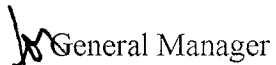


**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 19, 1997

To: Board of Directors (Engineering and Operations Committee--Information)
 (Water Planning and Resources Committee--Information)
 (Budget and Finance Committee--Information)

From:  General Manager

Submitted by: Jay W. Malinowski (Signature of Jay W. Malinowski)
 Chief of Operations

Subject: Sixth Amendment to Agreement No. B54783 for Providing the Department of
 Water Resources Machining, Fabricating and Other Support Services

RECOMMENDATION(S)

For Information Only

EXECUTIVE SUMMARY

On November 9, 1982, your Board approved Appropriation No. 453 for \$1,300,000 to finance all costs in advance of the award of a construction contract to expand the La Verne shop facilities and purchase heavy machinery. At that time, the Department of Water Resources (Department) was budgeting for similar machinery for maintenance of State Water Project equipment. In lieu of duplicating shop facilities, the District and the Department entered into an agreement providing for the Department's repair requirements to be accomplished by the District on an actual-cost recovery basis. The Department, therefore, withdrew its budget request.

An agreement for the District to perform machining services for the Department was signed in July 1983. That agreement had a term ending June 30, 1984, and was subject to a maximum expenditure of \$125,000 by the Department. Your Board ratified the original agreement at its August 1983 Board meeting and authorized the General Manager to execute extensions thereof on substantially similar terms upon expiration. The agreement has just been extended for five years and the annual maximum increased to \$2,000,000. The agreement was last extended in February 1991 at which time the annual maximum was increased to \$1,000,000.

DETAILED REPORT

On November 9, 1982, your Board approved Appropriation No. 453 for \$1,300,000 to finance all costs in advance of the award of a construction contract to expand the La Verne shop facilities and purchase heavy machinery.

At that time, the District's staff learned that the Department was budgeting for similar machinery for the maintenance of State Water Project equipment. Since the District would be funding the major portion of the cost of the Department's proposed machinery and additional shop facilities, it was suggested that the Department withdraw its budget proposal to preclude the duplication of expensive equipment and facilities. In lieu of duplicating shop facilities, the District and the Department entered into an agreement providing for the Department's repair requirements to be accomplished by the District on an actual-cost recovery basis. The Department, therefore, withdrew its budget request.

An agreement providing for the District to perform machining services for the Department was signed in July 1983. That agreement had a term ending June 30, 1984, and was subject to a maximum expenditure of \$125,000 by the Department. Billing was made by the District's normal accounting practices, and work for the Department was performed on a mutually agreed-on schedule. It was contemplated that this agreement would be extended at the expiration of its initial term. The agreement was extended on April 23, 1984; June 5, 1985; May 19, 1986, June 11, 1987; and February 14, 1991. The February 1991 amendment also increased the annual maximum expenditure to \$1,000,000.

Your Board ratified the original agreement at its August 1983 Board meeting and authorized the General Manager to execute extensions thereof on substantially similar terms upon expiration.

The Department has been highly complimentary of the machining, fabricating, and other support services Metropolitan is providing and has indicated that our chargeable costs are substantially less than they have had to pay in the past. The Department has been especially pleased with services provided by the District since completion delays as long as one year and serious quality control problems had been experienced when work was performed in some private shops.

The machining, fabricating, and other support services on Department equipment have increased, and the Department has initiated a sixth amendment to this agreement to change the maximum amount payable to \$2,000,000 for this coming fiscal year and each succeeding fiscal year and to extend the term of the contract to June 30, 2002.

JFM/JPK/sjm

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