

ALAMEDA COUNTY WATER DISTRICT

MEMORANDUM

DATE: August 6, 2009
TO: Board of Directors
FROM: Paul Piraino
SUBJECT: STAFF REPORT, ACTION CALENDAR ITEMS FOR AUGUST 13, 2009

5.1* AUTHORIZATION OF PURCHASE ORDER FOR REPLACEMENT COMPUTERS

BACKGROUND: The District has established a program for the orderly replacement of personal computers as they reach the end of their useful life. Based upon the amount of time that personal computers are used on a daily basis at the District, the average useful life of a personal computer is four to five years after which time they become inadequate to run the District's software applications and also begin to experience operating problems.

DISCUSSION: Over the past nine years, the District has standardized on Dell Computers for its personal computing needs. Dell was selected over other computer manufacturers due to its high product quality and performance, excellent service support, and low price. The computers are purchased directly from the government sales representative of the manufacturer, Dell Computer Corporation. The District also has the ability to purchase Dell Computers through the State of California utilizing a California Multiple Annual Schedule (CMAS) or a Western State Contracting Alliance (WSCA) contract. The prices offered direct from Dell Computer Corporation are lower than either of the state contracts prices. The FY 09/10 budget includes funding for the purchase of 38 replacement computers which will replace computers which are between four and five years old. Of the 38 computers to be purchased, 37 will be desktop computers and 1 will be a laptop computer.

<u>Quantity</u>	<u>Brand/Model</u>	<u>Unit Price</u>	<u>Total</u>
37	Dell Optiplex 760	\$1,513.61	\$56,003.57
1	Dell Latitude E6400ATG	\$2,389.75	\$2,389.75
	Total		\$58,393.32

Sufficient funds are budgeted for this expenditure.

RECOMMENDATION: By motion, authorize a purchase order to Dell Computer Corporation in an amount not to exceed \$58,393.32, plus applicable tax and shipping costs, for the purchase of replacement personal computers for the 09/10 fiscal year.

5.2* AUTHORIZATION OF CHANGE ORDER NO. 3 FOR THE NEWARK DESALINATION FACILITY SUPPLY PIPELINES PROJECT

BACKGROUND: On October 9, 2008, the Board awarded the construction contract for the Newark Desalination Facility Supply Pipelines project to R.J. Gordon Construction, Inc. in the amount of \$3,756,925.75. The scope of work includes installation of approximately 5,900 linear feet of 22-inch

and 3,200 linear feet of 16-inch diameter high density polyethylene pipe (HDPE) within the cities of Fremont and Newark. Two change orders totaling \$710,417.50 were previously authorized by the Board. Construction is approximately 85% complete.

DISCUSSION: Change Order No. 3 has been prepared for the following additional work: 1) place control density fill to stabilize existing utility crossings on Cedar Boulevard that were previously backfilled with pea gravel (\$4,572); 2) perform additional trenching at three locations to avoid conflict with unmarked utilities (\$9,001); and 3) install a spare 2-inch electrical conduit in the casing under I-880 (\$38,701).

On June 11, 2009, staff informed the Board that a claim for delay was submitted by the Contractor when the horizontal directional drill (HDD) work on Farwell Drive was stopped. Staff negotiated a net credit in the amount of \$29,232 for settlement of this claim in conjunction with the HDD work not completed on Farwell Drive.

The total cost for Change Order No. 3, including the net credit to the District, is \$23,042. R.J. Gordon Construction, Inc. also submitted a request for a time extension of fourteen (14) calendar days due to delay of work at the Mowry Avenue crossing on Farwell Drive. Staff has reviewed the time extension request and costs associated with the extra work and have determined that they are fair and reasonable. There are adequate funds in the budget to cover this expenditure.

The Board was also previously informed that there may be additional costs associated with repairing potential street section damage resulting from the HDD work when bentonite slurry penetrated the street section on Farwell Drive. An evaluation by City of Fremont and District staff is ongoing. If needed, staff will report back to the Board on the status of the street assessment at a subsequent Board Meeting.

RECOMMENDATION: By motion, 1) approve Change Order No. 3 in the amount of \$23,042; and 2) grant a time extension of fourteen (14) calendar days to R.J. Gordon Construction, Inc. for the Newark Desalination Facility Supply Pipelines, Job 6349.

5.3* AUTHORIZATION OF PURCHASE ORDER AMENDMENT FOR ENGINEERING SERVICES FOR THE NEWARK DESALINATION FACILITY SUPPLY PIPELINES PROJECT

BACKGROUND: On November 13, 2008, the Board authorized a purchase order amendment to Winzler & Kelly Consulting Engineers in the amount of \$106,700 for construction related engineering services. The scope of work includes general construction support (i.e., submittal reviews, responses to requests for information from the contractor, design clarifications, and site visits), special construction inspection services during microtunneling and horizontal directional drilling work at multiple sites, and completion of project record drawings.

