

AGENDA

BOARD OF DIRECTORS ORANGE COUNTY SANITATION DISTRICT

DISTRICT'S ADMINISTRATIVE OFFICES
10844 ELLIS AVENUE
FOUNTAIN VALLEY, CA 92708
www.ocsd.com

REGULAR MEETING

August 22, 2001 – 7:00 p.m.

In accordance with the requirements of California Government Code Section 54954.2, this agenda has been posted in the main lobby of the District's Administrative Offices not less than 72 hours prior to the meeting date and time above. All written materials relating to each agenda item are available for public inspection in the office of the Board Secretary.

In the event any matter not listed on this agenda is proposed to be submitted to the Board for discussion and/or action, it will be done in compliance with Section 54954.2(b) as an emergency item, or that there is a need to take immediate action which need came to the attention of the District subsequent to the posting of the agenda, or as set forth on a supplemental agenda posted not less than 72 hours prior to the meeting date.

All current agendas and meeting minutes are also available via Orange County Sanitation District's Internet site located at www.ocsd.com. Upon entering the District's web site, please navigate to the Board of Directors section.

1. Invocation and Pledge of Allegiance
2. Roll Call
3. Consideration of motion to receive and file minute excerpts of member agencies relating to appointment of Directors, if any.
4. Appointment of Chair pro tem, if necessary
5. Public Comments: All persons wishing to address the Board on specific agenda items or matters of general interest should do so at this time. As determined by the Chair, speakers may be deferred until the specific item is taken for discussion and remarks may be limited to three minutes.

Matters of interest addressed by a member of the public and not listed on this agenda cannot have action taken by the Board of Directors except as authorized by Section 54954.2(b).

6. The Chair, General Manager and General Counsel present verbal reports on miscellaneous matters of general interest to the Directors. These reports are for information only and require no action by the Directors.
 - a. Report of Chair; consideration of resolutions or commendations, presentations and awards
 - b. Report of General Manager
 - c. Report of General Counsel

7. If no corrections or amendments are made, the minutes for the workshop meeting held on July 14, 2001 and the regular meeting held on July 18, 2001 will be deemed approved as mailed and be so ordered by the Chair.
8. Ratifying [payment of claims](#) of the District, by roll call vote, as follows:

| <u>ALL DISTRICTS</u> | <u>07/15/01</u> | <u>07/31/01</u> |
|----------------------|-----------------|-----------------|
| Totals | \$10,003,478.00 | \$18,246,660.22 |

CONSENT CALENDAR

All matters placed on the Consent Calendar are considered as not requiring discussion or further explanation and unless any particular item is requested to be removed from the Consent Calendar by a Director, staff member or member of the public in attendance, there will be no separate discussion of these items. All items on the Consent Calendar will be enacted by one action approving all motions, and casting a unanimous ballot for resolutions included on the consent calendar. All items removed from the Consent Calendar shall be considered in the regular order of business.

Members of the public who wish to remove an item from the Consent Calendar shall, upon recognition by the Chair, state their name, address and designate by number the item to be removed from the Consent Calendar.

The Chair will determine if any items are to be deleted from the Consent Calendar.

9. Consideration of motion to approve all agenda items appearing on the Consent Calendar not specifically removed from same, as follows:
 - a. Receive and file Summons and Petition for Order Permitting Late Claim Against Governmental Entity re [Edison Mays](#), et al. v. Orange County Sanitation District, et al., Orange County Superior Court Case No. 01CC09746, and authorize General Counsel to appear and defend the interests of the District.
 - b. Approve Assignment of Lease from [Village Nurseries](#), L.P., a California Limited Partnership to Village Nurseries Wholesale, LLC, a California limited liability company (Specification No. L-013-1) in a form approved by General Counsel.
 - c. (1) Receive and file petition from [Mark Sandford, Mark Moshayedi, Greg Winner and Kathleen Yang](#) requesting annexation of 4.701 acres to the Orange County Sanitation District (District), in the vicinity of Hillside Drive and Meads Avenue in the unincorporated area of Orange Park Acres; and (2) Adopt Resolution No. OCSD 01-14 authorizing initiation of proceedings to annex said territory to the District (Proposed Annexation No. OCSD-14 – Meads Annexation).
 - d. (1) Receive and file petition from [Jerry Tone](#) requesting annexation of 39.195 acres to the Orange County Sanitation District (District) in the vicinity of Seal Beach Boulevard and Forrestal Lane in the City of Seal Beach; (2) Approve Agreement deferring annexation fees with Hellman Properties; and (3) Adopt Resolution No. OCSD 01-15, authorizing initiation of proceedings to annex said territory to the District (Proposed Annexation No. OCSD-20 - Hellman Properties Annexation).

END OF CONSENT CALENDAR

10. Consideration of items deleted from Consent Calendar, if any.

NON-CONSENT CALENDAR

11. a. Verbal report by Chair of Steering Committee re August 22, 2001 meeting.
- b. DRAFT STEERING COMMITTEE MINUTES – NO ACTION REQUIRED (Information only): The Chair will order the draft Steering Committee Minutes for the meeting held on July 18, 2001 to be filed.
- c. Receive [verbal report of Steering Committee](#) and proposed Memorandum of Understanding with Santa Ana Watershed Project Authority re Santa Ana River Interceptor Relocation and Protection, Contract No. 2-41.
12. a. Verbal report by Chair of Operations, Maintenance and Technical Services Committee re August 1, 2001 meeting.
- b. DRAFT OPERATIONS, MAINTENANCE AND TECHNICAL SERVICES COMMITTEE MINUTES – NO ACTION REQUIRED (Information only): The Chair will order the draft Operations, Maintenance and Technical Services Committee Minutes for the meeting held on August 1, 2001 to be filed.
- c. (1) Authorize the General Manager to initiate and conduct due diligence research of the [Inland Composting and Organic Recycling](#) site for the use as a biosolids composting facility in an amount not to exceed \$55,000;
- (2) Authorize the General Manager to deposit into an escrow account (ADAM431) with First American Title Company \$15,000 per month for lost opportunity compensation, for a period of up to three months, in order to extend the escrow during the performance of due diligence on the Inland Composting and Organic Recycling site;
- (3) Approve an Agreement with California Soil Products to manage a minimum of 100 wet tons per day of the District's biosolids through the production of a Class A biosolids product for a term of five years with two additional five-year options for a fee of \$32.70 per wet ton for an annual amount not to exceed \$2,550,000;
- (4) Enter into negotiations with Tule Ranch to pursue an Agreement to produce and manage a chemically stabilized Class A biosolids product at Tule Ranch; and,
- (5) Approve an Agreement with Waste Markets for an emergency biosolids management option to landfill up to 400 wet tons of biosolids per day for a fee of \$56.50 per wet ton and a guarantee of landfill access fee of \$600 per month for a term of 18 months.
13. a. Verbal report by Chair of Planning, Design and Construction Committee re August 2, 2001 meeting.
- b. DRAFT PLANNING, DESIGN AND CONSTRUCTION COMMITTEE MINUTES – NO ACTION REQUIRED (Information only): The Chair will order the draft

Planning, Design and Construction Committee Minutes for the meeting held on August 2, 2001 to be filed.

- c. Accept [Chlorine Building Mechanical Equipment Demolition](#) at Plant No. 1, Job No. J-60, as complete, authorizing execution of the Notice of Completion, and approving the Final Closeout Agreement with Harbor Bay, Inc.
 - d. (1) Ratify [Change Order No. 4](#) to Goldenwest Street Trunk Sewer Replacement, Contract No. 11-17-3, and Heil Avenue Interceptor, Contract No. 11-20, with Ken Thompson, Inc., authorizing an addition of \$45,963.10, and 78 calendar days, increasing the total contract amount to \$6,531,963.10; (2) Ratify Change Order No. 5 for an Adjustment of Engineer's Quantities authorizing a deduction of \$152,380.29, decreasing the total contract amount to \$6,379,582.81; and (3) Accept Goldenwest Street Trunk Sewer Replacement, Contract No. 11-17-3, and Heil Avenue Interceptor, Contract No. 11-20, as complete, authorizing execution of the Notice of Completion and approving the Final Closeout Agreement.
 - e. Approve the sole source purchase of [Woodward digital engine governors](#) from Hatch & Kirk Incorporated for an amount not to exceed \$112,860, in connection with Central Generation Automation, Job No. J-79.
 - f. Approve [Addendum No. 4](#) to the Professional Services Agreement with Carollo Engineers for design of Headworks Improvements at Plant No. 2, Job No. P2-66, for an additional amount of \$12,628,299, increasing the total amount not to exceed \$13,277,372.
 - g. Approve [Addendum No. 1](#) to the Professional Services Agreement with Black & Veatch Corporation for Effluent Pump Station Annex, Job No. J-77, providing for additional design engineering services in the amount of \$1,273,113, for a total amount not to exceed \$3,481,923.
 - h. Authorize the General Manager to negotiate the sale of an excess portion of the ["A" Street Pump Station](#) in connection with Rehabilitation of the "A" Street Pump Station, Contract No. 5-52, to the City of Newport Beach.
 - i. Authorize the General Manager to negotiate the purchase of real property located at [1514 East Balboa Boulevard](#), Newport Beach, for Rehabilitation of the 14th Street Pump Station, Contract No. 5-51.
 - j. Approve Addendum No. 1 to the Professional Services Agreement with [RBF Consulting](#) for additional design engineering services for the Carbon Canyon Dam Sewer and Pump Station Abandonment, Contract No. 2-24-1, for an additional amount of \$136,000, increasing the total amount not to exceed \$210,000.
 - k. Authorize the General Manager to negotiate Addendum No. 2 with [Fluor Signature Services](#) for Phase II of the Space Allocation and Interior Renovation at Plant No. 1, Job No. J-84, providing for a detailed conceptual design.
14. a. Verbal report by Chair of Finance, Administration and Human Resources Committee re the August 8, 2001 meeting.

- b. DRAFT FINANCE, ADMINISTRATION AND HUMAN RESOURCES COMMITTEE MINUTES – NO ACTION REQUIRED (Information only): The Chair will order the draft Finance, Administration and Human Resources Committee Minutes for the meeting held on August 8, 2001 to be filed.
 - c. Receive and file [Treasurer's Report](#) for the month of July 2001.
 - d. Adopt [Resolution No. OCSD 01-16](#), amending Resolution No. OCSD 98-33, amending Human Resources Policies and Procedures Manual.
 - e. Adopt [Resolution No. OCSD 01-17](#), Declaration of Official Intent to Reimburse Certain of the District's Capital Reserve Funds for Expenditures Made in Advance for FY 2001-02 Capital Improvement Projects from Proceeds of a Future Long-Term Financing.
 - f. Receive and file [Quarterly Investment Management Program Report](#) for the period April 1, 2001 through June 30, 2001.
 - g. Authorize staff to issue a purchase contract to Carollo Engineers for Phase II and Phase III of the [Coordinated Commercial Enterprise Study](#), for a total amount not to exceed \$113,000.
- 15.
- a. Verbal report by Vice Chair of Joint Groundwater Replenishment System Cooperative Committee re August 13, 2001 meeting.
 - b. DRAFT JOINT GROUNDWATER REPLENISHMENT SYSTEM COOPERATIVE COMMITTEE MINUTES – NO ACTION REQUIRED (Information only): The Chair will order the draft Joint Groundwater Replenishment System Cooperative Committee Minutes for the meetings held on July 9, 2001 and July 30, 2001, to be filed.
 - c. (1) Approve agreement between Orange County Water District (OCWD) and the Orange County Flood Control District (OCFCD), providing for construction of the [Groundwater Replenishment \(GWR\) System Pipeline](#) within OCFCD right-of-way, and providing for payment of OCFCD inspection fees at an estimated cost of \$100,000, with OCWD and Orange county Sanitation District (OCSD) having equal shares in the amount of \$50,000; and,

(2) Approve agreement between OCWD and River View Golf (RVG), providing for construction of the GWR System Pipeline within the RVG course, and providing for payment to RVG for lost revenue, advertising, legal charges, and restoration for an estimated amount of \$255,000 with OCWD and OCSD having equal shares in the estimated amount of \$127,500.
- 16.
- (1) Approve the transfer of \$600,000 from the [Santa Ana River Interceptor \(SARI\)](#) Relocation and Protection, Contract No. 2-41 approved budget to the Santa Ana River Interceptor Emergency Repairs and Maintenance, Contract No. 2-41-2; and (2) approve a Sole Source Time and Materials Construction Contract with Jamison Engineering Contractors, Inc., for Santa Ana River Interceptor Emergency Repairs and Maintenance, Contract No. 2-41-2, for an amount not to exceed \$450,000.

17. Authorize the General Manager to execute contract amendments to the existing "[As Available Capacity and Energy Power Purchase Agreements](#)" with Southern California Edison, as follows, in a form approved by General Counsel:

- Amendment No. 1 To Power Purchase Agreement – QFID 2640 (for Plant 1)
- Agreement Amending Amendment No. 1 To Power Purchase Agreement – QFID 2640 (for Plant 1)
- Amendment No. 1 To Power Purchase Agreement – QFID 1098 (for Plant 2)
- Agreement Amending Amendment No. 1 To Power Purchase Agreement – QFID 1098 (for Plant 2)

18. Approve in concept a resolution [Establishing a Policy and Procedure for Disclosure of Contacts or Communications Between Board Members of Prospective Contractors Bidding for Work in connection with the Groundwater Replenishment System.](#)

19.

CLOSED SESSION: During the course of conducting the business set forth on this agenda as a regular meeting of the Board, the Chair may convene the Board in closed session to consider matters of pending real estate negotiations, pending or potential litigation, or personnel matters, pursuant to Government Code Sections 54956.8, 54956.9, 54957 or 54957.6, as noted.

Reports relating to (a) purchase and sale of real property; (b) matters of pending or potential litigation; (c) employment actions or negotiations with employee representatives; or which are exempt from public disclosure under the California Public Records Act, may be reviewed by the Board during a permitted closed session and are not available for public inspection. At such time as the Board takes final action on any of these subjects, the minutes will reflect all required disclosures of information.

a. Convene in closed session, if necessary

1. Confer with District's Labor Negotiators (Lisa Tomko, Human Resources Representative and Greg Mathews, Assistant to the General Manager) re compensation and benefits issues re Confidential Employee Unit and Division Managers Unit (Government Code Section 54957.6).

b. Reconvene in regular session

c. Consideration of action, if any, on matters considered in closed session

20. Matters which a Director may wish to place on a future agenda for action and staff report

21. Other business and communications or supplemental agenda items, if any

22. Adjournment

NOTICE TO DIRECTORS: To place items on the agenda for the Regular Meeting of the Board of Directors shall submit items to the Board Secretary no later than the close of business 14 days preceding the Board meeting. The Board Secretary shall include on the agenda all items submitted by Directors, the General Manager and General Counsel and all formal communications.

Board Secretary:

Penny Kyle

(714) 593-7130 or
(714) 962-2411, ext. 7130

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|----------------------------|
| Meeting Date | To Bd. of Dir. 08/22/01 |
| Item Number | Item Number 8 |

Orange County Sanitation District

FROM: Gary Streed, Director of Finance
Originator: Lenora Crane, Executive Assistant

SUBJECT: PAYMENT OF CLAIMS OF THE ORANGE COUNTY SANITATION DISTRICT

GENERAL MANAGER'S RECOMMENDATION

Ratify Payment of Claims of the District by Roll Call Vote.

SUMMARY

See attached listing.

PROJECT/CONTRACT COST SUMMARY

N/A

BUDGET IMPACT

- This item has been budgeted. (Line item: N/A)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

None.

ALTERNATIVES

N/A

CEQA FINDINGS

N/A

ATTACHMENTS

Copies of Claims Paid reports from 07/01/01 - 07/15/01 and 07/16/01 - 07/31/01

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8/22/01 |
| Item Number | Item Number 9(a) |

Orange County Sanitation District

FROM: Gary Streed, Director of Finance
Originator: Mike White, Risk Manager

SUBJECT: SUMMONS & PETITION RE EDISON MAYS, ET AL. V. ORANGE COUNTY
SANITATION DISTRICT.

GENERAL MANAGER'S RECOMMENDATION

Receive and file Summons and Petition for Order Permitting Late Claim Against Governmental Entity re Edison Mays, et al. v. Orange County Sanitation District, et al., Orange County Superior Court Case No. 01CC09746, and authorize General Counsel, to appear and defend the interests of the District.

