

11/19/19
Item 19

19 November, 2019

**Subj: #19 Public Comment, John Wayne Airport Central Utility Plant Contract
Approval Discussion, MA-280-20010615**

My name is Paul Savage, VP of Operations for Veolia in Southern California and also a resident of Orange County. I am here to speak about Agenda Item 19, Approve contract MA-280-20010615 to which I seek the Board reconsider the recommendation for award.

Veolia North America is a well established operations firm in the Water & Energy Sector and currently operates the central utilities for Saddleback College under the purview of the Orange County Board of Supervisors. We recently renewed this contract based on a competitive solicitation and our exemplary record of performance over the first five years. Based on that experience, we chose to pursue the recent RFP for John Wayne Airport for a similar scope of O&M for the central utilities. We believed that we offer superior services to improve performance for these important Orange County assets. We noted that there were again only two bidders, as there was in 2014. When notified that we were not awarded this contract and instead the incumbent was selected, we sought to understand the decision better to improve our future offerings.

In the debriefing meeting and in your report, you will see a scoring difference which was highly alarming to Veolia; 90 points to our competitor vs. 55 to us. However, as we continue to study this scoring, we can't explain this difference, considering that a company such as Veolia with a portfolio of hundreds of similar engagements around the world scored so lowly against a competitor with a single operating contract and a total staff of 11 people. As such, we asked for a public record requests to see the competitive proposal and also the letters sent to both parties on October 4th following the interviews.

After review of records provided thus far, Veolia provides the following facts for your consideration:

1. Veolia's pricing was based on the scope provided in the RFP which we presume would be the basis for all respective bids. Based on our experience operating hundreds of similar facilities around the world; we are confident in our price of \$4.5 M total for the three years vs. the competitors bid of \$12 M.
2. This is a Time & Materials type of contract which is essentially labor and the costs of subcontractors/supplies in performing O&M. That said, Veolia chose to price the materials/subcontracts with the intention that major items costing > \$50k would be facilitated and coordinated by Veolia, however JWA would pay for the services directly avoiding the markup for materials outlined in Appendix B (Price form).
 - a. When asked about the exclusions from our pricing, we explained the fact that chemicals were excluded due to a lack of information provided in the RFP.

We estimated they would add another \$200,000 per year to our bid. When reviewing the details of the competitor proposal, the actual cost of these materials including chemicals, filters, spark plugs cost \$155,000 which is within striking distance of our estimate (again without any information provided). To that end, we were questioned how accurate our pricing is, to which I say very accurate considering how close we were in this estimate.

- b. Even if we consider the addition of these items as well as items costing > \$50,000, they only explain a difference in pricing of \$830,000/yr; far lower than the difference between \$4.5 M and \$12 M.
- c. Again, considering this is a T&M contract, I direct your eyes to the relative cost of labor.

Position	Veolia	Competitor
Project Manager	\$134.22	\$205.53 / \$211.69
Maintenance Manager	N/A	N/A / \$150.37
Admin	\$79.14	\$85.05 / \$86.74
Technicians	\$112.83	\$118.07 / \$120.92
Engineers (projects)	\$185.00	\$205.53 / \$211.69

BOLD - for competitor's hourly pricing, the second boldface type is the final negotiated rate whereas the prior was their original proposal price.

Comments on above table:

1. Veolia was lower across the board on all positions identified in the RFP
2. Competitors total labor for year 1, is approximately \$2.24 M which is more than 2 times the estimate for Veolia's proposal.
3. On October 4th, Veolia received a clarification letter, however we note in our Competitors response to their October 4th letter, they mentioned they were responding to a Best and Final Offer (BAFO). Note that the final negotiated price of labor was higher than the original which seems contrary to a BAFO where price usually is reduced.
4. In the original RFP responses, neither party included a Maintenance Manager position, however one was included in the competitors BAFO. These instructions were not provided for in Veolia clarification letter.
5. On a labor only basis, the Veolia offer was superior in price, however, we assume the discrepancy in the total estimated cost table in Appendix B is due to extraordinary scope additions which were not articulated in the RFP. Regardless, on an hourly basis, assuming both competitors are efficient and properly resourced, that the Veolia offered hourly rate would save Orange County taxpayers considerable money. For example, only considering the Project Manager at a rate of \$134.22 vs. \$211.69; this would alone save taxpayers \$161,137/yr

(or nearly ½ Million dollars over the course of the 3 year contract). This savings is amplified by extending this savings to all the positions and further amplified when considering overtime and special projects for the engineers.

6. Finally, beyond labor, the other component of the contract is materials and subcontracts. Veolia's offer was 3.5% markup (in our powerpoint presentation provided during the interview process, as well as in our "Clarification Letter") vs. 4.5% for our competitor. Our approach to including items < \$50k is that these are regular recurring items that it is more efficient for Veolia to procure. An engine overhaul for instance is a distinct high dollar event that we presumed that JWA would pay for directly, saving this additional markup while benefiting from the coordination with Veolia staff to facilitate third party work.

3. One of the items discussed in our competitors proposal is P404 work. This work is task based and has a definitive scope of work to which we were not provided any information in the RFP. Through public sources Veolia is aware of ongoing projects with solar and battery storage and had assumed that our vast experience in this space would be attractive and covered under a yet to be determined scope of work provided within the Engineering category; which was offered at \$20.52/hour less than our competitor.

In summary, I believe that Veolia's proposal was very competitive and that a score of 55 was far below our offering. In particular, Veolia can offer considerable value to John Wayne Airport to improve reliability with the addition of solar and battery storage project based on our microgrid experience. Veolia has been a trusted operator for Saddleback College now for nearly 6 years and maintains a local engineering office in Irvine, strategically placed to provide additional services to John Wayne Airport. I firmly believe our price proposal is superior and offers greater value to Orange County Taxpayers. The ultimate decision authority for contracts rests with the Orange County Board of Supervisors and we ask that you set aside the recommendation, review the details of our proposal and award the contract to Veolia. The OC Board of Supervisors have precedence for this type of decision; in 2017, the board decided to award one of two lucrative fuel contracts to an entity that was not selected in the procurement process; we ask that you exercise your good judgement for the benefit of Orange County taxpayers.