



THE CITY OF SAN DIEGO

## Report to the City Council

DATE ISSUED: March 22, 2017

REPORT NO: 17-021

ATTENTION: Honorable Council President and City Council

SUBJECT: Approval of First Amendments and Increased Expenditure Authority for Maintenance, Repair, and Operations (MRO) Supply Contracts for Citywide Use for Contract Option Years Two (2) through Five (5)

REFERENCE: Resolution No. 306859, which was approved on June 22, 2011, authorized expenditure of a total not to exceed amount of \$10 million annually for five cooperative procurement contracts combined, for a period not to exceed five years.

### REQUESTED ACTION:

Approve the execution of first amendments to five Citywide Maintenance, Repair, and Operations (MRO) supply agreements. Approving these agreements would increase the expenditure authority for the purchase of operationally critical supplies that are utilized by City departments on a routine basis. Expenditure authorization for option years two through five of these five agreements would total a not to exceed amount of \$56.4 million, provided sufficient funding is included in each participating City department's approved budget each fiscal year.

### STAFF RECOMMENDATION:

Staff recommends the City Council accept the report and approve the recommended expenditure authority.

### EXECUTIVE SUMMARY OF ITEM BACKGROUND:

#### *Previous Maintenance, Repair, and Operations (MRO) Supplies Usage*

MRO supplies include items such as janitorial chemicals, tools, hardware, and lighting components, and are critically essential goods used in the day-to-day operations of multiple City departments. In 2011, several cooperative agreements for MRO supplies were brought forward by Purchasing & Contracting (P&C) to provide options to City departments for competitive pricing based on solicitations undertaken by other agencies or group purchasing organizations. The City Council authorized staff to enter into five cooperative procurement agreements for MRO supplies in an amount not to exceed \$10 million annually for all five contracts combined for a term not to exceed five years—a total expenditure authority of \$50 million for all contracts over the five-year terms of the contracts. See Resolution R-306859.

From FY 2012 to FY 2016, the City spent over \$33 million in MRO supplies on cooperative agreements. The following table provides a complete breakdown by contracted vendor and total dollars expended.

Citywide MRO Expenditures, by Vendor, FY 2012-FY 2016

Outline Agreement No. (SAP)	Vendor	Target Value	Expended
4600000772	WW Grainger	\$10,000,000	\$8,479,379
4600000773	Waxie Corporation	\$7,900,000	\$7,096,323
4600000774	Fastenal Company	\$5,100,000	\$4,709,713
4600000775	Graybar Industries	\$3,800,000	\$2,255,630
4600000776	Wesco	\$11,500,000	\$10,765,476
<b>TOTAL</b>			<b>\$33,306,521</b>

*Bid Process for Current MRO Agreements*

On May 11, 2016, P&C advertised and posted its solicitation for MRO supplies under an Invitation to Bid (ITB) process. The bid was issued on the City’s e-bidding website, PlanetBids, and broadcast to 1,175 registered firms by use of material codes. There were 60 prospective bidders for this solicitation. This was the first electronic bid to be completed in its entirety for P&C.

The bid was intended for multiple awards, by section, to maximize competition and opportunity among prospective bidders. The bid was divided into the following categories:

- Electrical
- Lighting
- Tools
- Hardware
- Safety
- Motors & Pumps
- Paints & Coatings
- Material Handling & Storage
- Janitorial (non-chemical)

There were 1,169 line items on the bid and in order for a prospective bidder to be awarded a section the bid requirements required all line items to have a response. In addition, prospective bidders were asked to submit a best-discounted manufacturer pricing for goods not itemized in the bid based on two tiers; however, the tiered pricing was not a factor considered for award.

Sixty prospective bidders viewed and downloaded the bid and eleven prospective bidders submitted responses by the closing date of May 27, 2016. Of those, four successful bidders were awarded contracts.

*MRO Awardees and Categories*

Based on the solicitation described above, current MRO awardees by category are as follows:

<b>Awardee</b>	<b>Category</b>
Fastenal Company	-Material Handling & Storage -Motors & Pumps -Paints & Coatings
Graybar Industries	-Electrical -Lighting
Corrado Industrial, Inc.	-Tools -Hardware
Mallory Safety & Supply	-Safety

These MRO vendors secured contracts via the City's competitive bid process. These agreements were crafted to:

- Secure fixed pricing on the most commonly purchased items (market basket);
- Secure second and third tier discounted pricing to ensure the most competitive pricing for the City;
- Require electronic pricing catalogs in line with P&C's contract compliance goals; and
- Require the submission of an emergency plan to ensure that the City has a reliable partner in the event of emergency situations.