SUMMARY

Please see attached memo dated 8/14/01 from General Counsel.

BUDGET IMPACT

- This item has been budgeted.
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

ALTERNATIVES

CEQA FINDINGS

ATTACHMENTS

Memo from General Counsel.

BOARD OF DIRECTORS

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8/22/01 |
| Item Number | Item Number 9(b) |

AGENDA REPORT

Orange County Sanitation District

FROM: Robert J. Ooten, Director Operations and Maintenance
Originator: Barbara Collins, Senior Analyst

SUBJECT: VILLAGE NURSERY ASSIGNMENT AND ASSUMPTION OF REAL PROPERTY LEASE

GENERAL MANAGER'S RECOMMENDATION

Approve Assignment of Lease from Village Nurseries, L.P., a California Limited Partnership, to Village Nurseries Wholesale, LLC, a California limited liability company (Specification No. L-013-1) in a form approved by General Counsel.

SUMMARY

Village Nurseries has leased a four-acre parcel of District land West of the West bank of the Santa Ana River and South of Garfield Avenue in Huntington Beach since December 1, 1996. The lease period ends on November 30, 2006. The District Landlord Consent to this change from a limited partnership to a limited liability company "acknowledges that (i) Landlord has not assigned or otherwise transferred or encumbered its interest in the Lease; (ii) the Lease is in full force and effect; and (iii) any conditions or requirements for the foregoing Assignment contained in the Lease have been met."

PROJECT/CONTRACT COST SUMMARY

The Lease assignment does not change the provisions and terms of the Lease.

BUDGET IMPACT

- This item has been budgeted. (Line item: Revenue)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Not Applicable

ALTERNATIVES

Not Applicable

CEQA FINDINGS

Not Applicable

ATTACHMENTS

Not Applicable

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8/22/01 |
| Item Number | Item Number 9(c) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Bob Chenowith, Principal Engineering Associate

SUBJECT: PROPOSED ANNEXATION NO. OCSD-14, MEADS ANNEXATION

GENERAL MANAGER'S RECOMMENDATION

(1) Receive and file petition from Mark Sandford, Mark Moshayedi, Greg Winner and Kathleen Yang requesting annexation of 4.701 acres to the Orange County Sanitation District (District), in the vicinity of Hillside Drive and Meads Avenue in the unincorporated area of Orange Park Acres; and (2) Adopt Resolution No. OCSD 01-14 authorizing initiation of proceedings to annex said territory to the District (Proposed Annexation No. OCSD-14 – Meads Annexation).

SUMMARY

- The District received a request from Mark Sandford, Mark Moshayedi, Greg Winner and Kathleen Yang to annex 4.701 acres to the District.
- Mark Sandford has an existing guest home that has a failed septic tank, and has been given special permission from Engineering to connect to existing District sewer facilities prior to initiation of this annexation. Mark Moshayedi has obtained a sewer connection permit and is therefore paying the connection fees at this time. Greg Winner and Kathleen Yang will connect to the existing District sewer in the future.

PROJECT/CONTRACT COST SUMMARY

This annexation is in accordance with the terms of the negotiated agreement with the County of Orange regarding A.B.8 tax exchange for annexing properties, Board approved and effective March 14, 1989. Under this tax exchange, the District does not receive a percentage of the basic levy, and instead, collects a higher annexation fee. The annexation fee of \$26,412 includes the following:

| | |
|---|------------------------|
| District Processing Fee | \$ 500 |
| LAFCO Processing Fee | 1,110 |
| State Board of Equalization Processing Fee | 350 |
| Revenue Area Study Fee | 400 |
| CA Environmental Quality Act Filing Fee | 38 |
| Annexation Acreage Fee | 18,254 |
| Sandford Permit Connection Fee (exist. 1 bedroom guest house) | 1,130 |
| Sandford Permit Connection Fee | 2,165 |
| Moshayedi Permit Connection Fee with lateral inspection | 2,465 |
| TOTAL ANNEXATION FEE | <u>\$26,412</u> |

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

None.

ALTERNATIVES

N/A

CEQA FINDINGS

Notice of Exemption was filed May 16, 2001.

ATTACHMENTS

Exhibit A Legal Description
Exhibit B Map
Annexation Petitions

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8/22/01 |
| Item Number | Item Number 9(d) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Bob Chenowith, Principal Engineering Associate

SUBJECT: PROPOSED ANNEXATION NO. OCSD-20 - HELLMAN PROPERTIES
ANNEXATION

GENERAL MANAGER'S RECOMMENDATION

(1) Receive and file petition from Jerry Tone requesting annexation of 39.195 acres to the Orange County Sanitation District (District) in the vicinity of Seal Beach Boulevard and Forrestal Lane in the City of Seal Beach; (2) Approve Agreement deferring annexation fees with Hellman Properties; and (3) Adopt Resolution No. OCSD 01-15, authorizing initiation of proceedings to annex said territory to the District (Proposed Annexation No. OCSD-20 - Hellman Properties Annexation).

SUMMARY

- The District received a request from Hellman Properties to annex 39.195 acres to the District. Of the 39.195 acres to be annexed to the District, only 17.374 acres will have new development, requiring payment of annexation fees at this time. The remaining 21.821 acres consist of 18.230 acres to be used for a park area, and 3.591 acres, which will be used for producing oil.
- The District will be collecting Revenue Area 3 annexation acreage fees for 17.374 acres of new development, and will defer acreage fees for 21.821 acres by formal Agreement with Hellman Properties.
- If any of the 21.821 acres is developed in the future, that acreage will be subject to payment of the then current fees. This property will be annexed into the District (Revenue Area 3), and connect to an existing Seal Beach sewer.

PROJECT/CONTRACT COST SUMMARY

This annexation is in accordance with the terms of the negotiated agreement with the County of Orange regarding A.B.8 tax exchange for annexing properties, Board approved and effective March 14, 1989. Under this tax exchange, the Orange County Sanitation District (District) does not receive a percentage of the basic levy, and instead, collects a higher annexation fee. The fee of \$78,404 includes the following:

| | |
|--|-----------------|
| District Processing Fee | \$ 500 |
| LAFCO Processing Fee | 4,750 |
| State Board of Equalization Processing Fee | 1,200 |
| Notice of Exemption Filing Fee | 43 |
| Annexation Acreage Fee | <u>71,911</u> |
| TOTAL FEE TO ANNEX | \$78,404 |

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

The District and the Local Agency Formation Commission (LAFCO) have requested that 14.40 acres of the 21.821 acres (which is deed restricted as wetlands) be annexed with the Hellman project, so that the area does not create an island. LAFCO does not accept islands, which is consistent with the State of California laws prohibiting the creation of islands.

ALTERNATIVES

N/A

CEQA FINDINGS

This project is consistent with the City of Seal Beach certified EIR for Hellman Ranch Specific Plan Final EIR in 1997 and the District 1989 Master Plan EIR and the 1999 Strategic Plan Final EIR. No construction of new District facilities is required to accommodate the project and there is sufficient capacity to meet the project flow projections. Thus, no additional CEQA action is required.

ATTACHMENTS

Exhibit A Legal Description
Exhibit B Map
Petition for Annexation

MEMORANDUM

TO: Chair and Members of Board of Directors
Orange County Sanitation District

FROM: General Counsel

DATE: August 15, 2001

RE: Proposed Memorandum of Understanding with
Santa Ana Watershed Project Authority ("SAWPA")

As a result of numerous meetings between Staff, Consultants, and Directors of both SAWPA and the District concerning the District's determination and decision to proceed forward with the Relocation of the Santa Ana River Interceptor ("SARI") Sewer Line, a current proposal has been tentatively agreed to that calls for the execution of a Memorandum of Understanding between the two agencies concerning most aspects of this project. The draft MOU presented on this agenda for Board consideration has been prepared by the undersigned after reviewing two drafts submitted by SAWPA. It was concluded that those drafts were totally inadequate and were contrary to certain positions currently expressed by OCSD, as well as being an attempt to specifically amend the 1972 Waste Water Interceptor Agreement between the Parties.

As the Directors will recall, the District engaged Consulting Engineers and they, in conjunction with District staff, evaluated a number of possible alternative solutions to the present dilemma facing the existing SARI Line located in the riverbed from the Prado Dam to the Anaheim/Orange area. Ultimately, the OCSD Board selected "Alternative D", and directed Staff to proceed forward with the acquisition of necessary rights-of-way and to develop specific plans and specifications for the award of a construction contract. Shortly thereafter, several issues arose from the neighboring property owners, but more urgently by the SAWPA Commissioners, principally related to the total cost of the project, of which they were obligated to pay approximately 76%.

Following guidance and direction from your Board, District Staff has met on a number of occasions with SAWPA Staff in an attempt to resolve the concerns of SAWPA, but to assure that action was taken at the earliest possible date to protect against a catastrophic failure of the SARI because of inadequate cover and the need for protection during times of significant water flow in the Santa Ana River.

The SAWPA representatives have indicated that they want to have equal power and authority to approve the Project, including the selection of the Alternative and the determination to proceed with necessary contracts. Under the terms of the existing Agreement between SAWPA and OCSD, executed in 1972, the District has the full and absolute decision making authority on all aspects of the repair, relocation, replacement, or modification of the Line. SAWPA is obligated to financially contribute its pro-rata costs, which vary in percentage based upon the particular reach of the Line. The combined average for the current project under consideration calls for SAWPA to pay 76% of all project costs, including design and construction.

The Memorandum of Understanding prepared for your consideration has the following significant provisions:

1. It specifically does not amend or repeal the 1972 Agreement, but is supplemental thereto for the limited purpose of this project.
2. A Joint Committee of three Directors from each Board will be the Advisory Committee to review proposals from the consultants and staff.
3. The Advisory Committee will make a recommendation to the governing Boards of both OCSD and SAWPA.
4. In the event there is no mutual agreement by both Boards, then OCSD reserves the right to make the decision unilaterally in order to ensure against any catastrophic failure that could severely impact the District's Treatment Plant operations and even our discharge under the NPDES Permit.

The last item has not been agreed to by SAWPA, but it would appear that if an impasse were reached between the two agencies, there would be the risk of no action, and thus the catastrophic failure. Under the terms of the present Agreement, the District already possesses the right to make a unilateral decision to replace, realign, relocate, or make major repairs to the existing facility. Thus, in the event of impasse, the District would be exercising no new rights that are already in existence under the 1972 Agreement. It appears certain that OCSD is willing to evaluate and consider this entire Project and all of its Alternatives on a "good-faith" basis with SAWPA, but it is recommended that the District re-state in the MOU, that in the event of impasse, the District has the unilateral right and power to proceed forward.

THOMAS L. WOODRUFF
GENERAL COUNSEL

TLW:pj

cc: Mr. B.P. Anderson
Mr. D.A. Ludwin
Mr. G.G. Streed
Mr. J. Herberg
Mr. A. Ioan

OMTS COMMITTEE

AGENDA REPORT

| | |
|--------------------------|---------------------------|
| Meeting Date 8/01/01 | To Bd. of Dir. 8/22/01 |
| Item Number OMTS01-31 | Item Number 12(c) |

Orange County Sanitation District

FROM: Robert P. Ghirelli, D.Env., Director of Technical Services
Originator: Layne Baroldi, Sr. Regulatory Specialist

SUBJECT: BIOSOLIDS MANAGEMENT

GENERAL MANAGER'S RECOMMENDATION

1. Authorize the General Manager to initiate and conduct due diligence research of the Inland Composting and Organic Recycling site for the use as a biosolids composting facility in an amount not to exceed \$55,000.
2. Authorize the General Manager to deposit into an escrow account (ADAM431) with First American Title Company \$15,000 per month for lost opportunity compensation, for a period of up to three months, in order to extend the escrow during the performance of due diligence on the Inland Composting and Organic Recycling site.
3. Approve an Agreement with California Soil Products to manage a minimum of 100 wet tons per day of the District's biosolids through the production of a Class A biosolids product for a term of five years with two additional five-year options for a fee of \$32.70 per wet ton for an annual amount not to exceed \$2,550,000.
4. Enter into negotiations with Tule Ranch to pursue an Agreement to produce and manage a chemically stabilized Class A biosolids product at Tule Ranch.
5. Approve an Agreement with Waste Markets for an emergency biosolids management option to landfill up to 400 wet tons of biosolids per day for a fee of \$56.50 per wet ton and a guarantee of landfill access fee of \$600 per month for a term of eighteen (18) months.

SUMMARY

The viability of the land application of Class B biosolids¹ beyond January 2003 is in serious doubt. These regulatory developments have resulted in the District retaining the services of Carollo Engineers to assist in the development of a short-term biosolids management plan to meet the impending Class B phaseout. The short-term biosolids management plan analyzed several different technologies so that the District could maintain its biosolids management policy of providing environmentally sound biosolids management with an emphasis on maintaining multiple, independent reuse alternatives.

On July 20, 2001, Carollo Engineers submitted to the District a report on "Information to Support a Short Term Biosolids Management Plan". This report reviewed numerous biosolids that provided the most apparent probability of success:

¹ Class B biosolids are biosolids that have been processed to achieve a significant pathogen reduction (e.g., using anaerobic digestion as performed at the District) and meets vector attraction reduction requirements.

management technologies in order to select technologies that achieve Class A biosolids² for additional evaluation. The technologies that remained after the screening process were those

- *Composting,*
- *Chemical Stabilization,*
- *Out of State Land Application, and*
- *Thermal Indirect Drying.*

Projections show that the current biosolids production of 541 wet tons per day would increase to 640 wet tons per day during the next ten years at the current 50% secondary treatment. The Short Term Biosolids Management Plan was based on an average biosolids production of approximately 600 wet tons per day.

The four most promising technologies were then evaluated in greater detail in order to develop the recommendations for the Short-term Biosolids Management Plan. The following criteria were used to evaluate the conceptual treatment, hauling, and beneficial use/disposal processes of each of the technologies:

- *Proven technology*
- *Cost-effectiveness*
- *Political and public acceptability*
- *Reduced environmental impacts*
- *Marketability of final product*
- *Compatibility with existing District processes*
- *Energy utilization*
- *Capability of being operational before January 2003*

If a specific technology failed any one of these criteria, it was considered infeasible for the purpose of this report. Both out-of-state land application and thermal drying fell short and were dropped from further consideration. These technologies may be considered as part of the future District's long-term biosolids master plan. Composting and chemical stabilization met all of the evaluation criteria and are recommended for immediate implementation.

BUDGET IMPACT

- This item has been budgeted. (Line Item # 86 Joint Operating Fund budget)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Carollo Engineers' report "Information to Support a Short Term Biosolids Management Plan" available upon request.

ALTERNATIVES

Only a few viable alternatives exist for long-term sustainable biosolids management other than composting and chemical stabilization. Specifically, landfilling, heat drying, and land application of Class B biosolids in Arizona. Energy costs for natural gas and electricity is making heat less

² Class A biosolids are biosolids that have been further processed in order to meet the most stringent pathogen reduction and vector attraction reduction requirements.

economically viable. High diesel fuel costs is also making the transportation costs for landfilling and/or land application in Arizona less desirable. The lack of recycling and the increasing “tip fees” associated with disposal of the District’s biosolids also make landfilling less attractive.

A “do nothing” alternative would result in the District continuing to utilize land application of Class B biosolids as its only biosolids management practice. The District would be relying on county regulations to allow for the continued acceptance of Class B land application in order to successfully manage its biosolids. The imminent bans on Class B biosolids in Kern, Kings, and Riverside Counties make the “do nothing” alternative unacceptable.

CEQA FINDINGS

Depending on the project, appropriate CEQA review will have to be performed.

ATTACHMENTS

Staff Report

DEFINITIONS:

Class B biosolids are biosolids that have been processed to achieve a significant pathogen reduction (e.g., using anaerobic digestion as performed at the District) and meets vector attraction reduction requirements.

Class A biosolids are biosolids that have been further processed in order to meet the most stringent pathogen reduction and vector attraction reduction requirements.

EQ biosolids are Class A biosolids that meet the most stringent limits for pollutant concentrations.

Pathogens are disease-causing organisms, such as certain bacteria, viruses, and parasites (e.g., salmonella and fecal coliform). Vectors are organisms, such as rodents and insects that can spread disease by carrying and transferring pathogens.

