

ALAMEDA COUNTY WATER DISTRICT

MEMORANDUM

DATE: July 6, 2011
TO: Board of Directors
FROM: Walt Wadlow
SUBJECT: STAFF REPORT, ACTION CALENDAR ITEMS FOR July 14, 2011

5.1* AUTHORIZATION OF PURCHASE ORDER FOR SERVICES TO UPGRADE THE DISTRICT'S HYDRAULIC COMPUTER MODEL

SUMMARY: The District's hydraulic computer model has not been upgraded in 5 years and now requires a significant upgrade to allow the model to be used as an operational tool for improving the operation of the distribution system. The District currently uses a proprietary software program developed and supported by Innovyze, Inc. (previously known as MWH Soft). At the District's request, Innovyze, Inc. submitted a quote for the services necessary to upgrade the model in the amount of \$84,000. There is adequate funding in the budget for this expenditure.

RECOMMENDATION: By motion, 1) authorize a purchase order to Innovyze, Inc. for services to upgrade the current H2OMap computer software to InfoWater and to configure the InfoWater unidirectional flushing program in the amount of \$84,000; and 2) authorize the General Manager to execute a services agreement.

DISCUSSION: The American Water Works Association Manual M32 on Computer Modeling of Water Systems defines four main application categories for water utility computer modeling uses: (a) planning, (b) engineering design, (c) system operations, and (d) system water quality improvement. The District's Water Resources and Engineering Departments have extensively utilized the existing computer model for planning and engineering design purposes. The Operations Department intends to use the upgraded hydraulic model as an operational tool and expects it will improve staff efficiency in managing the distribution system. The existing computer model will be upgraded to an "all-pipes" GIS-based hydraulic model. The benefits of an upgraded model include more accurately identifying the zone of influence of the District's four production facilities including out-of-service assessments, improving water quality in the distribution system by optimizing the water main cleaning program and increasing the rate of turnover of water stored in tanks and reservoirs, simulating emergency operating scenarios, and providing a better tool for troubleshooting both hydraulic and water quality problems in the distribution system. Additionally, because the upgraded model is GIS-based and the data can be transmitted to the iWater InfraMap program used by the District's Distribution Maintenance Division, field crews will be able to expedite the cleaning of mains by having electronic access to water main cleaning maps.

5.2* AUTHORIZATION OF PURCHASE ORDER FOR J.D. EDWARDS
REQUIREMENTS DISCOVERY CONSULTING SERVICES

SUMMARY: The recently completed Information Technology Master Plan (ITMP) recommendations included the need to upgrade the District's J.D. Edwards (JDE) software to a current version and to implement additional functionality. To help the District identify and review key business processes and other functional requirements for the upgrade, staff needs the services of a consulting firm that is familiar with business process reviews and JDE implementation. The consulting firm of Systems Management, Inc. (SMI) was selected to provide the services set forth in the Request For Proposals (RFP), sent out on April 26, 2011. Funds for this project have been budgeted.

RECOMMENDATION: By motion, 1) authorize a purchase order to Systems Management, Inc. in the amount not to exceed \$215,455 to provide consulting services for the J.D. Edwards Requirements Discovery; and 2) authorize the General Manager to enter into a services agreement with Systems Management, Inc. to provide the scope of services identified in the Request For Proposals.

DISCUSSION: The District's JDE version is five (5) versions behind the current version offered by JDE. One of the ITMP recommendations was to upgrade our existing JDE version and identify business process improvement opportunities and implement additional functionality to support business processes not currently supported in the existing version. This may result in implementing additional JDE modules or third party modules, depending on the consultants' recommendations. These additional business processes include, but are not limited to, electronic requisitioning and time card processing, implementing software to enable Human Resources and Benefits processing, and integrating these modules with Payroll.

As the District is embarking on implementing new functionality to support critical business processes, the decision was made to formalize the District business processes and requirements before proceeding with an implementation. This approach has the advantages of:

1. Clearly articulating our processes and requirements to ensure accurate configuration and a more reliable quote from vendors for the implementation.
2. Allows management the opportunity to review and modify existing processes to improve efficiency.
3. Improves the District's ability to determine which JDE or third party modules meet the District's needs in terms of requirements and usability.

