



425 East Baltimore Street

Hagerstown, MD 21740-6105

September 14, 2022

TO: Scott Nicewarner, City Administrator
Michelle Hepburn, Chief Financial Officer
Nancy Hausrath, Director of Utilities

FROM: Nathan Fridinger, Electric Operations Manager

SUBJECT: Inventory Procurement Funding for Fiscal Year 2023

ACTION: September 27, 2022 – Regular Session Approval of Inventory Procurement Funds

The challenges we face with the utility inventory supply chain continues to worsen. Availability, delivery lead times, and cost fluctuation caused by commodity impacts on certain elements, labor shortages, inflation, and the distributor's risk factors affect cash flow and maintenance of stock inventory levels. This places burden on operations by adding delays to improvement projects and introducing risk to system integrity.

Staff recommends approval for blanket funding of stock materials to reduce steps in the procurement process and expedite material requisitioning by providing the ability to lock in on quantity, lead-time, and unit cost¹, for certain items. Approval will also reduce the frequency of Emergency Procurement requests in an attempt to revert this practice to an absolute minimum and better satisfy the Purchasing Policy and Procedures Manual.

The non-informal procurement procedures performed are effective and competitive. A request for quotations of inventory is delivered electronically to common suppliers, which may vary depending on the items requested. These suppliers may include Anixter-Wesco, Graybar, Kendall Electric, Signify North America (DDA), Scott Electric, Stuart C. Irby, United Utility Supply, A Meredith Schneider, Bridgewell Resources, and Stella-Jones. After receipt, the requests are reviewed and awarded based on unit cost, lead-time, alternative manufacturer, etc. while maintaining the City's best interest and financial responsibility.

Since fiscal year 2019, Electric Fund inventory expenses ranged from approximately \$645,000 to approximately \$1,010,000 with increases ranging between 10% and 24% each year. Staff recommends a 20% increase over last year and will request additional approval should a funding increase be anticipated.

Staff requests approval of an inventory procurement fund not to exceed an accumulated value of \$1,212,000.00 for the Electric Fund through June 30, 2023.

¹ The unit cost for certain items, such as wire, is priced daily based on the metal market and distributors are unable to provide firm cost.