July 25, 2001

STAFF REPORT

Discussion of Proposed Biosolids Management Options

A. ICOR

The District currently has an offer to join as a partner into a composting operation with ICOR. District's management has taken a position that the only composting operation that we would participate in would have to meet a "Platinum Standard." This standard means the entire active composting, curing and storage portion of a facility must be enclosed. The enclosed area would then be scrubbed for odor to ensure a good neighbor policy with the surrounding communities.

ICOR is a new corporate entity with established entitlements, permits in process, and business markets. The company is specifically established for the expansion and capital development of a new 72-acre site, and the heir to operations of Inland Empire Composting (IEC). IEC has been successfully operated as a fully permitted greenwaste compost facility since 1993. ICOR has been in development and planning since 1995 when the 72 acres of real property, that is the core of the facility, was first acquired for expansion and the CEQA process was initiated. The facility is in the City of Colton, San Bernardino County.

Entitlements and Permits

ICOR has in place the following Entitlements and Permits:

1. An Environmental Impact Report (EIR), certified by Colton and the State, 1998.
2. A Conditional Use Permit (CUP) for the design and use as a Solid Waste Facility, to include biosolids, green wastes, food wastes, manures and other non-hazardous organic feedstocks to manufacture composts and mulches for soil amendments and mulching products, 1998.
3. A Joint Technical Document (JTD) is in process for permitting with the California Integrated Waste Management Board (CIWMB) and the Santa Ana Regional Water Quality Board (SARWQB), 2001.

Existing Business

The existing equipment, workforce, customer base, insurance coverage and product end markets will be transferred, utilized and augmented under ICOR. ICOR will also have IEC's current working and contractual agreements for recycling green wastes in the Inland Valley area. The long-term relationships are with the municipalities and private haulers in the San Bernardino and Riverside areas which include the cities of San Bernardino, Riverside, Colton, Rialto, Fontana, Grand Terrace, Loma Linda, Highland, Yucaipa, and County areas that are unincorporated including Jurupa, Rubidoux, Bloomington, and Devore.

Private haul companies include Burrtec Industries, Colton Disposal, EDCO Disposal, Waste Management, Inc., Athens Disposal, NEWCO, Republic Waste (CVT), and private landscaping businesses and homeowners.

Proposed Compost Facility

The facility is wholly located within the Agua Mansa Industrial and Recycling Zone in the City of

Colton. The underlying zoning is M-1 and M-2, heavy industrial. The neighboring uses are industrial and municipal waste facilities. This site is well located for the composting of biosolids. The proximity to the District and the location within the Santa Ana Watershed area will provide for local solutions to locally generated wastes and water quality issues. Environmental concerns of odor, water quality, traffic, visual presence and potential affects on neighbors have all been foreseen, planned and will be built to mitigate any problems. This facility will be an exemplary site for the composting industry. Biosolids composting will not be initiated until the buildings are constructed, and all biosolids and co-composting will be done inside and on aerated floors.

Proposed Deal Points

Agua Mansa River Farms, LLP (AMRF), a California limited liability partnership holds the existing 72-acre site. The site consists of two parcels of 17 and 55 acres respectively. The additional parcel of 22.74 acres is contiguous and currently in escrow. The property has been in escrow with ICOR since January 2001 and the escrow is scheduled to close on September 1, 2001. The escrow can be extended for a \$500 per day “lost opportunity fee”. This additional land will be subject to CEQA and permitting and will increase the total facility size to just under 95 acres. Principal use for the 22.74-acre parcel will be critical for the siting and construction of the enclosed compost buildings that are being designed. Additionally, this parcel will facilitate access to Agua Mansa Road.

Staff proposes that the ICOR facility manage a portion of the District’s biosolids through the production of Class A biosolids compost for a term of ten years with three additional five-year options for a fee of \$22 per wet ton for the first two years, \$18 per wet ton for the next two years, and \$15 per wet ton for the remainder of the contract. Development of the ICOR composting facility would require that the District purchase a 22.74 acre parcel and construct an enclosed composting building and facilities, and purchase an additional 17 acres and construct a composting curing and storage buildings and facilities.

Under the proposal, the District would own two of the three parcels (the 17-acre and 22.74-acre parcels) that will comprise the site. This will provide the District with land and the majority of the improvements that are to be built on the site. ICOR would guarantee the purchase through a buy back on funds used for the purchase of real property. All parties would have a first right of refusal on the sale/purchase of alternate properties or business holdings. The District’s investment will also be secured by the remaining 55 acres of the compost facility. Significant capital is needed to improve the site for use as a biosolids composting facility.

The following proposed deal points are subject to the outcome of District’s staff and consultants due diligence efforts including the review of design, cost estimates and the compost marketing plan:

| | |
|---|------------------|
| Purchase of 22.74 acres for expansion and buildings | \$ 1,800,000.00 |
| Purchase of 17-acre parcel from AMRF (to buy out limited partners) | \$ 4,000,000.00 |
| Costs and capital requirements of ICOR for the construction of the 72-acre site | \$ 13,590,000.00 |
| Development and construction of site and a large compost building on the 22.74 acres | \$ 13,800,000.00 |

| | |
|---|----------------------|
| Development and construction of site and two large Curing/storage buildings | \$ 9,200,000.00 |
| Total investment requirement | \$ 42,390,000.00 |

The District would own and lease back to ICOR two parcels of land that will be the core of the co-composting operations. This is the property on which the compost buildings would be built along with the greatest portion of the capital improvements. This land will have access to Agua Mansa Road and will be of the highest value and center of the total investment dollars.

Disbursement of construction funds would use a payment system similar to that which a bank would utilize with a system of demands for payment based on work completed and verified by both ICOR and District's staff. All of the development costs are subject to change in conformity to the final conditions of the Full Facility Permit that will be issued jointly by the California Integrated Waste Management Board (CIWMB) and Santa Ana Regional Water Quality Control Board (SARWQCB). This above estimate is exacting and includes all of the costs for berms that will protect the site from a 100-year 48-hour storm event and in accordance with the Conditional Use Permit from the City of Colton and as described by the project in the Environmental Impact Report.

ICOR has \$2.1 million dollars of equipment currently in operation, and will transfer all of these implements to the new facility. Additional equipment costs will be the responsibility of ICOR. All of these additional pieces of machinery may be available from existing inventory of ICOR or as used equipment and may cost an additional \$2 million dollars, but will be the responsibility of ICOR to finance and acquire as needed from its operating funds, without additional expense to the District.

The estimated annual management cost (not including the capital expense or product sales income rebate) would start at \$22 per wet ton of biosolids utilizing ICOR, or \$5.3 million per year if 500 wet tons of biosolids per day were managed at ICOR. The biosolids management fee will decrease each year as follows:

| Table 3 ICOR Biosolids Management Fees Short-term Biosolids Management Plan Orange County Sanitation District | |
|--|-----------------------------|
| Year | Management Fee (\$/Wet Ton) |
| 2003 | \$22 |
| 2004 | \$22 |
| 2005 | \$18 |
| 2006 | \$18 |
| 2007 | \$15 |
| 2008 | \$15 |
| 2009 | \$15 |
| 2010 | \$15 |
| 2011 | \$15 |
| 2012 | \$15 |

B. California Soil Products

California Soil Products is a biosolids management contractor that proposes to provide the District with a "turn-key" approach to biosolids management. Their approach is to "take" the biosolids produced at the District and chemically treat it with a mixture of alkaline chemicals and acid in order to increase the biosolids temperature to above 70° C for a period no less than 30 minutes. The high temperatures generated during the biosolids-alkaline mixing process, along

with the increase in pH, reduces pathogens to create a Class A biosolids product. The treatment facilities are located in an industrial area of Los Angeles and will be totally enclosed and the air scrubbed. The major advantage of this approach is that this operation would be financed through venture capital and would require no initial investment from the District. California Soil Products is offering the District an approach to biosolids management in which they would become responsible for the processing, marketing, and reuse of the product.

C. Tule Ranch

The addition of alkaline material to the District's biosolids at the Tule Ranch site offers the capability to produce Class A biosolids on the site owned or controlled by the District. While working with the Site Manager, a relatively inexpensive source of alkaline material has been ascertained. This site has the advantage of being remote and already being permitted for land application. Since the District already owns the site and a source of chemical has been determined, chemical addition could be rapidly implemented at this site with very little capital investment. Based on these factors the use of chemical addition on this site should be pursued further.

D. Emergency Backup Option

During the next 18 months the District is vulnerable to forces beyond our control. With all produced biosolids going to land application sites where ongoing regulations may change, it is prudent to provide a backup or emergency option. Waste Markets has landfill space available in Arizona and can provide transportation of the biosolids as an emergency biosolids management option. The option allows up to 400 wet tons of biosolids per day to be disposed of for a fee of \$56.50 per wet ton.

In order to guarantee this capacity in their landfill, an access fee of \$600 per month is required.

PDC COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/02/01 | To Bd. of Dir. 08/22/01 |
| Item Number PDC01-45 | Item Number 13(c) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: John Falkenstein, Engineer

SUBJECT: CHLORINE BUILDING MECHANICAL EQUIPMENT DEMOLITION AT PLANT
NO. 1, JOB NO. J-60

GENERAL MANAGER'S RECOMMENDATION

Accept Chlorine Building Mechanical Equipment Demolition at Plant No. 1, Job No. J-60, as complete, authorizing execution of the Notice of Completion, and approving the Final Closeout Agreement with Harbor Bay, Inc.

SUMMARY

Background

- Job No. J-60, Chlorine Building Mechanical Equipment Demolition at Plant No. 1, includes the demolition and removal of existing mechanical equipment inside the Chlorine Building, including chlorine and caustic tanks, concrete pads, chlorinators, piping, ventilating equipment, ductwork, and electrical equipment.
- Tran Consulting Engineers prepared the plans and specifications and the contract and it was awarded to Harbor Bay, Inc. on January 2, 2001 in the amount of \$67,000.00.

Contract Schedule

| | |
|------------------------------------|-----------------|
| Contract Start Date | March 5, 2001 |
| Original Contract Completion Date | August 11, 2001 |
| Total Number of Change Orders | 0 |
| Actual Completion Date | June 13, 2001 |
| Days subject to Liquidated Damages | 0 |
| Liquidated Damage Assessment | N/A |

Job Completion

- This job is 100% complete and ready for final closeout.

PROJECT/CONTRACT COST SUMMARY:

| | |
|-------------------------|-------------|
| Original Contract Price | \$67,000.00 |
| Final Contract Price | \$67,000.00 |

There are no change orders on the project.

BUDGET IMPACT

- This item has been budgeted.
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

See attached Budget Information Table.

ADDITIONAL INFORMATION

None

ALTERNATIVES

None

CEQA FINDINGS

This project is categorically exempt and therefore, no Notice of Determination is to be filed.

ATTACHMENTS

Budget Information Table

PDC COMMITTEE

| | |
|--------------------------|----------------------------|
| Meeting Date 08/02/01 | To Bd. of Dir. 08/22/01 |
| Item Number PDC01-46 | Item Number 13(d) |

AGENDA REPORT

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Bud Palmquist, Senior Engineer

SUBJECT: GOLDENWEST STREET TRUNK SEWER REPLACEMENT, CONTRACT NO. 11-17-3, AND HEIL AVENUE INTERCEPTOR, CONTRACT NO. 11-20.

GENERAL MANAGER'S RECOMMENDATION

(1) Ratify Change Order No. 4 to Goldenwest Street Trunk Sewer Replacement, Contract No. 11-17-3, and Heil Avenue Interceptor, Contract No. 11-20, with Ken Thompson, Inc., authorizing an addition of \$45,963.10, and 78 calendar days, increasing the total contract amount to \$6,531,963.10; (2) Ratify Change Order No. 5 for an Adjustment of Engineer's Quantities authorizing a deduction of \$152,380.29, decreasing the total contract amount to \$6,379,582.81; and (3) Accept Goldenwest Street Trunk Sewer Replacement, Contract No. 11-17-3, and Heil Avenue Interceptor, Contract No. 11-20, as complete, authorizing execution of the Notice of Completion and approving the Final Closeout Agreement.

SUMMARY

Background

- Contract No. 11-17-3, Goldenwest Street Trunk Sewer Replacement, includes the installation of 4,475 feet of sewer pipe, manholes, and appurtenant facilities in the City of Huntington Beach.
- Contract No. 11-20, Heil Avenue Interceptor, includes the installation of 4,970 feet of sewer pipe, manholes, and appurtenant facilities in the City of Huntington Beach.
- This contract includes work on two City of Huntington Beach contracts, Goldenwest Storm Drain Improvements, and Goldenwest Pavement Rehabilitation.
- AKM Consulting Engineers prepared the plans and specifications and the contract was awarded to Ken Thompson, Inc. on October 27, 1999.
- Item No. 5 of Change Order No. 4 includes costs involved with a design error and the District will be seeking reimbursement from the Design Consultant.

Contract Schedule

| <u>Contract Start Date</u> | <u>January 3, 2000</u> |
|---------------------------------------|-------------------------------|
| Original Contract Completion Date | February 5, 2001 |
| Total Number of Change Orders to date | 5 |
| Current Contract Completion Date | April 29, 2001 |
| Actual Completion Date | April 24, 2001 |
| Days subject to Liquidated Damages | N/A |

Change Order No. 4 Content

| <u>Item No.</u> | <u>Description</u> | <u>Amount</u> | <u>Days</u> | <u>Type</u> |
|-----------------|---|---------------------|-------------|-------------------|
| 1 | Removal of concrete under 36-inch watermain. | \$ 4,055 | 2 | Changed Condition |
| 2 | Rebuild 60-inch manhole base | \$ 8,288 | 2 | Changed Condition |
| 3 | Addition of one new 72-inch manhole and connection | \$ 11,037 | 4 | Changed Condition |
| 4 | Additional work for the installation of service lateral | \$ 4,719 | 2 | Changed Condition |
| 5 | 36-inch waterline crossing at Heil and Springdale | \$ 21,383 | 5 | Error |
| 6 | Credit for Diversion Structure | \$(10,500) | 0 | Design Change |
| 7 | Credit for contract work not performed | \$(7,835) | 0 | Other |
| 8 | Time Extension | \$ 0 | 58 | Other |
| 9 | Additional work associated with waterline siphon assembly | \$ 10,186.10 | 5 | Changed Condition |
| 10 | Additional asphalt grinding and striping, and implementation of traffic control | \$ 4,630 | 0 | Other |
| | Total Change Order No. 4 | \$ 45,963.10 | 78 | |

Change Order No. 5 Content

| <u>Item No.</u> | <u>Description</u> | <u>Amount</u> | <u>Days</u> | <u>Type</u> |
|-----------------|------------------------------------|-----------------------|-------------|-------------|
| 1 | Adjustment of Engineers Quantities | \$(152,380.29) | 0 | Other |
| | Total Change Order No. 5 | \$(152,380.29) | 0 | |

Job Completion

- The contracts are 100% complete and ready for final closeout

PROJECT/CONTRACT COST SUMMARY:

| | |
|---------------------------------|-----------------------|
| Original Contract Price | \$6,325,000.00 |
| Previously Authorized Changes | \$ 161,000.00 |
| <i>Change Order No. 4 (add)</i> | <i>\$ 45,963.10</i> |
| Change Order No. 5 (deduct) | \$ (152,380.29) |
| Change Orders to Date | \$ 54,582.81 |
| Percentage Increase | 0.86% |
| <u>Amended Contract Price</u> | <u>\$6,379,582.81</u> |

BUDGET IMPACT

- This item has been budgeted.(CIP: Section 8 – Pages 42 and 43)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

The contingency fund for the project budgets will provide for the increased construction contract costs. Refer to the Budget Information Tables for more information.

ADDITIONAL INFORMATION

None

ALTERNATIVES

None

CEQA FINDINGS

Both projects were included in the 1989 Master Plan EIR. The final EIR was approved July 19, 1998, and the Notice of Determination was filed on July 20, 1989.

