



# AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING  
Meeting Date: January 15, 2019

Agenda Item	<u>6H</u>
<b>Approvals:</b>	
City Manager	<u>MM</u>
Dept. Head	<u>DR</u>
Attorney	
Finance	<u>g</u>

**Department:** Utilities  
**Prepared By:** David Rebensdorf, Utilities Director DR

**Subject:** *APPROVAL OF A SECOND AMENDMENT TO THE CONTRACT BETWEEN SOUTH ORANGE COUNTY WASTEWATER AUTHORITY (SOCWA) AND OLIN CORPORATION FOR DELIVERY AND SUPPLY OF CHLOR-ALKALI PRODUCTS.*

**Fiscal Impact:** Yes. There is adequate funding available within the Water and Sewer Operating Budgets in account numbers 052-465-42150 and 054-472-42150 for the total annual expenditure of \$126,400.

**Summary:** Staff recommends the City Council approve a Second Amendment to the regional contract through SOCWA with Olin Corporation for supply and delivery of Chlor-Alkali products, extending the contract term through October 4, 2019.

**Background:** The City of San Clemente currently participates in a Contract through SOCWA and Olin Corporation for Water Reclamation Plant chemicals including Chlor-Alkali products (Sodium Hypochlorite, Sodium Hydroxide and Caustic Soda). These chemicals are necessary for odor control to comply with AQMD regulations and for disinfection of reclaimed water to comply with Title 22 requirements. The City and SOCWA member agencies have a long history of partnering to purchase bulk chemical supplies to reduce the cost.

The original Contract term with Olin Corporation has ended and SOCWA approved a one-year extension to the Contract through October 4, 2019. As a result of hurricanes that affected the eastern seaboard, bleach supply chains were interrupted resulting in elevated pricing for Chlor-Alkali products. The Second Amendment to the contract with Olin Corporation is a short-term extension which includes price increases as shown in the attached SOCWA Agenda Item Report. SOCWA will be conducting a Request for Proposal process for a new contract that will go into effect once the extended Contract term with Olin Corporation ends and supply chains have returned to normal operations.

**Recommended Action:** STAFF RECOMMENDS THAT the City Council approve, and authorize the Mayor to execute, Amendment No. 2 to Contract #C16-21 by and between the City of San Clemente, SOCWA, and Olin Corporation, extending the contract through October 4, 2019.

**Attachments:** 1. SOCWA Agenda Item Report dated October 4, 2018 related to the Olin Contract.

2. The Second Amendment to the Contract with SOCWA and Olin Corporation is on file with the City Clerk's Office.

**Notification:** None.

# Agenda Item

<b>Budgeted:</b> Yes
<b>Budget amount:</b> \$638,000
<b>Line Item:</b> PC 2, 15 and 17 and Lines Item 5006 and 5009
<b>Legal Counsel Review:</b> Yes
<b>Meeting Date:</b> October 4, 2018

**TO:** Board of Directors

**FROM:** Betty Burnett, General Manager

**STAFF CONTACT:** Jim Burror, Director of Operations

**SUBJECT:** Chlor-Alkali Products (Caustic Soda and Bleach) Contract Extension with Olin Corporation, DBA Olin Chloro-Alkali Products

**FISCAL IMPACT:** Existing FY2018-19 Budget is estimated to be sufficient at this time.

## Summary

At the end of October 2018, the existing contract with Olin Corporation, DBA Olin Chloro-Alkali Products (Olin), will expire and needs to be extended. Staff proposes extending the contract for one (1) additional year and performing a request for proposals for the future contract.

## Discussion/Analysis

SOCWA staff traditionally conducts a request for proposals for all chemical contracts. Bleach supply chains have been interrupted due to the recent hurricanes affecting the eastern seaboard. Staff feels that the current quotes for short-term increases would be locked into long-term contracts if a long-term contract were put into place today via opening an RFP at this time.

Staff contacted Olin for a one (1) year term extension. The following are the proposed prices:

Sodium Hypochlorite - 12.5%	(501-1000 gals)	\$1.290	gallon
Sodium Hypochlorite - 12.5%	(1001-2000 gals)	\$1.114	gallon
Sodium Hypochlorite - 12.5%	(2001-3000 gals)	\$0.897	gallon
Sodium Hypochlorite - 12.5%	(3001-4000 gals)	\$0.796	gallon
Sodium Hypochlorite - 12.5%	(>4500 gals)	\$0.737	gallon
Sodium Hypochlorite - 5.25% (full load)	(>4800 gals) ETWD	\$0.665	gallon

Sodium Hydroxide - 50%	(1-500 gals)	\$4.190	gallon
Sodium Hydroxide - 50%	(501-1000 gals)	\$3.500	gallon
Sodium Hydroxide - 50%	(1001-2000 gals)	\$3.190	gallon
Sodium Hydroxide - 50%	(>2000 gals)	\$3.010	gallon
Sodium Hydroxide - 50%	Full trkl (3,918 min.)	\$2.840	gallon
Sodium Hydroxide - 30%	(500+ gals) - IRWD	\$3.090	gallon
Sodium Hydroxide - 30%	Full trkl (4,900 min.) - IRWD	\$2.390	gallon

Additional charges may apply for split loads per stop, additional unloading time due to SOCWA delays, fuel surcharges, sales tax, and California mill assessment fees.

Price Increases

The proposed price increases by percentage are as follows:

Chemical Item	% Price Increase
Sodium Hypochlorite, 12.5% (\$/gal.) – All Locations	
501 - 1000 gals.	8%
1001 – 2000 gals.	10%
2001 – 3000 gals.	13%
3001 – 4500 gals.	14%
> 4500 gals.	16%
Sodium Hypochlorite, 5.25% (\$/gal.)	
El Toro Water District- > 4800 gals.	12%
Caustic Soda, 50% (\$/gal.) – All Locations	
1 - 500 gals.	13%
501 – 1000 gals.	16%
1001 – 2000 gals.	17%
> 2000 gals.	19%
Full Truckload (~ 4,000 gals.)	20%
Caustic Soda, 30% (IRWD) (\$/gal.)	
500 + gals.	47%
Full Truckload (~ 4,600 gals.)	71%

The total annual increase from the beginning of the contract in 2013 is about 5% per year on average. However, due to the elevated price increases, staff will be starting the process to conduct a Request for Proposal (RFP) after the bleach supply chains recovers and prices stabilize, most likely in early 2019. Staff from City of San Clemente (CSC), Santa Margarita Water District (SMWD), Trabuco Canyon Water District (TCWD), El Toro Water District (ETWD), Irvine Ranch Water District (IRWD), and City of San Juan Capistrano (CSJC) will be contacted to gain their input to the RFP process. These agencies also use this contract for their chloro-alkali products.

**Prior Related Project Committee or Board Action(s)**

None

**Fiscal impact**

The existing FY2018-19 Budget is estimated to be sufficient at this time. Staff will be monitoring the chemical budgets to determine if budget adjustments are necessary in the future. Future pricing is also estimated to increase under the upcoming RFP but the amount is unknown at this time.

**Recommendation**

Award an up to one (1) year contract extension to Olin Corporation DBA Olin Chloro-Alkali Products for Chlor-Alkali Products for (5.25%-12.5% Sodium Hypochlorite and 30%-50% Sodium Hydroxide) with the prices as indicated including applicable additional charges.