

# AGENDA



Thursday, March 3, 2011

## Purchasing Office RECOMMENDATION FOR COUNCIL ACTION

Item No. 15

**Subject:** Authorize award and execution of a 24-month revenue contract with SOLOMON CORPORATION, Solomon, KS for the sale of obsolete transformers with an estimated revenue of \$731,836, with three 12-month extension options with an estimated revenue of \$365,918 per extension option, for a total estimated revenue of \$1,829,590.

**Amount and Source of Funding:** The total revenue for Fiscal Year 2010-2011 is estimated to be \$182,959.

**Fiscal Note:** There is no unanticipated fiscal impact. A fiscal note is not required.

**For More Information:** Gage Loots, Buyer II/512-322-6118

**Purchasing Language:** Highest revenue bid of three bids received.

**MBE/WBE:** This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

**Boards and Commission Action:** Recommended by the Electric Utility Commission.

This contract is for the sale of scrap single-phase and three-phase power transformers as well as the disposal of potential and current transformers, circuit breakers and transformer bushings for Austin Energy (AE). AE routinely removes and replaces transformers from its distribution service area due to storm damage, leaks, or other malfunctions. Transformers are repaired or refurbished for continued use through a separate contract when possible, but transformers whose age and condition make them no longer viable are sold for scrap. The design of current and potential transformers requires a significant amount of labor to recover any scrap value; therefore, disposal costs are incurred.

Bid prices are based on a percentage mark-up to the published American Metals Market (AMM) quote for the price of No. 1 scrap copper. The contract price will change monthly based on the fluctuation of the AMM price of No. 1 scrap copper. The net estimated revenue was obtained by subtracting the estimated disposal costs from the estimated revenue and the recommended awardee is offering the highest net estimated revenue to the City.

MBE/WBE solicited: 2/5

MBE/WBE bid: 0/0

### PRICE ANALYSIS

- Adequate competition.
- Seventy-nine notices were sent, including two MBEs and five WBEs. Three bids were received, with no response from the MBE/WBEs.
- The pricing offered represents an 80% decrease from the last contract award in June 2010. This change in the offered mark-up to the AMM price of No. 1 Copper is due to a lower percent occurrence of copper in the composition of modern transformers.

APPROVAL JUSTIFICATION

- a. Highest bid received. Solomon Corporation is the current provider of this service.
- b. The Purchasing Office concurs with Austin Energy's recommended award.
- c. Advertised on the Internet.