ATTACHMENTS

Budget Information Table – Contract No. 11-17-3
Budget Information Table – Contract No. 11-20
Change Order Status Report
Change Order No. 4
Change Order No. 5

PDC COMMITTEE

AGENDA REPORT

| | |
|--------------------------|---------------------------|
| Meeting Date 08/02/01 | To Bd. of Dir. 8/22/01 |
| Item Number PDC01-48 | Item Number 13(e) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Jim Harris, Principal Engineering Associate

SUBJECT: CENTRAL GENERATION AUTOMATION, JOB NO. J-79

GENERAL MANAGER'S RECOMMENDATION

Approve the sole source purchase of Woodward digital engine governors from Hatch & Kirk Incorporated for an amount not to exceed \$112,860, in connection with Central Generation Automation, Job No. J-79,

SUMMARY

- The Central Generation Facilities produce power utilizing digester gas as the primary fuel source.
- The governors control the engine generator speed and the amount of power produced. Electrical upsets by the utility forces radical changes in engine speed causing the generators to fail. Upgrading the engine governors to units with a faster response time is necessary to keep the Central Generation Facilities on line.
- Woodward Governor Company manufactures the existing engine governors. The new digital governors are a direct upgrade and require no detailed engineering for equipment installation.

PROJECT COST SUMMARY

See the attached Budget Information Table

BUDGET IMPACT

- This item has been budgeted. (Line item: Central Generation Automation Job No. J-79)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

The Plant 2 Central Generation Facility produces electricity for process use with the capability to export excess power to the local utility. The engine-generators use digester produced gas (digester gas) as the primary fuel source. The entire system is designed and operated to recover all available heat to make the facility as efficient as possible. Recovered heat is used to produce additional electricity through a steam driven turbo-generator and to heat the anaerobic digesters for processing solids.

The governor controls the engine speed. The ability of the governor to control the engine speed and load is critical to keeping the engines on line producing electricity. Because the electrical system is directly tied to the utility, upsets produced by the utility have caused the engines to

shut down. The shut down is caused by the governors not reacting quickly enough to stop the engine from over speeding.

If all the engines shut down, it takes at least 30 minutes to get one engine back on-line producing power. The Ocean Outfall Booster Station (OOBS) does not currently have back up power and is supplied directly from the Central Generation Facility and cannot go more than 15 minutes without power during a high flow period. Because of the current power crisis in California, Stage 3 Alerts are becoming more common.

The same equipment has been successfully installed at the Plant No. 1 Central Generation Facility, where a similar engine speed control problem was experienced. Since the new digital governors were installed, the engine speed control has increased, and disruptions to the power system by the utility have not knocked an engine off line. It is reasonable to believe the same success will occur at Plant No. 2.

The Central Generation Facility routinely exports excess power to the utility. However, the amount of power being used by the plant processes changes during the day. This requires Staff to constantly monitor and adjust the engine settings to prevent the import of power when engine capacity is available or exporting power when purchasing natural gas. The upgraded system allows Staff to set a constant level of export and still allow the engines to meet plant needs without operator interface.

There is a compatibility problem with other available governors; therefore, the Woodward 723 is the correct choice for replacing the existing engine speed controls. Changing to another manufacturer would cause wiring changes to all engines and controls that would be cost prohibitive. Each governor has a minimum of thirty wires from sensing devices, other engines, instrumentation, and on engine devices that would require rerouting.

The J-79 project evaluates options for upgrading the existing central generation facility systems to an automation level where minimal operations staff is required. A specific job requirement is the installation of devices that monitor and control the export of power to the utility. The suggested new digital governors will not only improve facility reliability by controlling engine speed, but the same equipment allows the setting of the amount of power exported to the utility. The current system requires an operator to monitor and adjust the amount of exported power every 15 to 30 minutes. An operator will now set the proper amount of power to export and will no longer need to monitor the system, allowing operators to perform other duties. The new digital governors would be purchased through the local Woodward supplier Hatch & Kirk Incorporated. The supplier will install and test each of the five new digital governors. The total cost is \$112,860.

ALTERNATIVES

Not to purchase this equipment at this time, but to bid with the J-79 project. There would be no substantial savings to this alternative and a loss of approximately twelve months of operational costs.

CEQA FINDINGS

Not Applicable.

ATTACHMENTS

Budget Information Table

PDC COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/02/01 | To Bd. of Dir. 08/22/01 |
| Item Number PDC01-49 | Item Number 13(f) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Jim Herberg, Engineering Supervisor

SUBJECT: HEADWORKS IMPROVEMENTS AT PLANT NO. 2
JOB NO. P2-66

GENERAL MANAGER'S RECOMMENDATION

Approve Addendum No. 4 to the Professional Services Agreement with Carollo Engineers for design of Headworks Improvements at Plant No. 2, Job No. P2-66, for an additional amount of \$12,628,299, increasing the total amount not to exceed \$13,277,372.

SUMMARY

- The Headworks at Plant No. 2 has been expanded or modified by more than 40 different projects over the past 30 plus years. There are a number of Headworks components requiring major rehabilitation, replacement, automation and safety/seismic upgrades.
- The Orange County Sanitation District (District) awarded a Professional Services Agreement (PSA) to Carollo Engineers for preliminary engineering of Headworks Improvements at Plant No. 2, Job No. P2-66. Carollo Engineers was selected as the top ranked firm for this project out of a group of four leading consulting firms.
- Carollo Engineers completed the Preliminary Engineering Report in February 2001. Based on their excellent performance and qualifications for Headworks design, Staff recommended negotiating with Carollo Engineers for final design services.
- The Board authorized the General Manager to negotiate Addendum No. 4 with Carollo Engineers for the Design of the Headworks Improvements at Plant No. 2 on March 28, 2001.
- District staff spent considerable time developing a detailed Scope of Work and negotiating the fee with Carollo Engineers to ensure that all District Engineering Design Guidelines will be met on this project.
- Staff recommends approval of Addendum No. 4 in the amount of \$12,628,299 for final design of the Headworks Improvements at Plant No. 2 including \$12,429,533 for design and bidding services and \$198,766 (discretionary budget) to address optional design tasks.

PROJECT/CONTRACT COST SUMMARY

Approval of Addendum No. 4 is being requested in the amount of \$12,628,299 as shown in the attached Professional Services Agreement (PSA) Status Report. It is requested that \$12,628,299 for Addendum No. 4 budget be authorized from the consultant PSA budget shown

in the attached Budget Information Table.

The total revised contract amount for Carollo Engineers after Addendum No. 4 is \$13,277,372.

It is also requested that \$869,140 be authorized for Orange County Sanitation District (District) staff involvement in this project including \$13,264 for Project Development, \$104,876 for Studies and \$751,000 for Design Staff. The total requested authorization is \$13,497,439.

BUDGET IMPACT

- This item has been budgeted. (Line item: CIP Budget Section 8, Page 57)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

A revised project budget was approved by the Board on June 27, 2001. Please refer to the attached Budget Information Table.

ADDITIONAL INFORMATION

Project Description

Based on the preliminary engineering effort performed by Carollo Engineers, District staff recommends that a new 340 mgd Headworks project be constructed at Plant No. 2. The construction cost for this project is currently estimated to be approximately \$106 Million. Pilot testing of Headquarters equipment, scheduled for later in 2001, will help to better define the process elements of the new Headworks and potentially reduce project costs.

Scope of Work Development

District staff spent considerable time with Carollo Engineers in developing a detailed Scope of Work to meet the District's Design Guidelines. The project elements in the Scope of Work were divided into the following categories:

- Basic design services including the preparation of traditional design plans and specifications for a facility that has a modest amount of automation.
- Special requirements including project elements that are unique such as hydraulic and physical modeling, screenings handling and odor control studies, complex yard piping and relocation of existing instrumentation.
- New design standards including such project elements as extensive electrical and instrumentation and controls (I/C) planning documents, I/C databases and more complex I/C plans (i.e., instrument loop diagrams, control logic diagrams, etc.) that have traditionally been done by the contractor. The new design standards are included in the Engineering Design Guidelines to ensure consistency among the many sets of project plans and specifications produced by Consultants under the Orange County Sanitation District's (District) CIP. This consistency is particularly necessary to ensure that automation and control systems will function as designed, and that the District's asset records and data bases are kept up to date. Without these standards, additional costs are incurred due to increased contractor and staff costs required integrating new construction with existing control systems and facility records. As facility requirements change, and lessons are

learned to prevent construction or operational problems from recurring, the Engineering Design Guidelines are revised.

Evaluation of Project Fee

After the Scope of Work and fees were developed for the project, District staff compared Carollo Engineer's fee to fees on other District projects and projects done for other agencies in the southwestern part of the country. For District projects, the methods of comparison included design fee as a percentage of construction cost and man-hours per drawing. For other agency projects, the design fee as a percentage of construction cost was reviewed.

The design fee as a percentage of construction cost for District projects ranged from 6.5% for the new primary clarifier project (P1-37) to 10.2% for the new trickling filter retrofit project (P1-76). Neither of these projects has the same complexity as the new Headworks project, nor were they required to comply completely with all the District's new design standards. Carollo Engineer's proposed man-hours per drawing are similar to those of other consultants. This is particularly true for the treatment process portion of the Groundwater Replenishment (GWR) project.

District staff talked to Sacramento Regional County Sanitation District (SCRSD) regarding consultant fees as a percentage of construction cost. It was noted that this percentage is typically on the order of 10%. SCRSD has many but not all of the same design standards that the District has.

The Orange County Sanitation District (District) staff also reviewed the fees for Headworks projects designed by Carollo Engineers for other agencies. In two instances, the design fee as a percentage of construction cost was 12.6% and 13.9%.

A summary of the fee review process is as follows:

- The proposed basic design service fee as a percentage of construction cost was not much different from other projects completed for the District (i.e., about 9.7%) for other agencies.
- The District's new Engineering Design Guidelines add about 1.7% to the design fee as a percentage of construction cost. Since these standards require the design engineer to complete certain elements of the project instead of the contractor, this additional cost may be partially offset by reduced construction cost.
- The design fee as a percentage of construction cost is similar to other recent Headworks designs done by Carollo Engineers for other agencies.

Recommended Fee

The detailed Scope of Work addresses all the requirements in the Engineering Design Guidelines. In some cases, however, the level of effort will not be known until the design is underway. District staff developed the following list of optional tasks where the level of effort is uncertain at this time:

- The current Scope of Work assumes that other future District instrumentation and controls (I/C) projects will be completed in time to provide appropriate input for the Headworks project when needed. If this input is not provided, then more work will be needed in the

Headworks project.

- The Engineering Design Guidelines note that a dynamic motor study and vibration analysis of the raw sewage pumps may be needed for the project. The need will be determined during design.
- The complex nature of this project will require significant project coordination. Focused meetings and workshops with District's Engineering and Operations staff are planned throughout the design process. Unanticipated additional effort may be needed to coordinate the project and produce a final Predesign Report.

To address the uncertainties related to the new design standards and the optional tasks noted above, District staff recommends the following approach with regard to approval of design fees:

- Approve a base design and bidding services fee of \$12,429,533.
- Approve a discretionary budget in the amount of \$198,766 to address optional design tasks. The Director of Engineering would determine the best use of these funds. Use of these funds would be reported to the Planning Design and Construction (PDC) Committee as they are authorized.
- Include unit prices in the Scope of Work so that the Orange County Sanitation District (District) has a basis to approve additional fee to cover electrical and instrumentation and control (I/C) work that cannot be accurately projected at this time. The potential extra work may be as high as \$1.7 M above the base fee. It has been agreed to by the District and Carollo Engineers that any extra work will be done at cost without profit. Typical design elements that may require more work include: process and instrumentation diagrams (P&IDs), instrument loop diagrams (ILDs), control logic diagrams (CLDs), and process control program flow diagrams. The design process will be carefully monitored to assure the work is being done efficiently and that production costs are accurately tracked. If additional design effort is needed for the extra work, recommendations for increasing fees in accordance with the established unit prices will be made to the PDC Committee and Board of Directors.

ALTERNATIVES

The District could consider issuing a Request for Proposal for design services to prospective firms. This option would likely result in the selection of Carollo Engineers as the top-rated firm.

CEQA FINDINGS

Replacement of the Plant No. 2 Headworks was not included in the 1999 Strategic Plan Program EIR. Supplement No. 1 to the 1999 Strategic Plan Program EIR is being prepared.

ATTACHMENTS

Budget Information Table
PSA Status Report
Plant No. 2 Treatment Schematic

PDC COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/02/01 | To Bd. of Dir. 08/22/01 |
| Item Number PD01-50 | Item Number 13(g) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Robyn A. Wilcox, Project Manager

SUBJECT: EFFLUENT PUMP STATION ANNEX, JOB NO. J-77

GENERAL MANAGER'S RECOMMENDATION

Approve Addendum No. 1 to the Professional Services Agreement with Black & Veatch Corporation for Effluent Pump Station Annex, Job No. J-77, providing for additional design engineering services in the amount of \$1,273,113, for a total amount not to exceed \$3,481,923.

SUMMARY

Background

- The Effluent Pump Station Annex (EPSA) will replace the existing Foster Booster Pump Station with a new pumping facility that is capable of providing adequate backup capacity to the existing Ocean Outfall Booster Station (OOBS) during excess flow events and routine maintenance. The EPSA structure will house 3 –120MGD pumps. Two of these pumps will provide a firm backup capacity of 240MGD, which is half of the nominal capacity of the existing OOBS facility. The third 120MGD pump will serve as a backup for these two units.
- The EPSA is being designed to accommodate the pumping of secondary treated water exclusively through the 78-inch outfall during excess flow events. The EPSA facility will also have the ability to provide backup for half of the OOBS capacity allowing it to pump mixed effluent through the 120-inch outfall in conjunction with the OOBS facility during high flow occurrences and routine maintenance of the OOBS facility.
- Addendum No. 1 with Black & Veatch Corporation (B&V) consists of several additional work items:
 1. Purchase of additional PDS2D Software necessary for B&V and their electrical subconsultant to conform to Orange County Sanitation District's (District) latest requirements for Process and Instrumentation Diagrams (P&IDs);
 2. Additional cost for further Geotechnical evaluation by subconsultant;
 3. Additional cost to revise the size and complexity of the proposed hydraulic model by subconsultant, as required by the District;
 4. Additional preliminary investigation of design alternatives required by District Operations and Maintenance (O&M) and Engineering Design staff;
 5. Additional final design items anticipated due to preliminary design changes; and
 6. Emergency Standby Power Generation for OOBS/EPSA Pumping Capacity.

PROJECT/CONTRACT COST SUMMARY

Request for additional funding is being made under the “Consultant Professional Services Agreement (PSA)” task heading.

See the attached Budget Information Table.

BUDGET IMPACT

- This item has been budgeted. (Line item: FY 2000-01, Section 8, Page 95, Capital Improvement Program, Ocean Outfall Systems, Effluent Pumping Station Annex, Job No. J-77)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

The funds for the proposed Addendum will be transferred within the budget from the “Contingency” task item to the “Consultant PSA” task item. Please see the attached Budget Information Table.

ADDITIONAL INFORMATION

Design of the Effluent Pump Station Annex (EPSA) is extremely complex due to site constraints, and the highly intricate hydraulic system at Plant No. 2. Investigation during the preliminary design phase of this project yielded a greater understanding of these and other unanticipated constraints, and has thus expanded the scope of the project from its original conception.

Although design costs will be increased by this Addendum, these additions will strengthen the overall design and lessen or alleviate future requests for additional design revisions. Staff has negotiated all costs with Black & Veatch (B&V) after extensive review and discussion and have found them to be reasonable to perform the proposed work.

A table showing costs for individual items is given below with a brief summary of each item following.

| Item Number | Additional Work Items Request | Money per Work Item |
|-------------|--|---------------------|
| 1 | Purchase of PDS2D Software for P&IDs | \$14,000 |
| 2 | Additional Geotechnical Evaluation | \$9,000 |
| 3 | Revised Hydraulic Model | \$33,000 |
| 4 | Additional Preliminary Design Alternatives Investigation | \$147,500 |
| 5 | Additional Final Design Tasks | \$235,950 |
| 6 | Emergency Standby Power Generator and Building | \$833,660 |
| | Total Request for Additional Work Items | \$1,273,113 |

Purchase of PDS2D Software

When the original design Scope of Work was written, the Orange County Sanitation District (District) was in the process of upgrading the current P&IDs using new PDS2D software. As this transition was not yet complete, the scope allowed the Consultant to request additional funding for necessary software upgrade(s) as necessary. The Consultant is now requesting additional funding for PDS2D software for use by its staff and its subconsultants.