DISCUSSION: At staff's request, Winzler & Kelly performed the following additional work: 1) modify the project drawings to show a pipe bore and jack installation at Mowry Avenue on Farwell Drive; 2) attend additional project meetings related to the horizontal direction drilling work on Farwell Avenue; 3) prepare a letter report regarding a pavement evaluation on Farwell Drive; and 3)

provide three days of additional field oversight during the horizontal directional drilling operation on Cedar Avenue.

The total cost for performing the additional work is \$24,910 and staff has evaluated the amount as appropriate for the work performed. There is adequate funding in the project budget for this expenditure.

RECOMMENDATION: By motion, authorize a purchase order amendment to Winzler & Kelly Consulting Engineers, in the amount of \$24,910 for the Newark Desalination Facility Supply Pipelines, Job 6349.

5.4* RESOLUTION CASTING BALLOT FOR FOUR (4) CANDIDATES TO SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY BOARD OF DIRECTORS

BACKGROUND: ACWD is a member of the Special District Risk Management Authority Joint Powers Agency (SDRMA). SDRMA provides the District with liability, property, and casualty insurance and workers' compensation coverage. SDRMA is governed by a seven member board of directors, and an election to terms of office for four members of the board is underway at this time. Newly elected directors will assume office in January 2010, for a four year term.

DISCUSSION: Eight candidates are running for the four available positions. All of the candidates are either board members or staff from one of SDRMA's member agencies. The four candidates, who appear to be best qualified to represent the District's interest on the SDRMA Board, are: David Aranda, General Manager, Stallion Springs Community Services District; Muril N. Clift, Director, Cambria Community Services District; Allison Voight Hamaker, Finance Director, El Dorado Hills Community Services District; and John C. Yeakley, General Manager, Bear Valley Community Services District.

RECOMMENDATION: By motion, adopt a resolution casting its vote for Mr. Aranda, Ms. Clift, Ms. Hamaker, and Mr. Yeakley.

5.5 AUTHORIZATION OF CHANGE ORDER NO. 1 FOR BUNTING POND FISH SCREEN SITE CONSTRUCTION AND RUBBER DAM NO. 2 DECOMMISSIONING PROJECTS

BACKGROUND: On April 14, 2007, the Board awarded the contract for the Bunting Pond Fish Screen and Rubber Dam No. 2 Decommissioning and Foundation Modification Projects to Valentine Corporation in the amount of \$767,369. The scope of work includes the modification of the existing water diversion intake to install a fish screen at the Bunting Pond diversion facility, decommissioning of the Rubber Dam No. 2 facility, and the modification of the dam foundation to provide for fish passage. The two projects are currently 45% percent complete.

DISCUSSION: On June 25, 2009, the Contractor modified the Rubber Dam No. 2 foundation, which included saw cutting and removal of a 12-foot wide by 60-foot long notch in preparation for construction of the "Larinier" fish passage structure. Subsequently, staff discovered an error in the construction drawings; the notch was not aligned correctly relative to the existing foundation. Consequently, it is necessary for the Contractor to perform additional saw cutting to correct the

notch alignment. Change Order No. 1 in the amount of \$47,799.54 includes the following additional work requested by the District: Saw cut and remove additional concrete foundation, additional excavation, installation of additional concrete and reinforcing steel for the slab and concrete wall, and perform survey work. Staff has reviewed the costs for the additional work and has determined that they are fair and reasonable.

Staff investigated the cause of the design error and determined that the design consultant incorrectly transposed survey coordinates on the construction drawings. As a result, the consultant has agreed to perform all work associated with the notch alignment correction at no charge to the District. This includes confirming the problem, designing the notch reconfiguration, reviewing submittals, and reviewing the contractor's submitted cost estimate for the additional work. In addition, the consultant will waive an appropriate portion of the costs associated with record drawing preparation for the two projects.

RECOMMENDATION: By motion, approve Change Order No. 1 in the amount of \$47,799.54 to Valentine Corporation for the Bunting Pond Fish Screen and Rubber Dam No. 2 Decommissioning and Foundation Modification Projects, Jobs 4313.2 and 6320.

5.6 RESOLUTION AUTHORIZING APPROVAL OF AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE BOARD OF DIRECTORS FOR ALAMEDA COUNTY WATER DISTRICT TO PROVIDE SECTION 21548 (PRE-RETIREMENT OPTION 2W DEATH BENEFIT) FOR LOCAL MISCELLANEOUS MEMBERS

BACKGROUND: At the July 16, 2009 Board meeting, the Board adopted a Resolution of Intention to amend the current contract with CalPERS to provide Section 21548 (Pre-retirement Option 2W Death Benefit) for local miscellaneous members. Adoption of a Final Resolution amending the contract is required before the amendment can take effect.

