



Revision to ASR and/or Attachments

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Date: December 12, 2019
To: Clerk of the Board of Supervisors
CC: County Executive Office
From: Barry A. Rondinella, Airport Director, John Wayne Airport *BAR*
Re: ASR Control #: 19-001146, Meeting Date 12/17/19, Item No. # 17
Subject: Approve Contract with Sterling Energy International, Inc.

Explanation:

The subject ASR is being revised to clarify and better explain the estimated costs associated with proposals submitted by both Veolia and Sterling.

☐ Revised Recommended Action(s)

None

☒ Make modifications to the:

☐ Subject ☒ Background Information ☐ Summary ☐ Financial Impact

The Background Information has been revised to clarify the compensation proposed by the Contractors and the associated evaluation.

The following sentence was added after the third paragraph in the Background Information on Page 2:

The CUP is critical to the safe and efficient operation of JWA and must be monitored and managed 24 hours per day, seven days per week, 365 days per year (24/7/365).

The following revisions were made to Pages 4 and 5, under Staffing Plan and Compensation:

1. Staffing Plan

In the Staffing Plan proposed by Sterling, they identified nine, specific staff, complete with names, resumes and qualifications that would

serve JWA on-site. Veolia specifically identified three proposed staff including two corporate personnel and a Project Manager with the remainder of the proposed staff shown as "identified" with no specific names, resumes or qualifications included. Identification of staff with their resumes and qualifications provides JWA the specificity and confidence needed for critical round-the-clock monitoring and management of the CUP for safety and efficiency. ~~positions serving JWA to be identified at a later date.~~

2. Compensation

- ❑ **Material and Expense Mark-Up:** Sterling completed the proposal form identifying a 4.5 percent mark-up. Veolia did not complete the form and did not identify its proposed mark-up in the proposal. After the submittal deadline, Veolia informed JWA that its proposed mark-up would be three percent.
- ❑ **Overall Cost and Compensation:** For the evaluation and this analysis, JWA used the rates and costs submitted in the contractor's proposals. The rates and costs for Sterling were subsequently updated during the best and final offer process and are reflected in the attached contract (Attachment A).

Operation and Maintenance (O&M) of the CUP is a time and materials, Not To Exceed (NTE) contract. The procurement was an RFP versus a low bid.

The RFP requested hourly rates and a mark-up to be applied to the labor hours and expenses for compensation purposes. The RFP also requested an estimated total, NTE compensation for the full three-year term.

JWA estimates that O&M of the CUP will require approximately 18,616 labor hours and \$1.5 million in expenses annually. Applying the estimated hours and expenses to the rates and mark-up proposed by the Contractors, without considering the NTE limits, the costs would be as follows:

<u>Contractor</u>	<u>Annual Cost</u>	<u>Three Year Cost</u>
Sterling	\$4,060,643	\$12,181,929
Veolia	\$3,769,973	\$11,309,919

When we apply the proposed NTE amounts by the contractors:

<u>Contractor</u>	<u>Three Year Costs</u>	<u>NTE Amount</u>	<u>Costs not Included</u>
Sterling	\$12,181,929	\$12,118,454	\$ 63,475 (1%)
Veolia	\$11,309,919	\$ 4,593,275	\$ 6,716,644 (59%)

Even though Veolia's annual cost would be approximately 8 percent lower than Sterling for the same labor hours and expenses, Veolia's contract would not cover 59 percent of the estimated O&M costs.

The two firms used different assumptions to develop their NTE amounts. Sterling included more labor hours and assumed they would pay for all expenses. Veolia assumed that expenses over \$50,000 would be billed and paid directly by JWA instead of through the Veolia contract. The compensation component of the RFP was for labor and materials to operate and maintain the CUP for three years. The RFP stated, "Large expenses such as major engine overhauls costing over \$50,000 may be procured by County." In its proposal, Veolia "presumes that a majority of the subcontractor costs >\$50,000 will be direct-billed to the airport." ~~Veolia's proposed compensation total is \$4,593,275 over three years. Sterling's proposed compensation total is \$11,799,207 and incorporates all items, including those estimated to cost more than \$50,000.~~

Sterling's proposal reflects costs that are historically consistent with the total cost to operate and maintain the CUP.

JWA's RFP evaluation was based on the rates, mark-up and NTE amounts submitted with the contractor's proposals. Sterling's NTE amount was reduced and the rates were increased to reflect updated prevailing wage rates during the best and final offer negotiation process. The updated NTE amount and rates are incorporated into the attached contract (Attachment A).

☒ Revised Attachments (attach revised attachment(s) and redlined copy(s))

An additional page is being added to Attachment B – Scoring Summary and Rater Sheets that compares Sterling's and Veolia's O&M costs.

<u>Sterling and Veolia - JWA CUP O&M Costs Comparison</u>								
1	2	3	4	5	6	7	8	9
2	JWA Estimated Hours and Expenses Per Year		Veolia (Per Proposal)		Sterling (Per Proposal)		Sterling (Best and Final for Contract)	
3	<u>Labor</u>	Hours ⁽¹⁾	Rates ⁽²⁾	Labor Cost	Rates ⁽²⁾	Labor Cost	Rates ⁽⁴⁾	Labor Cost
4	Project/Plant Manager	2080	\$134.22	\$279,178	\$205.53	\$427,502	\$211.69	\$440,315
5	Operator/Technicians	12376	\$112.83	\$1,396,384	\$118.07	\$1,461,234	\$150.37	\$1,860,979
6	Administrative	2080	\$79.14	\$164,611	\$85.05	\$176,904	\$86.74	\$180,419
7	Additional Engineer/Support	2080	\$185.00	\$384,800	\$205.53	\$427,502	\$211.69	\$440,315
8		Subtotal Labor		\$2,224,973		\$2,493,143		\$2,922,029
9								
10	<u>Expenses</u>	Costs ⁽¹⁾	Mark-Up ⁽³⁾	3.0%	Mark-Up ⁽²⁾	4.5%	Mark-Up ⁽²⁾	4.5%
11	Estimated Expenses Per Year	\$1,500,000	\$45,000.00	\$1,545,000	\$67,500.00	\$1,567,500	\$67,500.00	\$1,567,500
12								
13	Estimated Annual Labor + Expenses			\$3,769,973		\$4,060,643		\$4,489,529
14	Estimated Three Year Costs			\$11,309,918.64		\$12,181,929.36		\$13,468,586.16
15	Proposed Not to Exceed Amount			\$4,593,275		\$12,118,454		\$11,799,206.99
16	Estimated Costs Limited by NTE, Not Covered in Contract Amount Over Three Year Term ⁽⁵⁾			-\$6,716,644		-\$63,475		-\$1,669,379
				-59%		-1%		-12%

(1) Total hours and expenses for CUP O&M, estimated by JWA

(2) Hourly rates and mark-up submitted in the proposals

(3) Veolia did not submit a mark-up with the proposal. This was submitted later after the proposal due date and time.

(4) Hourly rates were updated to reflect new prevailing wage rates and the NTE amount were reduced during final negotiations for the contract.

(5) Difference between total estimated cost for O&M and the maximum not to exceed amount by the Contractors. JWA will direct purchase materials in these amounts.