

- **Board of Directors**
Engineering and Capital Programs Committee

July 10, 2007 Board Meeting

7-2

Subject

Adopt resolution to accept \$60 million in state Proposition 50 grants for the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs, and authorize agreement with Yuba City Unified School District to administer a Labor Compliance Program

Description

In November 2002, California voters passed Proposition 50, “The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002.” Metropolitan supported this proposition since it provides funds to improve water reliability and quality. Proposition 50 makes available \$3.44 billion in funding for water quality improvement, conservation, alternative treatment technology, security, desalination, watershed management, and other water-related projects, including \$260 million in grants under Chapter 4(b) for water quality projects that reduce reliance on surplus Colorado River supplies, and \$22 million in grants under Chapter 6(c) for drinking water disinfection projects using ultraviolet (UV) technology and ozone treatment.

In December 2004, Metropolitan submitted pre-applications for three \$20 million grants under Chapter 4(b) to the California Department of Health Services (DHS) for partial funding of the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs (ORPs). The maximum grant amount that may be awarded to any one applicant under Chapter 4(b) is \$60 million, and applicants must provide an equal amount in matching funds. Metropolitan meets all criteria for award of the grants.

In March 2006, Metropolitan was invited by DHS to submit full applications. In December 2006, Metropolitan’s Board adopted a resolution authorizing submittal of the applications. Staff submitted the complete applications to DHS for the three \$20 million Chapter 4(b) grants, which were subsequently approved by the state.

In July 2007, Metropolitan submitted a pre-application to DHS for a \$5 million grant under Chapter 6(c) for partial funding of the Mills ozone reliability program and Mills Contactors 3 and 4 addition. The maximum grant amount that may be awarded to any one applicant under Chapter 6(c) is \$5 million, and applicants must provide an equal amount in matching funds. This program funds UV and ozone treatment projects with funded UV treatment receiving a higher priority. Metropolitan is awaiting a response from DHS on the Chapter 6(c) pre-application.

Resolution

A resolution by Metropolitan’s Board is required by DHS in order to formalize Metropolitan’s acceptance of the \$60 million of Proposition 50 Chapter 4(b) grants. The grant funding will be used to offset Metropolitan’s costs for construction, procurement of ozonation equipment, and engineering. The grant funding will help mitigate future treatment surcharge increases. Adoption of the resolution (**Attachment 1**) is required in order to execute the grant funding agreement with DHS. Once executed, Metropolitan's staff will submit claims for reimbursement of costs incurred after the issuance dates of the Letters of Commitment. These issuance dates are stated in the resolution (**Attachment 1**). Reimbursement claims are planned to be submitted quarterly, and payments are normally anticipated within 45 to 60 days.

This action delegates authority to the General Manager to execute the \$60 million Proposition 50 grant funding agreement with DHS.

Labor Compliance Program – New Agreement for Program Administration

All Metropolitan construction contracts require that contractors pay prevailing wage rates for all work performed. SB 278 (Machado, Chapter 892, Statutes of 2002) requires that entities awarding public works projects financed with state bond funds (such as Proposition 50) must adopt and enforce a labor compliance program. The labor compliance program is to ensure that workers employed by construction contractors on the projects are paid according to minimum labor standards (prevailing wages) and that other Labor Code requirements are met. The California Department of Industrial Relations (DIR) has established a list of approved third party administrators for labor compliance programs, including both public agencies and private firms.

Staff requested proposals from three approved administrators from the pre-qualified DIR list. Based on the submitted technical qualifications, experience, and cost proposals, staff recommends that Metropolitan retain the Yuba City Unified School District (USD) to administer the labor compliance program for the Diemer, Skinner, and Weymouth ORPs. Yuba City USD offers such services to public agencies throughout California (such as Elk Grove USD and Watsonville's North County USD) and has monitored certified payrolls to insure prevailing wage compliance for over \$250 million worth of construction.

This action authorizes a public agency services agreement with Yuba City USD in an amount not to exceed \$2 million to administer the labor compliance program for the following contracts:

- Diemer Site Preparation for ORP, Contract No. 1631 (Kiewit Pacific Company)
- Skinner ORP and Washwater Reclamation Plant No. 3, Contract No. 1609 (Shimmick/Obayashi Joint Venture)
- Weymouth ORP (board award of this construction contract is scheduled for August 2007.)