DISCUSSION: Pre-Retirement Optional Settlement 2W Death Benefit (2W) would apply to employees who die while actively employed by the District. Under this benefit, an eligible survivor would receive a monthly allowance equal to the service retirement benefit for which the employee would have been received had he/she retired from service on the date of death and elected Optional Settlement 2W, the highest monthly allowance a member can leave a spouse or registered domestic partner. Currently a surviving spouse or registered domestic partner would receive 50% of the monthly allowance for which the member was eligible.

RECOMMENDATION: By motion, 1) adopt a resolution to amend the contract between CalPERS and ACWD to provide Section 21548 (Pre-Retirement Option 2W Death Benefit) for local miscellaneous members, and 2) authorize the General Manager to take all actions and execute all documents needed to implement this resolution.

5.7 AUTHORIZATION TO PROCEED WITH A NEGOTIATED SALE TO REFINANCE THE DISTRICT'S 1998 WATER SYSTEM REFUNDING REVENUE BONDS AND TO ENTER INTO AGREEMENTS WITH INVESTMENT BANKER AND BOND COUNSEL

BACKGROUND: In 1998, the District issued \$46,650,000 of refunding revenue bonds to refund its 1992 and 1995 Water System Project Certificates of Participation. Currently, there are \$29,340,000 of outstanding 1998 refunding revenue bonds with interest rates ranging from 4.30% to 4.75% that are payable in installments through June 1, 2020. In April 2009, Standard and Poor's, a nationally recognized independent credit rating agency, upgraded the District's bond rating from AA- to AAA, the highest rating available. This upgrade in conjunction with declining interest rates over the past several months have provided the District with another opportunity to reduce its debt service costs by refunding the outstanding 1998 refunding revenue bonds. Refunding rates are now available in the low to upper mid-3% range. For example, assuming a refinancing rate of 3.69%, there would be a net overall savings of \$2.1 million over the life of the bonds, or \$1.5 million in today's dollars. This is about 5% of the principal amount of the outstanding bonds and would result in an annual debt service savings of about \$320,000.

At the July 9, 2009 Board meeting, the Board was informed of the recommendation to refund the outstanding 1998 refunding revenue bonds that had also been reviewed with the Administrative and Finance Committee on June 23, 2009. Additionally, it was noted that some of the preliminary work by the District's bond counsel and financial advisor would need to begin in July in order to have the necessary documents completed in a timely manner in anticipation of a negotiated sale of the new refunding revenue bonds; authorization to proceed with preparation for the refunding would be requested at the August 13, 2009 Board meeting.

DISCUSSION: The final bond documents, including a resolution approving the sale of the new refunding revenue bonds, will be scheduled for Board approval at the meeting of September 10. Pricing of the new bonds is anticipated to take place between mid-September and the end of October 2009. Actual completion of the sale will depend on whether market conditions at the time of issuance will allow for at least a 5% savings of the principal of the outstanding bonds.

The services of a bond counsel, financial advisor and underwriter are needed to assist District staff in structuring the sale of the bonds. A refunding is typically done as a negotiated bid which gives the underwriter more time to prepare the issue and solicit buyers since they know they have the right to sell the issue. Also, there is more flexibility in timing the market to structure a sales package that suits current market conditions. Overall, there is less risk and greater flexibility, which translates into lower fees and interest rates for the issuer.

The functions of a financial advisor and underwriter can be provided by the same firm more generally called the investment banker. Responsibilities include working with bond counsel in preparation of the Official Statement, evaluating and recommending program parameters related to the sale of the bonds, assisting District staff in preparing credit presentations, obtaining investment ratings or insurance for the bonds, and bringing the bonds to market at competitive rates at the time of the sale.

The firm of Stone and Youngberg has over 75 years of experience in structuring a variety of public financing issues. They are a leading underwriter of municipal bonds and general obligation bonds in California. The firm served as the District's financial advisor and/or investment banker on the 1992 and 1995 COP issues, 1998 refunding revenue bonds and 2003 Certificates of Participation. Over the years, the firm has continued to assist staff in reviewing and researching various financial matters related to the bond issues. Most recently, they have worked closely with staff in identifying refunding alternatives to take advantage of low interest rates. Their fee is a not-to-exceed amount based on a certain percentage of the bond par amount. As their agreement is currently written, this percentage is 0.7% of bond par amount, or about \$192,000, which is consistent with the percentage charged for their investment banker services in the 1998 refunding revenue bond issue. Staff would also recommend hiring an independent third party financial advisor to provide both an underwriter discount fee opinion and a pricing opinion. The fee opinion would serve to confirm that the underwriter fee charged by Stone & Youngberg is reasonable. The pricing opinion would serve to confirm that Stone & Youngberg's bond pricing on the day of the sale is fair and reasonable.

