



Staff Report

TO: City Council
FROM: Thaxton Van Belle, General Manager of Utilities
DATE: August 2, 2022
SUBJECT: Approve the Second Amendment of the Wastewater Treatment Plant Chemical Supply Contract with NorthStar Chemical

Background and Analysis:

On July 7, 2020, City Council approved a contract with NorthStar Chemical for the following chemicals: citric acid, sulfuric acid, liquid ammonium sulfate, sodium bisulfate, and sodium hydroxide.

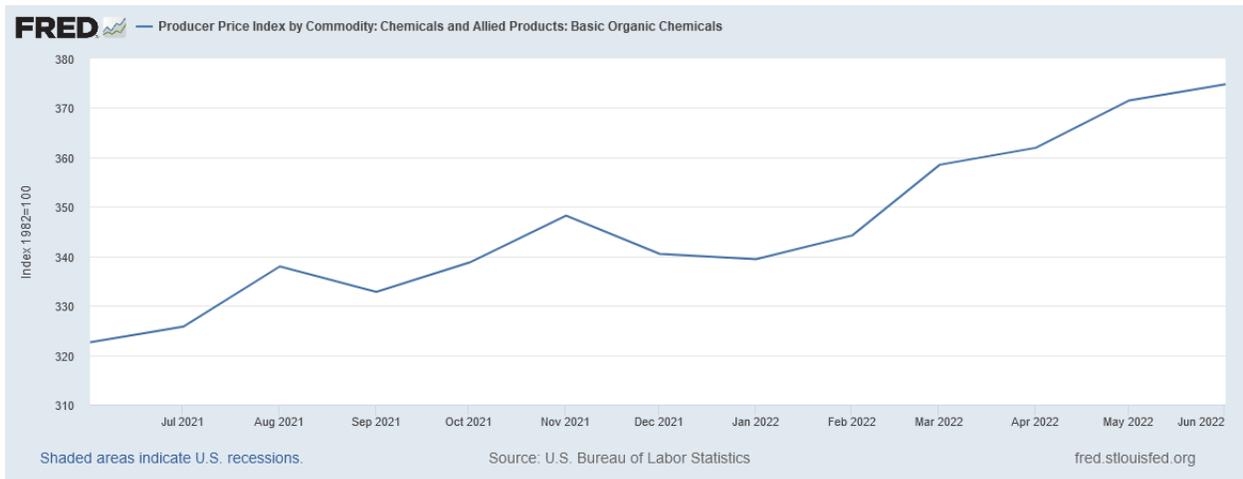
On July 1, 2021, City Council approved the First Amendment to extend the Chemical Supply Agreement with NorthStar Chemical for one year.

NorthStar Chemical has submitted pricing for the first quarter of the current fiscal year. Chemical pricing continues to escalate with all products from all manufacturers and freight/transportation rates have escalated along with it. NorthStar Chemical is limiting its offering to quarterly pricing due to the market volatility and unpredictability of the future. The following table illustrates the pricing from FY2022 and the proposed quarterly fixed pricing for FY2023.

| Chemical | 2022 Price Per Gallon | 2023 Price Per Gallon |
|-------------------------|-----------------------|-----------------------|
| Citric Acid | \$9.46 | \$19.50 |
| Sulfuric Acid | \$2.65 | \$5.20 |
| Liquid Ammonium Sulfate | \$4.38 | \$5.75 |
| Sodium Bisulfite | \$2.96 | \$3.25 |
| Sodium Hydroxide | \$1.71 | \$2.83 |

Staff is recommending to reference a producer pricing index (PPI) for chemicals (shown and referenced below), currently running at an annual rate of 16% to apply to the quarterly price to establish a ceiling rate for a one-year contract. Thus, if the next quarterly pricing comes in equal to or less than the PPI of 16%, the contract will remain

in effect, and if pricing increases beyond the 16% PPI, the contract will come before the City Council for review.



U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Chemicals and Allied Products: Basic Organic Chemicals [WPU0614], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPU0614>, July 26, 2022.

All Chemical Supply Contracts are scheduled to undergo new bid requests for the next Fiscal Year.

Fiscal Impact:

The total cost of the agreement is based on actual usage and estimations have been appropriated within the wastewater special supplies budget. The cost to prepare this report is estimated at \$700.

Recommended Action:

Approve a second amendment to the Chemical Supply Agreement with NorthStar Chemical with any non-substantive changes made by the City Attorney consisting of a one-year extension of the existing contract for the supply of the listed chemicals with adjusted quarterly rates as outlined, not to exceed the Producer Price Index by Commodity for chemicals, currently running at 16%.

Attachments:

- A. Approved FY 2022 Contract Amendment.
- B. Proposed FY 2023 Contract Amendment.