Further Geotechnical Evaluation

With the addition of the proposed suction piping conveyance pipeline, the original Scope of Work provided by the Geotechnical Consultant needs revision. Additional investigation and several extra meetings are necessary to adequately review and discuss the additional soil conditions specific to the conveyance pipeline area which were not included in the original Scope limits.

Revision of Hydraulic Model

The original Consultant proposal did not envision the addition of the upgraded conveyance piping system between Ocean Outfall Booster Station (OOBS) and Effluent Pump Station Annex (EPSA). Therefore, the original hydraulic model did not include modeling of the conveyance piping system.

The original scale for the hydraulic model was proposed at 1:7. However, with the added complexity resulting from the addition of the influent channel piping, the modeling subconsultant has recommended an increase in the scale of the model to that of 1:9. This will subsequently increase the cost for this design task.

Additional Preliminary Investigation of Alternate Design Alternatives

There were several discoveries during the preliminary design of this project that necessitated the investigation of additional alternatives. For example, preliminary investigation showed the need for replacement of and increase to the existing capacity of the suction piping conveyance pipelines that the original scope did not anticipate. Investigation of 5-pump alternatives and placement of pumps to pump secondary treatment in support of the Ground Water Reclamation project were also considered in an effort to select the correct configuration for this project design. A detailed Present Worth Analysis Memorandum was also done by the Consultant to help with selection of the most cost-effective alternative.

Additional Final Design Scope Changes

The scope of this project was modified during the Preliminary Design Phase (i.e. addition of new conveyance pipeline, suction piping arrangement, etc). These changes subsequently altered the scope of the Final Design.

In addition to scope changes, Staff asked Black & Veatch (B&V) to reassess the level of effort necessary to complete the final design for this project. The original Scope of Work had place "place-holder" items to provide an equal basis for those firms asked to propose. With a better understanding of the project emerging during the preliminary design phase, Staff anticipated that the final design would require a different level of effort than originally scoped. Staff has reviewed B&V's recommendations and concurs with the proposed adjustments to final design tasks including the following:

- Construction Documents (Plans and Specifications),
- Number of Project Meetings,
- Cost Estimates,
- Electrical System Analysis,
- Permitting, and
- Bid Phase Support.

Emergency Backup Power Generation for OOBS/EPSA Pumping Capacity

Originally, backup power generation facilities were to be provided under a separate job. A Preliminary Study evaluating the needs of OOBS and EPSA was done by SPEC Services (and with supervision of District Electrical Engineering Design Staff) under Job No. J-33-1. As design and construction of the backup power facilities is so closely related to the construction of the new EPSA, Orange County Sanitation District (District) staff recommends that the design of these generators and their housing be added to this contract with Black & Veatch (B&V). By combining the two jobs, coordination and scheduling issues that might have arisen between the two separate jobs should be eliminated.

Construction costs for this additional work is estimated at \$8.5 Million. With Staff and overhead costs, the anticipated impact to this project budget is estimated at \$9 Million.

ALTERNATIVES

No alternatives are proposed.

CEQA FINDINGS

The rehabilitation of Foster Pump Station (FPS) was included in the 1999 Strategic Plan EIR. The EIR was certified on October 27, 1999, and a Notice of Determination was filed on October 29, 1999. A supplemental EIR has been initiated to update the Program EIR to reflect replacement of FPS rather than the rehabilitation indicated in the Strategic Plan.

ATTACHMENTS

Budget Information Table
PSA Status Reports
Requests from Black & Veatch for Additional Work Items

PDC COMMITTEE

AGENDA REPORT

| | |
|-------------------------|---------------------------|
| Meeting Date 8/02/01 | To Bd. of Dir. 8/22/01 |
| Item Number PDC01-51 | Item Number 13(h) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: William Cassidy, Project Manager

SUBJECT: REHABILITATION OF THE "A" STREET PUMP STATION
CONTRACT NO. 5-52

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manager to negotiate the sale of an excess portion of the "A" Street Pump Station in connection with Rehabilitation of the "A" Street Pump Station, Contract No. 5-52, to the City of Newport Beach.

SUMMARY

Background

- Orange County Sanitation District (District) completed an assessment of 17 of its outlying pump stations in 1999. The assessment report recommended improvements and additions to, or replacement of each facility.
- Rehabilitation of the "A" Street Pump Station, Contract No. 5-52, will replace the District's 53-year old pump station located beneath Balboa Blvd. at "A" Street on the Balboa Peninsula in Newport Beach. In March 2001, the District purchased the property adjacent to the existing site, (occupied by a closed restaurant), for the new station.

Site Uses

- The new station's design will occupy approximately 1,700 sq. ft. of the 3,415 sq. ft. site. The excess area will not be required to service or maintain the new station.
- The City of Newport Beach has inquired as to the availability of the excess footage for parking for their ongoing Balboa Blvd. Improvement Project.

PROJECT/CONTRACT COST SUMMARY

See the attached Budget Information Table.

BUDGET IMPACT

- This item has been budgeted. (Line item: FY 2001-02, Section 8, Page 29: Capital Improvement Program, Collections Facilities, Rehabilitation of the "A" Street Pump Station, Contract No. 5-52)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

The new pump station is to consist principally of the following:

- Below grade wet well/dry well structure (housing the pumps)
- Above grade electrical building (housing the control/electrical equipment; a standby electric generator is not required)
- On-site Orange County Sanitation District (District) parking
- Landscaping (building architecture, plants, trellis, pedestrian seating, etc.) to meet with the area's overall atmosphere.

ALTERNATIVES

The District could maintain ownership and restrict parking to District vehicles by enclosing the area with a fence or wall.

The District could maintain ownership and enter into a long-term lease with the City of Newport Beach. The lease would limit the District's rights to the property while maintaining liabilities.

CEQA FINDINGS

The rehabilitation of the outlying pump stations was addressed in the 1999 Strategic Plan EIR, but not all stations were individually addressed. Rehabilitation of the "A" Street Pump Station, Contract No. 5-52, is to be addressed by filing a Notice of Exemption with the County Clerk.

ATTACHMENTS

Budget Information Table
Figure 1, Project Regional Location
Figure 2, Project Block Location
Figure 3, Project Plot Plan

PDC COMMITTEE

AGENDA REPORT

| | |
|-------------------------|---------------------------|
| Meeting Date 8/02/01 | To Bd. of Dir. 8/22/01 |
| Item Number PDC01-52 | Item Number 13(I) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: William Cassidy, Project Manager

SUBJECT: REHABILITATION OF THE 14th STREET PUMP STATION
CONTRACT NO. 5-51

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manager to negotiate the purchase of real property located at 1514 East Balboa Boulevard, Newport Beach, for Rehabilitation of the 14th Street Pump Station, Contract No. 5-51.

SUMMARY

Background

- The 14th Street Pump Station, built in 1948, is located beneath Balboa Boulevard at 14th Street on the Balboa Peninsula in Newport Beach.
- Orange County Sanitation District (District) completed an assessment of 17 of its outlying pump stations, including the 14th Street Pump Station in 1999.
- The assessment report recommended rehabilitating the existing structure and interior components of the station.

Preliminary Design

- In April 2000, the District entered into a Professional Services Agreement (PSA) with Lee & Ro, Inc. (Consultant) for the design of the rehabilitation of the 14th Street pump station.
- The Consultant's preliminary report for 14th Street Pump Station recommends a new pump station.
- 1514 East Balboa Boulevard, a 2,936 square foot vacant property, approximately 650 feet west of the existing station, is available for purchase from the owner.

PROJECT/CONTRACT COST SUMMARY

The total budget estimate for the Rehabilitation of the 14th Street Pump Station, Contract No. 5-51, would need to be increased by \$400,000 to an amount not to exceed \$2,611,000, should the new station and property purchase be approved. The funds to purchase real property were not included in the original budget. However, the property was appraised as part of estimating a revised project cost.

BUDGET IMPACT

- This item has been budgeted. (Line item: FY 2001-02, Section 8, Page 28: Capital Improvement Program, Collections Facilities, Rehabilitation of the 14th Street Pump Station, Contract No. 5-51)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

See the attached Budget Information Table. A recommendation to approve a budget amendment would be made at the time of the property purchase.

ADDITIONAL INFORMATION

Existing Station

The 14th Street Pump Station is an underground, two story, 16-foot inside diameter reinforced concrete wet well/dry well facility. The station is located beneath the Balboa Boulevard median, immediately west of the 14th Street intersection, opposite Newport Beach Grammar School. The entrance manhole to the wet well is located in the inside westbound lane of Balboa Boulevard. The entrance to the dry well (electrical/control & pump rooms) is in the median. Reference Figures 2 and 3.

The station has been upgraded twice since first built. The wet well was lined with a plastic liner in 1975 to protect the walls and ceiling from the corrosive environment. A variable speed drive was installed in 1992 on the lead pump to match the pump's discharge to the flow entering the station.

Rehabilitation of the station, recommended by the assessment report, consisted principally of the following:

- Install an underground electrical vault to house new electrical and control equipment to meet area classification requirements. The existing electrical equipment would be removed from the station.
- Install new electrical and control equipment in the new electrical vault.
- Install new pump motors, ventilation, gas monitoring equipment, etc. in existing structure.
- Install seismic supports on piping.
- Repair leaks and cracks in the structure's walls and ceiling.
- Replace interior staircase to lower (pump) deck.
- Reinforce or replace the entrance staircase into the station (staircase walls not rated for vehicle surcharge loads).
- Install a below grade flow meter vault (no meter currently exists).
- Install a side sewage storage tank to provide the District with at least a 2-hour response time in the event of a power loss (not required with a revised response procedure).

The assessment report recommended that the electrical vault and storage tank be placed in the outside, eastbound lane of Balboa Boulevard, due south of the station. The report also recommended that the meter vault be placed in the inside, westbound lane, adjacent to the station. The entrance to the electrical vault would be through an access hatch in the sidewalk; the storage tank and meter vault would be entered through manholes in the street.

The assessment report also noted the migration of external ground water through the concrete structure (peeling, water-blistered paint, cracks, and other signs of water penetration). Concrete

is permeable and the exterior surface of the structure was not sealed when constructed. The soil was found to be severely corrosive to metals such as rebar, upon a geotechnical investigation by the Consultant. The soil also contained soluble sulfates, corrosive to concrete. The structure has likely been weakened by the corrosive nature of the environment.

Means of egress requirements, height and width of passages required by the Life Safety Code Handbook, National Fire Protection Association (NFPA 101), were not addressed by the assessment report. Minimum clearances of 22-inches in width and 6'-8" in height are required for existing structures. Clearances are less than 6 ft. high. Although not required by the code, the areas leading to and immediately surrounding the pumps are less than the clearances required for egress passages; piping must be transcended to reach or service the pumps. The station's limited depth and configuration prevents modifications to achieve the required clearances. The size of the station is restrictive to the current layout.

New Station

The configuration of a new pump station would vary depending on the location. The station could be placed immediately west of the existing station in Balboa Boulevard or at 1514 East Balboa Boulevard, a 2,936 square foot vacant property, and approximately 650 feet west of the existing station.

A new pump station located in Balboa Boulevard would consist principally of the following:

- Below grade wet well/dry well structure, housing the pumps and flow meter. Neither the side sewage storage tank nor a standby generator is required with a revised response procedure.
- Below grade electrical/control structure.
- Hatched entrances in an expanded median.
- Landscaping to meet with the area's overall atmosphere.
- 100 feet of new gravity sewer.

The existing station would be removed to five feet below grade, the remainder to be abandoned in place. The median would be redone, possibly adding two (2)-parking spaces for the City of Newport Beach. However, the new station would remove at least four- (4) parking spaces. The new station, as the existing station, would lack dedicated Orange County Sanitation District (District) parking and require traffic control for other than routine service.

A new pump station located at 1514 East Balboa Boulevard would consist principally of the following:

- Below grade wet well/dry well structure, housing the pumps and flow meter. Neither the side sewage storage tank nor a standby generator is required with a revised response procedure.
- Above grade electrical/control structure.
- On site Orange County Sanitation District (District) parking for routine and major service.
- Landscaping (building architecture, fence, plants, etc.) to meet with the area's overall atmosphere.
- 800 feet of new gravity sewer.

The new station would be located by an Edison substation to the west, an alley to the north, an apartment residence to the east, and Balboa Boulevard to the south. See Figures 2 and 4. The existing station would be removed to five feet below grade, the remainder to be abandoned in

place. The median would be redone, possibly adding two (2) parking spaces for the City of Newport Beach

ALTERNATIVES

The District could rehabilitate the existing station. Water penetration, egress and inadequate access to equipment would remain problems.

The District could build a new station in Balboa Boulevard. District parking for routine and major service of the station would remain a problem. The station would also eliminate several city-parking spaces.

CEQA FINDINGS

The rehabilitation of the outlying pump stations was addressed in the 1999 Strategic Plan EIR, but not all stations were individually addressed. Rehabilitation of the 14th Street Pump Station, Contract No. 5-51, is to be addressed by filing a Notice of Exemption with the County Clerk.

ATTACHMENTS

Budget Information Table
PSA Status Report
Figure 1, Project Regional Location
Figure 2, Project Block Location
Figure 3, Existing Station
Figure 4, Proposed Site

PDC COMMITTEE

AGENDA REPORT

| | |
|--------------------------|---------------------------|
| Meeting Date 08/02/01 | To Bd. of Dir. 8/22/01 |
| Item Number PDC01-53 | Item Number 13(j) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Larry Rein, Contract Project Manager

SUBJECT: CARBON CANYON DAM SEWER AND PUMP STATION ABANDONMENT,
CONTRACT NO. 2-24-1

GENERAL MANAGER'S RECOMMENDATION

Approve Addendum No. 1 to the Professional Services Agreement with RBF Consulting for additional design engineering services for the Carbon Canyon Dam Sewer and Pump Station Abandonment, Contract No. 2-24-1, for an additional amount of \$136,000, increasing the total amount not to exceed \$210,000.

SUMMARY

- The purpose of Contract No. 2-24-1 is to replace a wastewater pump station with a gravity sewer. Without rehabilitation, the existing pump station is inadequate to handle future wastewater flows due to pending land development. This solution would save operation and maintenance costs indefinitely.
- The design on Contract No. 2-24-1 began in June 1998; however, only preliminary design was completed until the work was suspended in June 1999, due to difficulties in obtaining rights to an existing pipeline and easement owned by Texaco. Texaco has since sold the easement to BreitBurn Energy Company (BreitBurn).
- This Addendum will reinstate the design work and increase the Scope of Work to have the design consultant perform many of the tasks that the Orange County Sanitation District (District) used to perform separately with several consultants.

PROJECT/CONTRACT COST SUMMARY

This Addendum is for an amount not to exceed \$136,000 and will amend the contract to an amount not to exceed \$210,000. The attached Budget Information Table shows the project funding. No reallocation of funds will be required.

In addition to RBF Consulting's Professional Services Agreement (PSA) for design to date in the amount of \$74,000, the Budget Information Table reflects PSA funds authorized for land appraisal services (First Metro Appraisal \$14,750), land title report (Fidelity National Title \$2,500), surveying services (Bush and Associates \$4,082), and legal services (Woodruff, Spradlin & Smart \$920) for a total of \$96,252 authorized to date.

BUDGET IMPACT

- This item has been budgeted. (Line item: FY 2000-01, Section 8, Page 18: Capital Improvement Program, Collections Facilities, Carbon Canyon Sewer and Pump Station Abandonment, Contract No. 2-24-1.)

- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

The Carbon Canyon Pump Station was built in 1974 and modified in 1984. It is in need of upgrades and will be hydraulically inadequate when the current upstream developments are completed. The pump station lifts wastewater over the Carbon Canyon Regional Detention Basin Dam. Rather than upgrade the pump station, this project will purchase rights to an existing waste water line underneath the dam, and construct a gravity sewer to connect to this line. This sewer will permit gravity flow under the dam. This project offers a cost-effective alternative to upsizing and upgrading the pump station. This project will save energy and maintenance costs by the elimination of a pump station.

The design process started in June 1998. The Preliminary Design Report and plans were completed. During the preliminary design work, the Orange County Sanitation District (District) was negotiating with Texaco to acquire the rights to a sewer that passes under the Carbon Canyon Dam. Due to a potential sale of the sewer and other facilities, Texaco was unable to reach a decision on whether to sell the sewer. The District suspended design work at this time. The District has now made a financial offer to the new owner of the sewer, BreitBurn, and the offer was accepted. The District is reviewing and negotiating terms for transfer of the sewer rights.

