



**OPERATIONS COMMITTEE
MAY 20, 2004**

SUBJECT: REVERSE OSMOSIS AND BOTTLED WATER SERVICES

ACTION: AWARD A CONTRACT TO INSTALL REVERSE OSMOSIS WATER PURIFICATION SYSTEMS AND TO DELIVER BOTTLED DRINKING WATER TO OPERATING DIVISIONS

RECOMMENDATION

Authorize the Chief Executive Officer to award a five-year, firm fixed-unit-rate contract, Contract No. OP33440664, to D.S. Waters, LP & Designates, to install and maintain reverse osmosis water purification systems and to deliver bottled drinking water to Metro bus operating divisions in an amount not to exceed \$493,227 inclusive of a 10% contingency and two one-year options, effective June 1, 2004.

RATIONALE

Drinking water for Metro operating divisions is currently provided through the delivery of bottled water by Sparklett's, a division of D.S. Waters, LP & Designates. Currently, the service is provided through the award of multiple purchase orders to Sparklett's to serve each Metro Sector, which requires significant procurement and management staff time. The bottled drinking water that is delivered to the divisions is purified through a process known as reverse osmosis at the plant of the vendor and costs approximately \$169,000 per year based on current consumption levels.

The implementation of this contract will provide drinking water for transit employees at all Metro transit operating divisions through the installation of reverse osmosis water purification units at multiple locations at each division; therefore, reducing the need for delivery services, streamlining our administrative efforts and reduce costs for the Agency. Isolated areas at the operating divisions or terminals where a reverse osmosis unit cannot be installed due to lack of a water supply, a drain or and an electrical outlet will continue to receive bottled drinking water.

The installation of reverse osmosis water purification units at the operating divisions will provide a continuous supply of drinking water to Operations personnel that is of equal quality as bottled water at a fraction of the cost. The annual cost of this contract, which includes amortized cost of installing the reverse osmosis units and maintenance, is \$89,677. Without compromising the quality or quantity of the drinking water that is currently

provided to the operating divisions, a net savings of 47% will be realized in awarding this contract to install reverse osmosis units.

IMPACT TO OTHER CONTRACTS

None.

FINANCIAL IMPACT

Funding of \$200,000 for this service is included in the FY05 budget submittal in Cost Center number 3344, under Project 300011, Project 300022, Project 300033, Project 300044 and Project 300055. Since this item is for a multi-year contract, the Cost Center Manager and Deputy Executive Officer will be accountable for budgeting the amount in future years. In FY04, \$168,983 has been expended on this activity.

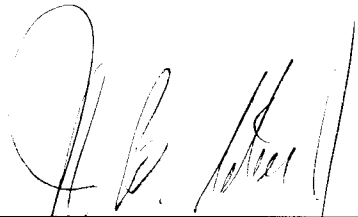
ALTERNATIVES CONSIDERED

One alternative considered was to continue the delivery of bottled drinking water to the operating divisions. In order to reduce costs and maximize operational efficiencies, this option is not recommended. Another option that was considered is to discontinue providing purified drinking water to operating division employees altogether in order to realize maximum savings. However, this option is not recommended since it may adversely affect the morale of Metro union employees and could result in a grievance resulting from a perceived change in working conditions.

ATTACHMENTS

- A. Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors

Prepared by: Denise Longley, Deputy Executive Officer, Facilities/Operations
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John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

Reverse Osmosis and Bottled Water

1.	Contract Number: OP33440664		
2.	Recommended Vendor: D.S. Waters, LP and Designates		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$448,389	Recommended Price: \$493,227 including a 10% Contingency	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: March 5, 2004		
	B. Advertised: March 8, 2004		
	C. Pre-proposal Conference: March 11, 2004		
	D. Proposals Due: March 31, 2004		
	E. Pre-Qualification Completed: April 15, 2004		
	F. Conflict of Interest Form Submitted to Ethics: April 19, 2004		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: No Goal Recommended	Date Small Business Evaluation Completed: Not Applicable	
	Small Business Commitment: No goal commitment		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 11	Bids/Proposals Picked up: 6	Bids/Proposals Received: 2
8.	Evaluation Information:		
	A. Bidders Names: D.S. Waters, LP and Designates Culligan Water Conditioning	<u>Bid Amount:</u> \$448,389 \$744,216	<u>Best and Final Offer Amount:</u> Not Applicable
	B. Evaluation Methodology: Award based on lowest Responsible Responsive Bidder. Qualifications were assessed using minimum size and experience criteria.		
9.	Protest Information:		
	A. Protest Period End Date: May 17, 2004		
	B. Protest Receipt Date: Not Applicable		
	C. Disposition of Protest Date: Not Applicable		
10.	Contract Administrator: Victor Ramirez	Telephone Number: (213) 922-1059	
11.	Project Manager: Francisco D. Estrada	Telephone Number: (213) 922-6021	

BOARD REPORT ATTACHMENT A-1 PROCUREMENT HISTORY

Reverse Osmosis & Bottled Water Services

A. Background on Contractor

D.S. Waters, LP & Designates, also do business as Sparklett's, Evian, Perrier, Danone, among several other commercial labels across the country. The operating unit of D.S. Waters, LP & Designates that will perform the recommended service is Sparklett's. Sparklett's currently provides Reverse Osmosis delivery systems to Kaiser Permanente Hospitals, Antelope Valley Hospital, Toyota Motors of America, as well as bottled water to thousands of small business and residents in Southern California, including the MTA.

B. Procurement Background

The IFB requirements for Reverse Osmosis dispensers were developed using water quality standards that are consistent with the current bottled water services. However, the new Reverse Osmosis dispensers will have the advantage of providing good tasting, safe quality water at a significant savings to the agency. The contract requirements include strict maintenance and reliability provisions to assure consistent delivery of potable water.

The Diversity & Economic Opportunity Department did not establish a goal for this project due to the lack of subcontracting opportunities for this type of work.

C. Evaluation of Proposals

Staff determined that D. S. Waters, LP & Designates and Culligan Water Conditioning are responsive and responsible bidders in accordance with MTA Procurement policies and procedures. Staff evaluated both bidders based on minimum qualifications established in the IFB. Those qualification requirements were developed in an effort to set a high standard of performance. It covered minimum size to assure adequate capacity to service a large transit agency. It included a requirement that only firms with proven track records of providing high quality water systems could be considered. The two bidders are both proven reliable sources with extensive track records of good performance.

D. Price Analysis and Explanation of Variances

The recommended NTE price was determined to be fair and reasonable based upon adequate price competition. Although the next lowest bid is 60% higher than the lowest bidder, the recommended bid is within 18% of the MTA's Independent Cost Estimate. The major cost difference between the two responsive responsible bidders could be attributable to the large economies of scale that D.S. Waters, LP & Designates enjoy both locally and nationally as the largest domestic distributor of drinking water products.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

Reverse Osmosis and Bottled Water Services

PRIME CONTRACTOR

D.S. Waters, LP & Designates

Culligan Water Conditioning

Small Business Commitment

Not Applicable (no goal)