



*City of Arts & Innovation*

# City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 10, 2025

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: APPROVAL OF CENTRAL STORES ANNUAL PURCHASE ORDERS TOTALING \$23,768,660 AND A NOT TO EXCEED 20% ALLOWANCE FOR PRODUCER PRICE INDEX (PPI) INCREASES PLUS POTENTIAL IMPACT OF 30% TARIFF-RELATED CONTINGENCY FOR THE 2025/26 FISCAL YEAR

## **ISSUE:**

Approval of Central Stores Annual Purchase Orders totaling \$23,768,660 and a not exceed 20% allowance for producer price index (PPI) increases plus potential impact of 30% tariff-related contingency for the 2025/26 Fiscal Year.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve Central Stores Annual Purchase Orders for an estimated total of \$23,768,660 for FY 2025/26;
2. Approve a not to exceed 20% allowance for Producer Price Index (PPI) increases for the FY 2025/26 Annual Purchase Orders for Central Stores;
3. Approve a potential impact of 30% tariff-related contingency for the 2025/26 Fiscal Year; and
4. Authorize the City Manager, or his designee, to award the purchase orders for such procurements for the items designated.

## **BOARD RECOMMENDATIONS**

On June 9, 2025, the Board of Public Utilities will hear this item for consideration to recommend that the City Council approve the Electric and Water Central Stores Annual Purchase Orders totaling \$23,768,660 and a not to exceed 20% allowance for Producer Price Index (PPI) increases plus potential impact of 30% tariff-related contingency for the 2025/26 Fiscal Year.

## **BACKGROUND:**

Riverside City Charter Section 1202(b) requires that the Board of Public Utilities (Board) approve all expenditures in excess of \$50,000. Purchasing Resolution No. 24101 (Purchasing Resolution) Section 404 entitled “Utilities Exception” recognizes that there are certain supplies and materials which are “peculiar to the needs” of the City’s Public Utilities Department (RPU) and may be acquired through an open market procurement process, so long as the expenditures have been approved by the Board. Categories for such supplies and materials are listed in that resolution.

## **DISCUSSION:**

In accordance with this authorization, Central Stores issues annual purchase orders for such goods and materials routinely used by the Riverside Public Utilities department during the fiscal year for its daily utility operations. The City’s Purchasing Division selects vendors via a competitive bid process which can be informal or formal.

1. Informal bids apply to either purchases of goods and services of \$50,000 or less and purchases of any amount falling under Purchasing Resolution 24101 Section 404 for Utilities Exception, which have no monetary cap. Informal bids mean that the City receives a minimum of three price quotes from vendors outside of the formal procurement process and may negotiate terms, conditions, and pricing with the vendors.
2. Formal bids apply to all other purchases over \$50,000.
3. The competitive bid process for goods and services may be waived for various reasons, and including availability from a sole source, “piggy-backing” another governmental contract, when it is in the best interest of the City to do so or for other reasons as set forth in the City’s purchasing rules.

Informal bids for purchases falling under Purchasing Resolution 24101 Section 404, as noted above, are those that may be placed on an annual purchase order. The Utilities Exception relates to supplies, equipment, and materials that are peculiar (i.e. specific) to the needs of RPU for daily routine operations such as chemicals, meters, utility poles, road and backfill materials, transformers and other similar items as outlined in the resolution. Formal bidding requirements are waived regardless of amount; however, informal bids are obtained at the time of requisition from the vendor community to ensure competitive pricing. This may include direct negotiation with one vendor. In addition, items are approved by the Board for capital work orders over \$50,000 and all expenditures are incorporated into the FY 2025/26 operating budget.

Purchasing Resolution 24101, Section 404 Utilities Exception, states. “The Water, Electric and Sewer Utilities have a need for compatibility within their respective systems for uniform operation, maintenance and replacement, and this need can be met by procuring certain supplies, equipment, and materials supplies through Informal Procurement or Negotiated Procurement. If it appears to the Manager to be in the best interest of overall economy and efficiency of the City to do so, and it is within existing budget appropriation, the following supplies, equipment, and materials are determined to be peculiar to the needs of the Water Utility, the Electric Utility, and the Sewer Utility and may be acquired by Informal Procurement or Negotiated Procurement, regardless of their estimated Procurement expenditure amounts, provided that the City’s Board of Public Utilities or City Council shall have approved the proposed acquisition if required under the provisions of the City Charter, either by approval of the procurement contract or approval of annual purchase orders.”

### *Annual Purchase Orders – Central Stores*

Fiscal Year 2025/26 Annual Purchase Orders for Central Stores (Attachment 1) include an estimated expenditure of \$23,768,660. Central Stores provides warehousing and accounting control of supplies and materials on behalf of all City departments. The material and supplies included on this list are primarily used by the Electric and Water operations. The vendors listed are the current vendors for each of the goods and materials and are subject to change based on procurement activity. Bids are evaluated and awarded in compliance with purchasing policy and procedures. Items that require formal bidding and that are not exempt under the utilities' exception are presented to the Board for individual action throughout the fiscal year. With the potential impact of tariffs in the upcoming fiscal year, Purchasing is evaluating the feasibility of incorporating an additional 30% tariff-related contingency. Further analysis will need to be done to determine whether the tariff contingency should apply to the overall budget or be limited to specific items, such as transformers.

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 24101.

### **STRATEGIC PLAN ALIGNMENT:**

This item contributes to Strategic Priority #5 – High Performing Government and the following goals:

Goal 5.2 - Utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably throughout all geographic areas of the City.

Goal 5.3 - Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

This item aligns with each of the five Cross-Cutting Threads based as follows:

1. **Community Trust** – Annual PO report provides a transparent view and communication of Central Stores annual procurements in a forum that accommodates community engagement and the involvement of Board of Public Utilities.
2. **Equity** – Annual PO report is available to all members of the public via the City website, and the presentation of the proposed budget in a public forum accommodates community engagement from all members of the public.
3. **Fiscal Responsibility** – Annual PO report demonstrates commitment to responsible management of Central Stores' financial resources.
4. **Innovation** – Annual PO report will help in meeting the community's changing needs as the Utility's infrastructure needs are projected to grow as the system continues to age, and Central Stores stays active to supply materials to RPU to not hinder maintenance and repairs.
5. **Sustainability & Resiliency** – Annual PO report demonstrates Central Stores commitment to the long-term fiscal health of the Utility and preservation of Utility services by keeping material and equipment readily available.

**FISCAL IMPACT:**

The total fiscal impact of this recommendation is \$23,768,660. Departments have included sufficient funds in their proposed FY 2025/26 budget scheduled for Council adoption in June 2025.

Prepared by:	Braulio Lopez, Central Stores Supervisor
Approved by:	Jennifer McCoy, Purchasing Manager
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachment: Fiscal Year 2025-26 Annual Purchase Orders for Central Stores