



# City Council Report

**Date:** August 26, 2019  
**To:** City Council  
**Through:** Michael Kennington, Deputy City Manager/Chief Financial Officer  
**From:** Edward Quedens, Business Services Director  
Matt Bauer, Procurement Administrator  
**Subject:** One-Year Renewal with a One-Year Renewal Option to the Term Contract for Bulk Methanol for Wastewater Treatment for the Water Resources Department (**Citywide**)

## Recommendation

Council is requested to approve the contract renewal as recommended.

The Water Resources Department and Purchasing recommend authorizing the renewal with Tarr Acquisition, LLC, dba Tarr, LLC, at \$220,000 annually, with an annual increase allowance of up to 5% or the adjusted Consumer Price Index.

## Background / Discussion

This contract provides bulk methanol including delivery for the Northwest Water Reclamation Plant (NWRP). The NWRP uses methanol as a carbon source (food) in the aeration basin system for their water treatment process. It assists the biological nutrient removal (BNR) process in removing nitrogen from the water produced. Nitrogen levels in the effluent discharged have strict limits enforced by the Arizona Department of Environmental Quality. The plant's estimated annual methanol usage is approximately 91,000 gallons per year.

This contract takes fluctuating prices into account by using a published index price for methanol (which fluctuates monthly) added to a firm set price for vendor mark-up and delivery (which remains the same for three years). The price for methanol is set on a monthly basis by the Methanex Methanol Index so the price per gallon fluctuates but the mark-up of \$0.24 remains firm for the entire term of the contract. In October of 2016, when this was bid, methanol was \$0.88 per gallon. Tarr bid \$0.24 mark-up for (delivery, profit and other costs) bringing the total to \$1.12 per gallon. Univar bid \$0.65 mark-up for (delivery, profit and other costs) along with a 6% discount off of the Methanex Index price for Methanol (\$0.88 Index less 6% = \$0.8272 plus \$0.65 mark-up to total \$1.48 per gallon.)

Tarr, LLC has been the awarded contractor for the past ten years and has maintained their pricing throughout the contract. The City has been satisfied with the vendor's performance and there have been no delivery issues. Tarr came in \$0.36 per gallon lower than the other bidder which saves the City \$32,760 per year. This contract continues to be advantageous to the City and it is in the City's best interest to renew the contract.

## Purchase Information

Action: Renewal (1<sup>st</sup> of 2 possible)

Procurement Type: Request for Bids

Contract Number: 2017057

Original Council Award Date: 11/21/2016

Initial Contract Term: Three years

Possible Renewals: One-year renewal subject to Administrative review and approval

Pricing: Product Base Price: This is a price that fluctuates with the methanol market throughout the term of the contract. The Product Base Price must be taken from an easily accessible source of a publicly published index source (such as [www.methanex.com](http://www.methanex.com)).

Mark-Up Price: This is a constant price that remains firm for the entire length of the contract. The Mark-Up Price consists of delivery charges, profit and any other costs other than the price of the Bulk Methanol and taxes.

Total Delivered Methanol Price: The Total Delivered Methanol Price is calculated by adding the Mark-Up Price to the Product Base Price.

Funding Source: Water Resources Department operating budget (Wastewater Operations and Maintenance)