



MEMORANDUM

Resolution 23-123, A Resolution of the City Council Approving a Sole Source Contract to Zenon Environmental Corporation to Purchase Five Membrane Filter Trains for the Water Treatment Plant with the First Payment due in 2024 in the Amount of \$92,774 and Payments in Subsequent Years Subject to Inflation and Future Council Appropriations, and Authorizing the City Manager to Negotiate and Execute the Appropriate Documents. City Manager/Public Works Director.

Item Type: Backup Memorandum
Prepared For: City Council
Date: November 13, 2023
From: Janette Keiser, PE, Public Works Director/City Engineer
Through: Rob Dumouchel, City Manager

I. Issue: The purpose of this Memorandum is to request approval to award a sole source contract to Zenon Environmental Corporation (“Zenon”) to purchase membrane replacement modules for the Water Treatment Plant (WTP), with the first payment in 2024 in the amount of \$92,224 and payments in subsequent years subject to future Council appropriations.

II. Background:

Homer’s drinking water treatment technology involves the use of modules of very small diameter membranes, which are hung on racks, similar to a drying rack of angel hair pasta. Water passes through the membranes, which trap sediment, organics and other particles. The original membrane trains were installed in 2009, with an expected life span of 10-14 years. Thus, they are at the end of their useful life, so we have developed a plan for replacing them over the next few years.

The FY24 CIP includes \$80,000 to purchase one membrane train. Ordinance 23-57 appropriated an additional \$35,000 from the Water CARMA Fund to fully cover the expected cost of the first membrane train in FY24. We will be asking for additional appropriations in future years to address future purchases.

We received a final proposal from Zenon for the new membrane trains. Zenon’s proposal covers membrane replacement over a period of five years, anticipating purchase of one membrane train each year. This locks in the base price for all five membrane trains. Prices will be adjusted for inflation.

The total value for the purchase of five membrane trains is \$463,870. The Annual Payment is \$92,774 for the first year. Payments for subsequent years will be subject to inflationary adjustments, in accordance with the US CPI-U, All Urban Consumers and future Council appropriations. In addition to the membrane trains themselves, this price includes fiber repair kits and other parts required to connect the new membranes to the existing frameworks. In the event future City Councils do not appropriate funds for future payments, we have the option to terminate the purchase agreement. Once terminated, there is no option to restart the agreement; we will need to start from scratch.

The City's water treatment plant operators have the skills, abilities and tools to install the new membrane trains once we receive them. We may ask HDR to help commission the new membrane trains to ensure smooth transition between old and new flow parameters. We will assess the need, and request funding, for this possibility when we get the first train.

Homer City Code allows exceptions to be made to bidding requirements in the cases where a sole source procurements is justified, HCC 3.16.060(i). A sole source procurement is justified in this case because Zenon (1) provided the original membrane trains and (2) is the only manufacturer of these specialized membranes in the country.

Zenon's cost proposal is deem fair and reasonable, because it is based on the price guarantee formula that was part of the original purchase in 2009, adjusted for inflation, shipping and other incidental costs we've been able to identify and negotiate, such as costs for the repair kits, etc. The membranes themselves are manufactured in Hungary and subject to U.S. Custom duties, which are subject to change. Because of this, we recommend a small contingency be provided to account for small cost adjustments.

Delivery is projected to be 52 weeks after receipt of a purchase order.

- III. RECOMMENDATION:** That the City Council approve a sole source contract to Zenon for the purchase of five membrane filter trains for the Water Treatment Plant, with the first payment due in 2024 in the amount of \$92,774 and payments in subsequent years subject to future Council appropriations.