While the first two contracts are already underway, staff does not anticipate that any issues would arise on prior certified payrolls, as these contracts are consistent with the labor compliance program.

Funds for labor compliance program administration are budgeted and available within the existing Diemer, Skinner, and Weymouth ORP appropriations. These projects have been evaluated and recommended by Metropolitan's Capital Investment Plan Evaluation Team, and funds have been included in the fiscal year 2007/08 capital budget. See [Attachment 2](#) for the Location Map.

Project Milestones

April 2008 – Diemer ORP site preparation construction completion

January 2009 – Skinner ORP construction completion

December 2010 – Weymouth ORP construction completion

Policy

Source Water Quality Protection Policy Principle adopted on February 10, 1998

Colorado River Basin Management Policy Principle adopted on January 11, 1999

CALFED Bay-Delta Process Policy Principle adopted on November 15, 1999

Watershed Management Policy Principles adopted on April 11, 2000

Metropolitan Water District Administrative Code Section 8121: Authority to Enter Contracts

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The environmental effects from the design, construction, and operation of the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs were evaluated in the following environmental documents: the Robert B. Diemer Improvements Program Environmental Impact Report and Robert B. Diemer Improvements Program Subsequent Environmental Impact Report, certified by the Board on February 13, 2001 and April 11, 2006, respectively; the Robert A. Skinner Filtration Plant Reliability and Quality Program Environmental Impact Report, certified by the

Board on July 8, 2003; and the F. E. Weymouth Filtration Plant Ozonation Facilities and Site Improvement Program Final Environmental Impact Report, certified by the Board on April 12, 2005. In addition, the Board adopted related CEQA documentation (i.e., findings, statements of overriding considerations, and mitigation monitoring and reporting programs, as applicable). The current board action is solely a resolution to formalize Metropolitan's acceptance of grant funding and to enter into an agreement for labor compliance program administration services and does not involve any changes to the approved oxidation retrofit programs themselves. Hence, the previous environmental documentation acted on by the Board in conjunction with the proposed programs fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further CEQA documentation is necessary for the Board to act on the proposed actions.

The CEQA determination is: Determine that the proposed actions have been addressed in previously certified and adopted CEQA documents and that no further environmental analysis or documentation is required.

CEQA determination for Option #2:

For the resolution to accept \$60 million in state Proposition grants, the CEQA determination is the same as in Option #1. For not authorizing an agreement with the Yuba City Unified School District, the CEQA determination is: none required.

CEQA determination for Option #3:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Adopt a resolution authorizing Metropolitan's funding agreement with DHS for Proposition 50, Chapter 4(b) Safe Drinking Water grant funding ([Attachment 1](#)); and
- b. Authorize an agreement with Yuba City Unified School District in an amount not to exceed \$2 million for labor compliance program administration.

Fiscal Impact: \$2 million of budgeted funds for administration services with Yuba City School District

Business Analysis: This option would provide an opportunity to receive \$60 million in grant funding.

Option #2

Adopt the CEQA determination and

- a. Adopt a resolution authorizing Metropolitan's funding agreement with DHS for Proposition 50, Chapter 4(b) Safe Drinking Water grant funding ([Attachment 1](#)); and
- b. Do not authorize an agreement with Yuba City Unified School District. Staff would return at a later date with a recommendation.

Fiscal Impact: None

Business Analysis: Under this option, staff would select another pre-qualified DIR third party administrator and request board authorization of an agreement. Since the labor compliance program must be implemented before the grant funding agreement with DHS can be executed, this option could potentially jeopardize timely execution of the DHS funding agreement, and the receipt of the grant funds.

Option #3

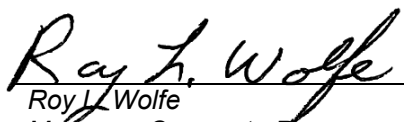
Do not adopt the resolution and do not authorize the agreement for labor compliance program administration.

Fiscal Impact: None

Business Analysis: Under this option, Metropolitan would forego an opportunity to receive \$60 million in grant funding.