The increased Scope of Work includes the following:

- Performing the work in accordance with current, more stringent design standards. More stringent standards have been initiated to reduce design and construction problems.
- Review of additional design alignment options. These alignment options may be necessary if environmental requirements are too burdensome for the preferred alignment.
- Updating and expanding utility research requirements. Detailed utility information searches have proven to reduce construction problems and costs.
- Updating sewage flow projections. Upstream development has changed since the project was initiated.
- Detailed geotechnical investigation work. This work will reduce the possibility of unexpected construction change orders.
- Environmental and regulatory permitting work. The project is located on federal property, within a park, within a natural drainage way and within a former oilfield. All of these conditions will require special attention to environmental and regulatory permits that was not included in the original Scope of Work. This work creates the largest increase in fee.

The Consultant's fee schedule is also adjusted to account for inflation during the period the project was on hold. There is \$34,340 remaining from the original contract that will be utilized for the remaining original Scope of Work. This amount will be adjusted up by \$4,100 based upon an increase in their fee schedule over the last 3 years.

ALTERNATIVES

No alternatives are proposed.

CEQA FINDINGS

This project was included in the 1999 Strategic Plan Program EIR certified on October 27, 1999. A Notice of Determination was filed on October 29, 1999. Additional CEQA services are anticipated that the Consultant will provide under this Professional Services Agreement Addendum.

ATTACHMENTS

Budget Information Table
PSA Status Report
Fee Proposal

PDC COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/08/01 | To Bd. of Dir. 08/22/01 |
| Item Number PDC01-54 | Item Number 13(k) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Sejal Patel, Engineer

SUBJECT: SPACE ALLOCATION AND INTERIOR RENOVATION
JOB NO. J-84

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manager to negotiate Addendum No. 2 with Fluor Signature Services for Phase II of the Space Allocation and Interior Renovation at Plant No. 1, Job No. J-84, providing for a detailed conceptual design.

SUMMARY

- The purpose of this project is to create a new and contemporary environment for employees, offering work group functionality and circulation with common area improvements that resolve increasing needs for additional office space and storage. As critical is the need for additional parking at the facility. Currently, we are 60 parking spaces short, and with upcoming construction at the facility, parking spaces will be eliminated, leaving more of a deficit.
- In March 2001, the Orange County Sanitation District (District) awarded the Professional Services Agreement (PSA) to Fluor Signature Services (Fluor) for \$156,800 to complete Phase I of the Space Allocation and Interior Renovation at Plant No. 1, Job No. J-84.
- Phase I, needs assessment to define and outline the project for implementing interior renovation, incorporating the current spacing needs, and a vision to change the culture/environment, is now complete. Phase II will develop detailed conceptual design and is estimated at \$255,000.
- The preliminary cost assessment, based on the Phase I report, is \$6.0M, excluding the new furniture cost. This includes the design and construction of a new building for Information Technology, a dining area and fitness area, interior renovation of the Administration Building, and common area modifications including landscaping and parking.
- Fluor Signature Services (Fluor) has provided an excellent approach, methodology, and facilitation all through Phase I, and has established excellent working relationships with the District's staff. It is in the best interest of the District to retain the same firm for subsequent phases of Job No. J-84.
- In October 2001, following fee negotiations, authorization to proceed with Addendum No. 2, for Phase II, will be requested from the Planning, Design, and Construction (PDC) Committee and the Board.

PROJECT/CONTRACT COST SUMMARY

See Professional Services Agreement (PSA) Status Report and Budget Information Table. No budget revision is being requested at this time. The original budget remains as is at \$244,300.

Under Addendum No. 1, to be approved by the General Manager for \$10,000, the Consultant will evaluate the current furniture system and determine what can be retrofitted; decide how to integrate the existing furniture with new items; establish sample offices for Staff evaluation and approval, and establish the cost of new furniture.

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

At the present time, there is no budget allocated for the design or construction of Job No. J-84. Because of "the unknown scope" of this project, Staff had established a project budget of \$244,300 for Phase I only. During the September 2001 PDC meeting, Staff will discuss the budget needs and request a budget amendment to include anticipated costs for the subsequent phases of this project.

ADDITIONAL INFORMATION

In December 2000, Fluor was awarded a PSA for Phase I to conduct the needs assessment. Phase I is the first phase of a three-phase project.

In Phase II, the Consultant will utilize the Phase I document as a guideline to develop the detailed conceptual design concepts for:

- Renovation of the existing Administration Building
- Exterior architecture for building structures, campus type setting, and use of outdoor areas for periodic work spaces and meeting areas.
- New building for IT, dining area, and fitness area in concert with overall site development
- Interior architecture for materials, finishes, and color scheme
- Detailed program for interior space utilization, functionality, and furniture development and work process (i.e. block diagram of system furniture layout)
- Site improvement analysis including soil conditions, underground utilities, landscape modifications, etc.
- Overall site development (parking expansion, improved landscaping)
- Preliminary city code compliance check for site improvement
- Preliminary cost analysis for the conceptual design package

Phase III will prepare plans and specifications for construction.

ALTERNATIVES

The District could consider issuing a Request for Proposal for design services to other prospective firms, or stopping this project altogether.

District could consider renting or purchasing a building off site of Plant 1 to use as work space for some divisions or departments to free up office and parking space.

CEQA FINDINGS

The Phase II study of Job No. J-84, Space Allocation and Interior Renovation, is exempt from CEQA (Section 15306).

ATTACHMENTS

Budget Information Table
PSA Status Report

FAHR COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/08/01 | To Bd. of Dir. 08/22/01 |
| Item Number FAHR01-46 | Item Number 14(c) |

Orange County Sanitation District

FROM: Gary Streed, Director of Finance
Originator: Michael White, Controller

SUBJECT: TREASURER’S REPORT FOR THE MONTH OF JULY 2001

GENERAL MANAGER'S RECOMMENDATION

Receive and file Treasurer’s Report for the month of July 2001.

SUMMARY

Pacific Investment Management Co. (PIMCO), serves as the District’s professional external money manager, and Mellon Trust serves as the District’s third-party custodian bank for the investment program.

The District’s Investment Policy, adopted by the Board, includes reporting requirements as listed down the left most column of the attached PIMCO Monthly Report for the “Liquid Operating Monies” and for the “Long-Term Operating Monies” portfolios. The District’s external money manager is operating in compliance with the requirements of the District’s Investment Policy. The District’s portfolio contains no reverse repurchase agreements.

Historical cost and current market values are shown as estimated by both PIMCO and Mellon Trust. The District’s portfolios are priced to market (“mark-to-market”) as of the last day of each reporting period. The slight differences in value are related to minor variations in pricing assumptions by the valuation sources at the estimate date.

PROJECT/CONTRACT COST SUMMARY

None.

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Schedules are attached summarizing the detail for both the short-term and long-term investment portfolios for the reporting period. In addition, a consolidated report of posted investment portfolio transactions for the month is attached. The attached yield analysis report is presented as a monitoring and reporting enhancement. In this report, yield calculations based on book values and market values are shown for individual holdings, as well as for each portfolio. Mellon Trust, the District’s custodian bank, is the source for these reports. Transactions that were pending settlement at month end may not be reflected.

These reports accurately reflect all District investments and are in compliance with California Government Code Section 53646 and the District's Investment Policy. Sufficient liquidity and anticipated revenues are available to meet budgeted expenditures for the next six months.

On July 31, \$20 million was withdrawn from the Long-Term Operating Monies portfolio to fund semi-annual COP debt service payments. The table below details the book balances of the District's funds at month-end. A graphical representation of month-end balances is shown by the attached bar chart.

| Funds/Accounts | Book Balances July 31, 2001 | Estimated Yield (%) |
|--|--------------------------------|------------------------|
| State of Calif. LAIF | \$ 13,012,174 | 4.6 |
| Union Bank Checking Account | 561,766 | N/A |
| Union Bank Overnight Repurchase Agreement | 367,000 42,034,982 | 3.1 5.4 |
| PIMCO – Short-term Portfolio | 367,472,280 | 5.6 |
| PIMCO - Long-term Portfolio | 1,789 | 4.8 |
| District 11 GO Bond Fund 921 | 35,221,647 | 5.0 |
| Debt Service Reserves w/Trustees | 5,000 | N/A |
| Petty Cash | | |
| TOTAL | \$458,676,638 | |

ALTERNATIVES

None.

CEQA FINDINGS

None.

ATTACHMENTS

Monthly Investment Reports
Monthly Transaction Report

FAHR COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/08/01 | To Bd. of Dir. 08/22/01 |
| Item Number FAHR01-49 | Item Number 14(d) |

Orange County Sanitation District

FROM: Lisa Tomko, Director of Human Resources & Employee Development
Originator: Denise Martinez, Human Resources Assistant

SUBJECT: CHANGES AND ADDITIONS TO HUMAN RESOURCES POLICIES AND PROCEDURES AS AUTHORIZED BY RESOLUTION 98-33

GENERAL MANAGER'S RECOMMENDATION

Adopt Resolution No. OCSD 01-16, amending Resolution No. OCSD 98-33, Amending Human Resources Policies and Procedures Manual.

SUMMARY

The attached policies are routine updates or additions to maintain consistent language with the Memorandums of Understanding (MOU) and/or new legislation or to explain procedures more clearly.

Copies of all policies affected are attached. Additional language is highlighted in gray; deleted language is lined through.

PROJECT/CONTRACT COST SUMMARY

None.

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

| Policy Number And Subject | From | To | Reason For Change |
|---|-------------------|---|---|
| C110.00 - Travel & Business Expenses | Current Language. | Clarify procedure for purchasing airline tickets. | Allow more flexibility. Take advantage of cost savings. |
| D10.00 - Leave of Absence with Pay | Current Language. | Revised Language. | Clarify policy. |
| D20.00 - Leave of Absence without Pay | Current Language. | Revised Language. | Clarify policy. |
| F90.00 - Substance Abuse | New Policy. | N/A | New policy regarding substance abuse. |

ALTERNATIVES

N/A

CEQA FINDINGS

N/A

ATTACHMENTS

C110.00 - Travel & Business Expenses
D10.00 - Leave of Absence with Pay
D20.00 - Leave of Absence without Pay
F90.00 - Substance Abuse

FAHR COMMITTEE
AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/08/01 | To Bd. of Dir. 08/22/01 |
| Item Number FAHR01-50 | Item Number Item 14(e) |

Orange County Sanitation District

FROM: Gary G. Streed, Director of Finance

SUBJECT: DECLARATION OF DISTRICT'S OFFICIAL INTENT TO REIMBURSE THE DISTRICT'S EXISTING CAPITAL RESERVE FUNDS FOR CERTAIN EXPENDITURES MADE IN ADVANCE OF, AND IN ANTICIPATION OF, CAPITAL IMPROVEMENT EXPENDITURES, FROM PROCEEDS OF A FUTURE LONG-TERM BORROWING

GENERAL MANAGER'S RECOMMENDATION

Adopt Resolution No. OCSD 01-17, "Declaration of Official Intent to Reimburse Certain of the District's Capital Reserve Funds for Expenditures Made in Advance for FY 2001-02 Capital Improvement Projects from Proceeds of a Future Long-Term Financing."

SUMMARY

Adoption of the "Reimbursement Resolution" will allow the District to use proceeds from a future long-term borrowing to reimburse capital reserve funds which were used to fund District capital projects. A similar Resolution has been adopted each of the past several years. A \$35 million issue in 2000-01 recovered a portion of these prior year costs.

PROJECT/CONTRACT COST SUMMARY

N/A

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Under provisions of U.S. Treasury Regulation 1.150-2, local public agencies may use proceeds from long-term borrowings to reimburse those capital reserve funds which were advanced to fund preliminary expenditures, such as design, engineering and similar costs, for capital projects.

The Regulations permit up to 20% of the aggregate par amount of bond proceeds from a new issue to be used for reimbursement of preliminary project expenditures, providing the public agency has declared its intent to do so prior to debt issuance.

As part of preparations for a new capital financing program to support the Strategic Plan Update Capital Improvement Program, it is necessary to update the District's intent to reimburse reserve funds. Adoption of the attached "Reimbursement Resolution" will ensure that the District can include monies in upcoming borrowings to reimburse reserve funds for expenditures

made in advance of available COP proceeds. The Board of Directors has adopted similar Resolutions in 1997, 1998, 1999 and 2000.

ALTERNATIVES

None.

CEQA FINDINGS

N/A

ATTACHMENTS

1. Resolution No. OCSD 01-17

FAHR COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/8/01 | To Bd. of Dir. 08/22/01 |
| Item Number FAHR01-51 | Item Number 14(f) |

Orange County Sanitation District

FROM: Gary G. Streed, Director of Finance
Originator: Michael D. White, Controller

SUBJECT: QUARTERLY INVESTMENT MANAGEMENT PROGRAM REPORT FOR THE PERIOD APRIL 1, 2001 THROUGH JUNE 30, 2001

GENERAL MANAGER'S RECOMMENDATION

Receive and file the Quarterly Investment Management Program Report for the period April 1, 2001 through June 30, 2001.

SUMMARY

Section 15.0 of the District's Investment Policy includes monthly and quarterly reporting requirements for the District's two investment portfolios. These two funds, the "Liquid Operating Monies," and the "Long-Term Operating Monies" are managed by PIMCO, the District's external money manager.

The ongoing monitoring of the District's investment program by staff and Callan Associates, the District's independent investment advisor, indicates that the District's investments are in compliance with the District's adopted Investment Policy and the California Government Code, and that overall performance has tracked with benchmark indices. In addition, sufficient liquidity and anticipated revenues are available for the District to meet budgeted expenditures for the next six months. The District's portfolios do not include any reverse repurchase agreements or derivative securities.

PROJECT/CONTRACT COST SUMMARY

N/A

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Performance Reports

The Quarterly Strategy Review, prepared by PIMCO, and the Investment Measurement Quarterly Review, prepared by Callan Associates, are attached for reference. Also attached are comparative bar charts which depict the sector diversification and credit quality of the District's portfolios, as of March 31, 2001 and June 30, 2001. The Liquid Operating Monies portfolio, with an average maturity of 90 days, consists entirely of cash equivalent investments such as U.S. Treasuries and corporate discount notes.

Portfolio Performance Summary

The following table presents a performance summary of the District's portfolios as compared to their benchmarks for the period April 1 through June 30, 2001.

| Portfolio Performance Summary Quarter Ended June 30, 2001 | | | | |
|--|-----------------------------|--------------------------|--------------------------------|--------------------------|
| | Liquid Operating Monies (%) | | Long-Term Operating Monies (%) | |
| | Total Rate of Return | Benchmark ⁽¹⁾ | Total Rate of Return | Benchmark ⁽¹⁾ |
| 3 Months | 1.3 | 1.1 | 1.1 | 1.0 |
| 6 Months | 2.9 | 2.5 | 3.8 | 4.2 |
| 9 Months | 4.8 | 4.1 | 7.1 | 7.4 |
| 12 Months | 6.6 | 5.6 | 9.6 | 10.2 |
| Since inception 30 Sept. 95 | 5.8 | 5.2 | 6.8 | 6.6 |
| Market Value per PIMCO 31 Dec 00 | | | | |
| Market Value per PIMCO 31 Dec 00 | \$42.5M | | \$386.8 | |
| Average Quality | "AA+" | | "AA+" | |
| Current Yield (%) | 5.7 | | 5.8 | |
| Estimated Yield to Maturity (%) | 4.1 | | 4.8 | |
| Quarterly Deposits (Withdrawals) | \$7.0M | | \$0.0M | |
| Estimated Annual Income | \$2.4M | | \$21.6M | |

(1) Benchmarks:

- Liquid Operating Portfolio: 3-Month Treasury Bill Index
- Long-Term Operating Portfolio: Merrill Lynch Corp/Govt. 1-5 Year Bond Index

Market Recap

While the U.S. economy remained weak during the first half of 2001, some investors expected that aggressive easing by the Federal Reserve would spark a recovery in the near future. This optimism, bolstered by resilient consumer confidence and a strong housing sector, was reflected in a sharp steepening of the yield curve and over performing credit-sensitive bonds. Gains by corporate bonds adversely affected relative returns of managers such as PIMCO, who held a more pessimistic long-term view of the economy and therefore emphasized higher quality assets.

