 3) RFP No. 2862 Solicitation for Caustic Soda
 - 4) RFP No. 2925 Solicitation for Granular Quicklime)