

# SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors  
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## Agenda Number:

**Prepared on:** 3/4/03  
**Department Name:** PW/Laguna Sanitation District  
**Department No.:** 054  
**Agenda Date:** 3/25/03  
**Placement:** Administrative  
**Estimate Time:**  
**Continued Item:** NO  
**If Yes, date from:**  
**Document File Name:**

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**TO:** Board of Directors  
Laguna County Sanitation District

**FROM:** Phillip M. Demery  
Director, Public Works Department

**STAFF CONTACT:** Mark A. Schleich, Deputy Director  
Martin J. Wilder, District Manager - ext 8755

**SUBJECT:** Amend Purchase Order Contract No. 609006 with Membrane Systems Corporation for additional services, cost escalation and state use tax - 4th and 5th Supervisorial Districts

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## Recommendation(s):

That the Board of Directors:

- A. Authorize the Purchasing Agent to amend contract number 609006 with Membrane Systems Corporation, a local vender, from \$790,000 to \$990,944 for additional work, field service, programming, parts cost escalation, and use tax for the reverse osmosis (RO) system to be used in the TDS Reduction and Recycled Water project (BRINEX) at Laguna County Sanitation District Wastewater Reclamation Plant.

## Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 2: A safe and healthy community in which to live, work and visit.

## Executive Summary and Discussion:

On April 13, 1999, the board authorized the Purchasing Agent, pursuant to County Code Section 2-39, to waive the requirement for a competitive bid for the contracting of modifications to four (4) mobile reverse osmosis (RO) water treatment plants previously obtained by the District as military surplus from the U.S.

Navy. The RO units are part of the District's TDS Removal and Recycled Water project and will be used for the removal of total dissolved solids (salts) from the waste stream.

Membrane Systems, Inc. was chosen because of their reputation and expertise in the reverse osmosis field and because their main office is located in Santa Barbara (other offices and fabrication facilities in San Diego County). Other membrane companies in California are smaller and do not have wastewater experience. Membrane companies located nationally are in Florida and Illinois and as with the smaller companies, cannot provide the support afforded by Membrane Systems. Membrane Systems is also known locally for their work for the city of Santa Barbara's desalinization plant.

The RO units were delivered to Membrane Systems' shop in El Cajon on June 29, 1999 to be retrofitted for wastewater treatment purposes and redelivered to the wastewater reclamation plant on November 18, 1999. The RO units were to then be used as contract furnished material in the construction of the overall project shortly thereafter. Field work by Membrane Systems after placement by a prime contractor to be determined later, was to include field service for erection and installation (RO membranes and loose equipment), checkout, start up, commissioning, performance testing and operator training. The original schedule anticipated completion of these services by Membrane Systems on December 30, 1999.

However, serious delays in completing design and initiating construction were encountered. These delays were primarily associated with environmental issues related to endangered species and securing supplemental funding from the State Water Resources Control Board (SWRCB) through the state revolving fund (SRF) loan program. Funding could not be approved until final environmental permits were obtained. Even though the Negative Declaration was approved by the board on April 18, 2000, it was not until April 27, 2001 that a Biological Opinion related to the Endangered Species Act was rendered by the U.S. Fish & Wildlife Service. During this period, final design of the whole project increased Membrane Systems scope of work to include additional services for providing new control panels, control programming, installation and field service related to the new panels, and tying the two (2) Zenon control systems into the central computer.

With respect to the state, Plan Approval (loan application) was approved by the SWRCB on June 20, 2001. Plans & Specifications were approved August 16, 2001 with an Approval to Award (budget authorization) dated August 28, 2001. The loan contract was eventually signed on March 1, 2002. Working with the SWRCB on a tight schedule, the construction contract was awarded to the prime contractor by the board on July 10, 2001 with construction beginning on August 20, 2001. Construction by the prime contractor ensued such that Membrane Systems personnel began work on site in November 2002. For on site work proposed in the original contract there was a resulting delay of approximately three (3) years which affects the current cost of labor and purchase of the RO elements.

Therefore, this action requests the approval of a contract amendment with Membrane Systems Corporation in the amount of \$200,944 (from \$799,000 to \$990,044) to accommodate for cost escalations since the delivery date and to provide for the additional equipment installation, field support and computer programming work described above. This amendment also recognizes a credit for costs of equipment purchased by the prime contractor and provides for the payment of state sales (use) tax to the vender on the equipment costs used for the retrofitting of the RO units. At the time the original contract was executed it was believed that a tax exemption existed for municipal purchases of this nature.

The TDS Reduction and Recycled Water project is included in the Five Year Capital Improvement Plan (2000/2005 CIP B-248).

**Mandates and Service Levels:**

There are no changes to service levels with this action.

**Fiscal and Facilities Impacts:**

This amendment is funded by District service charges in reserves and is included in the budget as shown on page D-304 of the 2002/2003 budget under the Laguna Sanitation cost center of the Solid Waste & Utilities Division. Funding is located in Department 054, Fund 2870, Program 6000, Account 8200.

**Special Instructions:**

Direct the Clerk of the Board to send a certified copy of the Minute Order to John McMillin, Purchasing Manager and to Martin Wilder, Laguna County Sanitation District Manager (x8750).

**Concurrence:**

General Services Department – Purchasing Division