



Legislation Text

File #: 2021-435, Version: 1

Proposed Purchase Order Renewal No. 3
Purchase Order No. 0004302
Liquid Chlorine
Vendor: JCI Jones Chemicals

Agenda of: November 18, 2021

Item No.: **2021-435**

Amount:	Original Purchase Order	\$ 1,142,064.00
	Purchase Order Renewal No. 1	408,816.00
	Purchase Order Renewal No. 2	438,208.00
	Proposed Purchase Order Renewal No. 3	794,240.00
	Total Revised Purchase Order	\$ 2,783,328.00

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.,
Interim Chief Executive Officer
Great Lakes Water Authority

DATE: November 3, 2021

RE: Proposed Purchase Order Renewal No. 3
Purchase Order No. 0004302
Liquid Chlorine
Vendor: JCI Jones Chemicals

MOTION

Upon recommendation of Navid Mehram, Chief Operating Officer - Wastewater Operating Services, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), authorizes the Interim Chief Executive Officer (ICEO) to enter into **Purchase Order No. 0004302, "Liquid Chlorine" with JCI Jones Chemical Inc., at an increased cost of \$794,240.00 for a total cost not to exceed \$2,783,328.00 and an increased duration of one (1) year for a total purchase order duration of six (6) years;** and authorizes the Interim CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Water Resource Recovery Facility (WRRF) treats on average 650 million gallons per day (MGD) and can increase to 1,700 MGD during wet weather events. The WRRF uses chlorine for disinfection prior to discharge to receiving water bodies. The disinfection is a requirement per the National Pollutant Discharge Elimination Permit (NPDES).

GLWA has exercised its discretion by extending the contract to a full 5-year duration. The second renewal (fifth-year term) will end on December 31, 2021. However, due to the COVID-19 pandemic, there is a severe shortage of chlorine supply and many supply chain challenges. To ensure the continuity of chlorine supply, it is recommended to extend the current purchase order for one (1) additional year making the term of the contract six (6) years.

JUSTIFICATION

Since March of 2020, GLWA has experienced intermittent difficulties and delays in obtaining chemicals. Although, GLWA has maintained compliance and has successfully procured the needed chemicals for treatment, the challenges of the supply chain persist.

The difficulties have been caused by two separate but concurring issues. The first is manufacturer availability due to increased demand specifically for chlorine and chlorine-based chemicals as a result of the pandemic. This includes a) one manufacturing plant shifting from industrial to retail chemical supply focus and b) hurricanes which have intermittently caused manufacturing interruptions. The second factor is the transportation industry. GLWA receives chemicals in one-ton containers and railcars. The transportation industry issues experienced have negatively impacted the chemical industry.

Through diligent review and surveying of the market, our Procurement Team's professional judgment and recommendation to extend the current purchase order by one (1) year will ensure the continuity of Chlorine supply for our operations.

Additionally, in the Procurement Director's November 3, 2021, memo to the Board (attached) related to chemical contracts, the procurement strategy is to extend all current chemical contracts for a minimum of one (1) year to give adequate time to fully assess the market and allow manufacturers to catch up production with demand. This prudent approach will protect the continuity of GLWA's supply while allowing assessment of the current market. Procurement will also use this time to identify the possibility of new sources of product. Procurement is implementing a dual sourcing plan for redundancy in chemicals to avoid any interruption in chemical supply going forward.

PROJECT MANAGEMENT STATUS

Original Contract Time	Three (3) years	(01/01/2017 - 12/31/2019)
Purchase Order Renewal No.1	One (1) year	(01/01/2020 - 12/31/2020)
Purchase Order Renewal No. 2	One (1) year	(01/01/2021 - 12/31/2021)
Proposed Purchase Order Renewal No. 3	One (1) year	(01/01/2022 - 12/31/2022)
Total Revised Time	Six (6) Years	(01/01/2017 - 12/31/2022)

PROJECT ESTIMATE

Original Purchase Order Amount	\$ 1,142,064.00
Purchase Order Renewal No.1	408,816.00
Purchase Order Renewal No. 2	438,208.00
Proposed Purchase Order Renewal No. 3	794,240.00
New Purchase Order Total	\$ 2,783,328.00

FINANCIAL IMPACT

Summary: The proposed contract extension for chlorine was anticipated as an ongoing component of the wastewater financial plan.

There will be a proposed budget amendment for chemical costs. This is being evaluated on a prospective basis. Typically, the volume of these chemicals varies by year, due to demand, which may cause a budget amendment. Secondly, specific to this year is the nature of price increases outlined in this memo and the memo from the Procurement Director to the Board dated November 3, 2021. The funding for the budget amendment will first come from an overall review of the other chemical budgets, secondly from other budgeted areas, and finally from the wastewater unallocated reserves.

Funding Source: Operations and Maintenance Budget (5960)

Cost Center: Wastewater Secondary Processing (892224)

Expense Type: Operating Supplies - Chemicals (621600)

Estimated Cost by Year and Related Forecast Variance:

FY 2017 Budget (Prorated; 7.5 months)	\$418,750.00
FY 2018 Amended Budget	405,600.00
FY 2019 Amended Budget	400,000.00
FY 2020 Budget	421,000.00
FY 2021 Budget	398,400.00
FY 2022 Budget	473,300.00
FY 2023 Forecast Plan (Prorated; 4.5 months)	<u>287,250.00</u>
Financial Plan Forecast	\$2,804,300.00
Maximum Contract	<u>\$2,783,328.00</u>
Forecast Variance ((Negative) Positive)	\$20,972.00

COMMITTEE REVIEW

This item was presented to the Operations and Resources Committee at its meeting on November 10, 2021. The Operations and Resources Committee unanimously recommended that the GLWA Board adopt the resolution as presented.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.