



- Board of Directors  
*Engineering and Operations Committee*

11/10/2020 Board Meeting

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**7-1**

## **Subject**

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Authorize an increase of \$150,000 in change order authority to a procurement contract to furnish valves for the F. E. Weymouth Water Treatment Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

## **Executive Summary**

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In November 2017, Metropolitan's Board awarded a procurement contract to replace the existing filter valves and actuators at the F. E. Weymouth Water Treatment Plant (Weymouth plant). Manufacture of the valves is approximately 75 percent complete, with delivery scheduled for Spring 2021.

In March 2018, the United States federal government imposed tariffs on imported steel articles. This impacted several contracts awarded by Metropolitan's Board before March 2018, including the contract for rubber-lined butterfly valves for the Weymouth plant. Since the imposed tariffs were unforeseen at the time bids were opened for the Weymouth filter valves, this action authorizes an increase in the General Manager's authority to execute change orders under the current procurement contract to pay for the federal steel tariffs.

## **Details**

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### **Background**

The Weymouth plant was placed into service in 1941 with an initial capacity of 100 million gallons per day (mgd) and was expanded twice to its current capacity of 520 mgd. The plant delivers a blend of waters from the Colorado River Aqueduct and the State Water Project to Metropolitan's Central Pool portion of the distribution system and to an exclusive service area. The plant is located in the city of La Verne.

The Weymouth plant has 48 filters distributed in two filter buildings. Filters are operated by opening and closing a series of valves, which allow water to flow in and out of the filter beds during filtration and backwashing. Each filter contains five valves, ranging in diameter from 16 inches to 48 inches, which operate in conjunction with several large-diameter isolation valves in the backwash and surface wash systems to control and clean the filters. The existing filter valves have deteriorated following 50 to 60 years of continuous operation. The valve bodies exhibit corrosion, the rubber seats are worn, and the frequency of repairs to the actuators is increasing, while spare parts are difficult to obtain. As a result, both the filter valves and their actuators need to be replaced.

A staged project is underway to replace the existing filter valves and actuators with new units. An initial construction contract for the replacement work in Filter Building No. 2 is planned to start in 2022, followed by a second contract to replace valves in Filter Building No. 1. In November 2017, Metropolitan's Board awarded two procurement contracts, including a \$4.87 million contract to provide 179 steel-body, rubber-lined butterfly valves and actuators, and a \$771,984 contract for 57 high-performance butterfly valves. The high-performance butterfly valves have been delivered to a bonded warehouse near the Weymouth plant. Manufacture of the larger rubber-lined valves is approximately 75 percent complete, and the valves are scheduled to be delivered by Spring 2021. The valves will be furnished to the contractors for installation under two future contracts.

In March of 2018, the United States federal government imposed tariffs of 25 percent on imported steel. Staff reviewed all contracts in progress that were awarded by the Board before this date and concluded that tariffs were not accounted for and not included in determining the low bid. In September 2018, staff provided an oral report

to the Board on the contracts potentially impacted by the tariffs and their maximum impact on existing contracts. The rubber-lined butterfly valve contract for Weymouth was identified at that time as a potentially impacted contract. Following the implementation of tariffs on imported steel, Metropolitan's bidding documents were updated to require bidders to include any anticipated tariff costs as a bid item.

To date, Metropolitan has paid a total of \$1,024,283 in change orders that have resulted from the imposed tariffs. These payments are related to steel pipe procurement for Reaches 2 and 4 on the Second Lower Feeder Prestressed Concrete Cylinder Pipe Rehabilitation. Specifically, \$766,931 was paid under Contract No. 1925 for Reach 2, and \$257,352 was paid under Contract No. 1940 for Reach 4. This action addresses the required increase in change order authority to pay for tariffs imposed on the procurement of the Weymouth filter valves. No other change orders to Metropolitan's ongoing contracts are anticipated to address the imposition of tariffs on imported steel.

### **Weymouth Filter Valve Procurement – Increase in Change Order Authority (Contract No. 1867)**

In November 2017, Metropolitan's Board awarded Contract No. 1867, in the amount of \$4,866,067 to Crispin Valve, LLC for procurement of 179 integrated replacement units that combine rubber-lined butterfly valves, gearboxes, valve shafts, and electrical actuators. While Crispin Valve is a United States company based in Pennsylvania, its valve body/disc foundry facility is located in Taiyuan, China; thus steel castings produced in this facility are subject to the 25 percent federal steel tariffs. The tariffs are calculated by a federal government representative when the material clears customs. While Contract No. 1867 was awarded prior to the commencement of tariffs, all valves delivered under this contract are subject to the assessment of tariffs.

