



**City of Flagstaff  
Management Services Division  
Purchasing Section**

**SOLE SOURCE JUSTIFICATION**

The City's Purchasing Section used to manage and operate the City's Central Warehouse (CW), where approximately 90% of the inventory items were utility industrial grade water work supplies. Research strongly suggested that it would make good business sense to transition out of the Warehousing/Distribution operation and utilize a vendor to inventory these items for the City.

This transition out of the CW provides the following benefits to the City: **1.)** The City would eliminate the inventory carrying costs associated with stocking and maintaining inventory, **2.)** It allowed us to bring that Warehouse/Buyer position over to City Hall to increase our staffing to assist in handling the more complex formal solicitations (while remaining budget neutral), **3.)** Our end users who requisitioned stock items from the Central Warehouse will be able to use their P-card to make their purchases from the Vendors who now are carrying this inventory for us, and **4.)** We re-purposed the Central Warehouse to the Police Department (PD), as they were in need of additional space for police evidence storage and other PD related storage.

As we formulated our transition plan, we determined that it would require that we utilize a local Flagstaff Vendor to inventory the utility industrial water work supply items that are requisitioned frequently by our Utilities Division who rely on quite a few items that they need on a daily basis and can go and purchase from a local Flagstaff location. In order to satisfy their needs, our transition plan involved identifying local Flagstaff Vendors, who inventory the stock items we have historically carried in the CW and conduct a competitive procurement process. As it turns out, HD Supply, Inc. was determined to be a sole source vendor located in Flagstaff for utility industrial water work supplies. The City's sole source determination was based on the following:

1. HD Supply, Inc. is currently the only Flagstaff vendor that stocks the variety of products that meet and follow the City of Flagstaff design and construction standards and specifications.
2. While there are other manufacturers and distributors with similar products, the inventory kept at our Flagstaff location is specific to the region in terms of distribution.
3. Industrial water work products are a niche market requiring a water works distributor to support its product lines. This makes these types of products not available and accessible by any standard plumbing store or chain retail store like Home Depot or Ace Hardware because of the City's critical need for larger diameter sizes.



**City of Flagstaff  
Management Services Division  
Purchasing Section**