Based on the results of the discovery, the District can achieve consensus on its processes and requirements before proceeding with the implementation of JDE upgrade. The work products resulting from the discovery will then be used as scope documents for the RFPs for upgrading JDE and implementing any third party modules found to be necessary to meet the District's business needs.

The District issued an RFP to provide consulting services for the JDE Requirements Discovery. The RFP was sent to fourteen (14) firms that have experience in business process reviews and providing JDE implementation services. The District received six (6) written proposals which

were individually reviewed by the Information Technology (IT) Manager and Supervisor. The proposals were evaluated based on criteria that included experience in business process review and analysis, experience with JDE upgrades and implementations, assigned staff qualifications, understanding of the project and needs of the District, and the proposed scope of work.

Staff invited four (4) firms for interviews with a selection committee comprised of the Manager of Finance, IT Manager, and IT Supervisor. Based on a consensus of the selection committee, SMI was the highest ranked firm overall to conduct the scope of work. Total cost, including travel and expenses, will not exceed \$215,455.

5.3* RENEWAL OF WORKERS' COMPENSATION INSURANCE COVERAGE FOR FY 2011/12

SUMMARY: The renewal date for the District's Workers' Compensation insurance coverage is July 1, 2011. Funds for the cost of the insurance have been budgeted.

RECOMMENDATION: By motion, accept the Special Districts' Risk Management Authority's proposal for renewal of FY 2011/12 Workers' Compensation insurance coverage.

DISCUSSION: The District is a member of the Special Districts' Risk Management Authority (SDRMA), a Joint Powers Insurance Authority (JPIA), which provides its membership the ability to pool their risk and to spread that risk out over its members. By doing so, each member reduces their liability and in turn reduces the costs of Workers' Compensation insurance premiums.

The District's current no-deductible insurance policy provides for the highest level of coverage with no risks beyond the initial premium cost. The premium is based on annual payrolls for each of the Workers' Compensation classification codes, the code rates, and the District's experience modifier (ExMod), which is an adjustment of premium based on loss experience. Additionally, the District can receive up to a 15% rate reduction through the SDRMA Credit Incentive Program.

The FY 2011/12 insurance premium is \$722,145. After a 5% adjustment for multi-program discount, the net estimated annual cost is \$686,038. This increased premium is due in part to an increase in the ExMod from 146% to 152%.

The District continues to review and analyze the feasibility of our Workers' Compensation insurance program to ensure cost effectiveness for the program and will continue to place savings from our program (as a result of any Credit Incentives received), into a reserve, in anticipation of a move to a high-deductible or self-insured program in the near future. Currently, \$933,691 in premium savings has been placed into the reserve fund.

5.4* RENEWAL OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY 2011/12

SUMMARY: The renewal date for the District's property and liability insurance coverage is July 1, 2011. Funds for the cost of the insurance coverage have been budgeted.

RECOMMENDATION: By motion, accept the Special Districts' Risk Management Authority's proposal for renewal of FY 2011/12 property and liability insurance coverage.

DISCUSSION: The District participates in the Special Districts' Risk Management Authority (SDRMA) Property and Liability Insurance Program. The SDRMA program provides property and general liability, commercial automobile, employment practices and employee benefits liability, and public officials' errors and omissions and personal injury coverage of up to \$10 million per occurrence. The District has an additional \$10 million in excess liability coverage, for a total coverage limit of \$20 million per occurrence, to provide the District with further protection in the event of a major catastrophic event. SDRMA has submitted their insurance premium renewal quote for FY 2011/12 in the amount of \$537,127.90, a reduction of approximately 2.5% from the adjusted base premium of \$550,893 paid last year. This reduction is due primarily to the compounding effect of the credits associated with the District's shift to a higher, \$50,000 deductible.

This renewal premium also reflects a refund of \$34,576 that will be earned by the District in FY 2011/12 under the Credit Incentive Program. The Credit Incentive Program provides the District with the opportunity to save up to an additional 15 percent in basic liability premiums based on policies and safety-related programs implemented by the District during the previous fiscal year.

