



- Board of Directors
Engineering and Operations Committee

8/16/2011 Board Meeting

7-3

Subject

Authorize a one-year extension of the existing 5-year reimbursable agreement with the California Department of Water Resources to provide services for State Water Project operations and maintenance activities for an additional amount not to exceed \$5 million (including expenditures for subcontracts not to exceed \$1.5 million)

Description

Since 1983, Metropolitan has performed machining, fabrication, and coating services for critical repair and rehabilitation of State Water Project (SWP) facilities under reimbursable agreements with California Department of Water Resources (DWR). Under these agreements, Metropolitan services have supported DWR at its request, to expedite repair and rehabilitation work required to maintain SWP delivery capabilities.

In July 1983, Metropolitan entered into Agreement No. B-54783 with DWR to perform machining, fabrication, and coating services for the benefit of the SWP. Since that time, the reimbursable agreement has been amended numerous times. In 2006, Metropolitan entered into a new agreement with DWR. The scope of work in the 2006 agreement covers a range of activities supporting operations and maintenance (O&M) for the SWP, including:

- Machining, fabrication, coating, and other maintenance work for SWP equipment.
- Crane testing, maintenance, and certification.
- Engineering, consulting and subcontracting services.
- Procurement of materials and equipment.

The 2006 reimbursable agreement expires on September 30, 2011. Negotiations for a successor agreement are underway, but DWR cannot assure Metropolitan that they can approve the contract in time to avoid interruption in Metropolitan's ability to provide services to DWR. Both agencies wish to extend the current reimbursable agreement for a period of one year to allow time to complete the successor agreement without a disruption in work. The successor agreement, once finalized, is proposed to cover another five-year period. Direct costs incurred by Metropolitan under this agreement, including labor, materials, additives, overhead, and related subcontracts, are reimbursed by DWR.

The one-year extension would:

- Authorize the continuation of services under the existing contract through September 30, 2012.
- Limit the value of services provided during the one-year extension period to \$5 million of which up to \$1.5 million may be for subcontracts.

It has long been recognized that this reimbursable agreement has greatly benefited both Metropolitan and DWR. Both agencies recognize the importance of maintaining DWR's water delivery and electrical energy producing facilities at a high level of availability. In addition, as the largest SWP contractor, Metropolitan pays over 60 percent of the project's annual O&M costs. Providing services to DWR saves Metropolitan on annual O&M payments under the State Water Contract and provides benefits to other State Water Contractors. These savings are passed on to the member agencies through lower annual revenue requirements. In addition, there are

operational benefits associated with this reimbursable agreement, including increased water and power reliability and emergency response capabilities for both DWR and Metropolitan.

Policy

Metropolitan Water District Administrative Code Section 8121 (a) requires prior board approval for all contracts or amendments in excess of \$250,000.

In June 2000, Metropolitan and DWR signed a "Partnering Opportunities" memorandum of understanding to maximize ongoing efforts to improve SWP reliability and cost-effectiveness. This proposed one-year extension with DWR would directly contribute to achieving those objectives.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions under the DWR reimbursable agreement and related subcontracts involve minor modifications or replacements to existing public facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment. In addition, the proposed actions consist of basic data collection and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. This may be strictly for information gathering purposes, or as part of a study leading to an action that a public agency has not yet approved, adopted, or funded. Accordingly, the proposed actions are exempt from CEQA under Classes 1, 2, and 6 Categorical Exemptions (Sections 15301, 15302, and 15306 of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are exempt from CEQA pursuant to Sections 15301, 15302 and 15306 of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize

- a. A one-year extension to the existing 5-year reimbursable agreement with the California Department of Water Resources to provide services for State Water Project operations and maintenance activities in an amount not to exceed \$5 million;
- b. Entering into subcontracts greater than \$250,000 to complete work under the agreement; and
- c. Authorize Metropolitan to enter into subcontracts as needed, not to exceed \$1.5 million cumulatively under the agreement.

Fiscal Impact: Reduced costs for maintenance and repair of SWP facilities

Business Analysis: Reduced electrical costs, increased water supply availability, and increased system reliability

Option #2

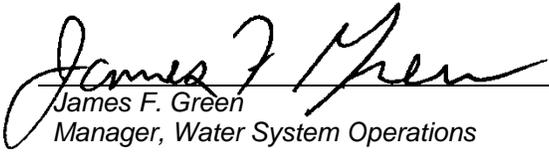
Do not extend current agreement, which would expire September 30, 2011.

Fiscal Impact: Increased State Water Contract O&M costs

Business Analysis: DWR would have to outsource machine, fabrication, coating, and other support services, which would likely result in a longer lead time for completion of work and higher O&M costs for Metropolitan and other State Water Contractors. Metropolitan could experience reduced water and electrical reliability and increased power costs.

Staff Recommendation

Option #1


James F. Green
Manager, Water System Operations

7/26/2011
Date


Jeffrey Nightlinger
General Manager

8/3/2011
Date

Ref# wso12611781