By the end of the second quarter the market began to anticipate that the Fed's current easing cycle, which produced 275 basis points of rate reductions since the beginning of the year, was nearing an end. Two-year Treasury yields edged up 6 basis points during the quarter, closing at 4.24 percent. The benchmark 10-year Treasury yield climbed 50 basis points and ended the quarter at 5.41 percent.

Signs of longer-term weakness in the economy refused to go away, however, despite a supportive Fed. PIMCO and other pessimists could point to sharply reduced investment spending and a corporate profit recession that threatened to dash hopes for a quick recovery. Late in the second quarter, stocks gave back some of their earlier gains after a procession of profit warnings, especially in the computer and telcom sectors. Corporate bond markets also reacted negatively as swap spreads widened in June after narrowing earlier in the quarter. A decline in first quarter productivity, the first in six years, and a corresponding rise in unit labor costs, pinched profits as slower growth and weak demand constrained pricing power.

While short maturity Treasuries performed relatively well, the Treasury sector overall did not keep pace with investment-grade corporates and mortgages for the quarter and year-to-date:

- High-grade corporates far outpaced both Treasuries and mortgages amid heightened optimism about a relatively fast recovery in growth and profits. By contrast, high yield posted a negative quarterly return due to anxiety about rising defaults, especially among troubled telecom credits.
- Mortgages gained, especially higher coupon issues, as rising long-term rates mitigated concern about prepayment risk.

Performance results of the Long-Term Portfolio

The long-term portfolio managed by PIMCO turned in a 1.08 percent return over the quarter, outperforming the Merrill Lynch 1-5 year Government Corporate Index by 5 basis points. This portfolio's performance was due in part to the following factors:

- near-benchmark duration was neutral for performance;
- broader-than-index maturity structure was negative as yields on intermediate and longer maturities rose;
- corporate holdings performed well as investor confidence about growth and profits rose early in the quarter; however, maintaining an underweight corporate allocation versus the benchmark was negative for relative performance;
- an emphasis on mortgages helped returns as mortgage rates stabilized and prepayment concerns abated; and
- falling real yields helped real return bonds outperform like-duration Treasuries, benefiting performance.

Performance results of the Liquid Operating Portfolio

The liquid portfolio managed by PIMCO turned in a 1.26 percent return over the quarter, outperforming the three-month Treasury Bill Index by 18 basis points. This portfolio's performance was due in part to the following factors:

- extended duration had a positive impact on returns as short-term interest rates fell;
- investment grade corporate boosted returns as optimism about growth and profits rose early in the quarter, although some of this optimism faded later in the period; and
- holdings of high quality commercial paper and agency discount notes enhanced returns for the quarter.

PIMCO's Market Outlook

It is PIMCO's belief that the recent hints of resurgent growth in the U.S. provides false hope of a robust recovery over the longer term. The global economy will remain sluggish over the next several years as U.S. growth sputters at less than half its pace of the late 1990s. Ten-year Treasury yields will range between 4.5 and 6.5 percent as they already anticipate much of this

weakness. Gains from financial assets in this environment will be far more modest than investors have come to expect. Stocks will struggle to match expected bond returns of near six percent amid sub-par growth and still lofty equity valuations.

U.S. growth will not rise above two percent annually compared to more than four percent since 1997. The U.S. economy is in a corrective phase that must run its course. Rapid growth in the New Age Economy created imbalances in investment, consumption, and borrowing that will be reversed over a secular time frame. Productivity gains that helped fuel this growth have peaked and will revert closer to historical averages amid the current investment bust. The result will be lower corporate profits, more layoffs and pressure on equity valuations. Consumers will respond to reduced job security and eroding wealth by reversing their negative savings, creating more of a drag on the economy.

PIMCO will retain a bias toward higher quality investments and focus on the front end of the yield curve. They expect this strategy to pay off over the long term even though markets may not reward them over shorter periods, such as in the first half of 2001.

Managing core bond portfolios entails making relative value decisions. PIMCO is more comfortable assuming mortgage prepayment risk than they are taking on credit/default risk in the corporate sector. Mortgages offer superior risk-adjusted returns given their yield advantage over Treasuries and minimal credit risk. Prepayment risk will be muted over a secular time frame as rates remain within our forecasted range. Opportunities for corporates will be better in 2002 and beyond as companies begin to reduce debt and strengthen their balance sheets.

PIMCO's portfolio strategy for the Long-Term Portfolio includes:

- target duration slightly above benchmark as a weak economy will put a cap on interest rates;
- maintain a broader-than-index maturity structure to take advantage of value across the yield curve, especially in mortgages and high quality corporates;
- generate income and minimize credit risk by continuing to emphasize mortgage-backed securities;
- hold top quality, short-duration corporates to take advantage of relatively attractive yields;
- emphasize real return bonds, which offer potential for capital gains as weak growth pushes real yields lower; and
- hold higher quality municipal bonds to capture attractive tax-adjusted yields.

PIMCO's portfolio strategy for the Liquid Operating Portfolio includes:

- maintain extended duration to benefit from more central bank easing than currently anticipated in the marketplace;
- hold select top-quality , short-maturity corporate issues with attractive yields;
- Continue to invest in high quality commercial paper as a means to add value and liquidity to the portfolio; and

- Utilize agency discount notes, which offer a yield premium over Treasury bills.

Portfolio Market Values

Comparative marked-to-market quarter-end portfolio values are shown in the table below, and in the attached bar chart.

| Quarter Ending | Liquid Operating Monies (\$M) | Long-Term Operating Monies (\$M) |
|-----------------------|--------------------------------------|---|
| 30 June 00 | 33.3 | 358.2 |
| 30 Sept. 00 | 33.9 | 352.0 |
| 31 Dec. 00 | 34.5 | 363.4 |
| 31 March 01 | 35.0 | 382.7 |
| 30 June 01 | 42.5 | 386.8 |

ALTERNATIVES

N/A

CEQA FINDINGS

N/A

ATTACHMENTS

PIMCO Report
Callan Report
Quarter End Portfolio Market Value Bar Chart
Long-Term and Liquid Operating Monies Portfolio Characteristics Charts (2)
Historical Yield Curve Graph

FAHR COMMITTEE

AGENDA REPORT

| | |
|--------------------------|----------------------------|
| Meeting Date 08/08/01 | To Bd. of Dir. 08/22/01 |
| Item Number FAHR01-52 | Item Number 14(g) |

Orange County Sanitation District

FROM: Gary G. Streed, Director of Finance
Originator: Michael D. White, Controller

SUBJECT: Coordinated Commercial Enterprise Study, Phase II and III

GENERAL MANAGER'S RECOMMENDATION

Issue a purchase contract to Carollo Engineers for Phase II and Phase III of the Coordinated Commercial Enterprise Study, for a total amount not to exceed \$113,000.

SUMMARY

In June 1999, four agencies, consisting of the Sacramento Regional Sanitation District, CA, City of Reno, NV, the City and County of Honolulu, HI, and the District, agreed to participate in conducting and funding Phase I of the Coordinated Commercial Enterprise Study coordinated by Carollo Engineers. The purpose of the study is to:

- Develop a uniform basis for comparing results based on standardized data obtained from uniform collection, sampling, and quality assurance/quality control methods.
- Reduce overall costs due to the sharing of agency staff, and outside laboratory and consultant services to achieve a common program goals and objectives.
- Develop a more comprehensive and representative database due to larger number and range in size of businesses available for evaluation in each commercial category.
- Share ideas among the agencies for developing equitable commercial classifications and improving billing methodologies.
- Enhance credibility of the study results because of the number of participating agencies, comprehensive database, substantial peer review and anticipated adoption of the results by the California State Water Resources Control Board.

Phase I consisted of developing an Action Plan for defining the goals and objectives for the program and the recommended approach to achieve those goals and objectives. Following are the goals that were established at the collective Visioning Workshop of the participating agencies:

- Develop a simplified, equitable and defensible commercial user billing method.
- Improve customer service and agency image with commercial establishments.
- Streamline the rates and fees assessment process for commercial accounts.

The objectives developed to support the above listed goals are as follows:

- Develop a scientifically supported database as a basis for the commercial billings.
- Pool resources to reduce costs and improve the usefulness of the data developed.

- Incorporate regulatory agency review to enhance credibility of the program.
- Develop methods to account for converted and relocated commercial users.
- Sell the database to interested agencies to help recover costs.

Phase II of the project will be to complete the Field Reference, conduct the field sampling/laboratory testing, and develop a database. This includes reduction and analysis, quality assurance/quality control, and database design.

Phase III will evaluate alternative commercial billing methods through a workshop process involving agency participants, and will result in one (or several) recommended scientifically based methodologies for setting wastewater rates and fees for commercial categories. Institutional, legal and financial requirements will also be considered and incorporated in the identification and development of the alternatives.

PROJECT/CONTRACT COST SUMMARY

Contract Cost with Carollo Engineers

| | | | |
|--|---------------|---|------------------|
| Phase I - Develop Action Plan - | Actual Cost | - | \$ 10,427 |
| Phase II - Data Gathering/Analysis - | Budgeted Cost | - | 95,000 |
| Phase III - Develop Alternative Billing Methods- | Budgeted Cost | - | <u>18,000</u> |
| Total Estimated Project Cost | | | <u>\$123,427</u> |

BUDGET IMPACT

- X This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Commercial Categories and Wastewater Characteristics To Be Assessed in Phase II

During Phase I, a review and comparison of existing commercial categories was initially conducted to develop groupings of similar categories in terms of wastewater characteristics, and to identify new commercial businesses to be considered.

Categories to be assessed were selected based on relative financial impact on the agencies, estimated strength and flow variability of businesses within the categories, and sensitivity of the category to modifications in assumed wastewater billing factors. The four agencies included in this study decided that restaurants, including sit down, take out, and fast food, and motels/hotels should be the first priority for evaluation since these two categories were major billing categories for all of the agencies involved in the study. Restaurants are high strength that typically results in high rates and fees. Many recent changes in the hotel/motel industry in required water conservation features and food preparation services have resulted in increased wastewater strength.

The wastewater characteristics to be evaluated in the program include flow, suspended solids, and oxygen demand. These characteristics define the basic parameters used to allocate costs among commercial categories within a revenue program. Two methods

for estimating oxygen demand are included in the program, the five-day biochemical oxygen demand and chemical oxygen demand-filterable. The California State Regional Water Control Board has requested that both samples be collected for each site to provide flexibility in using the results by agencies using either method.

Once the effectiveness of the testing/sampling program for restaurants and hotels/motels is completed and, after determining the impacts of any additional potential costs, a second priority listing of categories will be considered for evaluation including car washes, shopping centers, entertainment (churches, auditoriums, theaters, bars, and bowling alleys), gyms/health clubs, hospitals/medical/dental offices, and petroleum dischargers (auto dealers, repair shops, and oil change shops).

PHASE II - DATA GATHERING ANALYSIS

Field Sampling & Sampling Equipment

The selection of specific commercial sites for sampling within each agency is planned as part of the Phase II activities. The selection process involves conducting a telephone and mail survey to obtain crucial information from the targeted sampling population, followed by a field survey of those selected businesses. After review of the sampling program needs and the results of the telephone and mail survey, each agency will review the individual commercial businesses recommended for sampling. The field survey will also provide additional data on activities affecting discharge characteristics.

Each agency is responsible for managing internal resources or procuring local contracted services for field activities. The Action Plan Field Reference will describe the sampling standards, testing methods and protocols for all of the fieldwork. This standardization is critical in developing a comprehensive database to all agencies. Carollo Engineers will coordinate the field activities, as necessary, to ensure that the sampling program is accurately being followed. The Action Plan outlines six-month sampling effort for the program. This length of study will allow for analysis of seasonal variations for selected categories, such as hotels and motels, that are influenced by seasonal factors.

In addition to metered water readings, this study will also require the use of both flowmeters and automatic samplers. Flowmeters are required to keep daily flow records and pace sample collection. Automatic samplers are required for actual sample collections. The automatic samplers will be used to collect discrete samples in 24 separate bottles at each sampling location. The sampler will be programmed to take flow paced samples. The specifications for the required flow meters and samplers will be provided in the Field Reference, which will serve as the basis for bidding the field sampling services.

Laboratory Services and Quality Assurance

Each agency will also be responsible for managing internal resources or procuring local contracted services for all laboratory work, with the assistance of Carollo Engineers in developing the request for proposals. The Implementation Plan describes the analytical standards, methods and protocol for all of the laboratory work. Analytical standardization is required in developing a comprehensive database for the agencies. Laboratory quality assurance/quality control procedures will be established to assess the quality of the data generated by the contract laboratory. In addition, field quality assurance/quality control will be

maintained by conducting a series of unscheduled checks of sampling methods and procedures.

Database Management

Carollo is responsible for the development, construction, maintenance, and quality assurance/quality control of the comprehensive database of the testing results. The agencies and contract laboratories will input the analytical results via the internet to the central database.

The database will be created using a simple and universal program, such as Microsoft Access, that will accept data files from a variety of programs that the laboratories might employ. Database security will be installed to prevent unauthorized read/write access, as well as to provide multi-leveled access among authorized users. The participating agencies will have unlimited access to the database for reports and charts, future updates, customer service relations, or other review purposes either with a CD-ROM package or via the internet.

PHASE III—COMMERCIAL BILLING METHOD ALTERNATIVES/RECOMMENDATIONS

Phase III involves the review and evaluation of commercial user billing methods in order to develop recommendations to improve the commercial user billing system for each participating agency.

Phase III will also include an updated survey of the commercial billing methods of other similar wastewater agencies. The objective of this survey is to develop a comparison of existing and proposed wastewater sewer service rates and charges for the District to rates and charges of similar wastewater agencies in California.

The recommendations for the commercial billing practices will aid in developing more simplified, equitable and defensible billing structures. In addition, Phase III will focus on recommendations in streamlining the collection process and accounting for relocated users. The database will provide the necessary scientific basis for the revised billing structure, and also improve the customer service image by providing the agencies proper support in answering inquiries by commercial users. Phase III will also include an investigation as to the potential economic impact from changes in the commercial billing structures.

ALTERNATIVES

None

CEQA FINDINGS

None

ATTACHMENTS

None

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8-22-01 |
| Item Number | Item Number 15(c) |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Wendy Sevenandt, Project Manager

SUBJECT: GROUNDWATER REPLENISHMENT SYSTEM, JOB NO. J-36

GENERAL MANAGER'S RECOMMENDATION

(1) Approve agreement between Orange County Water District (OCWD) and the Orange County Flood Control District (OCFCD), providing for construction of the Groundwater Replenishment (GWR) System Pipeline within OCFCD right-of-way, and providing for payment of OCFCD inspection fees at an estimated cost of \$100,000, with OCWD and Orange county Sanitation District (OCSD) having equal shares in the amount of \$50,000.

(2) Approve agreement between OCWD and River View Golf (RVG), providing for construction of the GWR System Pipeline within the RVG course, and providing for payment to RVG for lost revenue, advertising, legal charges, and restoration for an estimated amount of \$255,000 with OCWD and OCSD having equal shares in the estimated amount of \$127,500.

SUMMARY

- Two agreements, the first with OCFCD and the second with RVG are ready for execution. These agreements provide for the use of the Santa Ana River right-of-way for construction of the GWR System Pipeline.
- The GWR System Pipeline will be constructed along the Santa Ana River corridor and the Carbon Diversion Channel. Almost all the right-of-way belongs to OCFCD. OCFCD will inspect the work to ensure integrity of the flood control channels. The agreement allows for construction in OCFCD's right-of-way and payment of OCFCD inspection fees at an estimated cost of \$100,000.
- The GWR System Pipeline construction will impact the operations of the RVG located within the Santa Ana River Channel. The agreement will allow for reimbursement to RVG for expenses and lost revenue associated with the construction at an estimated cost of \$255,000.
- OCWD and OCSD will pay equal shares for each of these payments. The OCSD cost is \$50,000 for RVG plus \$127,500 for OCFCD, for a total authorization of \$177,500.

PROJECT/CONTRACT COST SUMMARY

A total authorization of \$177,500 is being requested as shown in the attached Budget Information Table.

BUDGET IMPACT

- This item has been budgeted. (Line item: 2001-02 CIP Budget Sec. 8, page 152)

- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

Please refer to the attached July 30, 2001 Joint Cooperative Committee (JCC) Agenda Item Submittal describing the agreements.