Based on the average of premiums and cost of claims paid over the past seven years, the \$50,000 deductible level will provide the District with the optimal balance between potential premium savings and the higher costs that could be paid by the District under the other higher deductible limits. The \$50,000 deductible level will result in a discount of \$122,651. Staff will continue to perform an analysis at fiscal year end to determine the net premium savings to the District. Based on this year-end review, the District will have the option to retain or increase the deductible level or return to its previous deductible levels.

5.5* AUTHORIZATION OF CHANGE ORDER NO. 1 AND RESOLUTION ACCEPTING THE COMPLETION OF THE REMOVAL, DISPOSAL, AND INSTALLATION OF FILTER MEDIA AT WATER TREATMENT PLANT NO. 2 PROJECT

SUMMARY: The Board previously awarded the removal, disposal, and installation of new filter media for three filters at Water Treatment Plant No. 2 to ERS Industrial Services, Inc. (ERS). The filters are operational and the work is complete. Change Order No. 1 has been prepared for additional work required to enhance the performance of Filter No. 3 and to delete a contract payment item for extra anthracite material that is no longer required.

RECOMMENDATION: By motion, 1) approve Change Order No. 1 which results in a reduction of \$1,324.00 to the contract issued to ERS Industrial Services, Inc. and 2) adopt a resolution accepting the completion of the Removal, Disposal, and Installation of Filter Media at Water Treatment Plant No. 2 Project, Job 6483.

DISCUSSION: On January 13, 2011, the Board awarded the construction contract to ERS in the amount of \$126,020.87 to remove, dispose, and install new filter media in Filter Nos. 1, 2, and 3 at Water Treatment Plant No. 2. The contract also contains a provision for the Contractor to furnish 300 cubic yards of anthracite material to the District to serve as an on-site stored source of supply for future District use.

Change Order No. 1 which results in a reduction to the contract in the amount of \$1,324 has been prepared for the following items requested by the District: 1) perform an additional skim and scrape on Filter No. 3 to improve the filter run-time between backwash cycles (\$2,100); and 2) delete contract Payment Item No. 5 for 300 cubic yards of extra anthracite material (-\$3,424).

The additional supply of anthracite is unnecessary because the amount of material that would need to be replenished as a result of subsequent filter skimming and scraping work is minimal. The total project cost, including Change Order No. 1 and adjustment for final quantities, is \$124,380.03.

5.6 AUTHORIZATION OF PURCHASE ORDER FOR RIGHT OF WAY ACQUISITION SERVICES FOR THE APPIAN TANK SEISMIC UPGRADE PROJECT

SUMMARY: The Board previously awarded engineering design services to Carollo Engineers to complete a design study, preliminary design, and environmental documentation (CEQA) for the Appian Tank Seismic Upgrade Project. The design study and preliminary design are substantially complete and the preparation of an administrative and public draft of an Initial Study/Mitigated Negative Declaration is in progress. Right of way acquisition services are required to address unforeseen easement-related issues that were discovered during preliminary design. There is adequate funding in the budget for this expenditure.

RECOMMENDATION: By motion, 1) authorize a purchase order to Overland, Pacific and Cutler, Inc. for right of way acquisition services in an amount not to exceed \$43,700; and 2) authorize the General Manager to execute a services agreement with Overland, Pacific and Cutler, Inc. for this work, Job 6435.

DISCUSSION: The 750,000 gallon capacity Appian Tank is the sole potable water gravity storage for four pressure zones in Union City. The project scope of work includes the replacement of the tank and inlet/outlet pipeline, rehabilitation of the existing gravel access road and the installation of a new electrical service, SCADA and security systems, storm drain improvements, and temporary improvements at the Seven Hills Booster Station to accommodate construction. The tank site is owned by the District; however, through the course of preliminary design, it was discovered that easements of record did not exist for the 16-inch tank inlet/outlet pipeline that traverses across 5 adjoining private parcels. Addressing the easement-related issues is required to ensure that the District has permanent access to the pipeline.

