



CENTRAL STORES ANNUAL PURCHASE ORDERS

FINANCE DEPARTMENT

City Council
June 24, 2025

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BOARD RECOMMENDATIONS

1. Approve the expenditure for 20 Fiscal Year 2025-26 Annual Purchase Orders for Central Stores for orders benefiting Electric and Water operations, with an estimated amount of \$23,768,660;
2. Approve a not to exceed 20% allowance for Producer Price Index (PPI) increases for 20 Fiscal Year 2025-26 Annual Purchase Orders for Central Stores for orders benefiting Electric and Water operations; and
3. Approve a potential impact of 30% tariff-related contingency for the 2025/26 fiscal year.

Board Action - Board of Public Utilities (BPU) approved recommendations with the exception of #3



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BACKGROUND

- City Charter 1202(b) – BPU approval of expenditures greater than \$50,000
- Purchasing Resolution 24101, Section 404 – Utilities Exception
 - Certain supplies and materials are “peculiar to the needs” of City’s Public Utilities Department (i.e., chemicals, meters, utility poles, road and backfill materials, transformers)
 - May be acquired through open market procurement
 - Expenditures must be approved by BPU



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ANNUAL PURCHASE ORDERS

- Central Stores is critical to maintaining inventory and distributing materials largely used by Electric and Water operations
- Issues annual purchase orders for RPU via competitive bid process, formal or informal
 - Informal applies to goods and services of \$50,000 or less and any amount under Purchasing Resolution 24101, Section 404 “Utilities Exception”
 - Formal applies to all other purchases over \$50,000
 - Competitive bidding may be waived: Sole source, “piggy-backing”, best Interest of the City, other reasons defined in City’s purchasing rules
- Fiscal Year 2025-26 annual POs estimated at \$23,768,660



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POTENTIAL TARIFF IMPACTS

- In volatile global trade and tariff environment, 20% contingency may be exceeded potentially delaying timely restocking
 - Delays may affect City's ability to perform routine maintenance or respond quickly to unplanned service interruptions, posing a risk to the reliability of Electric and Water operations
 - With tariff volatility impacting procurement, it may be prudent to review whether standard contingency is sufficient to support timely operations
 - Insufficient contingency will require Purchasing to obtain approval from BPU and City Council, resulting in delays and impacts to operational readiness
- Maintaining sufficient contingency helps avoid delays in approvals that can reduce vendor flexibility



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PRACTICES TO MITIGATE TARIFF VOLATILITY

- Purchasing Division utilizes the following strategies to mitigate tariff pricing volatility:
 - **Tariff Documentation:** Vendors must provide supporting documentation to validate any cost increase requests
 - **Proactive Vendor Engagement:** Staff work with vendors to adjust delivery schedules, quantities, or alternate sourcing options
 - **Flexible Sourcing Strategies:** Central Stores explores cooperative contracts and regional supplier pools to maintain a stable supply chain
- Staff engage in assertive, documented negotiations to manage tariff-related pricing impacts



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STRATEGIC PLAN ALIGNMENT



STRATEGIC PRIORITY 5 - HIGH PERFORMING GOVERNMENT

CROSS-CUTTING THREADS



Community Trust



Equity



Innovation



Fiscal
Responsibility



Sustainability
and Resiliency



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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. Authorize the City Manager, or his designee, to award the purchase orders for such procurements for the items designated.



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