Per Metropolitan's Administrative Code, the General Manager has the authority to execute change orders for this procurement contract up to a maximum of \$250,000. To date, the use of change order authority has not been exercised for this contract. However, an extra work order, that will result in the use of approximately \$40,000 in change order authority, is currently being negotiated under Crispin's existing contract. This change will address minor valve actuator upgrades to ensure that the valves fully integrate into the plant's control system. The total estimated tariff cost for this project is \$350,000. Staff recommends that the change order authority for Contract No. 1867 be increased by \$150,000, for a new maximum amount of \$400,000. The increased change order will allow Metropolitan to pay for the valve actuator improvement and to reimburse the valve manufacturer for the tariffs paid as the valve bodies cast in China are brought into the United States. Manufacture of the rubber-lined valves is approximately 75 percent complete, and the valves are scheduled to be delivered by Spring 2021.

This action authorizes an increase of \$150,000 to the General Manager's change order authority for procurement Contract No. 1867 with Crispin Valve, LLC, for rubber-lined butterfly valves for the Weymouth plant, for a new not-to-exceed total of \$400,000. This action will not result in a time extension for the contract.

### **Alternatives Considered**

Staff determined that the change of law to impose tariffs on steel products is an unforeseen expenditure requiring the payment of documented tariff costs incurred by manufacturers and paid to United States Customs. For contracts awarded before the imposition of the tariffs, vendors must provide Metropolitan with the United States Customs documents outlining the tariff cost imposed on the materials. For contracts awarded after March 2018, staff updated the construction and procurement documents and reviewed the process of preparing cost estimates to reflect the inclusion of tariffs.

### **Summary**

This action authorizes an increase of \$150,000 in the General Manager's authority to execute change orders for Contract No. 1867 with Crispin Valve, LLC, to pay for additional costs resulting from the tariffs imposed by the United States federal government on imported steel articles. See **Attachment 1** for the Allocation of Funds, and **Attachment 2** for the Location Map.

### ***Project Milestone***

April 2021 – Delivery of rubber-lined valves with actuators for the Weymouth plant

## Policy

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Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 51014, dated November 14, 2017, the Board awarded a procurement contract to Crispin Valve LLC for rubber-lined butterfly valves and actuators.

By Minute Item 51597, dated May 14, 2019, the Board authorized an increase of change order authority to an existing procurement contract for the Second Lower Feeder.

## California Environmental Quality Act (CEQA)

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### CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. In particular, the proposed action consists of the increase of funding to an existing procurement contract for minor modifications to existing public facilities, along with the installation of equipment within existing public facilities involving negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under Class 1 Categorical Exemptions (Section 15301 of the State CEQA Guidelines).

### CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Authorize an increase of \$150,000 in change order authority for Contract No. 1867 with Crispin Valve, LLC to furnish rubber-lined butterfly valves.

**Fiscal Impact:** Expenditure of \$150,000 in capital funds. All costs will be incurred in the current biennium and have been previously authorized.

**Business Analysis:** This option will allow completion of the procurement contract and delivery of the rubber-lined butterfly valves to proceed in a timely manner.

### Option #2

Do not authorize an increase in change order authority for the rubber-lined butterfly valve contract.

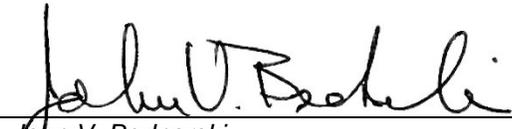
**Fiscal Impact:** Unknown

**Business Analysis:** This option is not consistent with the recommended direction presented to the Board in September 2018. Completion of Contract No. 1867 and delivery of the rubber-lined butterfly valves for the Weymouth plant would be delayed.

**Staff Recommendation**

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Option #1

  
\_\_\_\_\_  
John V. Bednarski  
Chief Engineer  
Engineering Services

10/15/2020

Date

  
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Jeffrey Rightlinger  
General Manager

10/22/2020

Date

**Attachment 1 – Allocation of Funds**

**Attachment 2 – Location Map**

Ref# es12680600

**Allocation of Funds for Replacement of Filter Valves at Weymouth Plant**

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	<b>Current Board Action (Nov. 2020)</b>	
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Labor		
Studies & Investigations	\$	-
Final Design		-
Owner Costs (Program mgmt.)		-
Submittals Review & Record Drwgs.		-
Construction Inspection & Support		-
Metropolitan Force Construction		-
Materials & Supplies		
Crispin Valve, LLC		150,000
Incidental Expenses		-
Professional/Technical Services		-
Right-of-Way		-
Equipment Use		-
Contracts		-
Remaining Budget		-
<b>Total</b>	<b>\$</b>	<b>150,000</b>
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The amount expended to date on the filter valve replacement at Weymouth is approximately \$2.5 million. The total estimated cost to complete the replacement of filter valves and actuators, including the amount appropriated to date, funds described in this action, and all future design and construction costs, is anticipated to range from \$22 million to \$25 million.

# Distribution System

