



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 24, 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 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 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; and
3. Authorize the City Manager, or his designee, to award the purchase orders for such procurements for the items designated.

BOARD RECOMMENDATIONS:

The Board of Public Utilities met on June 9, 2025 to consider the following staff recommendations related to annual Electric and Water purchase orders, and Central Stores purchases of Electric and Water stock items. The recommendations directly related to this report are:

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;

Following discussion and with a vote of six Ayes and one No, the Board of Public Utilities voted to approve the above recommendations with the exception of recommendation #3.

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

The Fiscal Year 2025–26 Annual Purchase Orders for Central Stores (Attachment 1) reflect an estimated expenditure of \$23,768,660 to support warehousing and material control services citywide. Central Stores plays a critical role in maintaining inventory and distribution of materials used predominantly by the Electric and Water operations. These materials are essential to supporting the continuity of mandated utility services across the City. Purchase orders are established in alignment with the City's purchasing policy, and vendors listed represent current contract holders, which are subject to change based on procurement activity during the fiscal year. Items requiring formal bidding and not exempt under the Utilities' exception are submitted to the Board of Public Utilities for individual action throughout the fiscal year.

Potential Tariff Impacts

The contingency amount related to purchase orders provides Central Stores with some capacity to absorb sudden cost increases on imported goods, particularly critical infrastructure materials such as transformers, switchgear, and poles. In a volatile global trade environment, tariff rate increases or supply chain disruptions can exceed the standard 20% purchase order authority, potentially delaying the timely restocking of essential materials. Such delays may affect the 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.

When procurement is impacted by tariff volatility, it may be prudent to review whether the existing contingency is sufficient to support timely operations. In the absence of sufficient contingency funding, any adjustment to purchase order authority would require formal approval by both the Board of Public Utilities and the City Council, in accordance with City financial and procurement policies. These approvals are subject to public noticing and scheduling requirements under the Sunshine Ordinance, which can delay action by several weeks and impact overall operational readiness.

Current Practices to Mitigate Tariff Volatility

In response to the current tariff environment, the Purchasing Division utilizes the following strategies to mitigate 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.

The Purchasing Division's ability to negotiate and absorb increased costs is accommodated through the contingency amount authorized by Council. Purchasing staff engage in assertive, well-documented negotiations with vendors to manage tariff-related pricing impacts, requiring verifiable documentation for tariff increases, clear declarations of material origin, and pursuing cost-sharing or delayed cost pass-throughs whenever feasible. Maintaining sufficient contingency helps avoid delays in approvals that can reduce vendor flexibility—such as shortening quote validity, adjusting delivery terms, or requiring upfront commitments—and supports the City's ability to respond promptly to operational needs. From the vendor's perspective, delays in confirming orders, especially for materials with long lead times, introduce financial uncertainty, which may prompt them to tighten terms or prioritize customers with faster purchasing timelines.

As an example, in late May 2025, staff was notified of a price increase for Advanced Metering Infrastructure (AMI) meters supplied by Tantalus, attributed to rising tariffs. The meter modules, imported from the Philippines, were subject to a 17% tariff, equating to approximately \$7.65 per unit. Following negotiations, the Purchasing Division secured an agreement with the vendor to absorb 50% of the tariff-related cost; however, no long-term pricing commitment has been provided. Should the full tariff be imposed without vendor cost-sharing, staff may need to seek approval from the Board of Public Utilities and the City Council to increase funding for this item, leading to further delay in restocking meters vital to maintaining uninterrupted services.

Global Tariff Environment (June 2025)

- **China Tariffs:** Approximately 30% in place during a 90-day truce in U.S.–China trade negotiations.
- **Steel & Aluminum:** Tariffs raised to 50% for most countries on June 4, 2025.
- **Russian-Origin Aluminum:** Subject to a 200% tariff under national security-related trade restrictions.
- **Philippines Imports:** Currently under a 17% tariff, with the legality and enforcement status under federal judicial review.

Global trade developments are forecasted to increase U.S. input costs by more than \$100 billion annually, straining material costs for infrastructure, construction, and public utilities. Staff will continue to monitor pricing trends and may return to the Board of Public Utilities and Council with revised funding strategies should conditions materially worsen.

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** – The 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** – The 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** – The Annual PO report demonstrates commitment to responsible management of Central Stores' financial resources.
4. **Innovation** – The 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** – The 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. Sufficient funds have been included in the 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

Attachments:

1. Fiscal Year 2025-26 Annual Purchase Orders for Central Stores
2. Presentation