February 6, 2009

Members of the Transportation and Environment Committee:
Linda L. Koop (Chair), Sheffie Kadane (Vice Chair), Jerry R. Allen, Carolyn R. Davis,
Vonciel Hill, Angela Hunt, Pauline Medrano and Ron Natinsky

SUBJECT
Ferric Sulfate Water Treating Chemical Contract

The attached Ferric Sulfate Water Treating Chemical contract is scheduled to be briefed
at your February 9, 2009 Committee meeting.

Should you require additional information, please let me know.

David Cook
Chief Financial Officer

Attachment

Cc: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Tom Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander
Ryan S. Evans, First Assistant City Manager
Ramon F. Miquez, P.E., Assistant City Manager
Jill A Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest Turner, Interim Assistant City Manager
Jeanne Chipperfield, Director, Budget and Management Services
Edward Scott, Director, Controllers Office
Helena Stevens-Thompson, Assistant to the City Manager-Council Office
Purpose of Briefing

- To inform the Transportation & Environment Committee about the usage of ferric sulfate by Dallas Water Utilities and the recent procurement process to secure a new contract for the product
Background

- In FY07-08, DWU used 39,426.23 tons of Ferric Sulfate to treat an average of 416 million gallons per day of potable water.
- Current Ferric Sulfate contract:
  - Awarded to General Chemical Performance, LLC.
  - One year contract, $5,916,572
  - 41,666 tons at $142 per ton
  - Awarded December 12, 2007 (Council Resolution 07-3687)
Need for Chemical

- Ferric Sulfate is used to remove dirt, algae, bacteria and other impurities in the purification process.
- The use of this chemical is required by the Environmental Protection Agency (EPA) and Texas Commission on Environmental Quality (TCEQ).
- Substitute product used by other Cities is Aluminum Sulfate which is more costly due to other needs for aluminum which is a component material.
Need for Chemical (cont’d)

- Ferric Sulfate is used to remove turbidity and cloudiness in water through coagulation
- Use is required to meet the regulations under the Safe Drinking Water Act by reducing Total Organic Carbon (TOC) in raw water
- Consultant Studies have shown Ferric Sulfate to be the most effective chemical for the treatment process
East Side Water Purification Plant
Ferric Sulfate Truck Delivery
Ferric Sulfate Storage Tanks
Ferric Sulfate Feed Point
Floc forming in Flocculator Basin
Procurement Process

- Business Development and Procurement Services (BDPS) advertised the Request For Bids (RFB) for Ferric Sulfate on October 23 & 30, 2008
- As part of our vendor notification process, 534 electronic notices were sent by the City’s web-based procurement system
- In addition to the incumbent (General Chemical), BDPS staff contacted the following vendors by phone
  - Noah Technologies
  - Celeritas Chemicals (M/WBE)
  - Calabrian Corporation
- Additionally, notifications were sent by BDPS ResourceLINK Team (RLT) to 25 chambers of commerce, and 2 advocacy groups (i.e. DFW Minority Business Council and Women’s Business Council-Southwest)
A pre-bid conference was held November 3, 2008
- 4 companies were represented:
  - Pencco
    - Did not submit a bid, not a manufacturer of this product
  - General Chemical
  - Kemira Solutions
  - Celeritas Chemicals (M/WBE)
    - Did not bid due to large volume required

Prior to the original bid due date, November 12, 2008 at 2pm, BDPS staff reviewed the bid logs to ensure competition
- At 1:30pm on November 12, 2008, it was determined that the City received one bid packet (unopened) and the bid due date was extended for one week to attract more vendor participation

During the extension week, BDPS made phone calls to additional vendors in an effort to increase participation:
- Noah Technologies
- Sterling Water Technologies
- BKM Resources, Inc.
- BWI Companies, Inc.
Procurement Process (cont’d)

- BDPS received four (4) bids on November 19, 2008
  - General Chemical Performance, LLC - $19,805,000 - $233 per ton
  - Kemira Companies, Inc. - $38,808,450 - $456 per ton
  - Sterling Water Technologies - No bid
    - Can not fulfill the volume being demanded
  - BKM Resources, Inc. - No bid
    - Requested to remain on the vendor notification list but will not bid at this time.

- To ensure prices received were reasonable and reflective of the prevailing market price, other cities were contacted:
  - Austin $1,358 per ton
  - Midland $398 per ton
  - North Texas Municipal Water District $247 per ton
  - Houston (awarded 7/05 for 60 months) $215 per ton
  - Ft. Worth (awarded 11/07 – currently rebidding) $179 per ton

- City of Dallas has the lowest unit price among prices ($233 per ton) obtained in the last 6 months
Business Inclusion and Development (BID)

- This contract historically has no M/WBE participation
- BDPS staff identified specialized transportation and fuel as a potential scope
- As a result, the planned M/WBE participation for this contract will be 3.3%
  - Richochet Fuel – $396,100
    - NCTRCA – WFDB39120Y1109
  - Rucker Transportation - WF, $255,000
    - The sub-contractor has indicated they are a minority/women owned firm with a lapsed certification and RLT has submitted the M/WBE's sub-contractor's re-certification application for an expeditious certification process.
Bidders

- General Chemical Performance, LLC.
  - Chemical manufacturer
  - Frisco, Texas plant will provide ferric sulfate for Dallas
  - Incumbent vendor
- Kemira Companies, Inc.
  - Chemical manufacturer
  - Houston, Texas plant location would be used to provide ferric sulfate for Dallas if they were the lowest responsive bidder
Reasons for the Price Increase

- Sulfuric Acid is a principal ingredient in the manufacture of Ferric Sulfate
- Other competing uses for sulfuric acid have driven the cost upward significantly
  - Used to manufacture fertilizer
- World wide demand for iron ore, another principal ingredient, has also risen significantly
- Most of all, the ore used to manufacture ferric sulfate is imported from either South America or Europe
Recommendation

- Recommend award of a twenty-four-month master agreement to the lowest responsive bidder, General Chemical Performance Products, LLC in the sum of $19,805,000 for full Council approval on February 11, 2009
  - Quantity – 85,000 tons
  - Price per ton - $233