ALTERNATIVES

Not concurring with the approval of the agreements by the Orange County Water District (OCWD). This alternative would make it difficult to proceed with development of the Ground Water Replenishment (GWR) System pipeline facilities to be located along the Santa Ana River Channel and Carbon Diversion Channel.

CEQA FINDINGS

The Environmental Impact Report for the GWR System was certified by the Orange County Sanitation District (OCSD) and OCWD Board of Directors on March 24, 1999.

ATTACHMENTS

Budget Information Table

July 30, 2001 Joint Cooperative Committee Agenda Item Submittal re: Agreements for River View Golf Course and Orange County Flood Control District.

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8/22/01 |
| Item Number | Item Number 16 |

Orange County Sanitation District

FROM: David Ludwin, Director of Engineering
Originator: Andrei Ioan, Project Manager

SUBJECT: SANTA ANA RIVER INTERCEPTOR REPAIRS AND MAINTENANCE,
CONTRACT NO. 2-41-2

GENERAL MANAGER'S RECOMMENDATION

Approve the transfer of \$600,000 from the Santa Ana River Interceptor (SARI) Relocation and Protection, Contract No. 2-41 approved budget to the Santa Ana River Interceptor Emergency Repairs and Maintenance, Contract No. 2-41-2.

Approve a Sole Source Time and Materials Construction Contract with Jamison Engineering Contractors, Inc., for Santa Ana River Interceptor Emergency Repairs and Maintenance, Contract No. 2-41-2, for an amount not to exceed \$450,000.

SUMMARY

- The portion of the SARI in need of immediate protection is approximately 4 miles long, and includes 18 manholes and several river crossings. Anticipated construction work will include:
 1. Construction access roads to each manhole, including two river crossings.
 2. Inspecting the inside of the manholes.
 3. Strapping the manhole covers and cones to prevent them from being washed out.
 4. Installing protection lids inside of the manholes to prevent debris from entering the pipe if the top of the manhole is dislocated.
- The work has to be completed in fall 2001 to provide the necessary protection for the winter 2001-2002 rainy season. The permitting process and environmental constraints will not allow any work before September 15, 2001. The construction work must be complete by December 1, 2001.
- Submitting the project for public bid would make the completion of work before the 2001-2002 rainy season impossible.
- Jamison Engineering Contractors, Inc. (JEC) has performed a preliminary inspection of the manhole exterior and has prepared an assessment of the environmental impact, in addition to the access route surveys.
- The cost of the construction work is estimated at \$450,000. The Staff costs are estimated at \$150,000, for a total of \$600,000.
- The emergency repairs and maintenance have to be performed to protect the Santa Ana River Interceptor (SARI) line until a permanent solution is adopted. Therefore, the

necessary budget of \$600,000 needs to be allocated by transferring the money from the SARI Relocation and Protection, Contract No. 2-41

- The work included in this contract qualifies as emergency work under Article V, Section 5.03, Paragraph G, of Resolution No. OCSD 99-23.

PROJECT/CONTRACT COST SUMMARY

The cost of the \$600,000 for construction work and Staff labor will be provided from the contingencies of the SARI Relocation and Protection, Contract No. 2-41.

See the attached Budget Information Table.

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

A new project budget for Contract No. 2-41-2 is being requested as shown in the attached Budget Information Tables.

ADDITIONAL INFORMATION

The design of the SARI Relocation was put on hold on March 28, 2001. The design was scheduled for completion in May 2001, and the construction was scheduled for completion in the fall of 2003. The Orange County Sanitation District (District) is planning to evaluate other alternatives for the relocation and/or protection of the SARI line. This process will delay the construction completion by 4 – 5 years. During this period of time, the SARI line remains vulnerable to being damaged by large flows in the river.

To minimize the risk of failure, the 18 manholes located in the river need to be reinforced. Also, lids need to be placed inside of the manholes to prevent debris from entering the pipe, and to provide a second line of defense.

The manholes are located in vegetated areas, and access roads need to be constructed to each manhole. Two river crossings also need to be built to access three manholes located in an island.

The repair and protection work needs to be completed before the rainy season to ensure continued operation of the pipeline. Therefore, this effort qualifies as an emergency, according to Article V, Section 5.03, also known as the Delegation of Authority. If the project were sent out for public bid, the work would not be completed in the required time frame. Jamison Engineering Contractors, Inc., (JEC) has performed the preliminary exterior inspection of the manholes and a written report regarding the environmental impact of the access routes to the manholes.

US Fish and Wildlife requested this report. JEC has also completed the survey of the access roads for mapping purposes.

Staff estimates that the internal cost associated with this work will be approximately \$150,000. The construction work has to be performed on a time and materials basis for an amount not to exceed \$450,000.

The funds for this work were not included in the FY2001/02 budget. Therefore, \$600,000 needs to be reallocated from the Contract No. 2-41 approved budget.

ALTERNATIVES

No other alternatives are proposed.

CEQA FINDINGS

Staff has filed a Notice of Categorical Exemption on July 19, 2001. Staff has also submitted the biological survey prepared by JEC to permitting agencies.

ATTACHMENTS

Budget Information Table (Contract No. 2-41)
Budget Information Table (Contract No. 2-41-2)

BOARD OF DIRECTORS

AGENDA REPORT

| | |
|--------------|---------------------------|
| Meeting Date | To Bd. of Dir. 8/22/01 |
| Item Number | Item Number 17 |

Orange County Sanitation District

FROM: Bob Ooten, Director of Operations and Maintenance
Originator: Mark Esquer, Process Engineering

SUBJECT: AGREEMENTS WITH SOUTHERN CALIFORNIA EDISON FOR PURCHASE
AND SALE OF DISTRICT GENERATED EXCESS ELECTRICITY

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manager to execute contract amendments to the existing "As Available Capacity and Energy Power Purchase Agreements" with Southern California Edison, as follows:

- Amendment No. 1 To Power Purchase Agreement – QFID 2640 (for Plant 1)
- Agreement Amending Amendment No. 1 To Power Purchase Agreement – QFID 2640 (for Plant 1)
- Amendment No. 1 To Power Purchase Agreement – QFID 1098 (for Plant 2)
- Agreement Amending Amendment No. 1 To Power Purchase Agreement – QFID 1098 (for Plant 2)

SUMMARY

Purpose

- The purpose of this report is to request Board approval for amendments to the existing contracts with Southern California Edison (SCE) for the purchase and sale of District generated excess electricity. This electricity is generated from the District's Central Generation Facilities at both Plant Nos. 1 & 2. These are deemed to be Qualified Facilities ("QF").
- The proposals have the following advantages:
 - The payment formula for new energy exports is better than the one currently in effect.
 - The pricing resulting from the new formula will allow the District to export power without incurring financial loss.
 - The offer provides for immediate recovery from SCE of some of the past due debt and for interest payments on the remainder.
 - The offer provides the flexibility to move to another formula in the future, if it is advantageous.

Background

- The District has 30-year contracts with SCE for its purchase of excess power from the District's Central Generation Facilities.

- From November 1, 2000 to March 26, 2001 Edison suspended payments to small power producers for the power they provided to SCE and during this period the District exported and sold power to SCE that was worth approximately \$118,000.
- Because of the energy crisis the PUC asked the utilities to negotiate separate payment agreements with the small producers.
- A previous proposal from SCE was rejected by the Board and is described in the attached memorandum from Thomas Woodruff dated June 21, 2001.
- After reviewing the new proposal dated July 30, 2001, staff and General Counsel agreed it was acceptable and sent SCE a letter committing to take the offer to the Board for consideration. See attached letter to SCE from General Counsel dated July 31, 2001.

Proposal

- The two “amendments” stipulate the rate that will be paid for exported power and the repayment method for the outstanding debt for past exports. The two “agreements amending the amendments” make some clarifications to the repayment terms of the amendments.
- The key elements of Edison’s offer are as follows:
 - A 5 year agreement starting retroactively on March 27, 2001.
 - Allows the District a one time election to move to any future QF payment system that may be put forth by the FERC, the PUC, or by the courts.
 - Pays for exported power in advance each month by estimating quantity.
 - Immediately pays 10% of what they owe us for non-payment for several months earlier in the year.
 - SCE makes interest payments each month on the outstanding balance based on 7% annual interest.
 - SCE will pay a second 10% of the past debt when the legislature passes a bailout bill.
 - SCE will pay the remaining 80% of what they owe when they receive the proceeds from the bond issue that will result from the bailout bill.
 - We agree not to sue SCE for past debt.

Summary

- The payment formula proposed is better than the one currently in effect.
- The pricing resulting from the new formula will allow the District to export power without incurring financial loss.
- The offer provides for immediate recovery of some of the debt and for interest payments on the remainder.
- The offer provides the flexibility to move to another formula in the future, if it is advantageous to the District.

PROJECT/CONTRACT COST SUMMARY

The total revenues from sales of power for FY 2000/01 was \$451,000 including the amount still owed by Edison. The revenue for FY200/01 was similar to previous years.

BUDGET IMPACT

- This item has been budgeted. (Line item:)
- This item has been budgeted, but there are insufficient funds.
- This item has not been budgeted.
- Not applicable (information item)

ADDITIONAL INFORMATION

ALTERNATIVES

- Stay with the current power purchase contract and receive less revenue for exported power and have no agreement for recovery of unpaid money for power sales.

CEQA FINDINGS

- None Required

ATTACHMENTS

Memorandum from Thomas Woodruff dated June 21, 2001
Letter to SCE from General Counsel dated July 31, 2001

MEMORANDUM

TO: Chairman and Members of the Board of Directors
Orange County Sanitation District

FROM: Thomas L. Woodruff, General Counsel

DATE: June 21, 2001

RE: Agreement with Southern California Edison Re Purchase and Sale of District Generated
Excess Electricity

This report is submitted as of this date based upon the most current information available to the District. There is a very dynamic changing process which will likely result in some revisions or modification to the facts contained herein, which will be presented to the Board verbally at the meeting of June 27, 2001.

As you are generally aware, the District in 1991 and 1992, brought on-line our Central Generation Project, located at each of the treatment plants. These projects are the large gas fired internal combustion engines, which energize generators for the production of electricity. The fuel used by the District for the energy source on all the engines at Plant No. 2 is almost exclusively the digester methane gas produced in the ordinary course of the District's wastewater treatment process. Plant No. 1 uses about 30% digester gas and 70% natural gas purchased. The District does have time periods when it produces more electrical energy than it needs and as is more particularly described below, sells that energy to Southern California Edison, "SCE", pursuant to two contracts. The electricity is placed in the region-wide grid system for general public use.

When the District brought the Central Generation Project on-line, we entered into two separate agreements with SCE described as "As Available Capacity and Energy Power Purchase Agreements". The Agreement relating to Plant No. 2 was executed September 9, 1991, and the Agreement for Plant No. 1 was executed July 2, 1992. The Agreements have a fixed duration of 30 years and provide for the formula upon which the excess electricity produced by the District is purchased and paid for by SCE. The pricing of the electricity purchased is based upon what is known in the industry as a methodology called Short Run Avoided Cost, "SRAC", calculated and as established by the California PUC. That rate historically has varied depending upon the cost of fuel.

During the first five months of the current fiscal year (FY '00-'01), the District sold and SCE purchased an average of 400,000 Kwh at Plant No. 1 and 550,000 Kwh at Plant No.2, for a total price of approximately \$300,000.00. As we are aware, SCE has expressed considerable concern over its continued financial viability and there is some opinion that it could follow with Pacific Gas & Electric "PG&E", and seek protection in the U.S. Bankruptcy Court. Starting with the November sale of power, SCE has failed and continues to fail to pay District for power delivered between November 1, 2000 and March 27, 2001. At the present time, there is a total outstanding balance of approximately \$118,000.00 owing to the District. SCE has paid for all power delivered since March 27, pursuant to an order of the PUC.

Recognizing that the non-payment was likely to continue for an indefinite period, the District Staff and Management decided that the Central Generation Project should be scaled back and turned down with the result that the District has sold drastically reduced quantities of electricity to Edison, averaging, by example, approximately 30,000 Kwh at Plant No. 1, and 15,000 at Plant No. 2, for most of December through March, 2001. The real reason for the scale back was the tremendously high natural gas prices that made exports by the District uneconomical. The decision to scale back was made prior to SCE deciding that they were not going to pay.

Edison has sought relief both with the State Legislature and the State Public Utilities Commission "PUC" for its own financial crisis.

In an effort to resolve their financial dilemma, SCE has requested the PUC to approve its negotiating and entering into amendments to existing energy purchase agreements with their present customers, which would include the District. They have developed three different standard agreements for each category of generator. The agreement proposed to the District can be summarized as follows:

- SCE will pay District ten percent (10%) of the outstanding balance due, plus seven percent (7%) interest, within five (5) days of both parties signing.
- SCE will pay District ten percent (10%) of the balance due, plus seven percent (7%) interest, within five (5) days of the Legislature and PUC approving its "bailout" plan.
- SCE will pay the total balance due, including interest, within five (5) business days of receiving new debt financing proceeds.
- The District and SCE will change the pricing terms for energy sold to SCE to a fixed rate for a period of five (5) years. SCE to pay 5.37 cents per Kwh.
- All of the terms of the 1991-92 Agreements will remain in force.

We have expressed some significant concern to SCE about the five (5) year fixed term pricing, and we have also questioned whether we should be included in the category of the Renewable Sources Providers at all.

As of June 18, 2001, 5:00 p.m., SCE determined that they had an insufficient number of subscribers accepting the proposal amendment to the agreement. They therefore extended till 5:00 p.m. on June 19, 2001, in which to obtain additional subscribers. They have indicated that if they failed to have sufficient subscribers by that time, the proposal will be withdrawn. In such event, no one knows exactly what the next step would be. The impact on the District is we would continue to simply await any proceedings that would ensure our receiving the past due sums owing. All electricity sold to SCE since March 27, 2001, has been paid for on a timely basis by SCE pursuant to an order of the PUC.

It is the unanimous recommendation of the General Manager and his Staff that the District not enter into this agreement, and to abide by the terms of the 1991-92 Agreements and await further outcomes to determine the best method for collecting the past due sum owing to the District

THOMAS L. WOODRUFF
GENERAL COUNSEL-OCSD

TLW:lam

cc: Mr. B.P. Anderson
Mr. G.G. Streed
Mr. R.J. Ooten
Mr. D.D. Halverson

MEMORANDUM

TO: Chair and Members of Board of Directors
Orange County Sanitation District

FROM: General Counsel

DATE: August 15, 2001

RE: Groundwater Replenishment System—Resolution re
Disclosure of Contacts by Prospective Bidders

As directed by the Board at its last meeting, we have prepared the Resolution on this Agenda. While there was some expression that the Resolution should be broadened to address all contracts awarded by the District, this Resolution is limited, at this time, to the GWRS Project. If it is expanded to all contracts awarded by the District, either an amendment to this proposed Resolution or an additional new Resolution can be prepared for immediate consideration by the Board.

The Resolution is rather straightforward and simple, in that it provides that no Board Member shall participate in any form of contact or communication with any prospective bidder, contractor, or consultant outside of a public meeting, unless he or she fully discloses the date, time, and nature of the communication, as well as identification of the party with whom it was made. This will all be put into the official records of the District. The Resolution, as drafted, provides that a violation shall not operate to invalidate any action or actions taken by the Board of Directors in connection with the awarded contracts. If it is the desire of the Board to have a very strong enforcement mechanism, then the following language in Section 4 could be substituted.

Section 4: A violation of this Policy and Procedure by a Director involving the contractor or consultant awarded the contract, shall be grounds for the Districts' as owners of the System, to terminate the contract for cause."

If this becomes the adopted policy of the District, the contracts would need to contain an express provision advising the contractors of the contents of this Resolution and having the contractors declare that they have not had any communication that has not been reported. This will have the benefit of placing the burden on a contractor to be certain that in dealing with any Director, that he ensures that the Director discloses it to all Members of the Board. In effect, the contractor will police the enforcement of the Resolution, for to do otherwise, would place the risk of losing a significant contract that it had been awarded. It is further recommended that the Board, if this Resolution and Policy is approved, make a strong recommendation to the Orange County Water District Board, that a virtually identical Resolution and Policy be considered and approved by its governing Board.