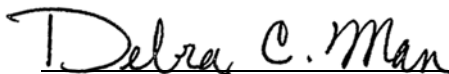
Staff Recommendation

Option #1


Roy L. Wolfe
Manager, Corporate Resources

6/19/2007

Date


Debra C. Man
for Jeffrey Kightlinger
General Manager

6/20/2007

Date

Attachment 1 – Resolution for Proposition 50 Grant Funding

Attachment 2 – Location Map

BLA #5465

Resolution for Proposition 50 Grant Funding

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING SIGNATURE OF A FUNDING AGREEMENT AND RELATED DOCUMENTS FOR
FUNDING UNDER THE
WATER SECURITY, CLEAN DRINKING WATER, COASTAL AND BEACH PROTECTION ACT OF 2002
(PROPOSITION 50)

FOR

THE DIEMER, SKINNER, AND WEYMOUTH TREATMENT PLANTS'
OXIDATION RETROFIT PROGRAMS

WHEREAS, on September 29, 2006, the Metropolitan Water District of Southern California made application to the State of California for three \$20 million grants under the Proposition 50 Program; and

WHEREAS, on June 12, 2007, the State of California issued a Letter of Commitment to the Metropolitan Water District of Southern California committing grants funds in the amount of \$20 million under the Proposition 50 Program for the Robert B. Diemer Water Treatment Plant Oxidation Retrofit Program/Project Number P50-1910087-043, subject to terms and conditions; and

WHEREAS, on June 12, 2007, the State of California issued a Letter of Commitment to the Metropolitan Water District of Southern California committing grants funds in the amount of \$20 million under the Proposition 50 Program for the Robert A. Skinner Water Treatment Plant Oxidation Retrofit Program/Project Number P50-1910087-042, subject to terms and conditions; and

WHEREAS, on June 12, 2007, the State of California issued a Letter of Commitment to the Metropolitan Water District of Southern California committing grants funds in the amount of \$20 million under the Proposition 50 Program for the F.E. Weymouth Water Treatment Plant Oxidation Retrofit Program/Project Number P50-1910087-044, subject to terms and conditions; and

WHEREAS, on June 12, 2007, said Metropolitan Water District of Southern California Board of Directors adopted the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs' budgets totaling more than \$120 million of eligible Proposition 50 costs; and;

WHEREAS, the remaining project costs are to be funded through revenues from revenue bonds and/or replacement and refurbishment or general funds; and

WHEREAS, prior to the State of California issuing said Funding Agreement, said Metropolitan Water District of Southern California Board of Directors is required to pass a resolution authorizing an officer to execute said Funding Agreement and amendments, designating a person to approve claims for reimbursement, designating a person (registered engineer) to sign the Budget and Expenditure Summary, designating a person (registered engineer) to sign the Certification of Project Completion, and designating a person to sign the Final Release form.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED, that the General Manager is hereby authorized to sign the Water Security, Clean Drinking Water, Coastal And Beach Protection Act of 2002 (Proposition 50) Funding Agreement and any amendments thereto; and

BE IT FURTHER RESOLVED AND ORDERED, that the Assistant Group Manager/Chief Engineer is hereby authorized to approve Claims for Reimbursement under for the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs; and

BE IT FURTHER RESOLVED AND ORDERED, that the Assistant Group Manager/Chief Engineer is hereby authorized to execute the Budget and Expenditure Summary for the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs; and

BE IT FURTHER RESOLVED AND ORDERED, that the Assistant Group Manager/Chief Engineer is hereby authorized to execute the Final Release Form for the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs; and

BE IT FURTHER RESOLVED AND ORDERED, that the Assistant Group Manager/Chief Engineer is hereby authorized to certify that the Diemer, Skinner, and Weymouth Oxidation Retrofit Programs' projects are complete and ready for final inspection; and

BE IT FURTHER RESOLVED AND ORDERED, that the Chief Financial Officer does hereby designate revenues from revenue bonds and/or replacement and refurbishment or general funds as the dedicated source of revenue for matching funds. This dedication shall remain in full force and effect until such funding agreement is fully discharged, unless modification or change of such dedication is approved in writing by the State of California.

Passed and adopted at a regular meeting of the Board of Directors of The Metropolitan Water District of Southern California on Tuesday, July 10, 2007, by the following vote:

AYES:	Directors	
NOES:	Directors	
EXCUSED:	Directors	
		Timothy F. Brick, Chairman

ATTEST:

Board Executive Secretary
The Metropolitan Water District
of Southern California