Due to the specificity of the janitorial chemicals used by City staff and the testing and approval process undertaken, P&C opted to use Waxie Corporation for all chemical-related janitorial and sanitation items within this commodity using a cooperative procurement contract procured by the National Cooperative Purchasing Alliance (NCPA), of which the City is a member. The NCPA conducted a competitive process that complied with the City's own procurement laws and procedures. See, San Diego Municipal Code (SDMC) section 22.3208.

P&C executed each of these new agreements under the authority of the Purchasing Agent, as per SDMC section 22.3206, which allows the Purchasing Agent to enter into contracts up to \$3 million.

*Estimating the City's Future MRO Needs*

The following table provides information on actual spend for each contract during the first (July–September) quarter of FY 2017. For purposes of estimating the City's future MRO needs, an annual escalating factor of five percent was introduced for the remaining years of the contract, which provides a total not to exceed expenditure amount that is estimated for the life of each contract. Five percent is the maximum allowable consumer price index increase per the City's contract terms.

City's Projected MRO Needs, by Vendor, FY 2017-FY 2021

Vendor	FY 17 QTR 1 Spend (actual)	Year 1 Projected	Year 2 Projected	Year 3 Projected	Year 4 Projected	Year 5 Projected	Total Not-to-Exceed
Mallory	\$776,337	\$1,358,590	\$1,426,519	\$1,497,845	\$1,572,737	\$1,651,374	<b>\$7,507,066</b>
Waxie	\$993,000	\$1,737,750	\$1,824,638	\$1,915,869	\$2,011,663	\$2,112,246	<b>\$9,602,166</b>
Fastenal	\$1,210,000	\$2,117,500	\$2,223,375	\$2,334,544	\$2,451,271	\$2,573,834	<b>\$11,700,524</b>
Corrado	\$1,205,000	\$2,108,750	\$2,214,188	\$2,324,897	\$2,441,142	\$2,563,199	<b>\$11,652,175</b>
Graybar	\$1,649,000	\$2,885,750	\$3,030,038	\$3,181,539	\$3,340,616	\$3,507,647	<b>\$15,945,590</b>
<b>TOTAL</b>							<b>\$56,407,521</b>

However, given the City's high demand for MRO commodities, the City will exceed the Purchasing Agent's \$3 million expenditure authority noted above. Consequently, P&C is requesting an expenditure authorization for option years two (2) through five (5) of these five agreements with a total not to exceed amount of \$56.4 million, provided sufficient funding is included in each participating City department's approved budget each fiscal year. By increasing the expenditure authority, the City is not obligated to spend up to the maximum amount of any contract.

Approval of this action will ensure that there are no operational interruptions for our City forces due to being unable to obtain items critical to their work in future option years.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal # 1: Provide high quality public service

Objective # 1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

FISCAL CONSIDERATIONS:

Expenditure authorization for option years two through five of these five agreements would total a not to exceed amount of \$56.4 million. Expenditure of these funds is contingent on sufficient funding being included in each participating City department's approved budget each fiscal year. By increasing the expenditure authority, the City is not obligated to spend up to the maximum amount of any contract.

EQUAL OPPORTUNITY CONTRACTING INFORMATION:

This agreement is subject to the City's Equal Employment Opportunity Outreach Program (SDMC sections 22.22701 through 22.2708) and Non-Discrimination in Contracting (SDMC sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

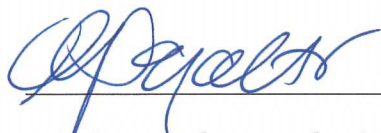
N/A

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

All City departments.



Kristina Peralta, Purchasing & Contracting  
Department Director



Ronald H. Villa, Deputy Chief Operating  
Officer, Internal Operations Branch

Attachments:

1. Corrado Bid Response, Original Contract and First Amendment
2. Fastenal Bid Response, Original Contract and First Amendment
3. Graybar Bid Response, Original Contract and First Amendment
4. Mallory Bid Response, Original Contract and First Amendment
5. Waxie Bid Response, Original Contract and First Amendment