Bond Counsel Services will include a review of the legal procedures for issuance of the bonds, consultation with District staff and investment banker, rendering of a legal opinion regarding the validity, tax exempt status and enforceability of the issuance, preparation of related documents including the Resolution, Indenture, Escrow Agreement, final closing papers and Tax Certificate. In addition to these services, bond counsel will also provide Disclosure Counsel Services which will include preparation of a Continuing Disclosure Agreement, Bond Purchase Agreement, Preliminary and Final Official Statements as well as an opinion relating to the Official Statement.

The law firm of Orrick, Herrington and Sutcliffe is one of the largest and most widely recognized bond counsel firms in the State. The firm has served as the District's legal counsel for all of the District's promissory note and bond issues since 1976. Their fee for Bond Counsel Services based on similar financings of this size is \$50,000. Their fee for Disclosure Counsel Services is \$25,000 which is comparable to the fee charged for similar services for the 1998 refunding revenue bonds.

Both Stone & Youngberg and Orrick, Herrington & Sutcliffe are very familiar with the operation of the District and are qualified to perform the required services.

This item was reviewed with the Administrative & Finance Committee on June 23, 2009. The committee concurred with the recommendations.

RECOMMENDATION: By motion, 1) authorize staff to proceed with the preparation of the legal documents, resolutions and other related documents to implement a negotiated sale to refinance the District's outstanding 1998 refunding revenue bonds, 2) authorize the General Manager to execute an agreement for investment banking services with Stone & Youngberg for no more than 0.7% of bond par amount, and 3) authorize the General Manager to execute an agreement for Bond Counsel Services and Disclosure Counsel Services with Orrick, Herrington and Sutcliffe for the amount of \$50,000 and \$25,000, respectively.

5.8 AUTHORIZATION FOR ENTERING INTO A COST-SHARING AGREEMENT WITH UNION SANITARY DISTRICT FOR A RECYCLED WATER FEASIBILITY STUDY

BACKGROUND: ACWD's long-term water supply strategy includes plans for developing non-potable recycled water, such as for landscape irrigation and industrial process water. The benefits of recycled water include: 1) providing a new, stable, and locally-controlled source of supply and 2) providing additional production capacity to meet peak summer demands. In 2000, ACWD and USD completed an update of the Districts' recycled water master plan, which considered a recycled water treatment facility at USD's Alvarado Wastewater Treatment Plant in Union City. In 2003, ACWD and USD again partnered to evaluate the feasibility of developing a satellite recycled water treatment facility at USD's Irvington Pump Station in southern Fremont. Although the results from both of these studies indicated that a recycled water program is viable in the District service area, new information has become available regarding treatment, costs, potential customers, and regulatory requirements since these studies were completed. In addition, recent federal court rulings regarding Delta export pumping have reduced the reliability of ACWD's State Water Project supplies, resulting in the need for the District to further evaluate, and potentially accelerate, viable local water management opportunities.

DISCUSSION: As a next step in the planning for one or both of these recycled water concepts, additional analysis is required. The purpose of the proposed feasibility study is further evaluate these recycled water concepts, with a goal of developing more refined information on project costs, potential customers, and facility needs (including tertiary treatment, water mains, storage, and booster pumping). The proposed feasibility study will initially evaluate five treatment and distribution system alternatives, with the two most promising alternatives being further evaluated at a sufficient level of detail for a programmatic environmental review. Information from the recycled water feasibility study will also be incorporated into updates to the ACWD's Integrated Resources Planning Study and Urban Water Management Plan.

The consulting firm, RMC Water and Environment, Inc. ("RMC") has conducted many similar recycled water studies in the Bay Area and throughout the state, including most recently for the City of Hayward. RMC has also successfully assisted many of its clients in securing grant funding for the construction of recycled water facilities. Because of RMC's experience and knowledge-base, ACWD and USD have requested a sole source proposal from RMC to conduct the proposed recycled water feasibility study. ACWD and USD staff has reviewed the RMC proposal, and have found it to be responsive to the Districts' needs. The study scope and utilization of consultant services were reviewed with the Water Resources Planning Committee on July 21, 2009.

The total consultant cost for the study is estimated to be \$242,000, which ACWD and USD staff have found to be reasonable for the required scope of work. Under the proposed ACWD-USD cost-sharing agreement, USD will administer the contract with RMC and the study costs will be evenly shared between the two agencies. Work will be performed on a time-and-expense basis. ACWD's share of the study costs is not to exceed \$121,000. There are sufficient funds in the FY 09/10 budget for these costs.

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RECOMMENDATION: By motion, 1) authorize the General Manager to enter into a cost-sharing agreement with Union Sanitary District for a Recycled Water Feasibility Study, and 2) authorize a Purchase Order to Union Sanitary District in an amount not to exceed \$121,000 for ACWD share of the consultant costs for the study.

Attachments

cc: Executive Staff