



**Purchasing Modification
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

AGENDA ITEM NO.: 16
AGENDA DATE: Thu 11/04/2004
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SUBJECT: Authorize negotiation and execution of an amendment to contracts with THOMAS & BETTS, Houston, TX; SABRE TUBULAR PRODUCTS, Ft. Worth, TX; VALMONT INDUSTRIES, Inc. c/o PREFERRED SALES AGENCY, Carthage, TX; and TEXAS METAL TECHNOLOGIES, Corsicana, TX, to contractually modify the current pricing structure for goods manufactured from steel to allow price surcharges due to prevailing market conditions.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Fiscal Year 2004-2005 Approved Operating Budget of Austin Energy.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Purchasing **DIRECTOR'S**
DEPARTMENT:for Austin Energy; **AUTHORIZATION:**

FOR MORE INFORMATION CONTACT: Dolores Castillo (512) 322-6466

PRIOR COUNCIL ACTION: 1/9/03-Approved contracts with Thomas & Betts; Sabre; and Valmont.
7/18/02-Approved contract with Texas Metal Technologies.

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: These contracts were awarded in compliance with Chapter 2-9 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.

This amendment would allow staff to review, consider and authorize out-of-cycle increases or surcharges due to prevailing market conditions for the purchase of goods manufactured from steel such as steel poles and rebar. A surcharge is a dollar amount that will be temporarily paid in addition to the unit prices stated in the contract to cover only the out-of-cycle increased cost to the contractor. No increases to the total contract dollar amounts are requested.

These contracts:

- were established through a competitive solicitation method for twelve months with multiple 12 month extension options
- were awarded to low bidders meeting specifications
- included annual review and an upward or downward adjustment of prices based on the Bureau of Labor Statistics, Producer Price Index or American Metal Market Scrap Iron & Steel Consumer Buying Prices Publication Exchange and a maximum 5% price adjustment on an annual basis if justified
- contained City of Austin Standard Terms & Conditions that state prices must be firm during the initial contract period



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Pricing for steel suppliers has been unpredictable and unforeseeable due to volatility of the steel market. Soaring prices, strong demand from key consumer sectors such as China and other trade barriers have caused the global steel market to operate outside normal market conditions; as a result many manufacturers are unable to provide firm pricing. These contractors have notified Austin Energy of their inability to honor contract pricing because of the steel price fluctuation. Austin Energy has demonstrated this situation is a Critical Business Need and the Purchasing Office concurs. Goods included in these contracts are necessary for basic service delivery requirements for Austin Energy.

Should steel markets drop and stabilize, the use of surcharges will be discontinued.

REFERENCE FILES – Thomas & Betts File No. C030064; Sabre Tubular Products File No. C030063; Valmont Industries File No. C030062; Texas Metal Technologies File No. C020236