Staff invited two qualified firms to submit proposals for right of way acquisition services and two proposals were received. Based on a comprehensive evaluation of the proposals, Overland, Pacific and Cutler, Inc. was the highest ranked firm determined to have the qualifications and staff that meets the District's needs. The scope of services includes preparation of a Summary Appraisal Report to determine the fair market value of the easements to be acquired from each subject property in accordance with the Uniform Standards of Professional Appraisal Practice, communications with the property owners including providing the property owner an opportunity to accompany the appraiser during property inspection, negotiations with property owners, and providing title and escrow services. Overland, Pacific and Cutler, Inc.'s estimated cost based on a time and material expense basis for the work is \$43,700. Staff has reviewed the costs and determined that they are fair and reasonable.

5.7 REVIEW OF BOARD MEMBER COMPENSATION POLICY AND SETTING PUBLIC HEARING

SUMMARY: At the June 9, 2011, Board meeting, Director Weed requested that staff place an item on the July Board meeting agenda which would allow the Board to discuss its policy regarding the amount of compensation that Directors receive for each day of service rendered as a member of the Board, and the maximum number of compensable days per month. To support the Board's discussion, staff and District Counsel have provided the statutory framework which would govern Board action to adjust this compensation and the recent history of Board action in this regard.

RECOMMENDATION: Discuss the *Policy for Compensation for Board Members* (described in attached Resolution 10-012). If warranted, set a public hearing on or after August 8, 2011, and direct staff to provide appropriate public notice as required by law.

DISCUSSION:

Governing Statutes

There are three sets of statutes that pertain to director compensation.

1. Water Code Section 30507, a provision of the County Water District Law, provides that Directors shall receive compensation in an amount not to exceed \$100 per day and not to exceed a total of 6 days in a calendar month.
2. Water Code Sections 20200, et seq. authorize various types of water districts, including county water districts, to increase both the amount of compensation per day and the number of days per month that Directors may receive compensation. Under this set of statutes, the Board may increase the per day compensation in an amount that does not exceed 5% for each calendar year following the operative date of the last adjustment, and may increase the number of days for which compensation is paid to no more than 10 days in any calendar month. The Board must adopt any such increase by ordinance, must hold a public hearing, and must publish a notice of the public hearing in a newspaper of general circulation in the District once a week for two successive weeks with the first publication being at least 14 days before the public hearing. The ordinance will become effective 60 days from the date it is adopted.
3. Government Code Section 53232.1 requires that Board member compensation be established in an adopted written policy.

ACWD Policies

ACWD has two separate policies that deal with compensation for Board members (current version is Resolution No. 10-012, adopted February 11, 2010) and expense reimbursement for Board members (current version is Resolution No. 10-013, adopted February 11, 2010). The current director compensation is \$175 per day for a maximum of \$1,050 per month, which is 6

days of compensation.

Recent History of Board Actions

In 1982, the Board established the compensation rate at \$100 per day for attendance at meetings of the Board and for other service rendered as a Director at the request of the Board. The Board also established a maximum of 6 days per calendar month for which any Director could be so compensated.

In March, 2002, the Board, following the procedures of Water Code Sections 20200 et seq., increased the director compensation from \$100 per day to \$175 per day. The Board kept the maximum number of days for which compensation will be paid at 6 days per calendar month.

In April, 2005, the Board held a properly notice public hearing to consider increasing the maximum number of compensable days from 6 to 8 days per calendar month. The Board voted to postpone consideration of Board Member compensation.

In May, 2006, the Board updated its compensation and reimbursement policies to comply with AB 1234. The compensation rate and maximum number of compensable days were not adjusted.

In February, 2010, the Board added attendance at American Water Works Association conferences as a reimbursable expense and increased the meal expense allowance to \$72 per day based on the increase in the Consumer Price Index as provided for in the Board's policy. No changes were made to the compensation rate or maximum number of compensable days. The Board's compensation and reimbursement policies were updated accordingly and are reflected in the current Resolution No. 10-012 and Resolution No. 10-013.

Attachments

cc: Executive Staff